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Eastern Economic Corridor (EEC): Updates and Ways Forward

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On 28 June 2022, the cabinet approved the Action Plan on Eastern Economic Corridor (EEC) Infrastructure and Public Utilities (2023-2027). The Plan envisages enhanced connectivity for all systems that is seamless, safe, and modern to uplift the living standard and transform EEC into an economic hub of Asia. EEC is a development initiative aimed at invigorating three Eastern provinces (Rayong, Chonburi, and Chachoengsao) covering 13,000 square kilometres. It focuses on fostering and strengthening 12 targeted sectors: next-generation automotives, intelligent electronics, high-value and medical tourism, advanced agriculture and biotechnology, food for the future, automation and robotics, aviation and logistics, biofuel and biochemical, digital, medical, and comprehensive healthcare, defense, and education and human resource development. The

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scheme is also a heart of Thailand 4.0 policy seeking to transform the country into an innovative and value-based economy.

To achieve its vision, the Action Plan relies on three strategies: (1) increasing the capacities and connectivities of railway and waterway systems; (2) upgrading the transport networks for seamless movements of people; and (3) leveraging modern technologies to bolster the transport networks. The Plan covers 77 infrastructure projects which are altogether worth 337 billion baht. Examples of projects include the development of U-Tapao Airport, Map Ta Phut and Laem Chabang seaports, and high-speed railways. Both public and private sector will invest in these programmes. The Thai government will solely fund 61 projects (worth 178.6 billion baht). The money will be drawn from the fiscal budget, public enterprises' budget, and loans. The remaining 16 programmes will be financed by the private sector or public-private partnership (PPP).

The Action Plan will be implemented in three phases. The first phase, which will happen in 2023, will pursue 29 projects. They encompass the construction of the dual-track rail system linking Si Racha District of Chonburi Province with Map Ta Phut District of Rayong Province, the high-speed taxiway at U-Tapao Airport, and clean energy projects. The second phase running from 2024-2027 will witness the implementation of 48 programmes. Some examples are the development of the dual-track rail system linking Chonburi and Rayong provinces, the high-speed railway connecting Rayong, Chonburi, and Trat provinces, and the building of a dry port at Chacheongsao province. The third phase, which will occur from 2028 onwards, emphasises accomplishing sustainable development of EEC and linking EEC with Cambodia, Laos, Myanmar, and Vietnam. Beside these deliverables above, this Action Plan also prioritises finishing the incomplete work in the previous 2017-2022 Plan.

Benefits of the 2023-2027 Action Plan and EEC

The 2023-2027 Action Plan yields multiple benefits to Thailand. First, it is estimated that the infrastructure development during 2023-2027 will generate about 20,000 jobs per year. It will add about 12,000 jobs annually from 2028 to 2037. If fully completed, the infrastructure will shorten the travel time between Bangkok and EEC to less than one hour, raise the quality of life, and address logistics bottlenecks for the population and businesses. The full expansion of the U-Tapao Airport will enable the facility to handle 60 million travelers per year.

The Action Plan is crucial to realising EEC, which will in turn contribute to Thailand's economic growth and development. According to the EEC Policy Committee chaired by the Prime Minister, the zone will attract investment of 500 billion baht per year from 2022 to 2026 and raise the annual GDP by 1.5% during this period. The Plan will enhance the competitiveness of high-tech industries as reflected by the EEC's 12 targeted sectors. This will hence boost Thailand's preparedness for the economy of the future which is rapidly digitalised and driven by artificial intelligence. Moreover, EEC can help the state escape from the middle-income trap. The middle-income trap is a situation when a country is stuck at the middle-income rung and unable to move up and become an advanced, high-income economy. Since EEC can spur investment and innovation in high-tech sectors, it will eventually enable Thailand to climb up the global value chains and capture more value-added tasks in the chains, raising the national income.

The rising Sino-US tensions and Biden Administration's maintenance of most Trump-era tariffs on Chinese goods have caused supply chain disruptions. This has resulted that several companies decided to relocate their factories from China to Southeast Asia as part of their diversification effort. In other words, international capital has increasingly been diverted from Beijing to regional economies. Since EEC offers incentives to foreign investors, it allows Thailand

to seize these business opportunities and boost inward investment. Subsequently, the initiative will help the country recover from the adverse impact of COVID-19 pandemic amidst the intensifying US-China rivalry.

What is Needed to be Done

Looking ahead, several things are needed to be done. The first task is to ensure that the projects are carried out within the timelines set in the new 2023-2027 Action Plan. The story of implementing the previous 2017-2022 Action Plan taught us about the effects of COVID-19. The pandemic led to lockdowns and restricted deployment of workers to the construction sites, resulting in implementation delays. At the time of this writing, the Thai government is maintaining a “living with COVID” strategy despite the surge in cases driven by the Omicron variant. While this strategy has eased the labour movements within EEC, it is still imperative for the government to come up with contingency plans to better prepare for possible new virus variants which could derail the timely implementation of the new Action Plan.

Second, some EEC infrastructure development will rely on the private sector. As mentioned above, the private sector and PPP will finance 16 projects (or 21% of the total projects) under the 2023-2027 Action Plan. Therefore, the tendering process must be made more transparent. The news regarding the controversial bidding of the water supply systems in EEC which later triggered a formal investigation in May 2022 does not bode well for Thailand. As these irregularities discourage future investment into EEC, they must be abolished.

Third, investment into EEC tends to concentrate in some industries, namely automotives, electronics, and food processing. It is unsurprising because they are the ones that Thailand enjoys a comparative advantage. While the incentives given by Board of Investment (BOI) such as

corporate tax exemption and reduction are laudable, these elements alone will do little to attract future investment if Thailand does not possess a comparative advantage in the sectors that entrepreneurs want to invest in. Thus, the pressing question is: “How to build a comparative advantage in the other targeted industries?” One approach is developing competitive and skilled workforce that is well-endowed with digital knowledge. The current situation is alarming. The recent study by Workday transpires that 91% of the organisations in Thailand lag behind in digital agility (i.e., an ability to leverage digital enablers to adapt to market changes). This reflects that the country is in dire need of digital talents. As a result, the government must build such workforce. This will require, among others, revamping higher education as well as technical and vocational training curricular, and offering subsidised short courses to upskill and reskill the Thai labour.

Finally, galvanising the three Eastern provinces via the EEC scheme is logical because they are more developed zones. Yet, it is very important to create linkages between EEC and other development initiatives in non-EEC areas in order to generate and facilitate the spill-over effects of this scheme on the other parts of Thailand. Going forward, the government should consider giving incentives to companies to relocate some of their business operations to second-tier or third-tier cities outside EEC. For example, with advanced information and communications technology (ICT), after-sales services could be done in these towns. Doing so will help accomplish wider and inclusive growth, hence addressing inequality among the population.