

# Why Services?

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# Services

- 1. Why services?**
- 2. What roles can the service sector have?**
- 3. What can Thailand do to enhance its service sector?**

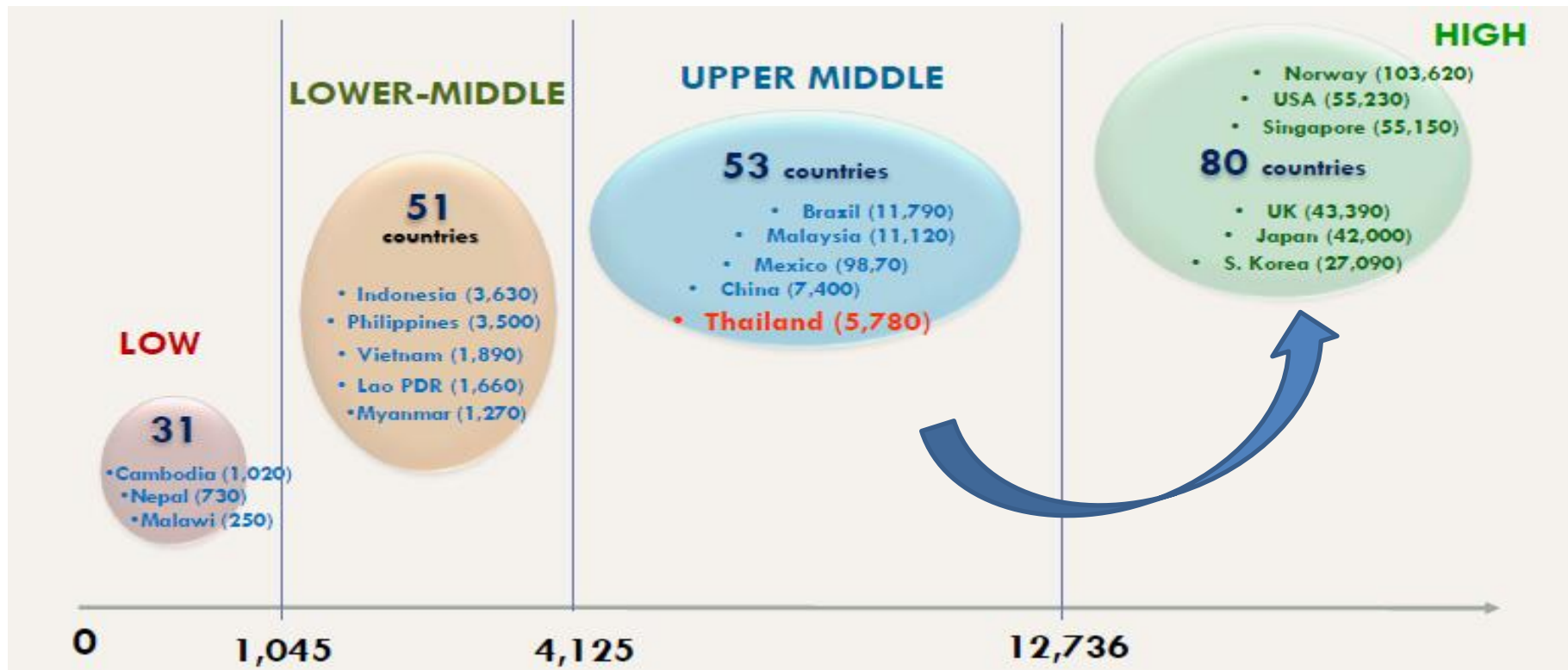
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# Thailand needs a new development model to get out of the Middle Income Trap

A higher-value service sector is an integral part of the new development model

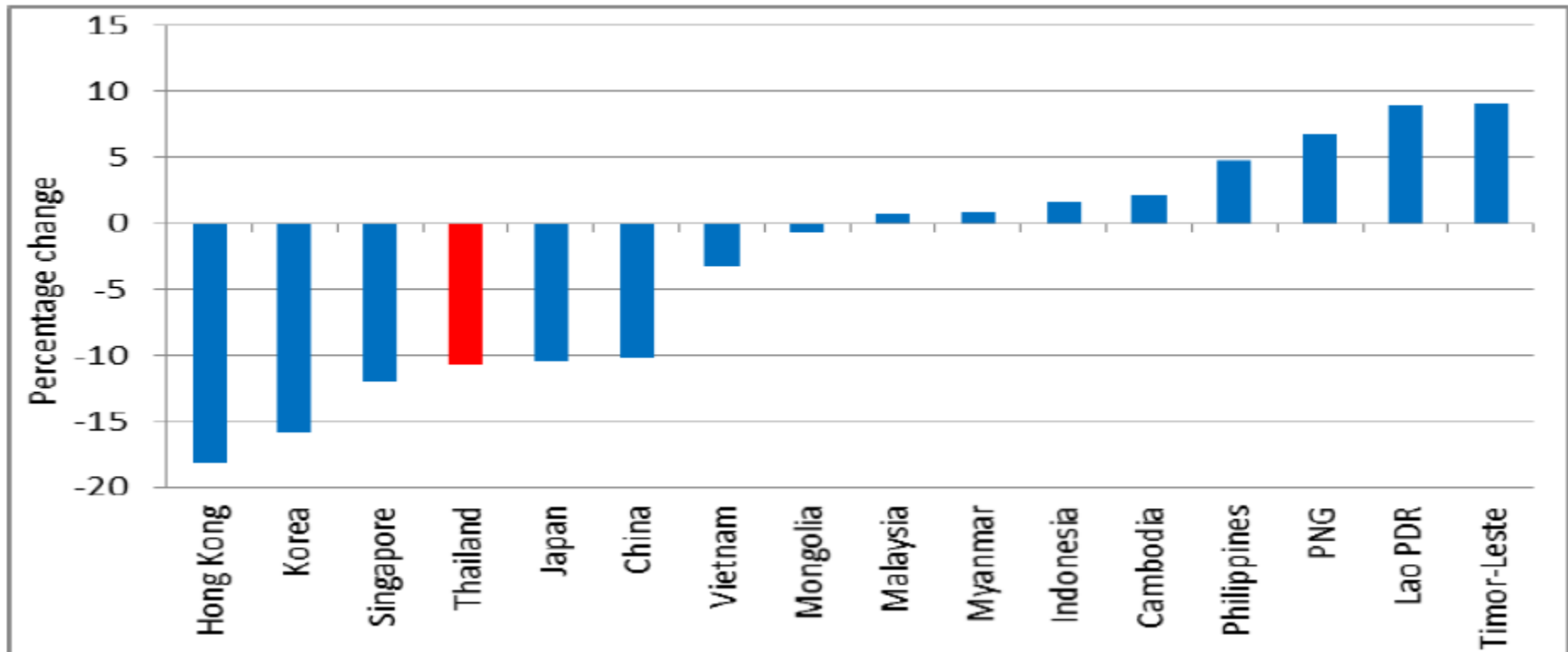
GNI per Capita levels per year  
(World Bank Atlas Method, Current US\$ as of 2014)



# Thailand is aging quickly & will demand better services

Also, Thailand's older labor force will be more suited for the less labor-intensive services sector

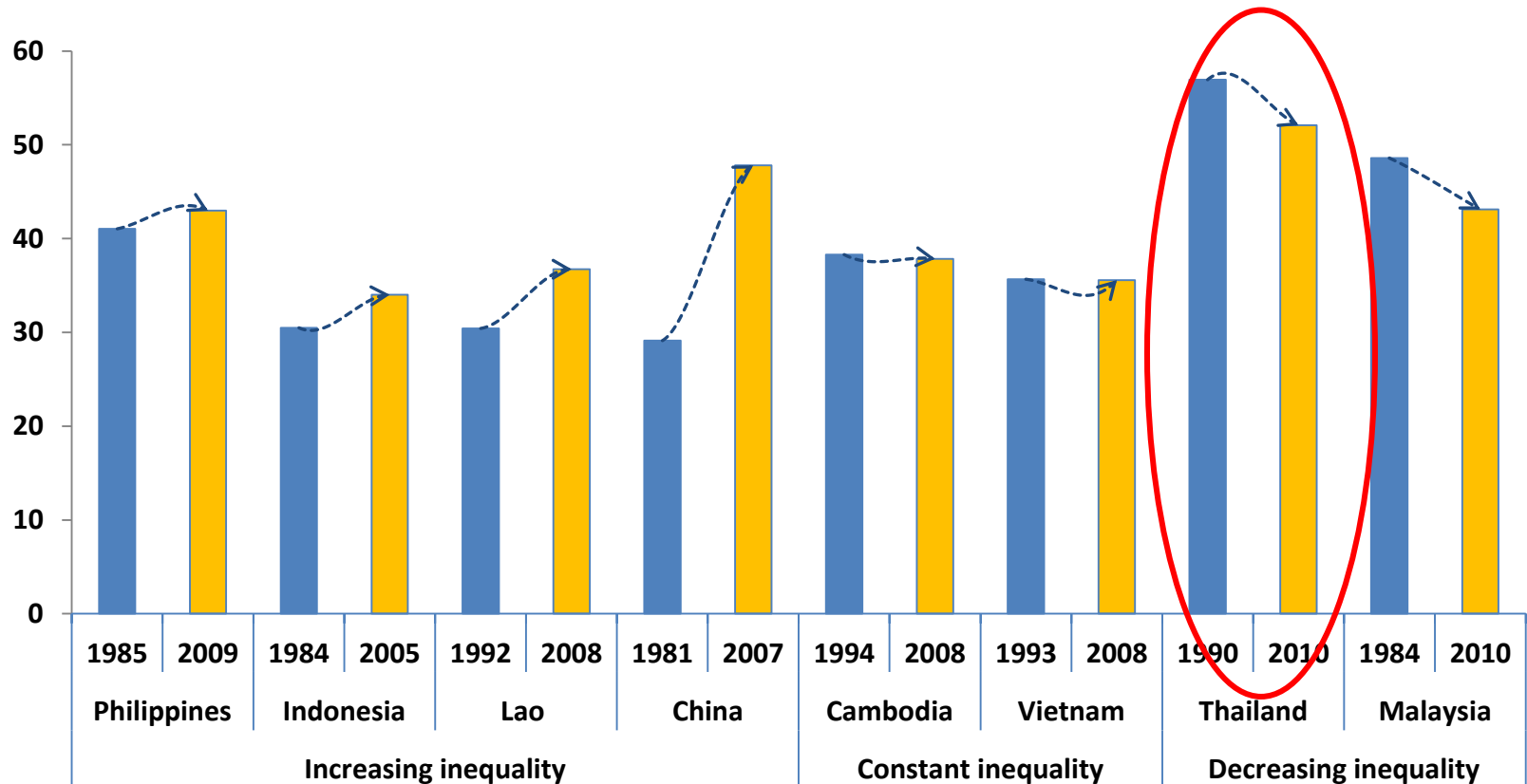
**(Projected % change in population, 15–64 Years, 2010-2040. WB using UN 2013)**



# Enhancing incomes of the labor-rich service sector will help reduce Thailand's high income inequality

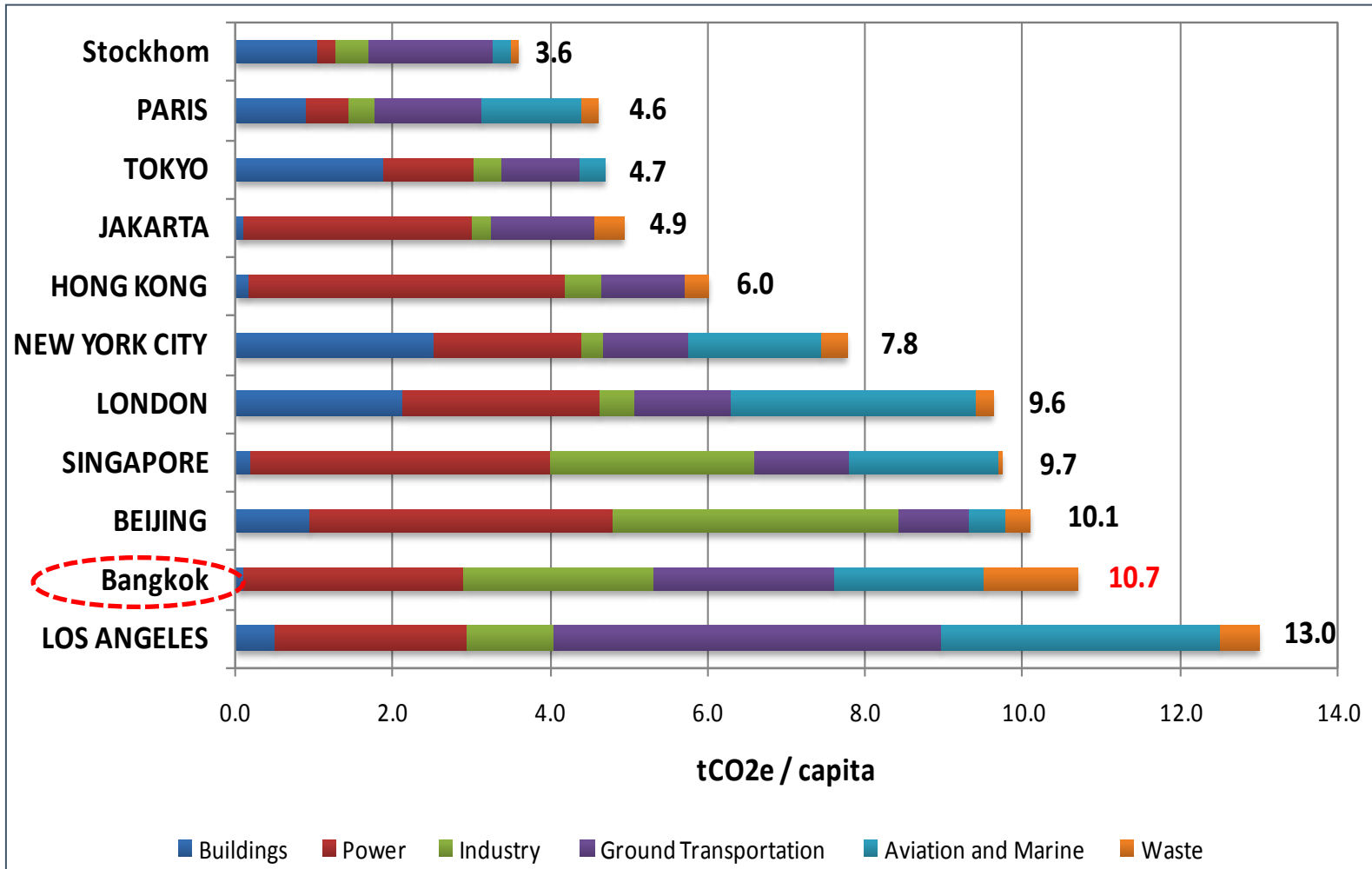
Thailand has one of the highest income inequality in E. Asia

## Gini coefficients (Income)



# Service sector is environmentally friendly

## CO<sub>2</sub> missions per capita



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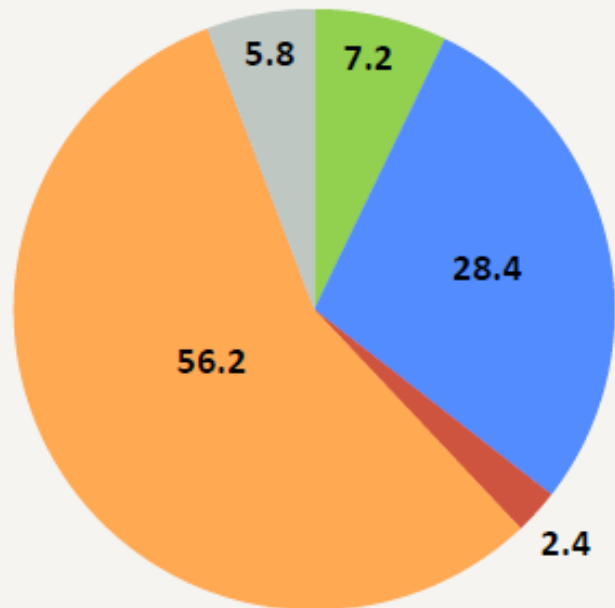


# Service sector can enhance future growth & equality

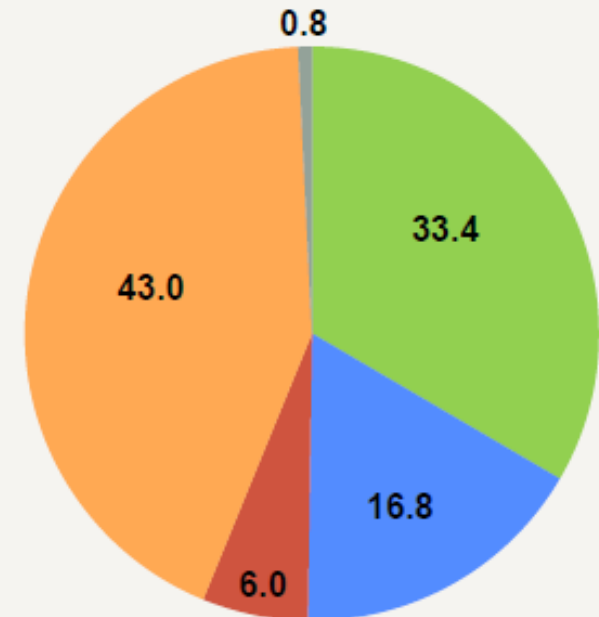
Service is largest sector & has largest employment in the Thai economy

## THAILAND

Share of Real GDP (%), 2014



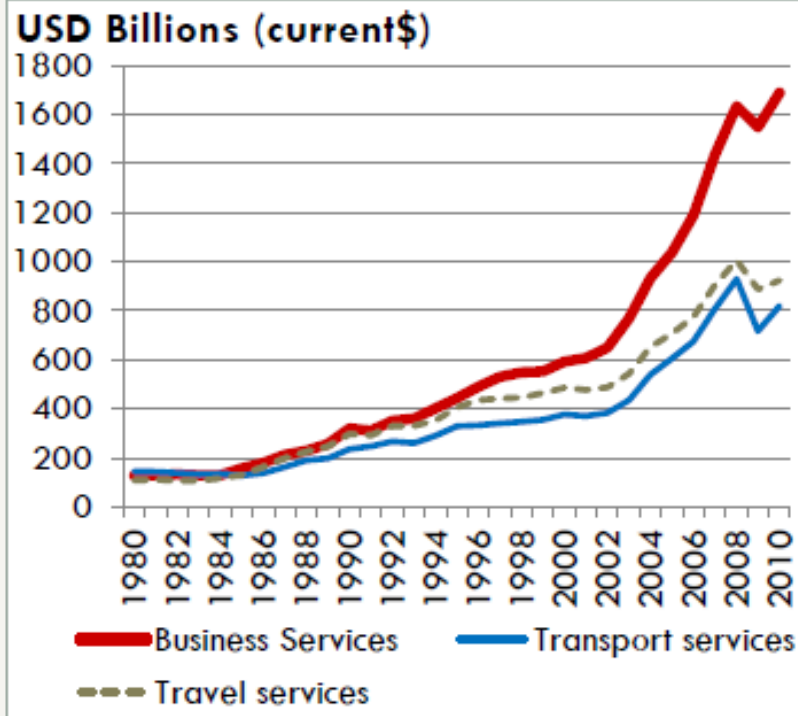
Share of Employment (%), 2014



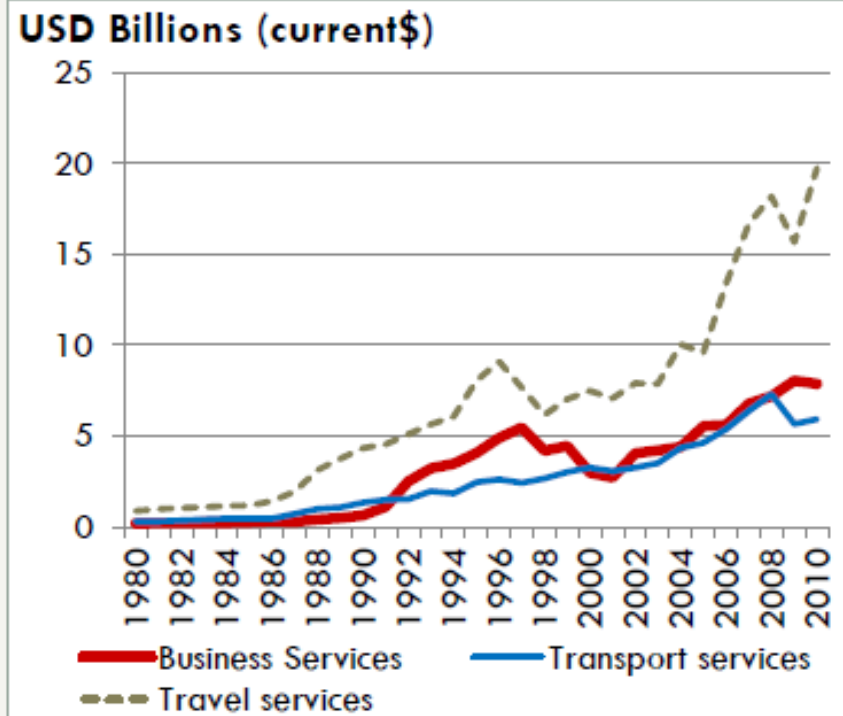
- Agriculture
- Manufacturing
- Construction
- Services
- Others

# Trade of business services can be the next engine of growth

## World



## Thailand



Source: World Bank, World Development Indicators

# Thailand's Future – 3 Scenarios

Future  
**3**  
Possible  
scenarios








Different paths  
require **different inputs** and **supporting factors**

# Moving to services raises growth & reduces income inequality & CO2

**Comparison of the 3 Scenarios**

- Thailand 2014**
- 1 Business as Usual**
- 2 Advanced Manufacturing Economy**
- 3 Modern Agriculture and Knowledge-based Services**

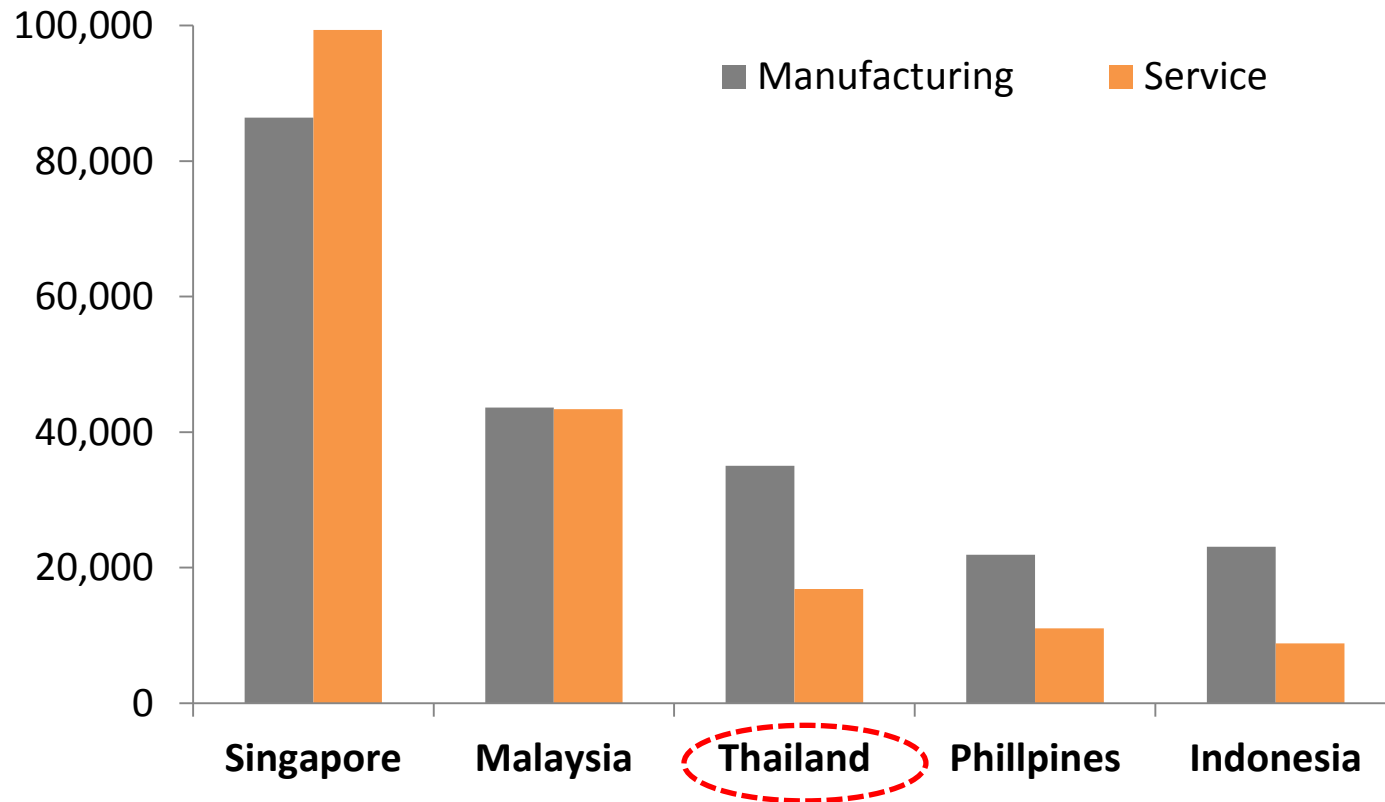
	 Year graduating from middle income	 Average growth rate %	 Income per head in 2045 USD	 GINI coefficient	 GDP/CO <sub>2</sub> emission USD/ton
<b>Thailand 2014</b>		<b>4.3</b>	<b>5,480</b>	<b>0.39</b>	<b>1,109</b>
<b>2036</b> (Business as Usual)		<b>3.55</b>	<b>17,016</b>	<b>0.37</b>	<b>3,584</b>
<b>2028</b> (Advanced Manufacturing Economy)		<b>4.59</b>	<b>23,736</b>	<b>0.42</b>	<b>3,901</b>
<b>2028</b> (Modern Agriculture and Knowledge-based Services)		<b>5.21</b>	<b>28,402</b>	<b>0.33</b>	<b>5,463</b>

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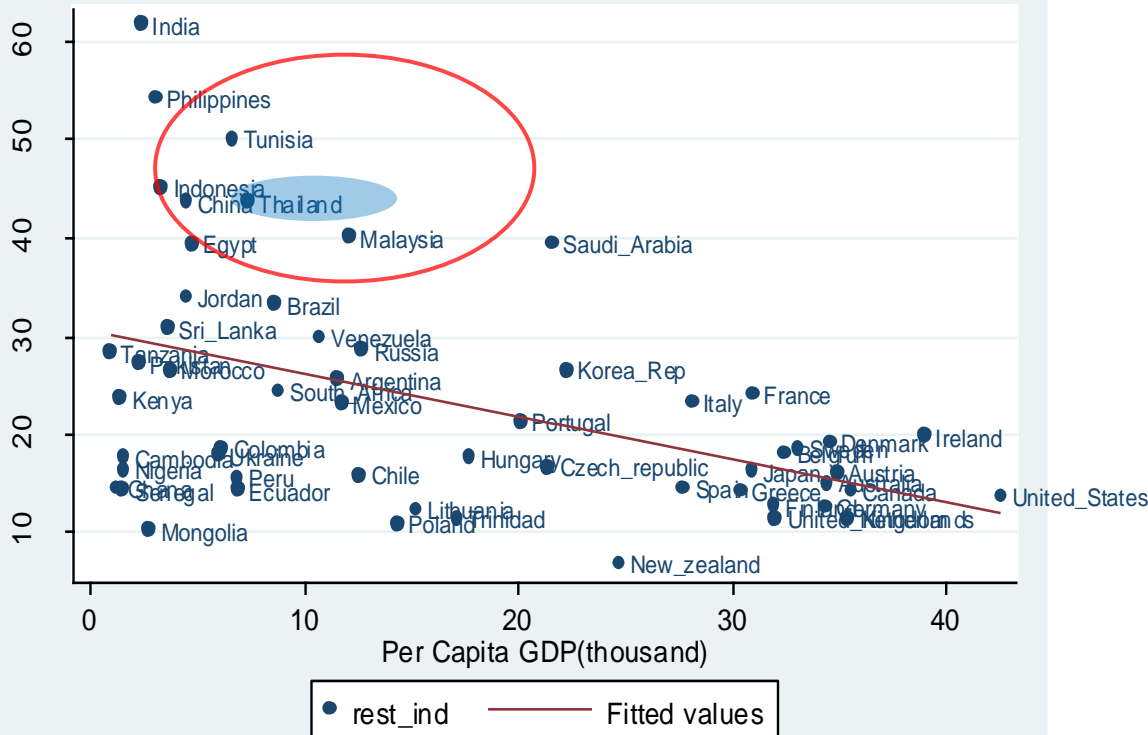
# Thailand's needs to raise labor productivity in services

Labor productivity  
(US\$ per person per annum)



# Services trade restrictiveness has to be reduced...

## Services Trade Restrictiveness Index (STRI) & Per Capita GDP, 2012



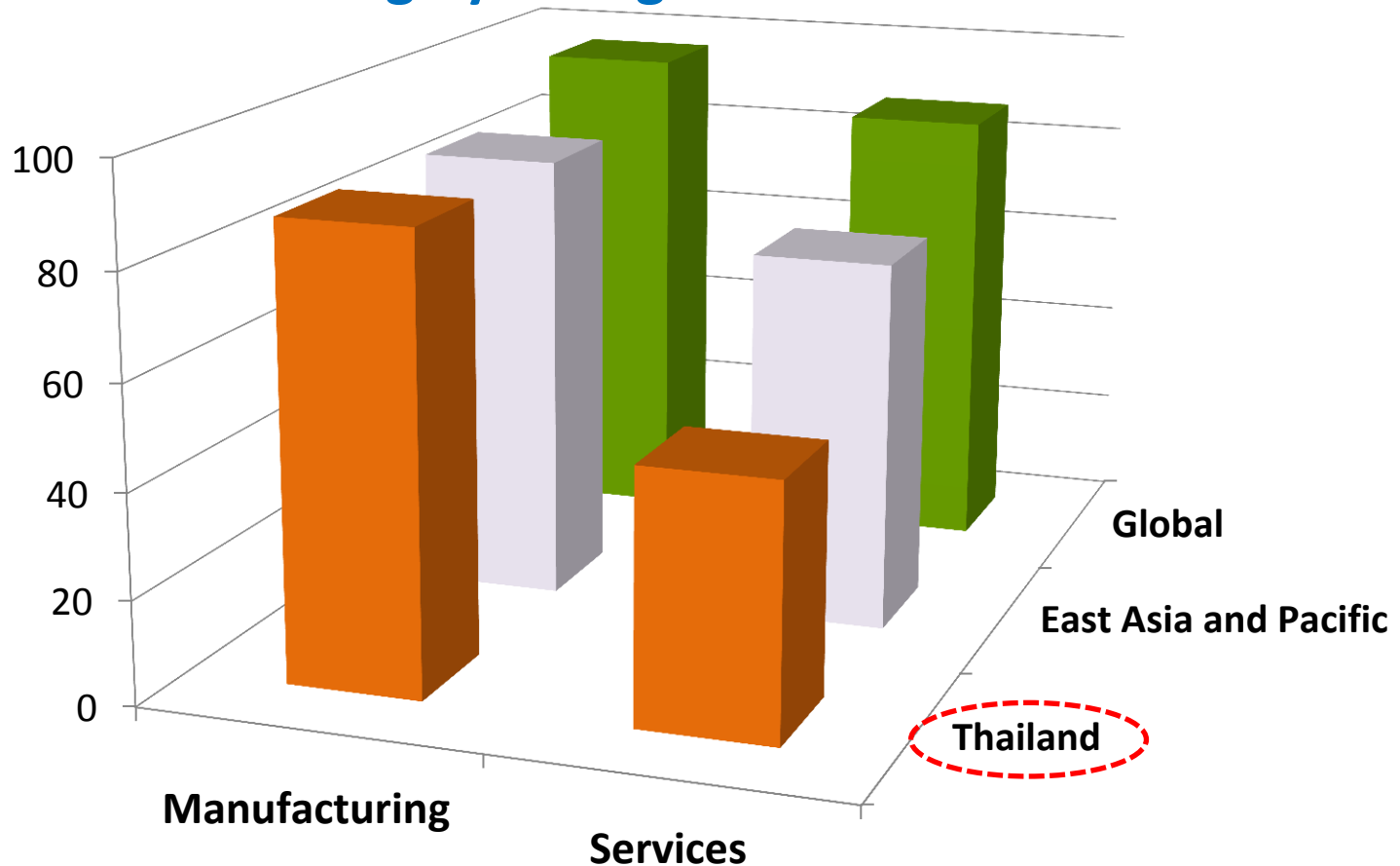
- Thailand's services trade restrictiveness is **higher** than those of many countries with similar per capita income level
- There is a negative correlation between a country's income & its trade restrictiveness – **countries with higher incomes have lower trade restrictiveness**

GDP per capita, PPP (constant 2005 international \$)

Source: Gootiiz, Mattoo

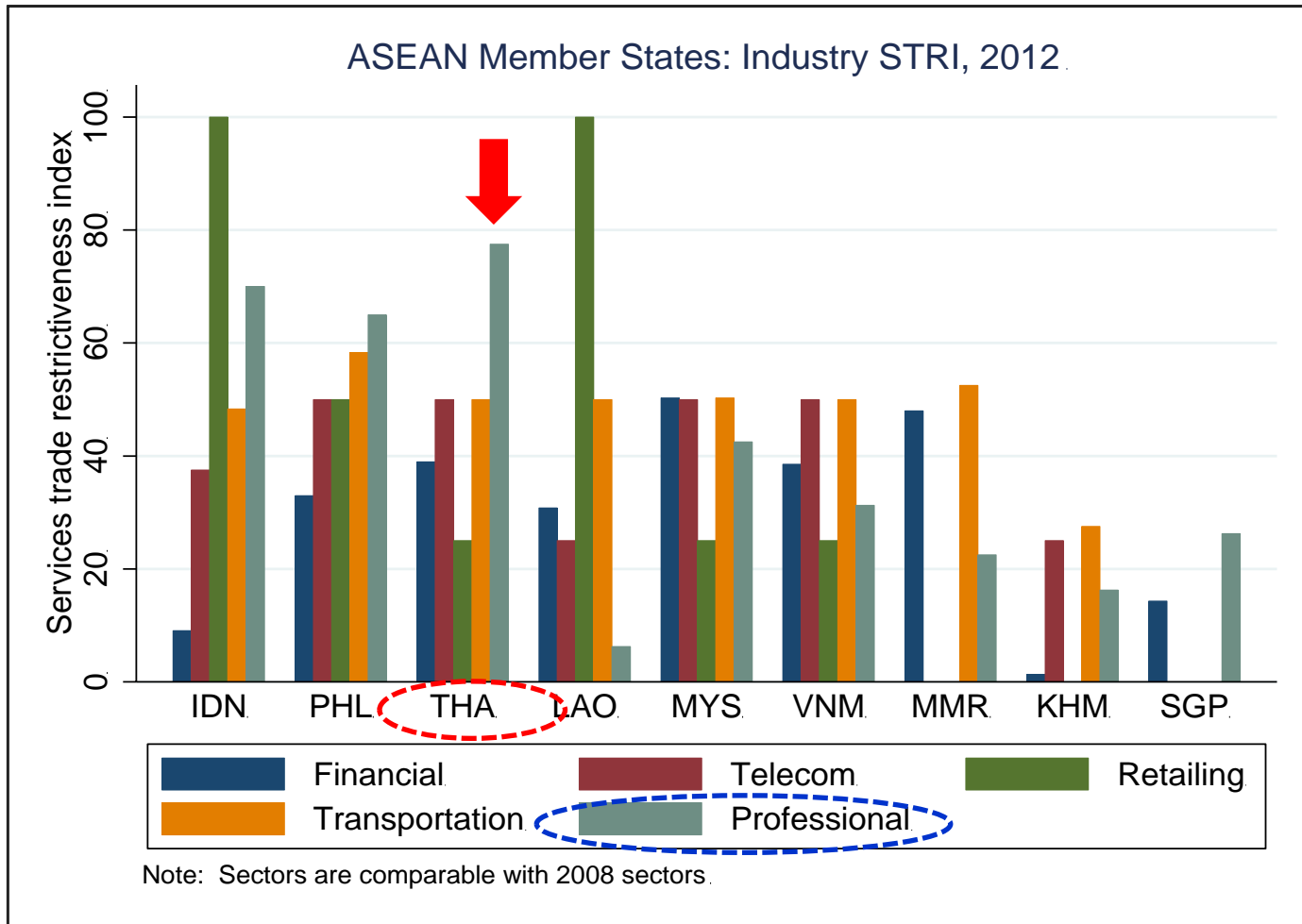
# ... for FDI into the services sector...

## Ease of Investing by Foreigners





# ... and in the movement of professionals



# Thailand could start with liberalization under AEC (AFAS)

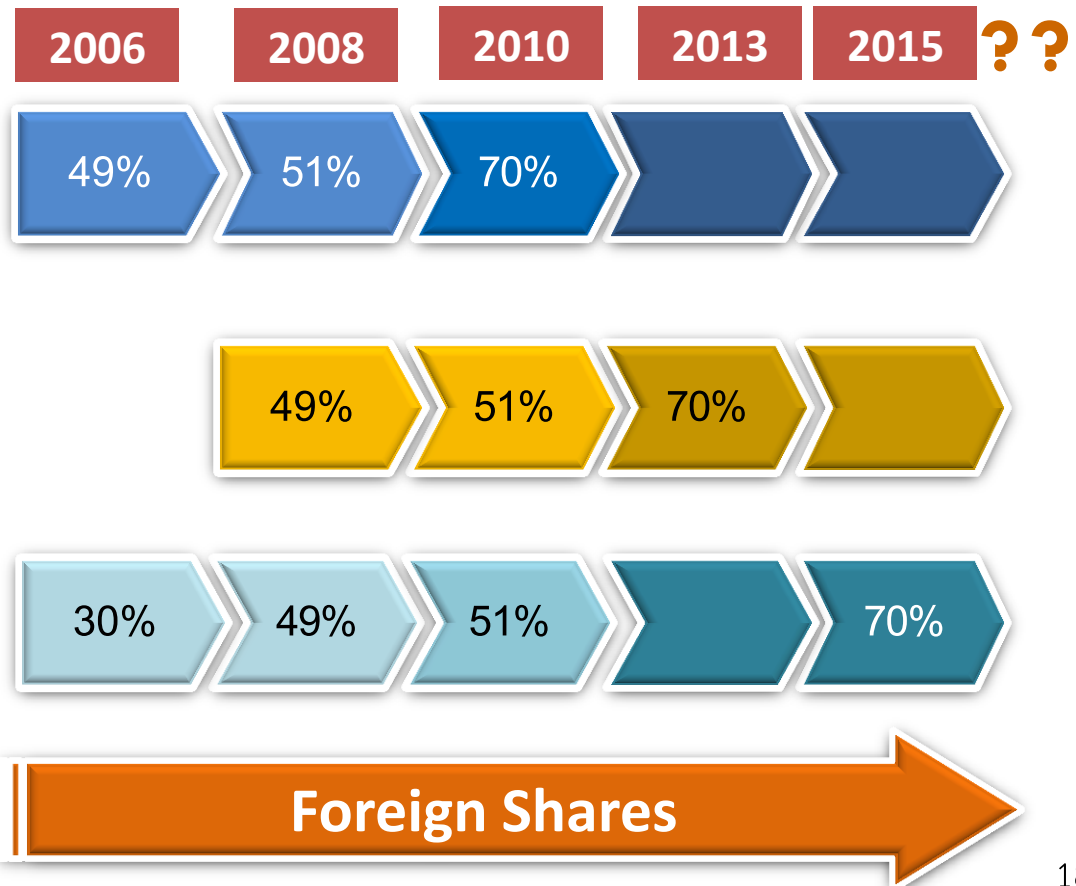
Targets under the AEC have not been met; negotiations under the ASEAN Framework Agreement for Services (AFAS) are still on-going

## Shareholding of Investment in Service businesses

4 Priority Sectors  
e-ASEAN, Health, Tourism, Air transportation

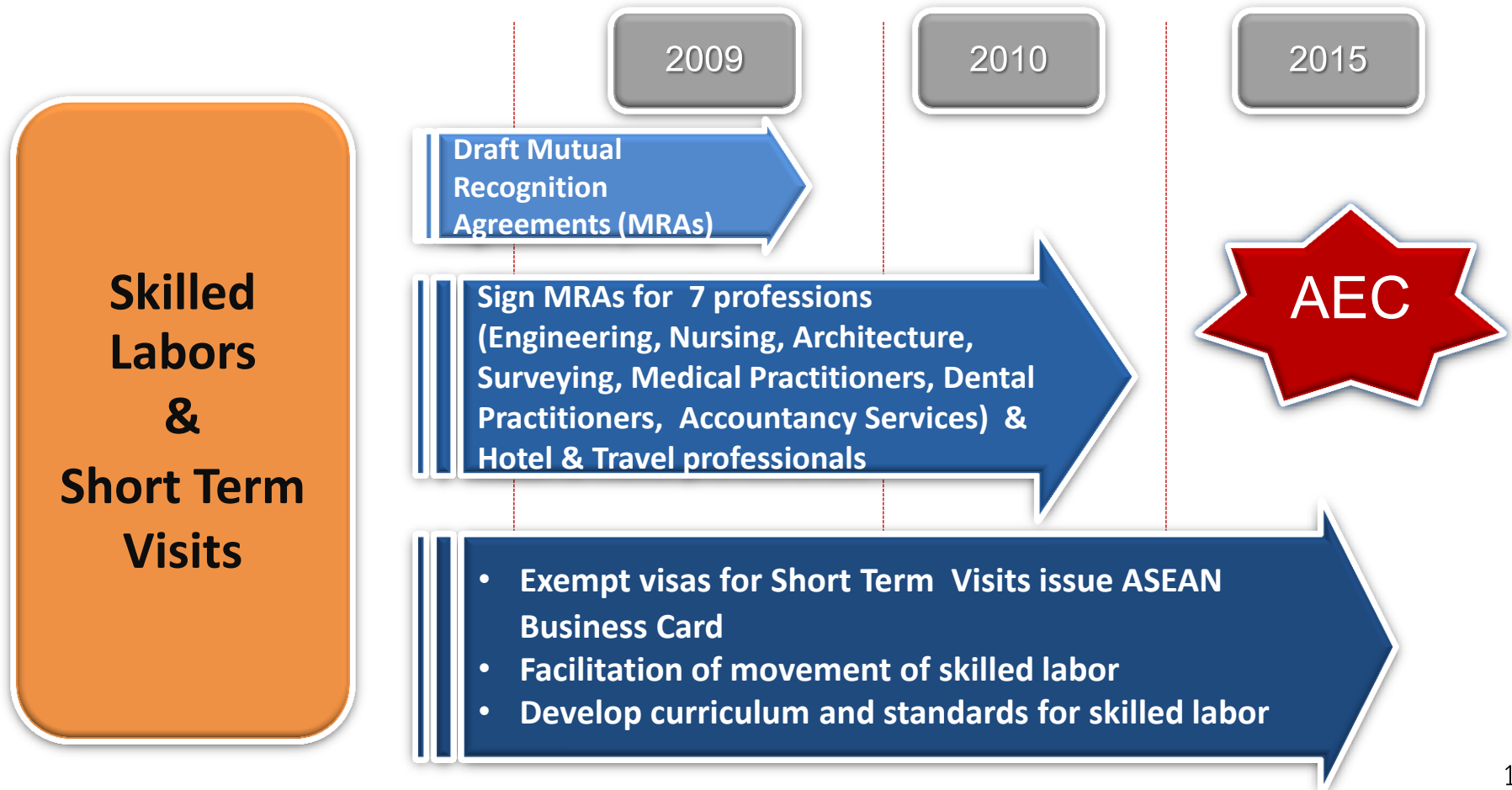
**Logistics**

**Others**  
(ICT, professional services, construction, distribution, education, environment, transport, and all others)



# Thailand could start with liberalization under AEC

**Movement of 7 professions & Tourism Professionals are still not free as MRAs have not been completed + behind the border barriers exists**



# THANK YOU

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