# Systemic Implications of the COVID-19 Crisis in Asia

## Perspectives and Policy Discussions in Thailand

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# Executive Summary

Thailand has been widely cited as a success story in sustaining strong growth, impressive poverty reduction and a relatively extensive coverage of its health care and social security. However, this success story began reversing in the past few years as household income and consumption declined. These declines are attributed to lower economic growth rates, natural disasters, political uncertainty, digital disruption, the trade war, and global market factors. The spread of COVID-19 has further impacted economic growth and related socio-economic parameters. Research indicates that the prolonged nature of the pandemic, transmission controls, and social distancing measures are leading to an economic contraction at a rate ranging from 5 per cent to higher than 10 per cent, depending on their different assumptions and perspectives, while growth is expected to slowly recover in 2021 and beyond.

This paper discusses the domestic policy response of the government of Thailand in dealing with the pandemic-induced socio-economic setbacks. The major policy response measures in Thailand have been grouped as (i) liquidity support measures; (ii) credit creation measures; (iii) direct long-term lending and forbearance; and (iv) government support to income or revenue. The shifts in global supply chains and production networks have brought into question the place that Thailand will occupy in the new geo-economic setup. The paper ends with some recommendations for Thailand's domestic and international policy response in the post-pandemic reality to not only re-capture its strong economic growth rates but also find its place in the new geo-economic international structure.

# Introduction

The COVID-19 crisis is disrupting all aspects of lives across Asia amid the pre-existing demand disruptions. The urgency for COVID-19 remedial measures has seized budgets and resources that would have otherwise been directed towards strategic measures in response to the new politico-socioeconomic norms of the twenty-first century. Prominent changes in the nature of worldwide production patterns are reflected in the shortened supply chains, along with automation and digitalization. A deglobalization trend is on the rise for many industries, with industrialized countries' corporations moving production operations closer to their homeland, from offshoring to near-shoring. They eventually may be onshoring. Small open economies in Asia, as in the rest of the world, are compelled to remain vigilant about the new trade order arising from increasing rivalling blocs and trade tensions between the large economic powers of the United States and China. The international political economy and business paradigm of the coming decade call for an analysis of the systemic implications of the unprecedented crisis, reflecting the plausible scenarios for the post-pandemic order and the "new normal". This paper discusses the geo-economics of the pandemic in the context of Thailand. The term geo-economics in this paper refers to an inter-disciplinary approach to geographic, political and international economic considerations. The next section presents background on Thailand's contemporary socioeconomic fundamentals, which are important for understanding the country-specific context. Description of the structural impacts and domestic policy responses follows, along with the influential roles of civil society and interest groups. The fourth part extends to the external balance outlook and regional integrations. The article concludes with ways forward.

# Thailand's contemporary socioeconomic fundamentals

For almost a decade, the World Bank has upgraded Thailand's income categorization from a lower-middle-income country to an upper-middle-income country. Thailand has been widely cited as a success story in sustaining strong growth, relatively extensive coverage of its health care and social security systems and impressive poverty reduction. From a poverty rate at more than 65 percent in 1988, Thailand plummeted to less than 8 per cent in the past decade. However, the trend began reversing in the past few years as household income and consumption declined. These declines are attributed to lower economic growth rates, natural disasters, political uncertainty, digital disruption, the trade war and global market factors. In 2018, more than 6.7 million people, or nearly 9.9 per cent of the Thai population, lived below the poverty line.[1] And yet, 14 million people, almost double of the poverty-line statistic of 6.7 million, registered in 2020 for what is known as the "State Welfare Card", to receive monthly financial assistance from the Ministry of Finance.[2]

As well as the increasing poverty rate, inequality persisted even before the COVID-19 outbreak. During 2015–2017, the consumption and income growth of the bottom 40 per cent of the Thai population were found to be negative. Thailand's Gini coefficient was 0.45 in 2017.[3]

1 National Economic and Social Development Council. Poverty Report 2019. Available at https://www.nesdc.go.th/article_attach/article_file_20201103111407.pdf (in Thai).

2 Thairath News Online, "Six years the government of National Council for Peace and Order, the poor increase, widening poor-rich gap by 20 times," 24 September 2020. Available at https://www.thairath.co.th/newspaper/columns/1935437 (in Thai).

3 National Economic and Social Development Council. Poverty and Inequality Report 2018. Available at https://www.nesdc.go.th/ewt_w3c/ewt_dl_link.php?nid=7787 (in Thai).

The income of the top 10 per cent income level was 20 times that of the lower 10 per cent. The richest 1 per cent in Thailand controlled almost 67 per cent of the country's wealth. Lacking regular income, the share of the bottom 10 per cent in the nation's wealth was almost nil. Even the bottom 50 per cent of Thais had just 1.7 per cent share in the country's wealth, while the country's richest 10 per cent enjoyed an 85.7 per cent share.[4] Consequently, Thailand's household debt, which is basically for consumption, is among the highest in Asia. Household debt in the first quarter of 2020 was 80 per cent of gross domestic product, which was a significant increase from the 43 per cent in 2005. This constrains the ability of Thai households to spend, pay debts or borrow more. There were several contributing factors, such as the reconstruction needs after the flood in 2011, the large volume of purchases under a first-car tax rebate scheme and a financial innovation that widened credit access for more households.

Compared with many member countries of the Association of Southeast Asian Nations (ASEAN), Thailand performs well on several indicators of well-being, such as primary school enrolment and access to basic living necessities. Nonetheless, in terms of quality, the gaps in accessing "high-quality" services in career-related education and premium health care are widening. For example, children from a rich family have a 65.5 per cent chance of continuing to tertiary education, while children from a poor family have only a 3.8 per cent chance.[5] The digital divide across various dimensions is another reflection of the economic gaps. Rarely do poor households own a computer with internet connection. By regional comparison, 83.8 per cent of the households in Bangkok have access to an internet connection, while only 57.9 per cent of households in the north-eastern provinces have it. The national average is 67.7 per cent.[6]

Demographically, Thailand must prepare to cope with its ageing society. The elderly workforce has the potential to be highly impacted by COVID-19 due to more difficulty to return to the labour market. In general, older people are more prone to getting into poverty than the working-age group due to their physical constraints. They are also more vulnerable to becoming poor from unexpected events, such as illness. According to the 2019 Labour Force Survey findings, 49 per cent of the 38 million workers were at an average age of 40 years. Thailand's average age of workforce is older than in the neighbouring countries of Indonesia, Myanmar and Vietnam. The number of people aged 60 or older is approximately 12 million, accounting for 18 per cent of the population, while the old-age dependency ratio is 3.6:1. By 2050, the number of people aged 60 or older will increase to 20 million, amounting to approximately 30 per cent of the total population, and the old-age dependency ratio is expected to be 1.8:1.[7]

The 2017 Survey of the Older Persons in Thailand[8] found that approximately 62 per cent of older persons still worked, both in the formal and informal sectors. Most older workers were either voluntarily or forced to become self-employed, with no other work alternative. A smaller percentage, with a declining trend, were institutionally employed by the government, state enterprises or private firms. Almost 50 per cent of Thailand's workforce in 2017 comprised own-account workers and contributing family workers. They resembled what the International Labour Organization calls "vulnerable employment" because they were without a formal or adequate social safety net. Despite having a national strategy and plans for the general welfare of older persons managed by

4 Credit Suisse, Global Wealth Report 2018. (Zurich, 2018). Available at https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html.

5 National Economic and Social Development Council. Regional Poverty and Inequality Report 2018. Available at http://social.nesdc.go.th/social/Default.aspx?tabid=126&articleType=ArticleView&articleId=243 (in Thai).

6 National Statistical Office, The 2018 Household Survey on the Use of Information and Communication Technology (Quarter 1). (Bangkok, Ministry of Digital Economy and Society, 2018).

7 National Statistical Office. The Labor Force Surveys. Available at http://www.nso.go.th/sites/2014en/Pages/Statistical%20Themes/Population-Society/Labour/Labour-Force.aspx (in Thai).

8 National Statistical Office. Report on the 2017 Survey of the Older Persons in Thailand. Available at http://www.nso.go.th/sites/2014en/Pages/survey/Social/Demographic,%20Population%20and%20Housing/The-Survey-Of-Elderly-In-Thailand.aspx (in Thai).

the government, public–private associations and non-government organizations, Thai society still lacks policy infrastructure to create old-age employment options to support a desirable life after retirement. These options should encourage older persons of all backgrounds and education level to maintain "vigour" in the workplace while providing flexibility in living their lives as older persons.[9]

Regarding the consumer market, the internet of things and changing lifestyles towards cyber platform use have been protrusive in Thailand. According to the Asia Internet of Things Business Platform Survey, Thailand ranked highest among ASEAN countries in corporate internet of things implementation.[10] Globally, McKinsey & Company reported the internet of things, a diverse combination of industry, agriculture, retail and medical services, grew from 13 per cent to 25 per cent during 2014–2019. The internet of things spending is forecasted to increase from $726 billion in 2019 to $1.1 trillion in 2023. The trend is expected to be similar for Thailand, mostly driven by the consumer-related internet of things, rising to nearly $2.2 billion by 2030.[11]

This has several implications, particularly in the labour market. The short-term employment outlook will see a decline in the number of personnel working in financial institutions due to digital disruption from mobile banking applications and internet banking. In the third quarter of 2018, for instance, Siam Commercial Bank closed 36 branches, Kasikorn Bank closed 22 branches and TMB Bank closed 17 branches.[12] Many young people prefer to use mobile apps and the internet to do business. The country's retail sector, both department stores and convenience stores, will reduce its number of workers to adopt new technology and cut labour costs. For example, the number of cashiers and security guards will be reduced in the near future, and they will be replaced by digital equipment. Media industry, such as music, magazines and newspapers, has been disrupted by the internet of things.

Linking the domestic market and the external balance in terms of international competitiveness, Thailand has fallen four places, to 29th, in the Institute for Management Development's World Competitiveness Ranking for 2020. This was partly due to economic performance, government efficiency and transparency and the quality of education.[13] Thailand's research and development remains at less than half a per cent of GDP, falling behind other countries in the region. Concerningly, 45 per cent of the workforce are unskilled workers. They are also part of the group that will be impacted by COVID-19 response restrictions because they will have difficulty in adjusting to the new work norms and adapting to technology utilization. The situation reflects the country's critically low level of technological absorption capacity. Only a few workers can meet the current needs of companies. Vocational institutions produce a low rate of new workers, at only 10,000 per year. Vocational workers with IT skills are in high demand. According to the 2019 Labour Force Survey data[14], workers with a bachelor's degree tend to have a higher unemployment rate, at 1.8 per cent, than workers with a secondary or post-secondary education, at 1.3–1.4 per cent. Considering the potential of the next generation workforce reflected by the Organisation for Economic Co-operation and Development's Programme for International Student Assessment results for 2015,

9 See more details in E. Phijaisanit, "How can promoting "desirable" elderly employment opportunities alleviate the shortfalls of Thailand's ageing society?" Thammasat Review of Economic and Social Policy, vol. 2, No. 1, 2016, pp. 124–171. doi: 10.14456/tresp.2016.6

10 Bangkok Post, "Thailand leads ASEAN IOT exploration poll" 21 June 2018. Available at https://www.bangkokpost.com/business/1489538/thailand-leads-asean-iot-exploration-poll

11 Bangkok Post, "Internet of things in the Thai market", 7 May 2020. Available at https://www.bangkokpost.com/business/1914112/internet-of-things-in-the-thai-market

12 The Nation, "Preferences for digital banking forces closure of bank branches", 18 October 2018. Available at https://www.nationthailand.com/Corporate/30356730

13 Bangkok Post, "Thailand's competitiveness ranking dips", 17 June 2020. Available at https://www.bangkokpost.com/business/1936128/thailands-competitiveness-ranking-dips.

14 National Statistical Office. The Labor Force Surveys. Available at http://www.nso.go.th/sites/2014en/Pages/Statistical%20Themes/Population-Society/Labour/Labour-Force.aspx (in Thai).

around half of Thai students performed below the basic proficiency level in science, reading and mathematics. It can be said that they are "functionally illiterate", or lacking a basic level of skills in reading and mathematics needed for modern jobs, in spite of attending school for nearly nine years.[15]

# Structural impacts of COVID-19 restrictions and instantaneous domestic policy response

The advent of COVID-19 has impacted industries and workers worldwide with varying magnitude and dimension. In comparison with other countries, Thailand has been considerably successful in containing the spread of the pandemic during its first and second wave in 2020. Nevertheless, the success was not without costs in terms of socioeconomic impacts and related consequences. Economic growth is expected to decline sharply, along with other economies in East Asia and the Pacific. Due to the prolonged nature of the pandemic, transmission controls and social distancing measures, research institutions see the economy contracting at a rate ranging from 5 per cent to higher than 10 per cent, depending on their different assumptions and perspectives, before slowly recovering in 2021 and beyond. Consequently, severe job losses are directly affecting the workforce and, therefore, household income and general well-being.

Thailand's development policy aims at attaining sustainable and inclusive growth in concert with the Sustainable Development Goals adopted by all United Nations Member States in 2015. The goals can be considered a universal attempt to "end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030".[16] This calls for a more concrete commitment to refurbish the tolerability and adaptability of the current and future workforce to the drastically changing ecosystem. Thailand is a part of the 2021 Voluntary National Review of the High-Level Political Forum on Sustainable Development, which is the United Nations' central platform for follow-up and review of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

The theme of the High-Level Political Forum is: "Sustainable and resilient recovery from the COVID-19 pandemic that promotes the economic, social and environmental dimensions of sustainable development: building an inclusive and effective path for the achievement of the 2030 Agenda in the context of the decade of action and delivery for sustainable development".[17]

As an emerging country, Thailand's economy is highly dependent on exports, which account for more than two thirds of its GDP. In 2019, Thailand's international trade openness accounted for more than 120 per cent of its GDP. According to the Trade Policy and Strategy Office[18], the value of exports dropped 15.2 per cent, while the value of imports dropped 23.8 per cent, in the second quarter of 2020 from a year earlier—the biggest decline since 2016. Industries seriously affected are those relying on foreign demand, namely automobiles, computers, chemical products, air conditioners, machinery, oil, plastic and rubber products. The export decline has been aggravated by further appreciation of the Thai baht, a condition influenced by international foreign exchange market factors. Domestic demands have been constrained, especially in the tourism, retail sales, automobile and real estate sectors.

15 D. Lathapipat, and L. Sondergaard, "Skilled workforce and strong R&D keys to Thailand 4.0 success", East Asia and Pacific on the Rise, 2017. Available at https://blogs.worldbank.org/eastasiapacific/skilled-workforce-and-strong-rd-keys-thailand-40-success.

16 SDGs Knowledge Platform. Available at https://sustainabledevelopment.un.org/hlpf/2021.

17 Ibid.

18 Trade Policy and Strategy Office. Economic Outlook Q1/2021. Available at http://www.tpso.moc.go.th/th/node/11044

In 2019, the shares of the industry and services sectors accounted for 33 per cent and 59 per cent of GDP, respectively.[19] The share of employment in these two sectors combined constituted about 68 per cent of all employees, with the remaining share in agriculture.[20] Evidently, the majority of the national workforce has become devastated by the pandemic-related sector impacts. The unemployment rate rose from slightly more than 1 per cent in the last quarter of 2019 to 1.9 per cent in the second quarter of 2020. Moreover, 36 per cent of the unemployed were new graduates.[21] These new graduates are very likely to remain unemployed for a long period. They also risk being underemployed or employed in sectors that mismatch their training or skill. According to the Labour Force Survey data[22], tourism and construction had the highest increase in unemployment, from 232 per cent in the second quarter of 2019 to 312 per cent in 2020. With lowered revenue in the industry and tourism sectors, some workers have returned to their hometown to make a living on basic agriculture.

Supportive regulations have been revised, and several relief measures enacted by the government for workers in the formal and informal sectors. The Social Security System consists of several categories of insured persons, giving some degree of options for employees of different work status.[23] In March 2020, the cabinet approved revision of the rate of unemployment benefits under the Social Security Act, section 79/1,[24] which increased compensation from 50 per cent to 62 per cent of wages for 90 days and reduced the required employment period from 180 days to 90 days.[25] In June 2020, the government revised the Social Security System regulations so that an insured person under section 33 who has paid contributions for at least 12 months may submit a request for social security benefits for six months. In the case of temporary business closure that is not force majeure, employers must pay at least 75 per cent of the wages earned before the business cessation.[26]

Regarding workers in the informal sector, the government initiated temporary pandemic-related relief measures through the channels of walk-in registration and online applications. Approximately 15 million self-employed persons under the Rao Mai Tink Kun (No One Left Behind) scheme and 8 million farmers were entitled to a 5,000 baht payment for three months. The government also promoted employment of new graduates with government agencies. Additionally, people affected by family members becoming unemployed received support from the government through the Remedial Measures for Vulnerable Groups Scheme, administered by the Ministry of Social Development and Human Security. Three groups benefited: children up to age 6 years (nearly 1.5 million cases), older persons (nearly 9.7 million cases) and people with disabilities (2 million cases). They received a total of 3,000 baht during May–July 2020.[27]

As of 27 August 2020, estimates of the government's relief packages totalled approximately $84,092 million,

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19 Statista (2021) Share of economic sectors in the GDP in Thailand 2019. Available at https://www.statista.com/statistics/331893/share-of-economic-sectors-in-the-gdp-in-thailand/

20 Statista (2021) Employment by economic sector in Thailand 2020. Available at: https://www.statista.com/statistics/332341/employment-by-economic-sector-in-thailand/

21 https://www.bot.or.th/Thai/Statistics/Graph/Pages/Unemployment.aspx (in Thai).

22 National Statistical Office. The Labor Force Surveys. Available at http://www.nso.go.th/sites/2014en/Pages/Statistical%20Themes/Population-Society/Labour/Labour-Force.aspx (in Thai).

23 Social Security Act, sections 33, 38, 39, 40.

24 The Social Security Act section 79/1 implies that, in the case which an insured person does not work or the employer does not allow work because of a force majeure, the insured person who has paid contributions for not less than six months within a period of 15 months before he or she has not carried out his or her work shall be entitled to unemployment benefits in accordance with the criteria, conditions and rates prescribed in the Ministerial Regulations. (Social Security Act (No.4), BE 2558 (AD 2015)).

25 Ministerial regulation of the Ministry of Labour on compensation in the case of unemployment due to force majeure caused by the outbreak of dangerous communicable diseases under the Communicable Disease Law, BE 2556 (AD 2013).

26 Labour Protection Act, section 75.

27 Prachachat.Net Online, "Healing the vulnerable group, who is entitled to receive assistance of 3,000 baht," 2020. Available at https://www.prachachat.net/general/news-469759 (in Thai).

Table 1: Estimates of total relief packages and cumulative cases in selected Asian countries

*Source: ADB COVID-19 Policy Database. Available at https://covid19policy.adb.org/policy-measures (accessed on 24 August 2020). World Bank COVID-19 Related Dataset (Washington, DC, Johns Hopkins University Center for Systems Science and Engineering via Github) and World Development Indicators (accessed on 27 August 2020).*

| Country | Total relief package in US$ million | Total relief package as % of GDP | Package per capita in US$ | Cumulative cases |
|---|---|---|---|---|
| Thailand | 84,092 | 16% | 1,211 | 3,237 |
| Indonesia | 115,775 | 11% | 433 | 118,575 |
| Malaysia | 78,449 | 22% | 2,488 | 8,994 |
| Philippines | 21,046 | 6% | 197 | 133,990 |
| Singapore | 92,122 | 26% | 16,338 | 55,139 |
| Vietnam | 26,503 | 10% | 277 | 637 |
| China | 2,358,400 | 17% | 1,693 | 84,335 |
| India | 362,683 | 13% | 268 | 2,583,948 |
| Japan | 3,430,806 | 66% | 27,115 | 52,542 |
| South Korea | 235,386 | 15% | 4,559 | 14,551 |
| Taiwan | 48,456 | 8% | 2,054 | 462 |

*Note: The amount or estimates for some liquidity support and credit creation measures were not available.*

or 16 per cent of GDP.[28] Table 1 provides a comparative overview of the pandemic relief packages among selected countries in Asia. The major policy response measures in Thailand can be grouped as follows: (i) liquidity support measures, such as setting up a special facility by the central bank to provide liquidity for mutual funds through banks; (ii) credit creation measures, such as soft loans by the central bank to financial institutions to be loaned at a certain interest rate to small and medium-sized enterprises with outstanding non-performing loans; (iii) direct long-term lending and forbearance, such as the establishment of the Corporate Bond Stabilization Fund to provide bridge financing to high-quality firms with proven and predictable revenue and growth, and loan payment holiday of six months for the small and medium-sized enterprises and suspension of principal repayment; and (iv) government support to income or revenue, such as assistance on health-related spending, assistance for workers and support for individuals and business through the soft loans from specialized financial institutions and the Social Security Office. The government support to income or revenue constituted a large part of the total package, comparable with many Asian countries (table 2).

Table 2: Estimates of government support to income or revenue

*Source: ADB COVID-19 Policy Database. Available at https://covid19policy.adb.org/policy-measures (accessed on 24 August 2020).*

| Country | Government support to income or revenue in US$ million | % of total package |
|---|---|---|
| Thailand | 43,603 | 52% |
| Indonesia | 38,931 | 34% |
| Malaysia | 22,100 | 28% |
| Philippines | 10,275 | 49% |
| Singapore | 51,589 | 56% |
| Vietnam | 12,903 | 49% |
| China | 1,406,180 | 60% |
| India | 159,295 | 44% |
| Japan | 2,268,557 | 66% |
| South Korea | 61,553 | 26% |
| Taiwan | 6,970 | 14% |
| Hong Kong | 38,386 | 20% |

28 ADB COVID-19 Policy Database. Available at https://covid19policy.adb.org/policy-measures (accessed on 24 August 2020).

# Outlooks for external balance and regional integration

As noted, trade constitutes an important component of Thailand's GDP. The pandemic has caused a decrease in economic growth worldwide. The effects became more pronounced with the persistent COVID-19 infections accompanied by the lockdown in many countries in Europe, Asia, the United States and other trading partners. Concurrently, there were issues of concern over the global disruptive forces of automation, shortened supply chains and reshoring. Losing its comparative advantage in the labour-intensive industries due to higher wage rates, accompanied by a large majority of unskilled workforce unable to adapt to the high-tech industries, suppresses Thailand's timely workforce adaptability. The crucial question is where Thailand will stand in the new global production chain.

Upon automation, it follows that the globalization trend is reversing to nearshoring (a hybrid offshoring strategy that moves some part of the production process closer to home) and/or reshoring (a reverse of offshoring). Through deglobalization, some industries (such as the digital economy) will be affected as the United States moves production closer to home, for example, to Canada or Mexico. Adding to it, the tensions between the United States and China had caused a shifting of some operations back home, such as software, 5G and hardware related to China-based production. This will leave many industries with excess production capacity.

Thailand used to have a comparative advantage in labour-intensive industries such as textiles, garments, gems and jewellery. However, it is losing that comparative advantage due to higher wage rates. As a result, production bases are moving to neighbouring Lao People's Democratic Republic, Myanmar and Vietnam in conjunction with the so-called "flying geese" pattern. The emerging economies of China and India have become the main competitors in labour-intensive products. At the same time, advances in technology and automation are shortening supply chains as they become less labour-intensive. For example, the automobile sector is moving towards electrical vehicles and smart technologies, making existing mechanical engines obsolete. The labour force in the business sector using automation technology as a substitute for human labour in the production process will be severely impacted. Even before COVID-19, 16 per cent of the new graduates were unemployed in 2018. Automation compels workers to improve their skills and do more high-level services. Those who fail to adapt will be left behind. The education system seems incapable of synchronizing the country's economic development.[29]

Aside from the supply-side factors, the international political economy dimension has impacted trade advantages. In the coming decades, trade negotiations will be increasingly influential, not only in the advantages over tariffs but also in terms of geo-economics, where especially small open economies like Thailand and ASEAN member countries can secure a certain degree of recognition and inclusion in future cooperation. The pre-conditions for the success of such negotiations requires a country's necessary preparedness as well as unified reconciliation of different views among government agencies, the private sector and civil society. Thailand needs to enact new legislation to comply with the global trading rules. A modernized tax system is also compulsory for businesses to be conducted efficiently. Despite many free trade agreements in the past, the majority of the stakeholders at the grass-roots level in Thailand are still lacking awareness and literacy in trade agreements and, therefore, are far apart from the key issues.

During the past two years, the Ministry of Commerce reiterated that joining the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), consisting of Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, would widen trade and investment. Now, it will also promote economic recovery from COVID-19. There were concerns over several issues relating to agriculture and seeds; the public health sector; and trade and investment. In the government's attempt to reconcile different views,

29 Bangkok Post, "Thailand 4.0: rise of the machines?", 5 February 2018. Available at https://www.bangkokpost.com/tech/1407570/thailand-4-0-rise-of-the-machines-.

three subcommittees were set up by the cabinet to work on the cost-benefit analysis of joining the CPTPP relating to the issues of concern. Regarding agriculture and seeds, the main concern was about protection of plant species, including rice. On the issue of the public health, the major concern was related to access to affordable medicines. This issue has been repeatedly discussed and has halted trade agreements over the years, whenever trade negotiation arises, such as in the Thailand–United States free trade negotiation in 2004. With the ongoing pandemic and the joining of the CPTPP, authorities in Thailand expressed concern that the effort to transform the country into a medical hub might be affected. As for trade and investment, the concern was that there would not be much benefit because Thailand already has free trade agreements with all the members of the CPTPP except Canada and Mexico. Think tanks and civil society contributed to the policy decision making. Opinions prevailed that reconciliation of different views was in vain, thus the effort to join the CPTPP was futile.

On 14 November 2020, Thailand, along with the other ASEAN members, signed one of the world's largest trade agreements, the Regional Comprehensive Economic Partnership (RCEP), with 15 countries, including the region's top trading partners: Australia, China, Japan, New Zealand and South Korea. The RCEP covers a market of 2.2 billion people, accounting for about 30 per cent of the world's population and global output. It is also larger than what is covered under the United States–Mexico–Canada Agreement and the European Union market. The RCEP was launched in November 2012, when the Trans-Pacific Partnership, led by the Obama administration, was in process. Even though the RCEP negotiations were led by ASEAN, it can be considered China's counter to the United States' influence in Asia and the Pacific, given its absence in the CPTPP. The major difference between the RCEP and the CPTPP is that the RCEP is a less restrictive trade deal because it does not establish unified labour and environmental standards. In 2019, India withdrew from joining the RCEP. Chief among its concerns was that the deal would result in a large amount of imports of cheaper Chinese goods that would hurt Indian manufacturers, such as textiles and steel. Nevertheless, some member countries, such as Japan, considered India's presence important to counter China's economic dominance.

For Thailand, the tariffs with many RCEP members are already low given bilateral or smaller multilateral trades. More than 70 per cent of the intraregional trade among the ten ASEAN members are without tariffs. Despite modest gains in the short run, there are views that the pact represented geopolitical dominance for China at a time when the United States appeared to be retreating from the Asia–Pacific region under President Trump's "America First" foreign policy. The new trade agreement may help alleviate the shortfalls of the United States–China tensions and the deglobalization trend. It lays the foundation for deeper cooperation among member countries. It also signals that Asian economies do not want to polarize between the United States and China but are very much open for business and recognize the benefits of deeper trade integration and liberalization. The bloc also somehow reduces the perception that China is turning inward with Xi Jinping's "dual circulation strategy", which emphasizes its domestic market. Overall, the world trade trend seems to be moving towards the East.

# Ways Forward

In the second phase of controlling the outbreak at the end of 2020, the government eased control measures and introduced stimulus on domestic consumption and tourism to revitalize economic activity and create more jobs. As indicated, the industries with excess production capacity due to revenue impact, automation technology and reshoring remained the most seriously affected. The most vulnerable groups remained older persons, unskilled workers and new graduates. A workforce adaptation strategy for medium term recovery should shift from remedying workers to creating jobs and accelerating the development of labour skills. These measures to create jobs for the unemployed should be geared towards accommodating public work employment in the local economy to generate multiplying benefits. There should be opportunities and incentives for workers to develop their skills through learning channels, such as online training platforms, which can be continued as lifelong learning.[30] This will help them to become more economically "immune" in times of high uncertainty. In addition, wage subsidy measures can be implemented in tandem with incentives for the private sector to adapt to the landscape of the new normal.

Most policy measures imposed by the government have been temporary relief to get through the short-term impacts of the pandemic-control restrictions. In response to the post-COVID-19 demand disruptions in the long run, the Government must have a more specific and well-defined set of goals when outlining any workforce adaptation strategy. This should be congruent with the direction of the country's National Strategic Plan. Long before the pandemic, the government was promoting the flagship Eastern Economic Corridor special economic zone and attempting to create new workers for the new S-curve industries, consisting of 12 targeted industries. These 12 targeted industries include: new-generation automobiles; smart electronics; affluent, medical and wellness tourism; agriculture and biotechnology; food; robotics for industry; logistics and aviation; biofuels and biochemicals; digital; medical services; defence; and education. Skill upgrading can be conducted through subsidy measures for entrepreneurs, particularly in the S-curve sectors, to maintain employment and encourage workers to develop additional skills, particularly the digital skills.

Policymakers can exhaust the possibilities of the new technology and the existing social capital. There is still unexploited potential for public–private cooperation in matching workers through, for example, learning and job search platforms. In the past, there was some resistance to technology and digital literacy in some sections of Thai society. This difficult pandemic time has opened a window of opportunity for the government to raise awareness of the importance of digital literacy across all sectors and generations. On the legal framework, employment laws and regulations should be reviewed and revised to conform to a workforce adaptation strategy, such as allowing hourly or more flexible employment and ensuring a well-suited social safety net.

In terms of the external balance, physical border controls among the ASEAN countries and their major trading partners will have a less effective role as they progress to deeper economic integration. Despite an increasing number of common domestic reforms and regulatory guillotine projects, taxation remains one of the few areas in which the ASEAN member States retain their sovereignty. Now that these States are unable to set their tariff rates against each other, there may be incentives for utilizing domestic taxes as a tool for improving government revenue and the country's trade benefits. Given the recently signed RCEP, the overlapping and unsynchronized tax structure across countries can cause inefficiencies and distortions in intra-regional trade. Harmonization of the tax systems would be necessary to reduce overall business costs and lead to higher efficiency. Despite many free trade agreements in the past and having active research institutions and business sectors, the majority of the grass-root stakeholders in Thailand still lack literacy in trade agreements and thus are prone to being left behind. It is important that Thailand promotes literacy regarding free trade negotiations. Increased involvement and participation of civil society groups will reduce wedges in the society and promote inclusive growth and development in conformity with the Sustainable Development Goals.

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