

A TRAIN THAT'S NOT TO BE MISSED

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THE RECENT economic crisis has impelled Thailand to rethink her strategy for coping with the new global economic landscape.

It is now a consensus that world economic growth this year will be driven by emerging-market countries, especially those in Asia, while positive talk of Asia being the new growth centre has become more and more imperative.

Highly competitive Asian countries will naturally benefit from this new shift in resource allocation.

In fact, we already see financial resources flowing into Asia and more are expected to come. Against this backdrop, Thailand must upgrade her competitiveness through effective investment.

Unfortunately, the aggregate physical investment or gross fixed-capital formation at the country level doesn't look so supportive.

Over the past 10 years, investment in Thailand has been appallingly sluggish - its present level only accounts for 70 per cent of the peak in 1996.

ALL PARTIES CONTRIBUTED

This is despite the fact gross domestic product had already exceeded the 1996 level eight years ago.

This is analogous to saying that annual flows of national income have substantially exceeded the 1996 level, yet little of these is allocated to investment.

A deeper inspection reveals that investment slumps were contributed to by all parties, from both the public sector and the private sector.

Some may claim that the investment slumps are a structural issue springing from the 1997 crisis, but even among the Asian Crisis countries, Thailand's investment recovery came last in the race.

Korea, Indonesia and the Philippines already had their investment levels surpassing their peaks many years ago while Thailand still has some way to go.

It doesn't take an economist to say how alarming this is, since everyone should know that investment is the key to economic advancement.

If this trend continues, Thailand will eventually lose her competitiveness, which is now all the more important for two main reasons - survival and opportunity reasons.

First, competition is likely to intensify, as the world's largest economic bloc, wounded by the sub-prime crisis, lost her consumption strengths.

Countries with the most efficient production will be the winners while the less efficient ones will lose out. In this regard, Thailand is at risk of losing out.

THAILAND MUST INVEST

The second reason refers to the opportunities mentioned above that come with Asia being the new growth centre. Thailand must invest to maintain her competitiveness in order to catch the eyes of foreign investors.

Again, no one will want to miss the train, especially one that comes with opportunities.

That is easier said than done. How to unleash investment in Thailand is indeed a daunting challenge to all policymakers.

What causes the sub-par performance of Thailand's investment and how to promote investment will be some of the topics to be presented at the Bank of Thailand's economic symposium coming up from September 21 at the Grand Centara Hotel.

My colleagues and I will explore in detail the rise and fall of Thailand's investment using both macro and microanalysis to formulate appropriate investment policies for Thailand.

(The views expressed are the author's own.)

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