

Sustainable Growth Strategy of Thailand **Logistic Development and Productivity Improvement**

***The 2nd Seminar International Conference on Sustainable Growth
in Asia-Pacific Region”***



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Outline

1 *Development Strategies of Thailand: towards sustainability*

2 *Economic Restructuring: Value Creation and Productivity Improvement*

3 *Thailand's Logistics Development Strategy (2006-2010)*

Key Development Strategies





Developing people to have ethics-led knowledge and self-immunity

- Initiating and integrating lifelong learning for Thais, starting from preschool children
- Developing knowledge and skills for labors
- Producing more researchers and scientists
- Managing modern and community/indigenous knowledge

Enhancing the well-being of Thai people

- Developing a healthcare system together with prevention and rehabilitation systems
- Promoting food security (safety and security)
- Using Thai herbs and clean technology
- Applying "Decrease/Stop/Quit" health risk behaviors

Strategy 1: Improving human quality & society to be knowledge-based society

Promoting peaceful society for Thai people

- Reinforcing good relationships at family and community levels
- Creating secure assurance for people in terms of welfare, saving, security, social services for the aged, the disabled, and the marginal/underprivileged



Managing a strengthening process for the community

- Supporting network building and decision-making processes participated by all stakeholders
- Organizing activities related to knowledge management and learning process system for community
- Improving regulatory mechanism

Strategy 2: Strengthening communities and societies

Stabilizing and securing the community

- Establishing cooperative community
- Value creation based on local wisdom

Enhancing the community's potential in managing environment

- Entitling the community to co-manage natural resources
- Creating a mechanism for the community to protect resources



Restructuring of real sector in order to improve productivity and value creation on knowledge-based and Thainess

- Restructuring of Agricultural, Manufacturing, Service sectors through cluster and value chain development, based on modern knowledge, local wisdom and Thai culture
- Developing of enabling factors & infrastructures and logistics
- Implementing international trade policy for supporting production sector restructuring process and competitiveness enhancement

Strategy 3: Economic restructuring for balanced & sustained economy

Enhancing of fair competition and fair distribution

- Promoting fair competition and transparency
- Decentralizing infrastructure to regions
- Providing efficient financial services to grassroots people
- Implementing fiscal policy aimed at better income distribution

Building economic resiliency

- Adopting effective macroeconomic management to secure economic stability
- Promoting savings
- Improving energy efficiency/ developing alternative energy



Establishing decent environment for sustainable development

Providing environmentally friendly for production & consumption; positioning Thailand with regard to international environmental agreements

Develop value from bio-diversity strength

KM; legal framework for protecting rights of communities in access to fair resource allocation; Innovation based on bio-diversity

**Strategy 4:
Conserving
natural resources
on bio-diversity
basis**

Conserving natural resources base and ecosystem balance

**Database development & Knowledge creation;
Promoting communities to participate in NR & environmental management and developing collaborative management systems**

Strengthening democratic and good governance in Thai Society

- Developing learning process and people's awareness
- Strengthening network through public participation
- Creating strong check and balance mechanisms

Reforming laws & regulations

- Encouraging stakeholders to suggest and enact the law in order to coordinate fair interests

Reinforcing good governance in civil services

- Reforming government agencies and SOEs
- Encouraging private sector's participation
- Applying ethical/merit and public responsibility

Strategy 5: Reinforcing good governance system

Decentralization

- Empowering the local administration to manage public services
- Encouraging local people to participate in the development of their community

Maintaining and enhancing homeland security

- Developing capacity, role and mission of national defense-related agencies
- Creating human and social security

Reinforcing Corporate good governance

- Raising awareness of integrity, equity and social responsibility

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Sustainable Growth Strategy

- **Economic Restructuring for
Balanced and Sustained Economy**

Guiding Principles for Economic Restructuring to Sustain Growth

Economic growth with
quality, stability, and
equity for sustainability

Value creation from
knowledge application



Sustained Prosperity
More Balanced Structure
Better Distribution

Global and regional
positioning

Proactive social
policy to create
positive externality

Economic Restructuring Strategies

Fair competition & Better distribution

- Fair competition
- Access to infra.
- Micro banking/credit
- Fiscal policy to improve income distribution

Resiliency/Risk management

- Macro. Mnt.
- Saving promotion
- Energy efficiency

Economic growth with quality, stability and equity

Restructuring

Agriculture

Manufacturing

Services

Enabling factors

- KM
- Infra & logistics
- Promotion of Inter. Trade & investment

listing

Economic Restructuring

Agriculture

Industry

Service

Value Chain by Cluster
Value creation on knowledge
SME strengthening

• Food safety & security
• Bio-fuel crops
• Material based crops

• New wave industry
• Potential Industry
• Improving Industry
• Survival Industry

• High Potential service
• Industry Enhance niche market
• Domestic Focus service
• Emerging service

Enabling factors

Infra., Logistics, Energy

Sciences and Technology

Human Resource Development

Laws and Regulations

Macroeconomic Policy

• Saving
• Micro credit
• Financial sector restructuring

• Efficiency of SOEs and PPP
• Decentralization
• Fiscal sustainability
• Pro-poor policy

• Regional Co-operation (Trade/ Investment/ Tourism/ Energy/ Finance)
• New market opportunities

Public Sector Reform

• Enhancing efficiency for public services
• Investment on Intermediate infrastructure.
• E-Government

Industrial classification based on growth and share in 2003

1. Potential industries

- Canning of Fruits & Vegetable
- Rubber Products
- Canning of Fish & Seafood
- Automotive
- Petrochemical
- Chemical
- Electronics
- Meat & Poultry Product

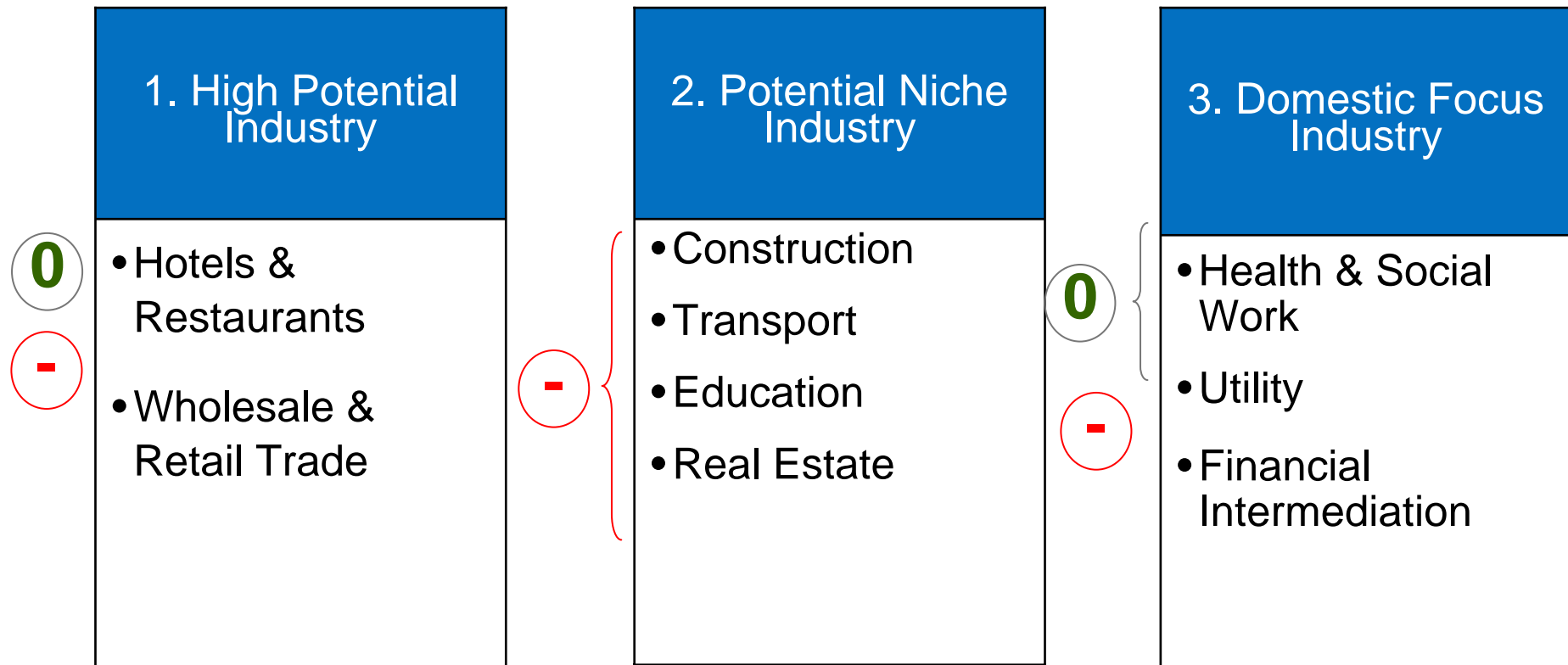
2. Improving industries

- Steel
- Crude Oil & Coal
- Beverages
- Non Metallic Products
- Pharmaceutical
- Rice & Milling
- Fashion
- Others Foods
- Sugar Refineries
- Furniture & Wood Products
- Electrical Machinery

3. Survival industries

- Metal Products
- Industrial Machinery
- Non-Metal Ore
- Animal Food
- Paper & Printing
- Tobacco
- Dairy Products
- Other Transportation

Services



หมายเหตุ : (+) หมายถึงค่า TCM เติบโตเทียบกับปี 2002 เพิ่มขึ้นจากปี 2002 , (-) หมายถึงค่า TCM เติบโตเทียบกับปี 2002 ลดลงจากปี 2002, (0) หมายถึงไม่มีการเปลี่ยนแปลงใดๆ จากปี 2002 เมื่อเทียบกับปี 2004

1. Restructuring in Agricultural Sector

- (1) Promoting R&D in agricultural products to position Thailand as quality & safety food producer of the World
- (2) Promoting value creation of non-food products in order to expand into new potential market (herbs & fiber, alternative energy: palm oil, cassava)
- (3) Promoting local wisdom and “Thainess” to be used for commercialization by creating value-creation products
- (4) Developing network of agricultural institutions, community planning process, and community enterprises
- (5) Promoting sustainable agriculture & organic farming
- (6) Creating brands for agricultural products and expanding marketing channels to increase sales
- (7) Increasing agricultural productivity including efficient utilization of water resources and better land management.

2. Restructuring in Manufacturing Sector

- (1) Investing in “potential (automobile, petrochemicals) & new wave (bio-based) industries”
- (2) Formulating road map for “patent management”
- (3) Setting up integrated national R&D system as to support innovation
- (4) Using cluster as a key-driven means through “Specialized Institutions”
- (5) Supporting entrepreneurs to create innovation
- (6) Using human resource development as a strategy in doing business
- (7) Deploying cluster development particularly in potential industry

3. Restructuring in Service sector

- (1) Preserving and rehabilitating tourist attraction destinations
- (2) Promoting investment in tourism related businesses
- (3) Improving quality and standards of potential services business
- (4) Undertaking market research to capture changing demand of customers
- (5) Improving enabling factors/infrastructure in the service sector
- (6) Extending links of public & private co-operations to local community level

1.4 Developing Enabling Factors as to Support Restructuring in Real Sectors

(1) Knowledge management in a systematic/holistic way

- Developing HR in S&T in terms of quantity and quality
- Developing knowledge and technology
- Promoting R&D and innovation for commercialization
- Developing adequate infrastructure for S&T, R&D and innovation

(2) Develop infrastructure and services in logistics

- Developing infrastructure in transportation and logistics management including telecommunication that are up to date and efficient
- Managing services of infrastructure in line with transparency, efficient allocation, and participation from all stakeholders

(3) Implementing international trade policy, investment promotion, and building up cooperation with neighboring countries in ways to support economic restructuring and competitiveness enhancement of the nation as well as social development

Target of the 10th National Development Plan

	2001	2002	2003	2004	2005	Plan 10th
Total Factor Productivity (TFP)	0.6	3.4	4.9	3.5	1.8	Not less than 3 %
Inflation rate	1.6	0.6	1.8	2.8	4.5	Not over 3-3.5%
Unemployment rate	3.2	2.2	2.0	2.0	1.7	Not over 2 %
Current Account (as % of GDP)	5.2	5.8	6.2	4.8	-2.3	Not less than -2 %GDP
Foreign reserves to Short-term debts	2.5	3.3	3.9	4.1	3.3	2.0-3.0
Public debts to GDP	56.5	53.8	47.1	47.8	46.1	50% ceiling
Income share						Lower income gap, technology accessible and knowledge gap
• Quintile 1 (20% poorest)	-	4.2	-	4.5	-	
• Quintile 2-4	-	39.9	-	40.6	-	
• Quintile 5 (20% richest)	-	55.9	-	54.8	-	
• Ratio of Quintile 5 to Quintile 1	-	13.2	-	12.1	-	To be 10 times



4 Priorities

- *Political Reform*
- *Peace and National Unity*
- *Foundation for Sustainable Growth and Better Income Distribution*
- *Legal Reform*





Progresses

Political Reform: *The Constitution Drafting Assembly.*

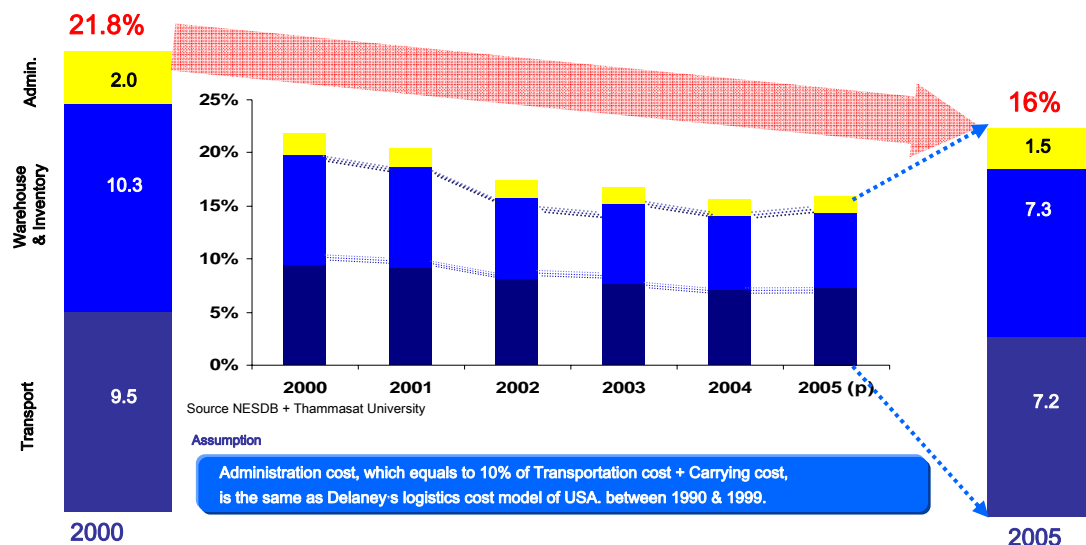
Peace and National Unity: *Southern Border Provinces Administrative Center reinstated.*

**Foundation for Sustainable Growth
and Better Income Distribution:**

- new communities well-being program
- continue liberalization of trade in goods and services
- neighboring countries development cooperation
- new investment opportunities: ECO car, petroleum exploration and extraction, Independent Power Producers (IPP).
- alternative energies and Clean Development Mechanism
- solving environment problem in the Eastern Seaboard Area.
- infrastructure development: logistics system, mass transit system
- National Productivity Improvement Plan
- National Intellectual Infrastructure Plan

Outline

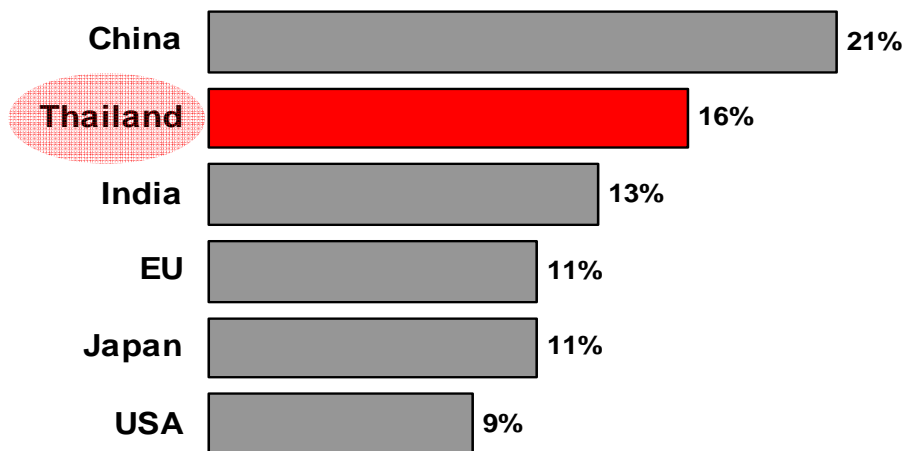
- 1 *Development Strategies of Thailand: towards sustainability*
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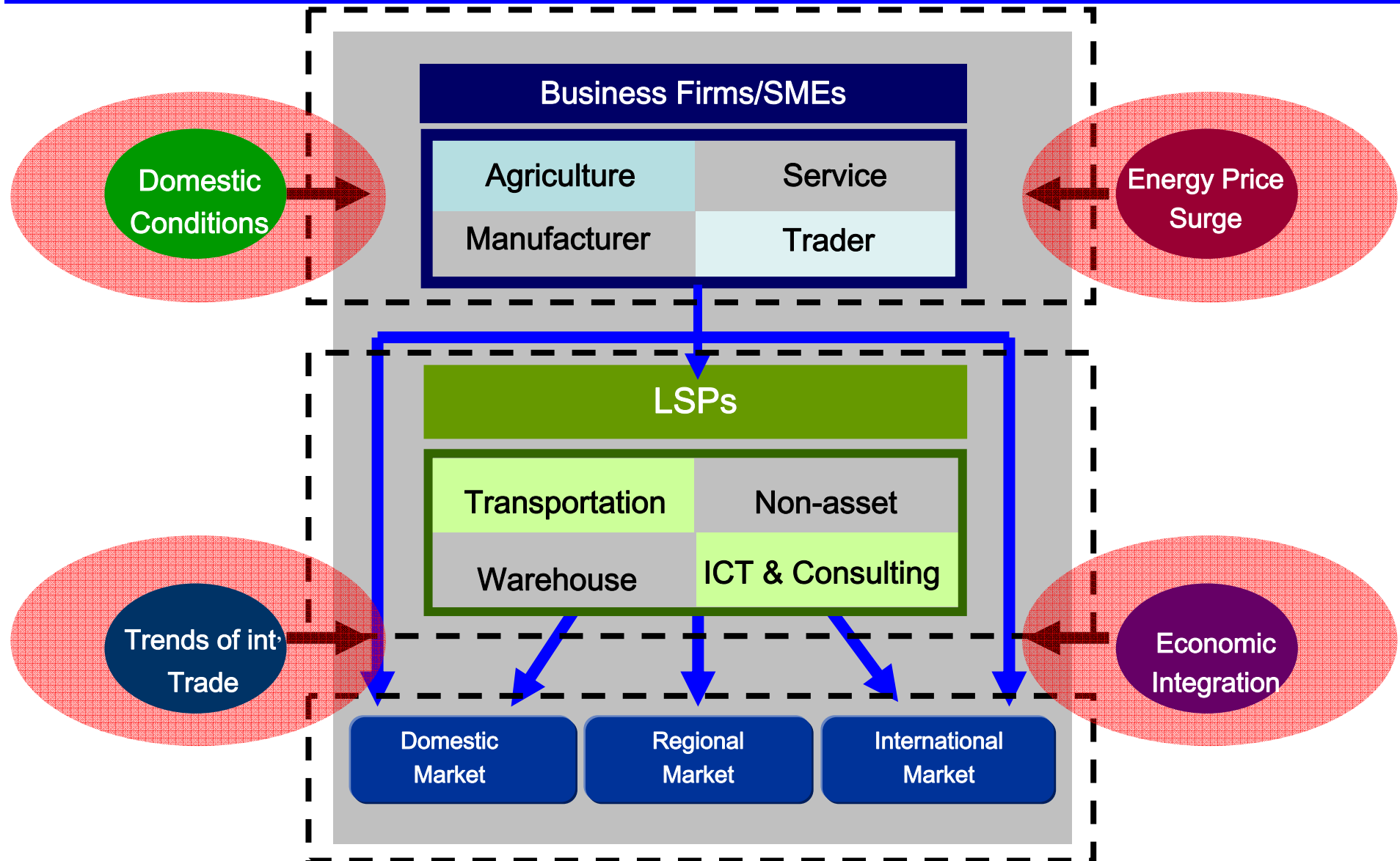
Logistics cost / GDP has trended down continuously; thanks mainly to the increasing awareness and efforts of companies towards improving efficiency of the firms' logistics management.

However, Thailand's logistic cost / GDP is still higher than our trading partners such as India, Japan, EU, and USA.

Logistic development in Thailand is still in the early stage of development focusing mainly on physical distribution

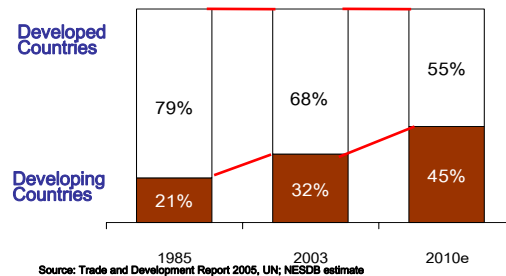


Source: the Economist, June 17th 2006 & NESDB

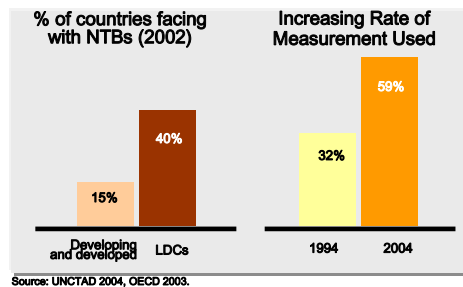


Trends of International Trade: Changing int. trade pattern

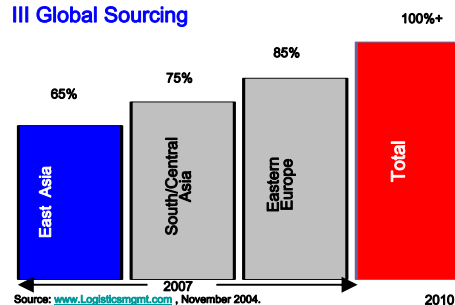
I Trade proportion of Developing Countries



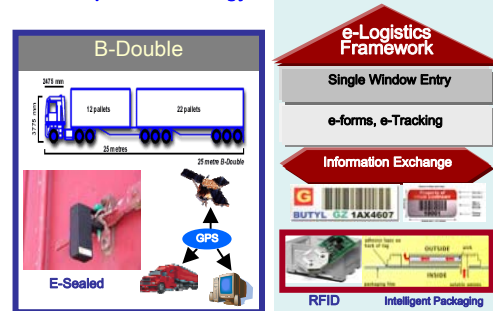
II Non-Tariff Barrier such as toxic and contamination concern



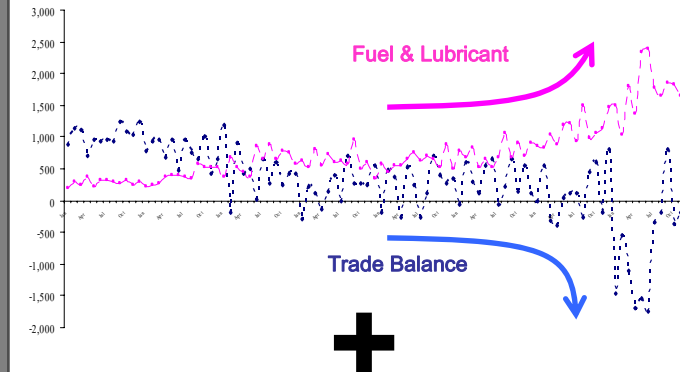
III Global Sourcing



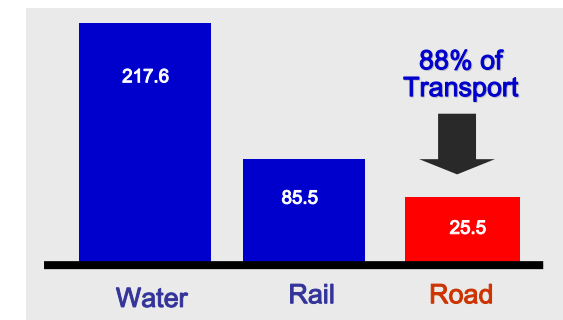
IV Transport Technology



Energy Price Surge



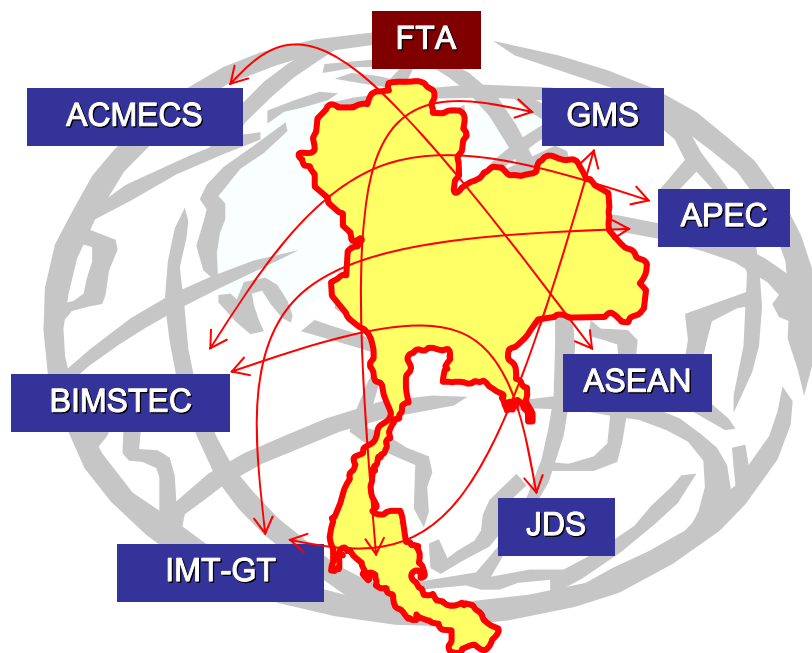
Most transport are using inefficient modes



Important trends in international trade call for more efficiency in logistic and trade facilitation process if a country to be competitive

Oil Crisis directly forces the society to review its logistic management to increase the future efficiency.

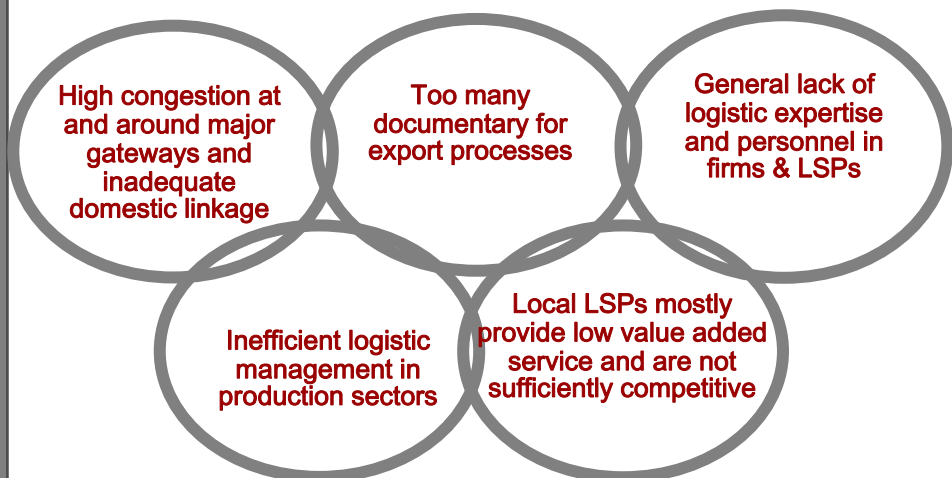
Regional Economic Integration: increasing RTAs



Locating at the heart of regional economic integration, Thailand has potential for promoting its role as a regional hub for trade and business.

Domestic Conditions: Changing econ. structure

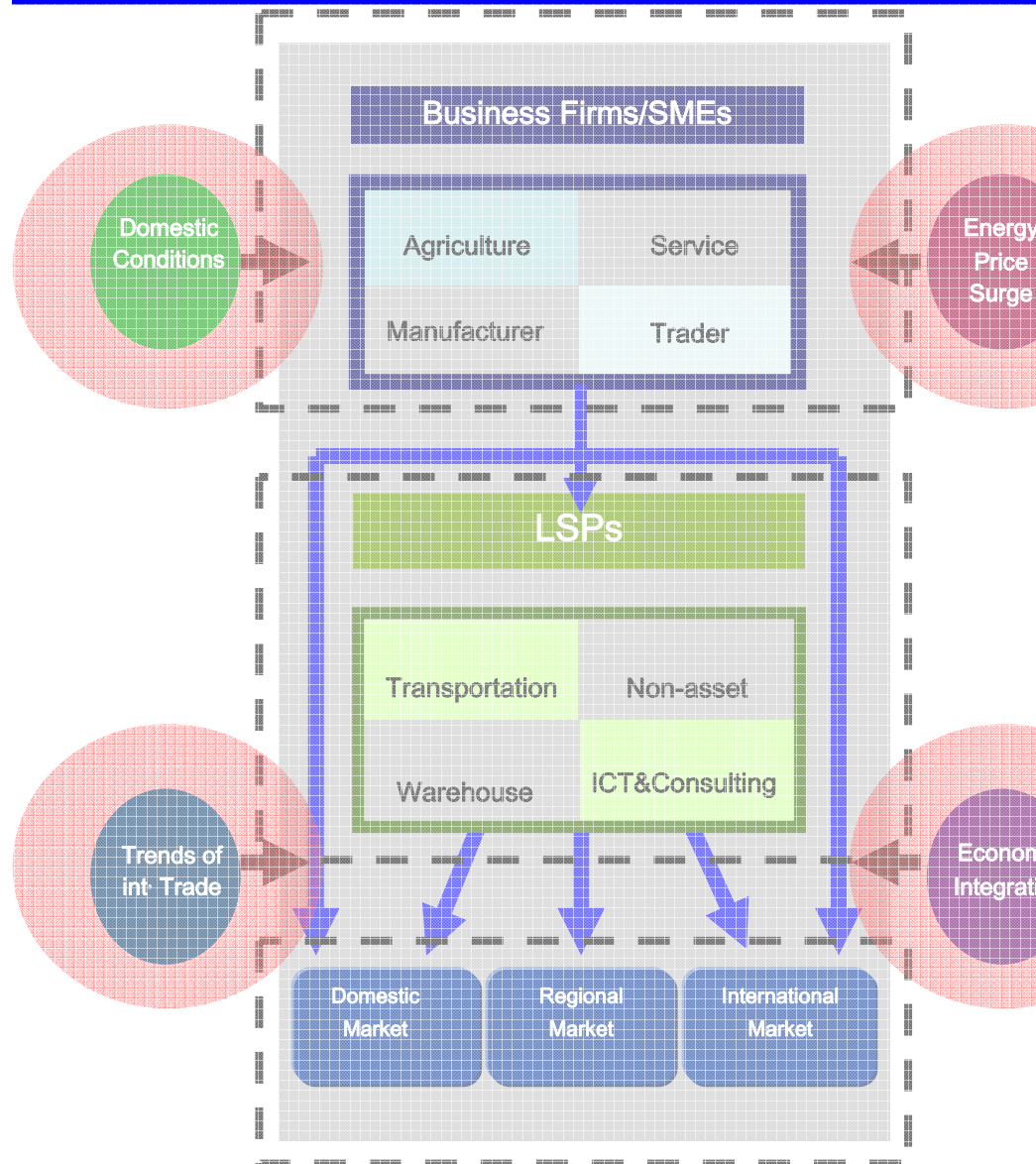
Agriculture	Industrial	Service
Bulky Products	Industrial Products	Tourism
Perishable	Consumer Products	Retails
Frozen	High Value-added	Other

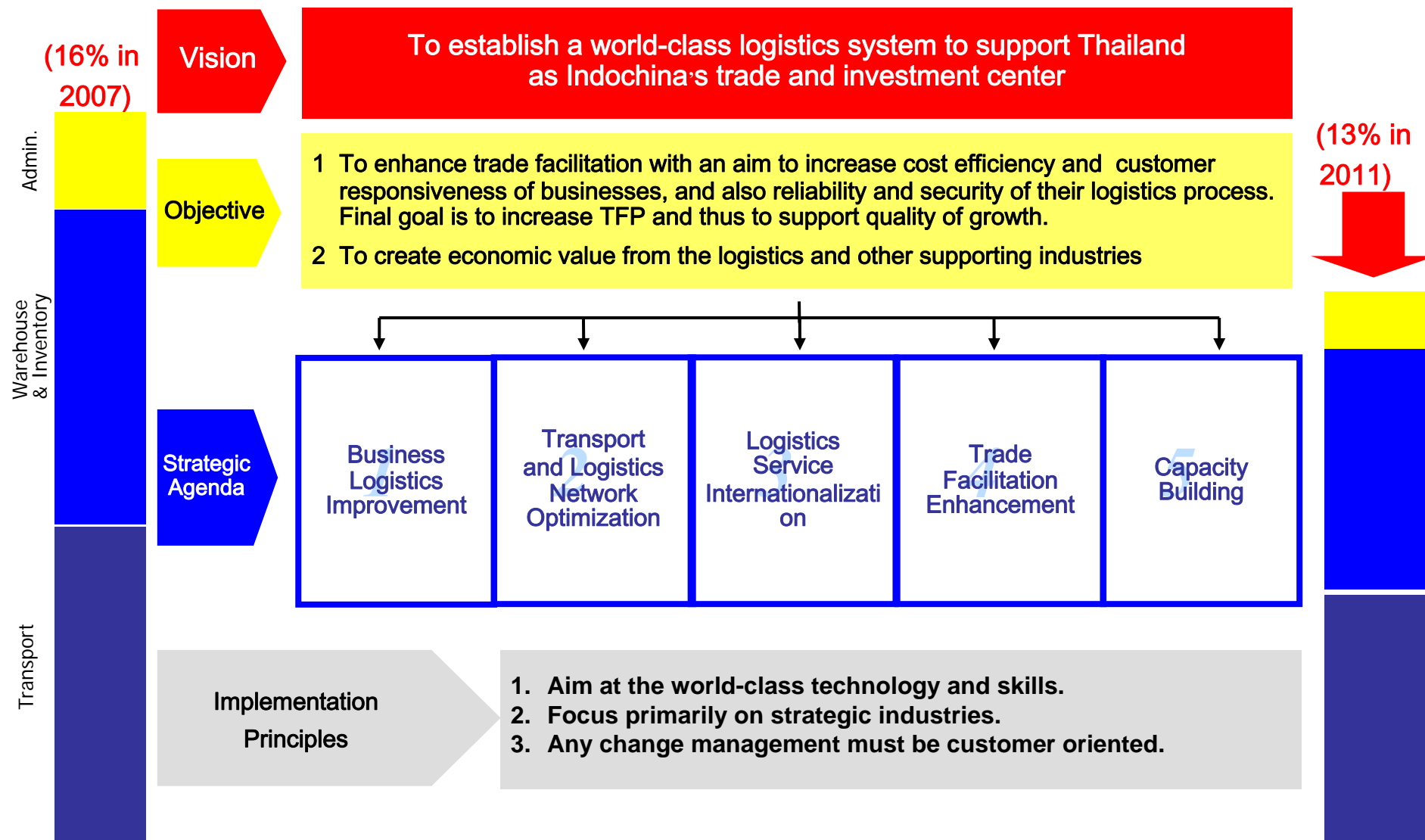


To be a competitive exporters Thailand needs to solve some keys problems

Critical Issues

1. How should we upgrade logistics management at the firm level?
2. How can we leverage existing infrastructure network and optimize supply chain management?
3. How will the Thai logistics network be linked to the regional network, both in terms of physical and non-physical aspects?
4. How can the Thai LSPs be competitive internationally and thus create economic value for the Thai economy?
5. What should be the management model for driving the Logistics Development Strategies for Thailand?



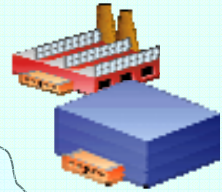


Business Logistics Improvement

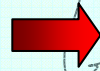
Goal: Business in strategic industries will have an efficient and traceable logistic system throughout the supply chain



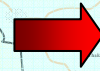
Raw material



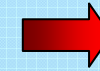
Producer



wholesaler



retailer



customer

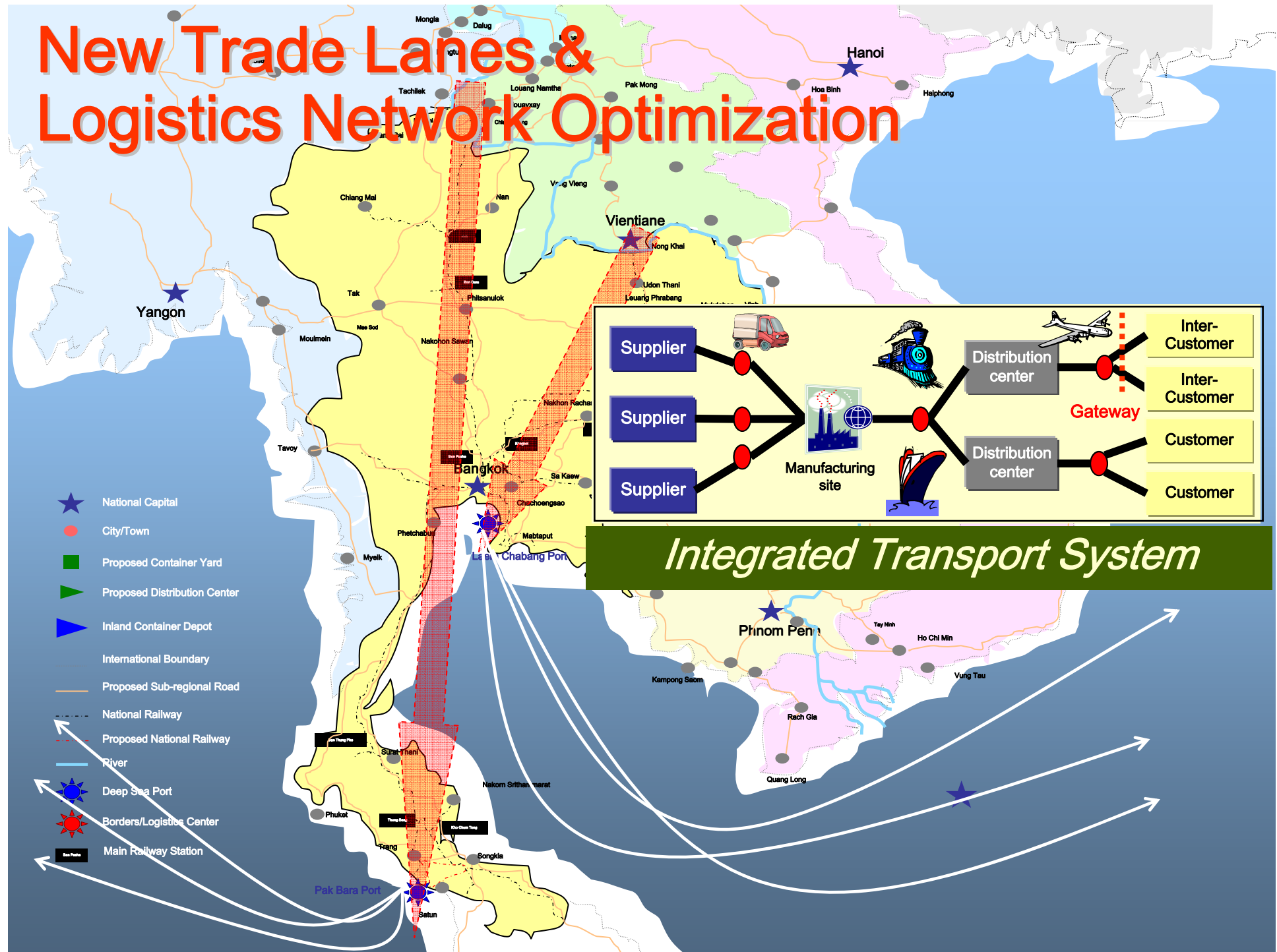


- Applying Best Practice
- Outsourcing
- Encouraging Cluster
- Developing Cold/Cool Chain Management

For Supply Chain Optimization

Supporting of an integrated quality chain

New Trade Lanes & Logistics Network Optimization



Logistics Service Internationalization



Trade Facilitation Enhancement

To reduce operators' import and export handling cost

E-Logistics

Paperless

One Stop Service

e-Transaction

- National Capital
- City/Town
- Proposed Container Yard
- Proposed Distribution Center
- Inland Container Depot
- International Boundary
- Proposed Sub-regional Road
- National Railway
- Proposed National Railway
- River
- Deep Sea Port
- Borders/Logistics Center
- Main Railway Station














To reduce operators' import and export handling cost

Paperless


One Stop Service

e-Transaction

E-Logistics

- | | |
|---|------------------------------|
|  | National Capital |
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|  | Deep Sea Port |
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|  | Main Railway Station |

Capacity Building

 Work forced in
Production based



 Work forced in LSPs
Business

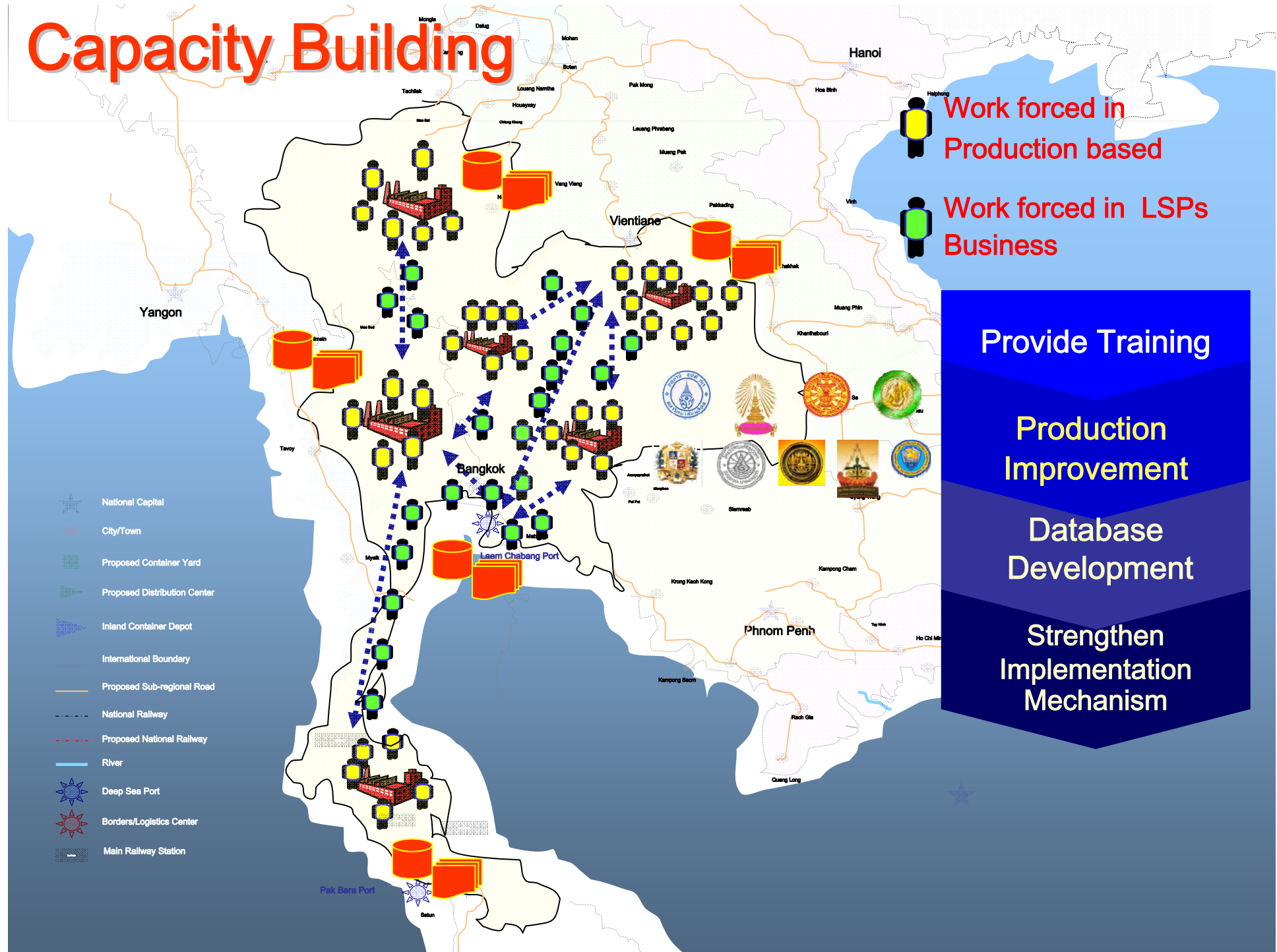
Provide Training

Production
Improvement

Database
Development

Strengthen
Implementation
Mechanism

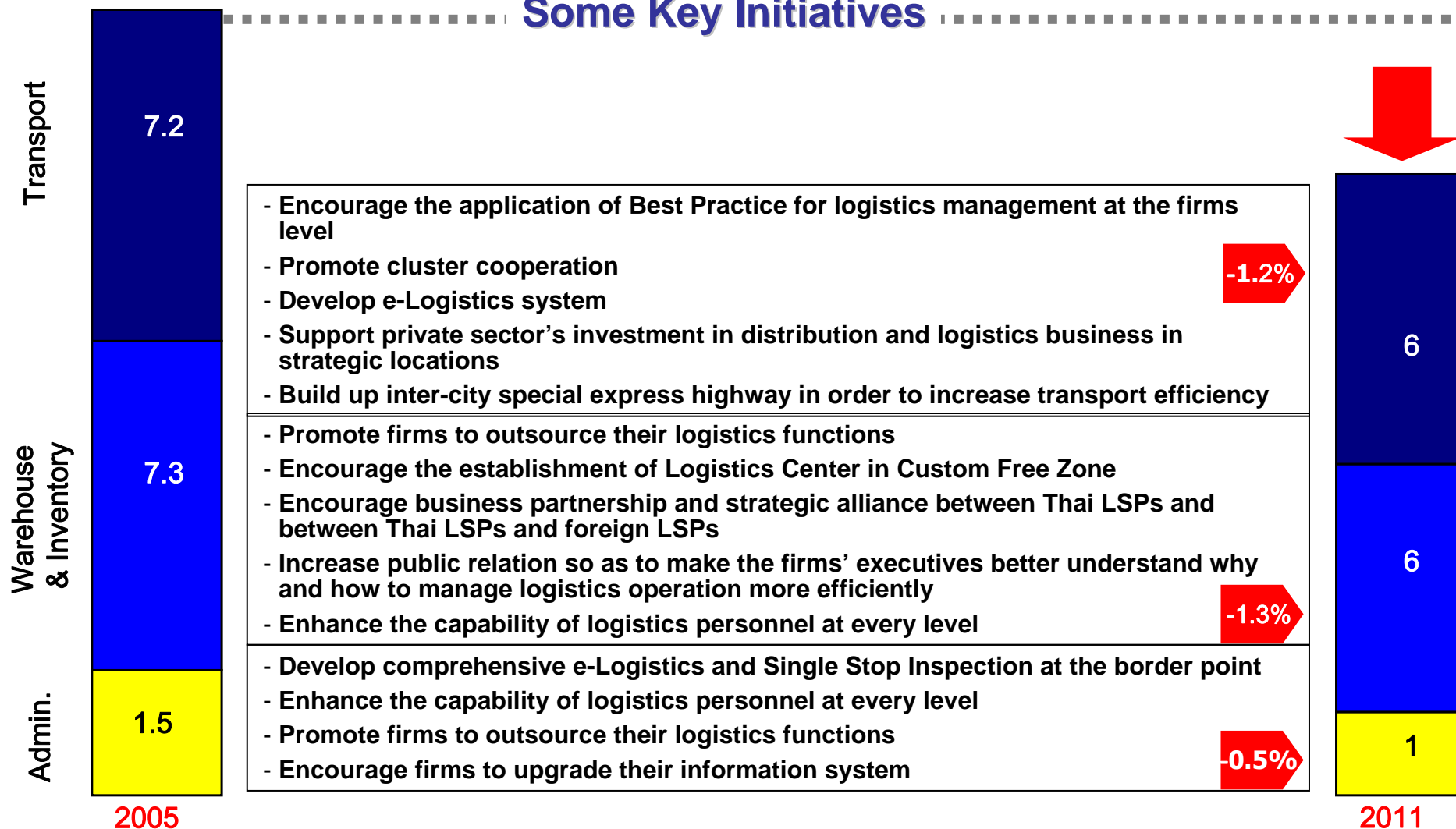
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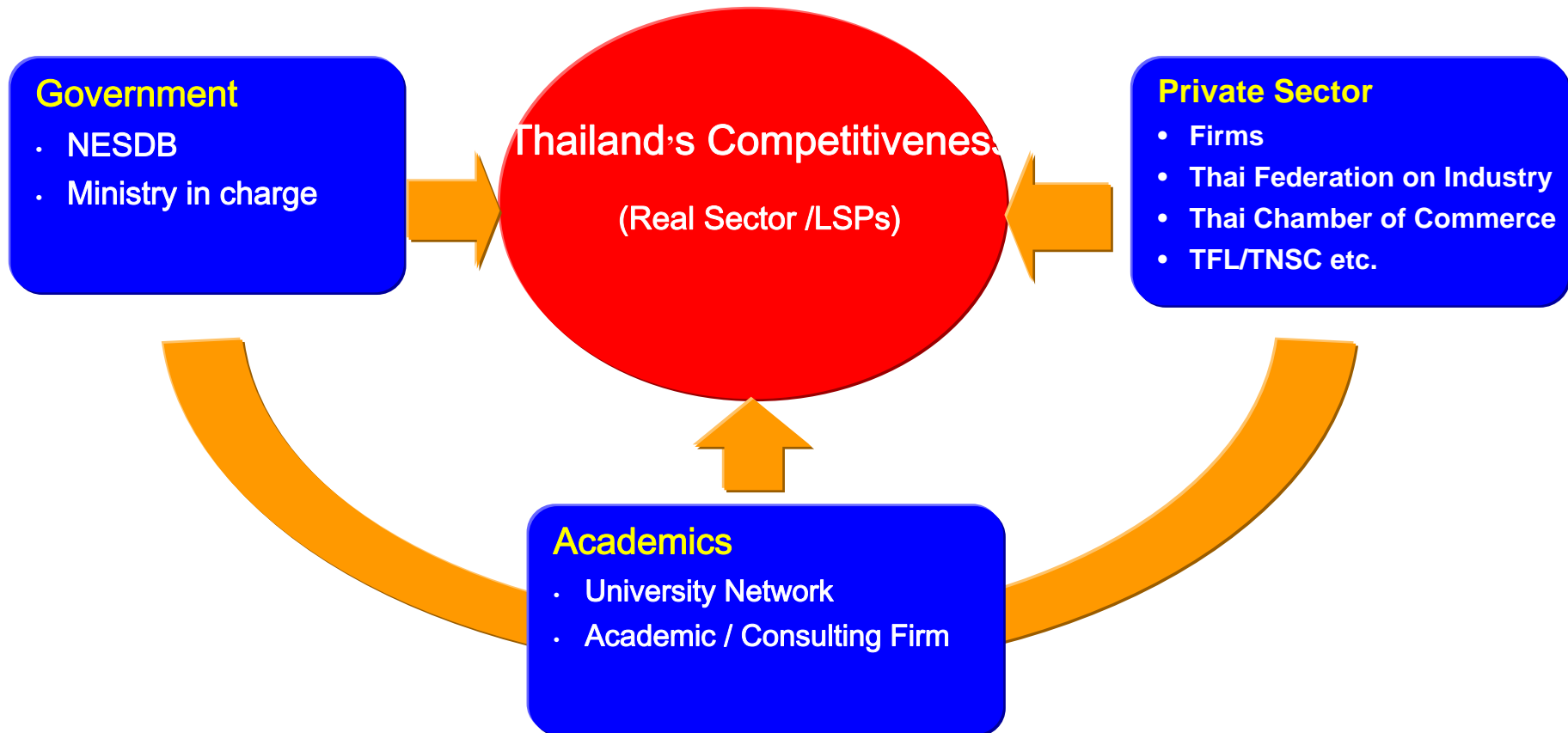
16 %/GDP

13 %/GDP

Some Key Initiatives



Mission & Partnership for Development



Supplementary

The 10th National Development Plan of Thailand

Principles of the 10th Plan



Strategic plan for Thailand to adapt itself to meet future challenges in the next 10 to 15 years



The adherence to His Majesty the King's "Sufficiency Economy" philosophy



Continuing with the people-centered development paradigm of the eighth & ninth plan



Upholding participation by all sectors/parties/communities in the society



The philosophy of Sufficiency Economy

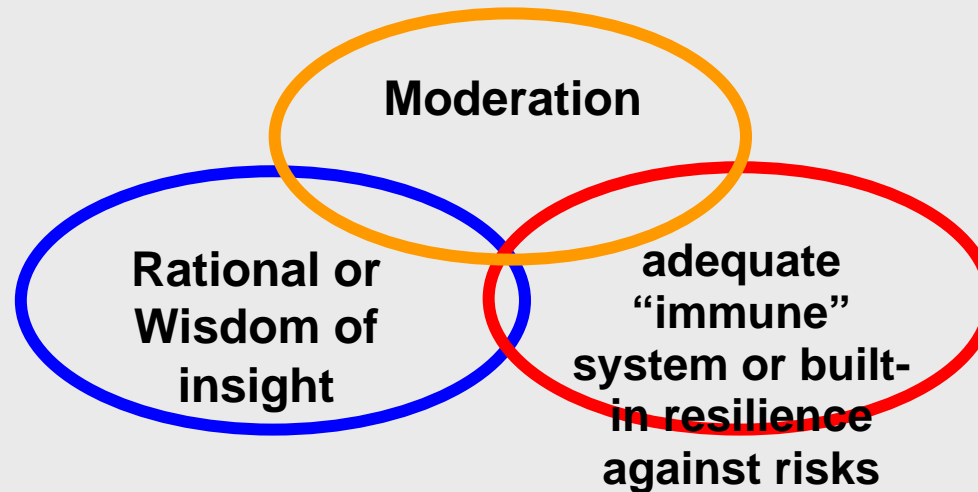
“Sufficiency Economy” is a philosophy that stresses the middle path as an overriding principle for appropriate conduct by the populace at all levels.

This applies to conduct starting from the level of the families, communities, as well as the level of nation in development and administration so as to modernize in line with the forces of globalization.

Frameworks of the 10th Plan

HM King's Philosophy of "Sufficiency Economy" has three key principles

The Middle Path



Wisdom Condition
(an application of knowledge with due consideration and prudence)

Moral Condition
(honesty, integrity, diligence, patience, perseverance)

Leads to

Life/Economic/Social

Balance/Stable/Sustainable



**“...Sufficiency Economy is the foundation of life,
the stability of the nation-the way pilings
support houses and building,
Building can stand firmly because of the pilings,
but the pilings cannot be seen
and so people tend to forget about them...”**

**(An excerpt from his royal speech on the
Philosophy of Sufficiency Economy in 1999)**



Sufficiency Economy advocates growth with quality, and stability over rapid but unbridled growth. It emphasizes sustainable development, sound macroeconomic policies, and equitable sharing of economic prosperity. At the same time it shuns excessive risk-taking, untenable inequalities, and the wasteful use of natural resources as factors of production.

Vision & Mission of Development

*“The development aims at **green and happiness society**. Thai people should be developed with morality and integrity along with learning ability in order to be well-rounded and knowledgeable, to live in happy family, strong communities and peaceful society under the quality, stable and transparent economy with quality environment and sustainable natural resources under good governance system and constitutional monarchy as well as dignity in global arena.”*

4 Development Missions

1

Improve human quality (morals & knowledge); strengthen society/communities to be more self-reliant

2

Strengthen the economy towards balanced and sustainable development

3

Maintain & restore bio-diversity
Conserve NR for environmental quality

4

Develop public administrative system based on a good governance approach

Driving into Development Strategies

Objectives

- Developing Thai people to be knowledgeable
- Promoting equality and strengthening the society
- Reforming economic structure for sustainability and fairness
- Conserving biodiversity and preserving environmental quality in order to enhance the quality of life
- Developing good governance as a norm at all levels



Development strategies







- Improving human and social quality in order to turn Thailand to a wisdom and life long-learning society
- Strengthening Thai society and local communities
- Restructuring the economy and trade so that Thailand can remain competitive in Asia's markets during this century
- Developing biological diversity and regulate the use of the country's natural resources and environment
- Promoting the principles of good governance in managing the country in a sustainable fashion

Key Development Strategies





Thailand's Sufficiency Economy in Action: 6 key Messages

- (1) The Sufficiency Economy is central to alleviating poverty and reducing the economic vulnerability of the poor. 
- (2) The Sufficiency Economy is a means towards community empowerment and the strengthening of communities as foundations of the local economy 
- (3) The Sufficiency Economy takes corporate responsibility to a new level by raising the strength of commitment to practices conducive to long-term profitability in a competitive environment 
- (4) Sufficiency principles are vital for improving standards of governance in public administration 
- (5) The Sufficiency Economy can guide macro-economic policy making to immunize a country against shocks and to plan strategies for more equitable and sustainable growth 
- (6) Sufficiency thinking demands a transformation of human values, a "revolution of the mindset", necessary for the advancement of human development 



1) The Sufficiency Economy is central to alleviating poverty and reducing the economic vulnerability of the poor.



Action Points:

- Make the Sufficiency approach central to government anti-poverty policy through schemes to build local capacity for self-reliant production.
- Provide the landless and land-poor with land from the extensive reserves of land that is unused.
- Implement the community control over local resources that was promised in the 1997 Constitution by passing the community forestry bill and other enabling legislation.
- Ensure development spending is not skewed to certain provinces with political clout, but is equitably distributed, targeted at areas of real need, and used more creatively.



2) The Sufficiency Economy is a means towards community empowerment and the strengthening of communities as foundations of the local economy.



Action Points:

- **Target community development efforts, urban and rural, towards building capacity for self help and sustainable economic activities.**
- **Strengthen community capability to manage finances, and investigate feasibility of converting village funds into local banks in order to promote savings.**
- **Ensure local government bodies provide opportunity for community participation.**
- **Facilitate efforts to share learning and best practices of successful community groups.**
- **Replace hand-out policies with schemes that strengthen communities' own capacity to provide for all of their members' needs.**
- **Encourage corporations to support community projects in line with Sufficiency principles as part of corporate social responsibility.**



3) The Sufficiency Economy takes corporate responsibility to a new level by raising the strength of commitment to practices conducive to long-term profitability in a competitive environment.



Action Points:

- **Incorporate Sufficiency principles into training for corporate directors and into the code of corporate governance enforced by the Stock Exchange of Thailand.**
- **Persuade the major business associations to propagate Sufficiency principles among their members.**
- **Provide more widespread publicity for businesses of all sizes that have utilized Sufficiency principles in ways that benefit both the business and the society at large.**
- **Create an advisory service to help corporations align their social projects with Sufficiency principles.**



4) Sufficiency principles are vital for improving standards of governance in public administration.



Action Points:

- **Find ways to immunize the institutions that monitor corruption and malfeasance in public services from political contamination and influence.**
- **Integrate Sufficiency principles into the Public Administration Plan, including key**
- **performance indicators used for the evaluation of government departments and personnel.**
- **Create a framework based on Sufficiency principles for monitoring decision-making and implementation in public-sector projects.**
- **Reform the Freedom of Information Act so that it truly serves its objective of ensuring that people have access to information.**



5) The Sufficiency Economy can guide macro-economic policy making to immunize a country against shocks and to plan strategies for more equitable and sustainable growth.



Action Points:

- **Ensure implementation of Thailand's Tenth Plan fulfils its commitment to the Sufficiency Economy, and meets the aspirations of all who contributed to the drafting.**
- **Initiate policies to reverse the decline in the domestic savings rate so that the economy is more self-reliant for capital, and households are better prepared for the future.**
- **Pursue a more consistent energy policy focused on greater self-reliance by accelerating research on substitute fuels and finding more economies in energy usage.**
- **Further develop the deservedly popular universal health scheme using Sufficiency principles to ensure it is efficient and sustainable.**



6) Sufficiency thinking demands a transformation of human values, a “revolution in the mindset”, necessary for the advancement of human development.



Action Points:

- **Upgrade the quality of education, including both content and pedagogical methods, to fulfill the key preconditions of knowledge and integrity for successful operation of the Sufficiency Economy.**
- **Expand the application of Sufficiency principles in the management and administration of schools.**
- **Provide more support for non-formal education which responds to the needs of communities for life-long learning.**
- **Explore ways to promote Sufficiency thinking within the mass media including more airtime for programming with social content and public participation.**
- **Provide social recognition for people in communities, business, public service, and other sectors who act as leaders or role models of the Sufficiency Economy.**

What is Logistics?

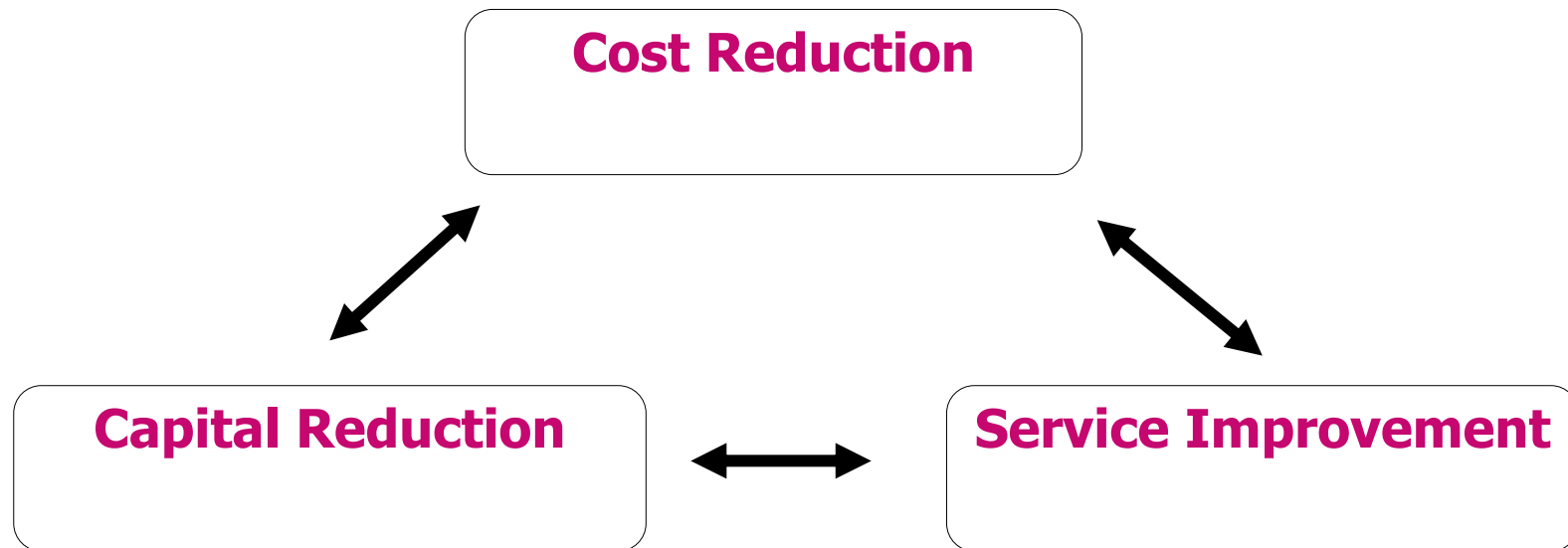
“The process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements.”

Council of Logistics Management (1991)

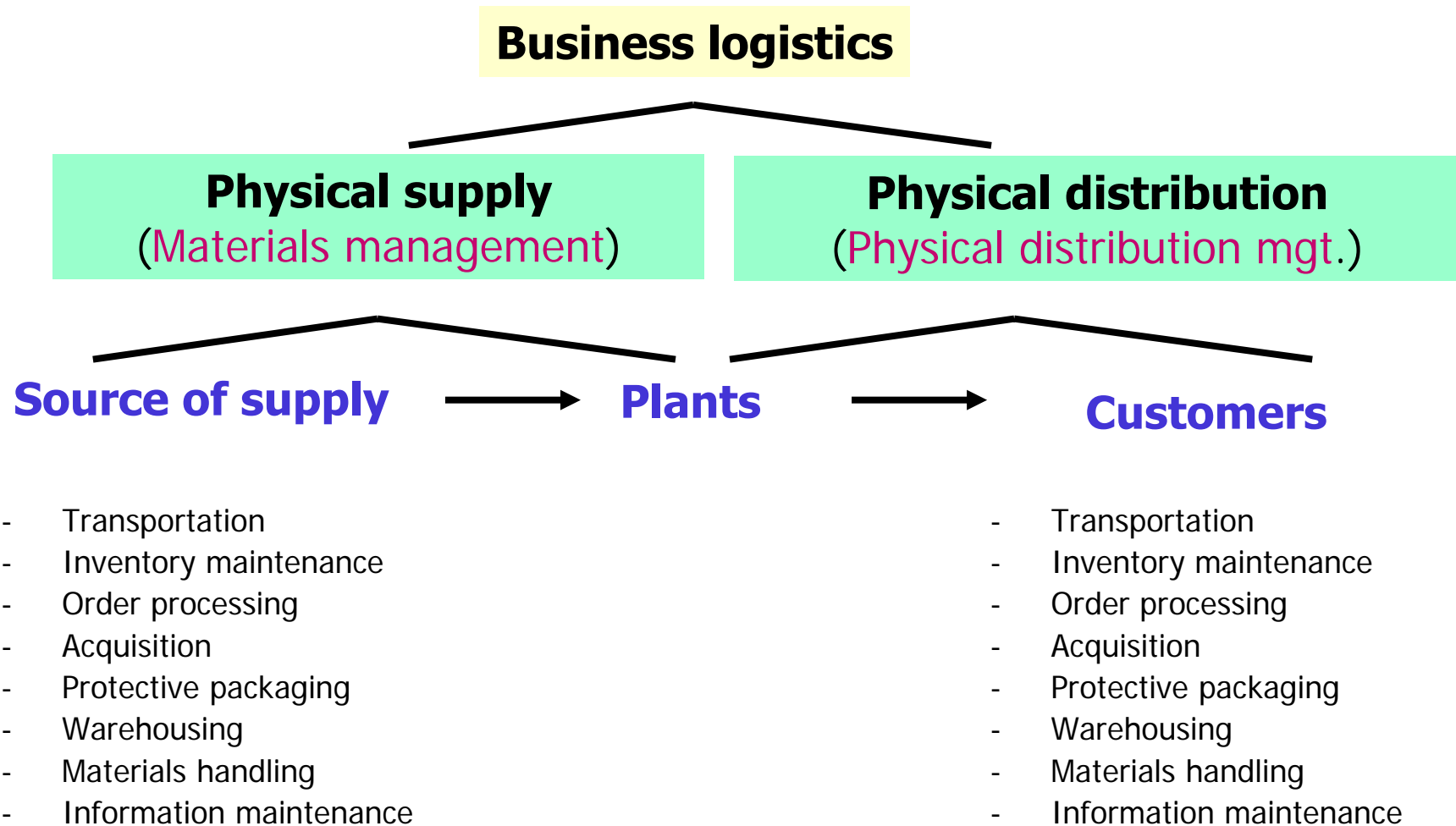
Common Logistics Questions

- Where to purchase?
- Where to produce?
- Where to assemble?
- Where to hold inventory?
- How to transport (Mode)
- How to deliver (routing)?
- How to handle returns?
- How to recycle?

Logistics Strategy



The scope of business logistics



Logistics Outcomes

Customer Success

**Lowest Total Cost
to Serve**

OPERATIONAL EXCELLENCE

ASSET UTILIZATION

**Fixed Capital
Reduction**

**Working Capital
Reduction**

NESDB

