

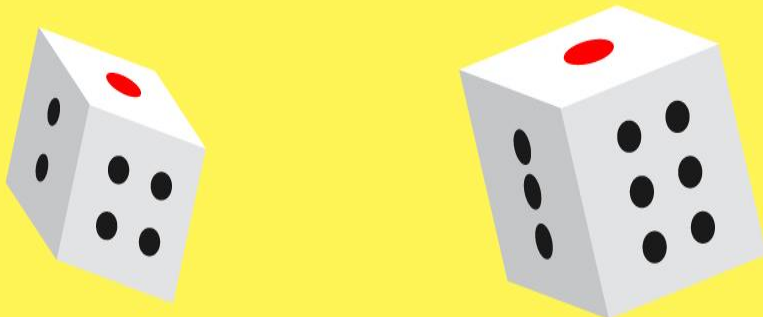


# Policy Priorities in the GMS: Role of Research and Collaboration

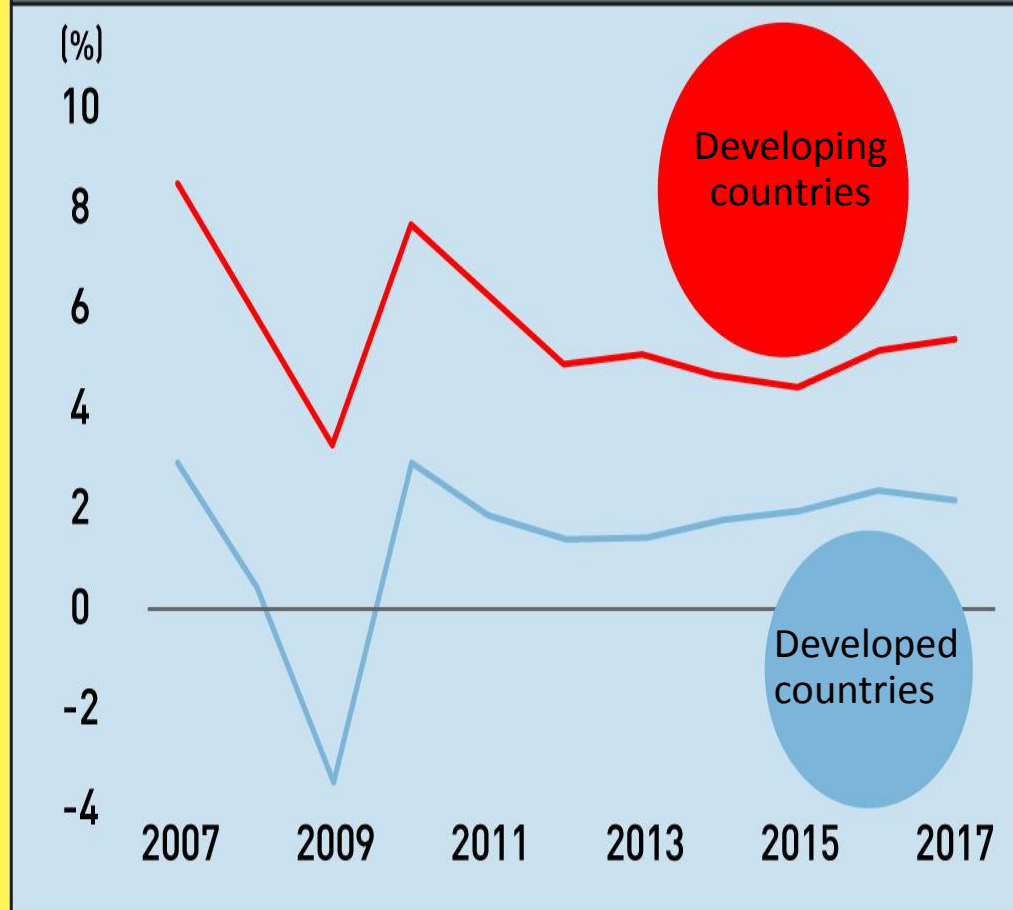
*Somkiat Tangkitvanich*

Many middle-income countries have experienced growth slowdown

They are believed to be stuck in the so called 'middle-income-trap'

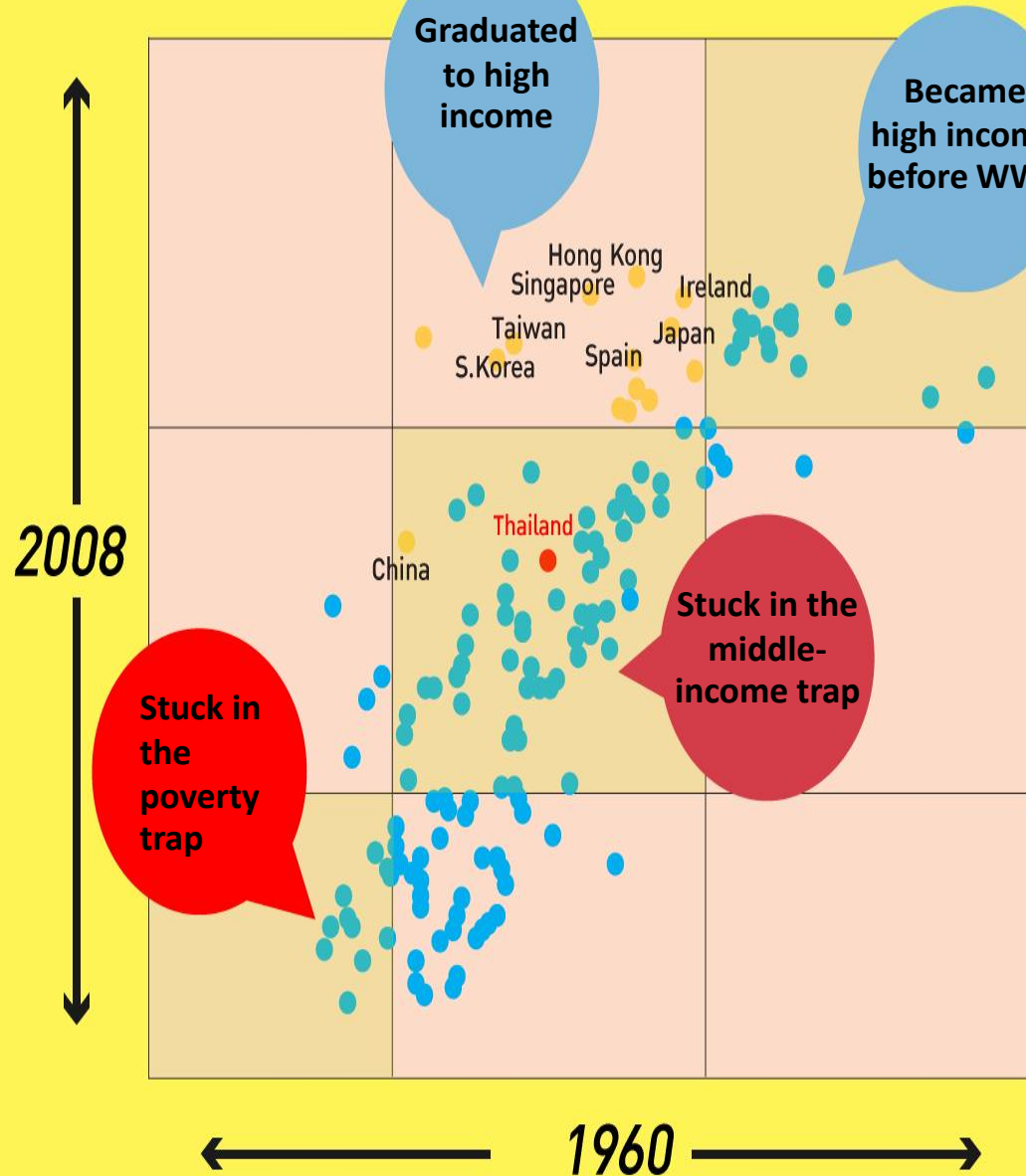


## Economic Growth Rate

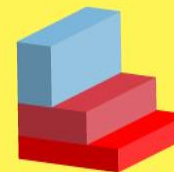


Source: World Bank

# The 'Middle-Income Trap' (MIT)



*Only 13 out of 101 countries can escape the trap*



*Escaping the middle-income trap is harder than escaping the poverty trap*



*A few high-income countries fell back to the trap*

# Why must Thailand

escape the MIT?

*Thailand will be a completely aged society in 10 years*

- *Inadequate pension*
- *Rising healthcare cost*
- *Changing family structure*

**Middle  
Income Trap**

CLMV will face the same problem decades later

97,363

Netherland

51,590

German

47,627

Japan

36,194



S.Korea

27,970

Malaysia

10,829

Thailand

5,560

Indonesia

3,511

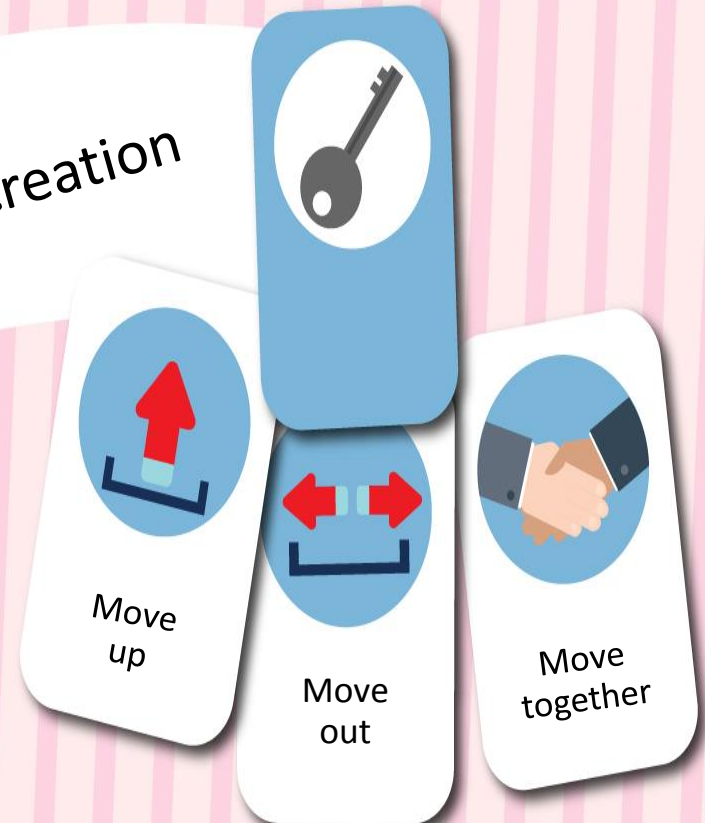




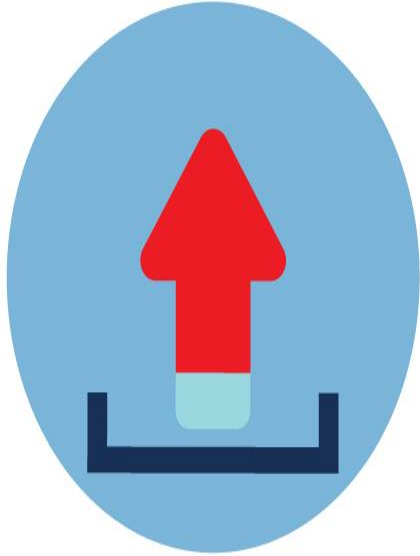
## How to escape the MIT?

*Target: Obtaining  
sustained dynamic growth*

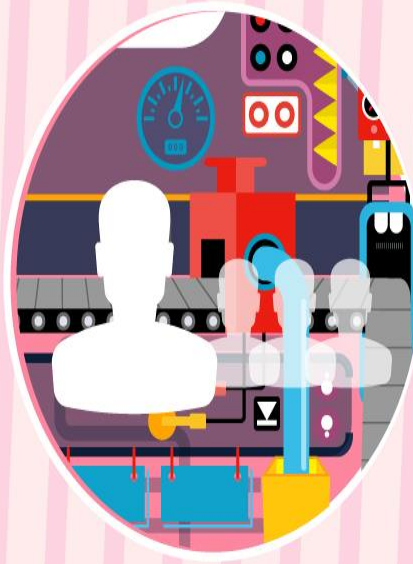
Key is value creation



*Move up, move out and move together*



**Move up**



*Increase  
efficiency by  
'lean'  
production*



*Increase added value*

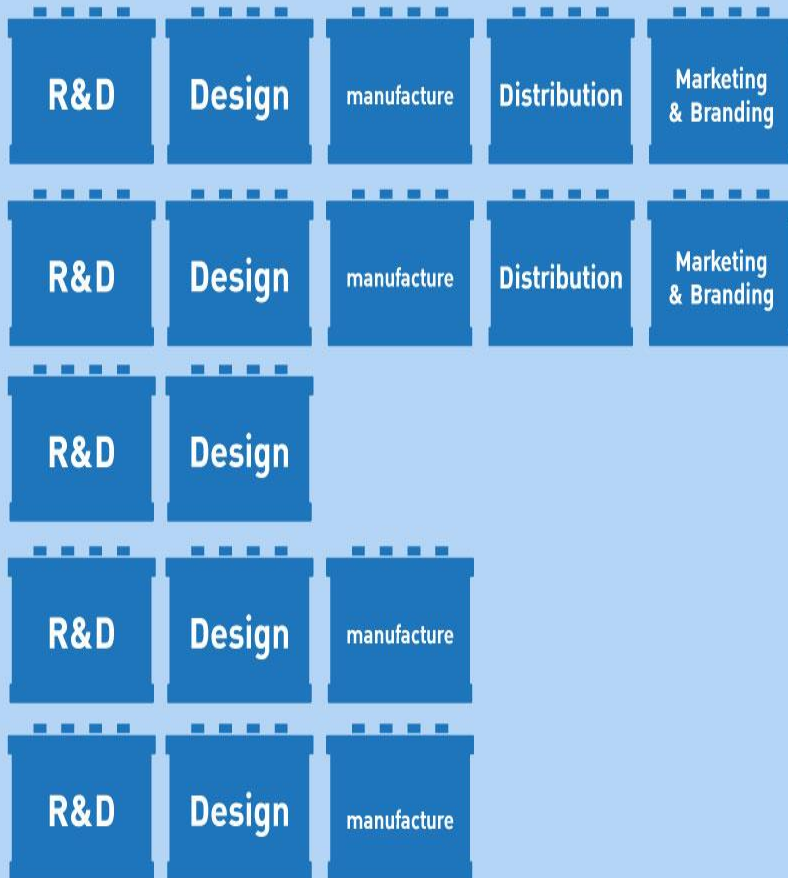
R&D

Product  
design

Brand  
building

Institutional building / Education reform

# Benefits of R&D



Products with R&D have profit margins 20% over non-R&D ones



OBM products have profit margins 24% over OEM ones



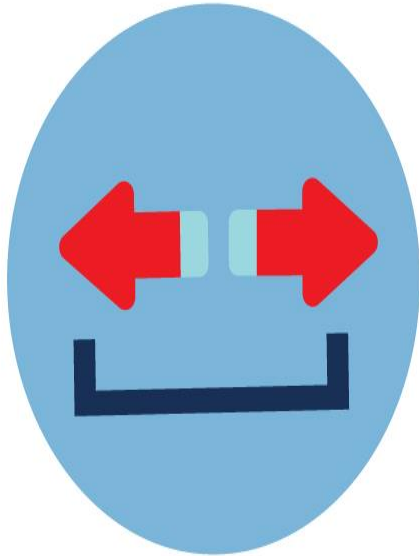
Products can compete with those of Texas Instrument's



Common rails produced are competitive in the global market



Has highest market share of catering hi-loader trucks for Airbus 380



## Move out



### *Relocating production*

Stop attracting unskilled labor  
by promoting outward FDI

Develop skills to manage  
international supply chain



### *Expanding markets*

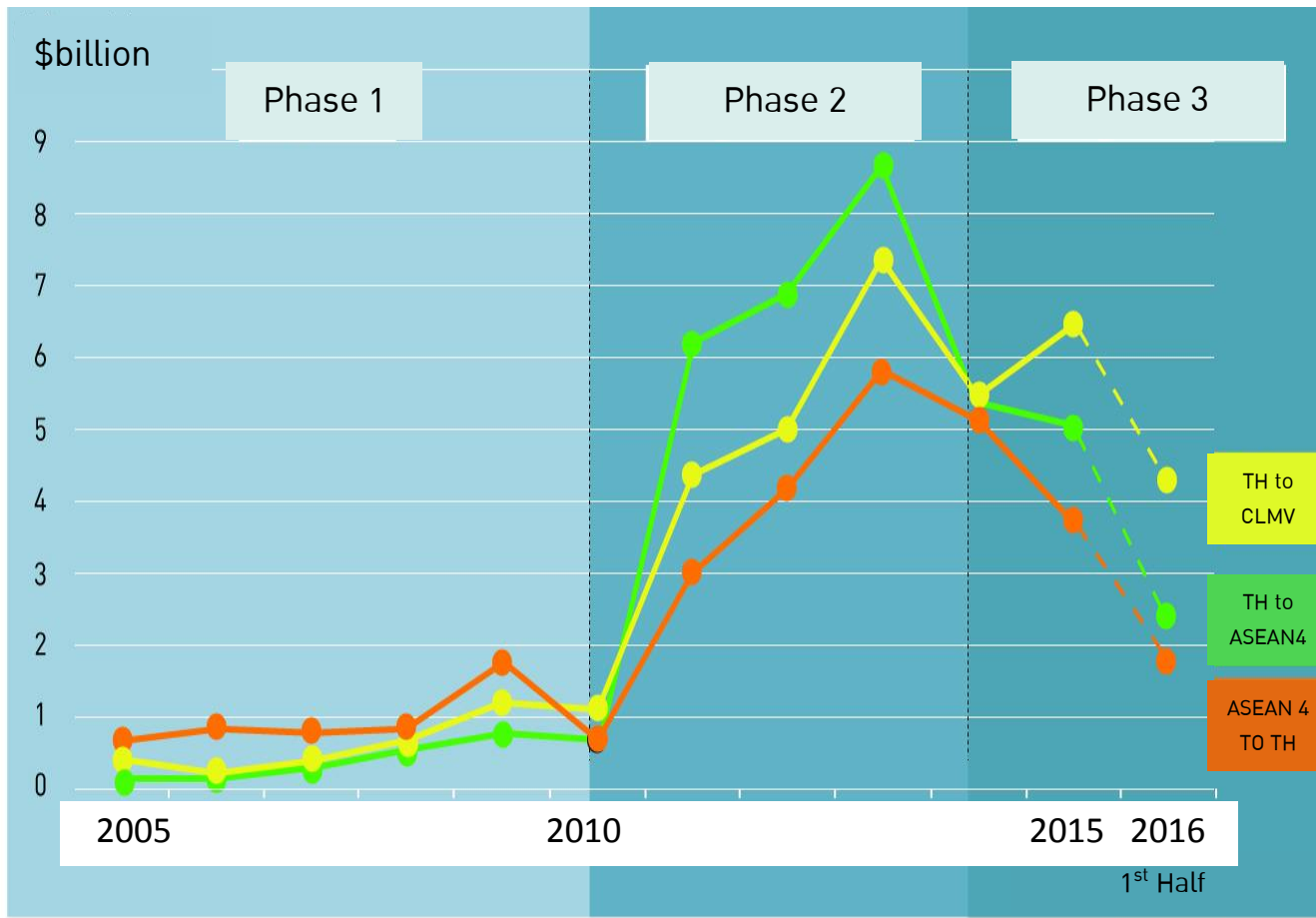
Improve products and  
build regional brands

CLMV are fast  
growing export markets



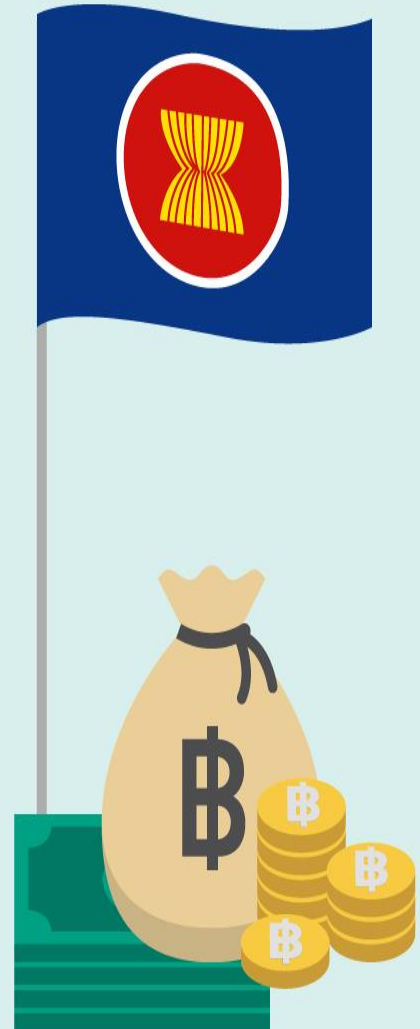
## The Growing Outward Investment

FDI between Thailand and ASEAN4



Note: ASEAN4 = Malaysia, Indonesia, the Philippines and Brunei

Source: BOT





**Move  
together**



*Responsible  
Investment*

*Providing  
Assistance*

*Sharing  
Development  
Lessons*



*Developing Infrastructures  
and Connectivity*

*Developing Manpower*

*Institutional Building*