

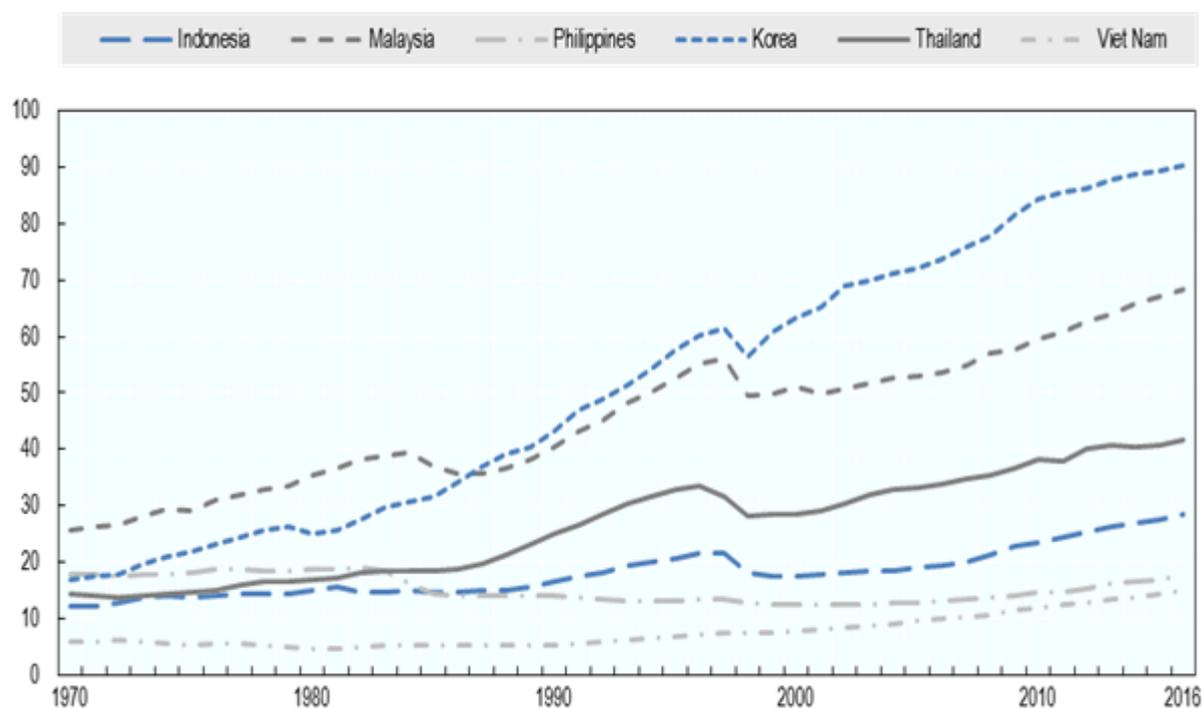
Thailand's achievements and challenges as it aspires to become an inclusive high-income country

By Hidekatsu Asada, Head of South East Asia Desk, and Vincent Koen, Head of Division, Economics Department

From a feudal trading hub connecting South with East Asia in the 18th and 19th centuries, Thailand has developed into a rapidly modernising and more urban economy. The second half of the 20th century saw the rapid expansion in manufacturing and services, which underpinned its transformation into an upper-middle-income country (Figure 1).

Figure 1. GDP per capita in per cent of OECD average

Computed at 2016 PPP USD



Source: Conference Board (2017), Total Economy Database, May 2017.

To achieve high-income country status by 2036, as is

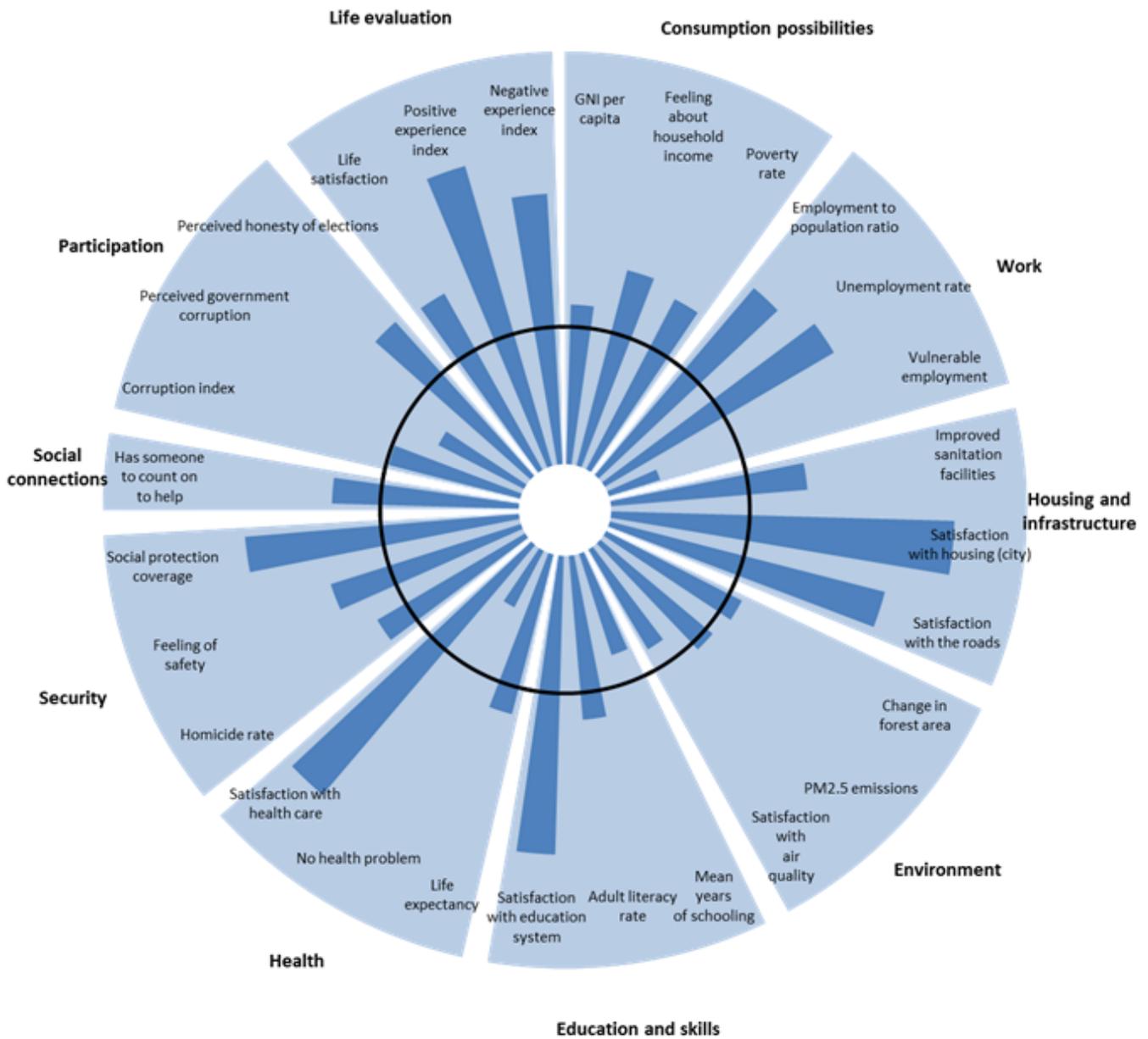
Thailand's ambition, growth will need to rise from its current pace of around 4% to a cruising speed of 5-6% per annum. At the same time, Thailand's pursuit of the United Nations 2030 Sustainable Development Goals reflects its commitment to make this growth more inclusive and environmentally sustainable.

The constraints and challenges Thailand faces in this process are discussed in the OECD's first comprehensive evaluation of Thailand's socio-economic development, the Initial Assessment report of the Multi-dimensional Review of Thailand (OECD, 2018).

Compared to countries at a similar level of development, Thailand performs relatively well in most well-being dimensions. Performance is notably strong in terms of life expectancy and social security (in particular thanks to the Universal Health Care programme implemented from 2002). The picture is more mixed, however, when it comes to dimensions such as the environment, education and skills, or work. For instance, while unemployment is very low, working conditions are worse than might be expected given Thailand's level of development (Figure 2).

Figure 2. Current and expected well-being outcomes for Thailand: worldwide comparison

Progress on various dimensions of well-being measured by the OECD's "How's Life?" toolbox



Note: The bars represent the observed well-being values for Thailand and the black circle shows the expected values based on Thailand's level of GDP per capita. The latter stem from a set of bivariate regressions with GDP as the predictor and the various well-being outcomes as dependent variables from a cross-country dataset of around 150 countries with a population over a million. All indicators are normalised in terms of standard deviations across the panel. The observed values falling inside the black circle indicate areas where Thailand performs poorly in terms of what might be expected from a country with a similar level of GDP per capita. As this figure only shows outcomes at the national level, disparities between regions might be masked.

Source: OECD (2018), Multi-dimensional Review of Thailand: Volume 1. Initial Assessment, OECD Development Pathways, OECD Publishing, Paris.

The Initial Assessment report identifies a number of key priorities for policymakers in Thailand.

First, structural change is needed to create more quality jobs

and overcome regional imbalances. The necessary structural reforms encompass addressing infrastructure bottlenecks, promoting innovation and enhancing competition. Improving education and life-long skills training is key in this regard.

Second, Thailand's ageing population and pervasive labour informality make better provisioning and funding of social protection essential. The fragmented social security system does not adequately protect the large informal and precariously employed labour force, and many elderly are at risk of poverty. While public finances are presently in robust shape, gradual revenue increases will be needed to fund rising pension and healthcare outlays arising from a rapidly ageing population and declining workforce. Inducing greater formal labour market participation will be key to expanding social protection and boosting tax revenue.

Third, environmental conservation and disaster risk management should be prioritised. Thailand has to enhance the management of its natural resources to safeguard sustainable development. Rapid urbanisation has put pressure on water resources and quality, and the effectiveness of water management must be improved. Insufficient disaster prevention readiness in the face of recurrent droughts and floods also entails significant costs. Measures to better mitigate and adapt to climate change are necessary to meet agreed international commitments and minimise economic and social losses.

Last not but least, Thailand's sustainable and inclusive development requires good governance and effective public service delivery. Good governance is essential to enable markets to provide goods and services in an efficient manner, with minimal diversion of resources to less productive uses. Challenges in the public sector such as the gap between planning and implementation, and insufficient inter-ministerial co-ordination and public participation, must be overcome for the government's aspiration to high-income-country status while ensuring inclusive growth and sustainable

development to be realised.

Reference

OECD (2018), *Multi-dimensional Review of Thailand: Volume 1. Initial Assessment*, OECD Development Pathways, OECD Publishing, Paris.