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World Bank pushes for services liberalisation

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Services liberalisation is the key growth engine for Thailand if it wants to avoid the middle-income trap, says Mathew Verghis, World Bank lead economist for Cambodia, Laos, Myanmar and Thailand.

He acknowledged Thailand took a big step forward in economic development when it liberalised the manufacturing sector, but it has not done so with services, where several restrictions persist.

Taiwan and South Korea both started as manufacturing countries but were able to sustain growth because they took steps to increase the share of services in their gross domestic products (GDP). China is also increasing its services sector even though it is a manufacturing powerhouse.

In contrast, figures from Thailand show a falling share of services in GDP, he said.

He added the reasons restrictions on services persist are a lack of political commitment as well as genuine readiness to do so. He feels once there is a clear political commitment to liberalise the sector, readiness will follow, but both factors are needed to proceed.

Mr Verghis said the Asean Economic Community (AEC) is a good first step toward liberalising services because it lays the framework for that change within Asean.

Thailand has reached the limit of low-wage manufacturing and to realise more sustainable growth, it must develop skills to move up the value chain, he said.

“Lack of skills in some areas and skills mismatch are major obstacles, not just for hard skills but also soft skills,” Mr Verghis said.

Thailand must enhance the quality of its educational system, particularly basic education in areas outside of Bangkok and not just vocational training, he said.

“The quality of education in Bangkok is roughly compatible to the quality of education in the United States, so the main issue is to enhance standards outside of Bangkok. If basic education can be improved in Bangkok, it can be replicated elsewhere as well,” said Mr Verghis.

In order to move up the development ladder, Thailand must also undertake measures to add value in regional trade, he added.

Surin Pitsuwan, secretary-general of Asean, urged the country to invest more in research and development and raise competitiveness.

“We cannot rely on the modality we began with 40 years ago in which capital investment, technology, and management all came from outside, such as Taiwan and Japan, where we produced for export because Thais did not have any purchasing power,” said Dr Surin.

“Now capital will have to be mobilised within Asean and this country.”