

Master of Arts in Business and Managerial Economics



## New Economy Lecture

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## The EEC Progress

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## The EEC Progress

On March 21st, 2023, the MABE program was very honored to have Dr. Cholachit Vorawangso Virakul, Ph.D. as our guest speaker for the MABE Full-Time 26 IS trip to Sriracha, Chonburi Provinces. Dr. Cholachit is the Assistance Secretary General of the Macroeconomic Affairs, Eastern Economic Corridor Office of Thailand (EECo). The lecture was on the topic of “EEC Progress”, and it focused on current macroeconomic trends, and the role of EEC as the center of economic activity and innovation.

The Eastern Economic Corridor (EEC) is an area-based development initiative that affects Rayong, Chonburi, and Chachoengsao Provinces. The value of GDP from the EEC accounts for around 15% of the country’s aggregate GDP. In 2023, Thailand’s GDP is expected to grow at 3.3% thanks to the recovery of tourism and domestic demand, and EEC may achieve an even higher growth of 4.5% due to more intensive economic activity, innovation, and investment from abroad.

At present, global supply chains are facing several disruptive trends from Black Swan events (such as the Covid-19 pandemic), trade barriers, geopolitical tensions, sustainability concerns, and technological advancements. These disruptive trends and events can lead to investment relocation and geopolitical phenomena forcing global manufacturers to recalculate their positions to achieve resilience, sustainability, and cost leadership. Global supply chains are migrating to new locations to mitigate geopolitical risk, and some manufacturers are choosing to move closer to their end-markets for incentives from the host countries as well as to minimize other risks.

The world is aiming to achieve a new equilibrium driven by diverse factors such as green energy (ESG), supply chain relocation, new technology for cost leadership, digital finance, and challenges in raising funds using private equity. These are both challenges and opportunities for Thailand’s economy. How can we take action to fulfill the needs of this upcoming agenda?

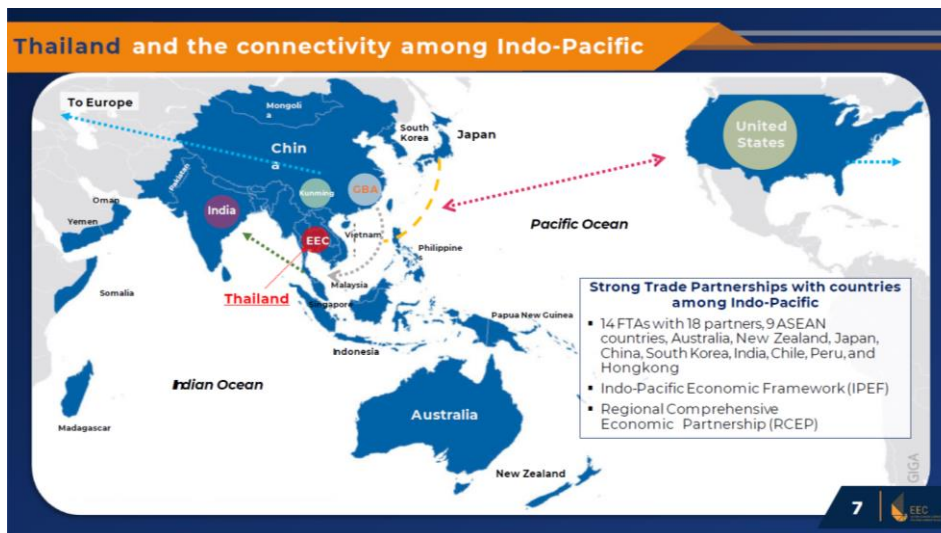


Figure 1: Thailand and connectivity among Indo-Pacific  
 Source: Eastern Economic Corridor Office of Thailand (EECO)

The EEC is one of the prime locations for global manufacturers, as Thailand is situated in the center of the Indo-Pacific region, connecting to Europe and the United States as well as Central Asia, and Australia. Moreover, Thailand has also formed strong trade partnerships with countries in this region. Thailand has signed 14 FTAs with 18 partners including 9 ASEAN countries, which account for 65% of the nation’s trade volume. The country is also a partner in the Indo-Pacific Economic Framework (IPEF) and Regional Comprehensive Economic Partnership (RCEP).

The Thai government has been investing heavily into infrastructure in the EEC. In Phase 1 (2018-2022), the 4 PPP infrastructure projects of high speed rail link, international airport, and industrial ports were arranged. The value of these megaprojects is approximately \$19 billion, and most of the infrastructure will be operational in 2026-2027. The Thailand Board of Investment (BOI) has approved over \$35 billion worth of large investment projects in 2021, and there also is a further \$2.6 billion in the integrated budget. In phase 2 (2023-2026), the investment target is set at approximately \$65 billion, focusing on 12 targeted industries, 7 promoted zones for specific industries, and EEC business Center & Livable Smart City.

Since the start of the investment promotion from the BOI in 2017, investment in the 12 targeted industries has exceeded the set targets. The three industries that achieved the highest growth comprise petrochemicals and chemicals, automotive and parts, and electrical appliances and electronics. The investment promotion certificate issuance from 2018 to 2022 equaled \$34,490 million. Apart from joint ventures between Thai and foreign businesses, the top 3 countries receiving investment promotion incentives were Japan (14%), China (11%), and Singapore (4%)



Figure 2: 12 targeted industries and 4 emerging clusters according to the Thailand 4.0 Policy

Source: Eastern Economic Corridor Office of Thailand (EECO)

The 7 promoted zones of EEC were established in 2022 to explore the new frontier of many business sectors. For example, EECg comprises a new ecosystem for health and well-being, including a genome sequencing center in EEC. EECi focuses on R&D and Innovation infrastructure. For the circular economy or BCG, EEC aims to reduce the GHG emissions in the industry sector by 10%, and to apply Green & Circular economy to at least 40% of new investment. The strategy includes investment promotion with respect to renewable energy and electric vehicles (EVs), and energy transition to clean and renewable sources such as solar energy, along with recycling businesses, and carbon management.

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The EEC has a strong policy to build on EV business strengths, including the target that 30% of all new cars produced must be Zero-Emission Vehicles (ZEV) by 2030, and 100% ZEVs by 2035. The EEC has a comprehensive ecosystem for EV production, which is attracting major EV car manufacturers from Japan, China, and EU to produce their EV cars in Thailand.

However, exceptional infrastructure and investment promotion are not sufficient to sustain the flow of investment in such a highly competitive environment. Therefore, the EEC has initiated a demand-driven approach for human capital and skills development to provide a workforce that satisfies industry demands. There are both long-term courses for vocational study, and modularized short courses to re-skill and up-skill the existing labor force in response to technological changes and development.

The adoption of effective new business practices amid geopolitical tension and technological advancement could be challenging. Thailand, as a small open economy, will definitely be affected by the ongoing disruptions. Therefore, we must prepare and equip ourselves for the future. Fortunately, Thailand has a number of strengths and advantages. Not only is the EEC situated in a prime location, but we are also continuously developing our infrastructure and human capital to serve the needs and objectives of investors and manufacturers. These proactive measures are enabling Thai industry to surf gracefully on the wave of the global supply chain into the new era.