

DIGITAL ECONOMY: INNOVATION GROWTH AND OTHER IMPLICATIONS FOR THAILAND

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Much has been said about the impact of the Digital Economy, especially the creation of fresh opportunities for business and the empowerment of consumers. Yet at the same time, the Digital Economy also has profound effects on the direction of a country’s development. Indeed, for a country like Thailand, such effects and the public sector’s response to them will determine the path of the country’s next stage of growth and development and the livelihood of its people.

Thailand, as with many emerging markets and middle income countries, has been struggling to maintain the pace of economic growth, she has enjoyed for many decades. Despite the ability to emerge from economic and political crises relatively successfully, it has become clear that the country now faces more difficult structural issues. Caught in the classic middle income trap, it is widely acknowledged that a new growth model is required. The abundance of natural resources and surplus labor in the agricultural sector that had enabled businesses to have access to cheap labor and have competitive edge no longer exist. Investment in industries that exploited these advantages now find it more attractive to move to economies that are emerging from low income or those who have just opened up to global markets. At the same time, the country lacks the know how to compete with more advanced economies. That is why at the current government has

launched the Thailand 4.0 initiative. Digital Technology offers a golden opportunity to restructure.

The term ‘Thailand 4.0’ comes from mimicking the ongoing shift in technology which has been called the fourth industrial revolution. The issue is not just the availability of the digital technology. We have had that now for a couple of decades. What is happening now is that everything is becoming integrated which has led to some fundamental changes for everybody. So even if this Government did not talk about Thailand 4.0, the reality is that our lives have been fundamentally transformed by the technology. Both opportunities and challenges are created. How we handle these changes will determine the future of our country, economy and society. All technologies create new opportunities but all new technologies inevitably disrupt. They disrupt the way we have been doing things and the way we see and categorize things. Is an Uber driver an asset owner, a producer, an employer or a consumer all at the same time? Are we now all journalists because we all report via social media? We will struggle to fully grasp the implications of technological progress if we try to hold on to old labels and categories from the industrial age.

While the market mechanism and the profit motive will incentivize businesses and the private sector to adapt and take advantages, how much they can do so and what they will have on the general welfare of people will also depend on the public sector’s policy and regulatory framework. The issue is less about the size of government, but what role the public sector should play.

The challenge for Thailand is clear, the need to increase the values of our goods and services we produce. Doing so in the agricultural sector is the only sustainable way to lift the living standards of our farmers, who will most likely become traders who use technology to get their produce straight to consumers, tables, and supermarket shelves both in Thailand and abroad. In industry, it will no longer be good enough for us to have a workforce that can only assemble parts and pieces for export. We will have to be involved in design, in customization and so on. In the service sector; including tourism, value must be created from ideas and creativity, not just from traditional assets. In order to do so, we have to tap into talents, particularly talents on both technology and creativity. Thus one of the biggest challenges for us is human resources, an area which cannot be overemphasized. Our education needs an overhaul to equip people with the right talents, skills and mindsets to take advantage of the digital economy. As an example, in Thailand, as you move into the second half of secondary schools, you are forced to choose between whether you want to study sciences or the arts. Yet now many businesses need people with skills in both technology and art. Even successful technology products and services need to have attractive designs and be user-friendly as well as having the required technological specifications. This is but one of many aspects where our education falls short. The emphasis on rote learning, the lack of motivation for students to ask questions, challenge or even disrupt in order to be innovative demonstrates the need for drastic change.

That is why public policy and the role of the public sector becomes crucial. There are many other areas apart from education, research and training. Take another example, the need to promote small and medium enterprises. If we want talented young people, to have different aspirations from the older generations, which was to go and

work for organizations but now want to be self-employed, be entrepreneurs, we must rethink about our financial system. The traditional banking system is not well-suited to provide the right form of finance for these enterprises. Alternative sources and forms of finance need to be created. This requires new frameworks and regulations for the financial sector. It can be very frustrating for the private sector when the public sector is slow to move and outdated laws and regulations become barriers. Even today, after well over a decade, many laws on e-commerce still do not facilitate the digital economy as they should. Close partnership and consultations between the business and the public sector are key to overcome these kinds of problems. Everything is about speed these days, the longer the regulations and the laws hold us back, the more we lose out to other countries. The public sector simply has to change its mindset and processes to successfully move the country forward.

Such changes are not only confined to infrastructure, be they physical, human, or regulatory in nature. There is also a need to recognize the cultural changes brought about by the digital economy. To support and make the digital economy benefit everyone, policies to support fundamental freedom, liberty and rights as well as decentralization are essential since such an environment is conducive to creativity and encourage innovation and value creation. Moreover, the government must be mindful of the need to distribute the opportunities and benefits of the digital economy as widely as possible. We are already witnessing in the political world a strong backlash against globalization and the New Economy. From Brexit to Donald Trump to the Philippines, we see how a vast number of people feel disaffected, left behind, and marginalized. They feel they cannot keep up with the changes. This is a very serious issue and challenge we must confront. A widening digital divide can lead to social tension, even violence and can fall prey to

politicians who feed on fear, anger and frustration which in turn can take countries into cycles of populism, authoritarianism and protectionism, all of which will only exacerbate the problems. To prevent this, policies to restructure must take into account the problem of fair competition and distribution. Big data and the importance of networks tend to create natural monopolistic power. Moreover, with technology breaking down the borders between different business sectors, both horizontal and vertical integration will take place. The challenge is to encourage and allow innovation without creating entrenched monopolies with unchecked power. Another important challenge is that the digital economy is not labor intensive so the issues of labor absorption, mobility and an adequate welfare system require policy innovations.

Other issues will also need to be tackled at an international, if not global,

level. We have a global market place. We have a global playing field but we don't yet have an appropriate global governance structure. From common standards to tax jurisdiction, individual national governments cannot manage these issues on their own. It is time they coordinate to achieve both efficiency and equity goals.

While many issues may seem like daunting challenges, we must recognize that technology cannot be "disinvented", but will only disappear by being superseded by even newer technology. We must learn to embrace the changes, remembering that they extend frontiers of opportunities to lift our standard of living higher. For Thailand, this is an opportunity to restructure and embark upon the next stage of growth. Policy makers and the public sector must anticipate the impact of changes and help create an environment where we can all benefit from them.