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Thailand’s Eastern Economic Corridor: The Next Major Economic Zone Of ASEAN

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The Thai government has made structural reform a national agenda and has launched several important initiatives. One of the main focuses is to develop Eastern Economic Corridor (EEC) into a leading ASEAN economic zone with extensive infrastructure investments to support transport, logistics, and public utilities. It will also serve as ASEAN’s sea transportation hub, which can connect with the Dawei deep-sea port in Myanmar, Sihanoukville port in Cambodia, and Vung Tau port in Vietnam.

The EEC could be seen as part of the Chinese geo-economic doctrine for OBOR (One Belt, One Road) the trans-national connectivity project to connect China with Asia, Europe and Africa through the land corridor and the sea corridor to augment global trade and economic cooperation.

I. The EEC Development
This strategy will establish the EEC as a special economic zone across three eastern provinces – Chonburi, Rayong, and Chachoengsao – to attract investment in industries of the future. The implementation of the EEC will be based on three pillars: infrastructure upgrade, new industry development, and investment incentives and facilitation.

The EEC is designed to facilitate business operations with extensive infrastructure investments to support transport, logistics, and public utilities. Infrastructure investment in these areas includes U-Tapao International Airport, Sattahip Commercial Port, Laem Chabang Port, and Map Ta Phut Port. Other investment projects include a special highway linking Bangkok with Chon Buri, Pattaya, Map Ta Phut, Laem Chabang, and Nakhon Ratchasima, and a double-track railway, with the first section from Chachoengsao to Khlong Sip Kao and Kaeng Khoi, and the second section from Bangkok to Rayong. The Chuk Samet deep-sea port will be developed for yachts and cruise liners and will connect with other ports in the Gulf of Thailand and the Andaman Sea. The objective is to accommodate more business activities in the future.

Beyond building physical infrastructure, the EEC will promote ten target industries, which will become mechanisms for the new engine of growth. The ten target industries are divided into two categories. The first one involves the First S-Curve

Exhibit 1: EEC As ASEAN’s Sea Transportation Hub

Source: MOI
industries, that is, the five existing groups of industries in which Thailand has high potential. These industries include next-generation automotive, smart electronics, affluent medical and wellness tourism, agriculture and biotechnology, and food for the future. The second group is the New S-Curve, comprising industries for the future: robotics, aviation and logistics, biofuels and biochemicals, digital, and medical hub.

To gear Thailand towards sophisticated high-valued manufacturing, innovative manufacturing, and modern services, the Board of Investment (BOI) revised the criteria for investment promotion privileges to be based on the value added content of the project rather than on its location as in the past. The government will offer the investors in the special economic zone more corporate and personal income tax privileges, separate from the existing privileges offered by the BOI. A One Stop Service Center and a fund for competitiveness development will be set up for entrepreneurs as well.

II. The Importance Of The EEC To Growth
Thailand is in need of serious initiatives to upgrade and unlock our economic potential in the long term. Historical data indicate Thailand’s failure in keeping pace with her friends into spotlight. Initially close to Thailand during 1950s, Taiwan and Korea have clearly embarked on the road to prosperity that leads them to high income status, whilst Thailand lost momentum early and stagnated at a relatively “comfortable” level of per capita income, soon to be outpaced by China. Despite the promise of the Asian Century, Thailand seems to risk being marginalized and caught in the so-called Middle Income Trap.

The government must invest to improve Thailand’s long-term competitiveness, with the global economic landscape continuously evolving. Reflecting from experiences of successfully upgraded countries, well-developed and adequate infrastructure is a key necessary condition for success. By crowding in private sector’s investment and enhancing labor productivity, infrastructure investment can lead to sustained productivity-driven growth that will pave Thailand’s way out of the Middle Income Trap. Better transport infrastructure will propel Thailand to become the logistics hub of the Greater Mekong Sub-region (GMS).

Additionally, the railway projects will be a catalyst for urbanization, creating new business opportunities for both the manufacturing and service sectors along the rail lines. The Thai government is prioritizing development of rail transport as it will provide great convenience but using less land and fuel than road transport, making it more environmentally friendly. It is also the least costly mode of transport. New rail systems will propel urbanization, generating a wide variety of business opportunities in transport and logistics, real estate, wholesale and retail trade and SMEs. Railway projects will create jobs, both in transport operations and related businesses. Although railway projects have high initial investment costs and low operating profits, they can be combined with property development in a so-called Transit Oriented Development (TOD) plan, which can greatly boost the value of land around the rail lines, creating more economic value.

The development of water transport infrastructure will better connect different ports to each other, and efficiently link them to other modes of transportation, reducing...
the cost of doing business. A plan will develop a new coastal terminal pier and the Single Rail Transfer Operator (SRTO) at Laem Chabang port, creating opportunities for other sectors in the value chain, from upstream to downstream. For instance, shipbuilding and maintenance companies will gain from more arrivals at the port. Warehouses will receive a larger volume of import and export cargo. Exporters and importers will benefit from lower operating costs and faster transportation time. Moreover, air transport projects will strengthen Thailand’s airlines and boost related industries. The expansion of U-Tapao international airport will ease the transport of goods and passengers while boosting related industries. For example, contractors and providers of building materials will benefit directly during the construction period. Later, travel and leisure industries will benefit from more tourists. Aircraft catering industry will also get a boost in demand.

IV. Conclusion

The EEC is the enhancement of the former Eastern Seaboard that had been for over thirty years the region’s powerhouse for manufacturing and trade. It consists of the three Eastern provinces Rayong, Chonburi, and Chachoengsao with a combined area of 13,285 square kilometers. The EEC will see investments of USD45bn during the next five years. The project will be financed through a combination of government, private and public-private partnership (PPP) funding.

The Thai government needs to increase infrastructure investment in promoting sustainable economic growth in order to pave Thailand’s way out of the Middle Income Trap. Nevertheless, the EEC is not everything; it is only a necessary but not sufficient condition for success. Long-term improvements in Thailand’s economic well-being also require drastic social infrastructure measures - including but not limited to educational reforms, legal improvements especially with regard to property rights and regulatory burdens for businesses, as well as improvements on government efficiency and good governance. These all-round upgrading policies will ensure Thailand a safe, undisrupted trip on the road to prosperity over the years to come.