

Thailand: innovation profile (Innovation in Southeast Asia)

Thailand has joined the ranks of middle-income countries, but further growth will have to come from innovation and efficiency improvements in the manufacturing and services sectors. Since the 1980s, economic performance has depended on foreign investment and exports. Thailand has become a key production base for global automotive and electronics firms from Japan, the United States and Europe. The agricultural sector employs over 40% of workers and Thailand continues to be one of the world's largest rice exporters. Services carry great potential for growth, but tourism has been threatened by political instability. Economically, Thailand is in a "middle-income" trap. On the one hand it is under pressure from lower-cost but more dynamic economies such as China, India, Viet Nam and Indonesia; on the other, it is threatened by the more technological, learning-intensive economies of the original four Asian Tigers (Singapore; Korea; Hong Kong, China; and Chinese Taipei). The government has adopted a dual track policy to enhance the capabilities of Thai firms while increasing international competitiveness by expanding foreign investment, exports and tourism. The cluster concept, focused on automobiles, food, fashion and software, underpins industrial and innovation policy. Programmes to encourage R and D and technology development have had limited results. Thailand has derived few technological capabilities from multinational firms, which primarily transfer technology embodied in equipment. Levels of R and D spending, S and T workers and patents are below those of Thailand's principal competitors. Thailand can boost performance in the long term by improving the skills level of the labour force, investing in ICT infrastructure, and better co-ordinating and implementing S and T policies. Upgrading the country's innovative capabilities depends, in part, on enhancing the quality of teaching and research at Thai universities, investing in targeted public research facilities, and providing R and D incentives to foreign and local firms. To move beyond labour-intensive parts production and assembly, firms in Thailand's manufacturing sector will need to strengthen collaborative innovation linkages.

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