

Thailand paving the way towards an Innovation-Driven economy

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Industry Minister Prasert Boonchaisuk recently reiterated the government's determination to continue promoting the Thailand Creative Economy initiative. In an attempt to rally support for Thailand's transition to an innovation-driven country, he used rousing words such as "creative" and "sustainable" to describe his latest strategy. A three-stage, 20-year plan is now being drawn up, but it is not without its challenges.

The three stages: The first stage involves establishing a leading production base within Asean. The particular industries to be targeted have yet to be specified, but they are likely to be those related to agricultural products, energy, automobiles and electronics.

In the second stage, Thailand will develop its own intellectual property (IP) and apply these innovations to improve production capabilities. In this way, it is hoped that Thailand can become a regional trade centre from where production can be effectively managed and serviced. Additionally, Thai brands will be promoted on an Asean level.

The third stage involves the international development of Thai technology and brands through the support of local and regional production networks.

Potential hurdles: The major challenge to this strategy is that foreign companies own most of the technology used in many of Thailand's large-scale production sectors. To develop its own technologies, Thailand needs to partner foreign companies in joint ventures or independently improve its technologies through incremental innovation.

An opportunity exists for companies in Thailand to obtain beneficial terms for partnerships with European companies through the Thai-EU Free Trade Agreement, which is now under negotiation. European owners of technology are keen to see an improvement in the IP landscape before investing further. For Thai companies, a strong IP system will provide a stable basis for growth for all, regardless of where the owner of the technology is based.

Opportunities: Thailand's innovation must also come from within. Large enterprises such as PTT and SCG will play a key role in developing "Thai-owned" IP. They could gain an advantage over their Asean neighbours in the energy, chemicals and construction industries with a focus on rubber, petrochemicals and plastics, biodiesel and ethanol.

The food science market is also an area in which Thailand can potentially dominate further. Thailand's food export market is very strong, and global demand for consistent and reliable food sources is rising. To quote the Thai government's Competitiveness Report of 2012:

"Research focuses on food processing and bio-based industries such as rubber and oil palm. National research centres concentrate their R&D efforts on seeds, rice, cassava, algae, post-harvest processing, greenhouse farms, longer shelf-life packaging and quality assurance. Higher-quality corn, cucumber, chili and tomato seeds have been developed for export under a Thai brand name. New types of virus-resistant prawn feed and tiger prawn brood stock have also been created."

Innovations in crop science, food production, and supply could enable Thailand to utilise that IP itself, but also to license it to other countries. Such investments in agriculture will certainly support the "sustainability" element of the project.

Foreign pharmaceutical companies also will want to partner with local companies or the Government Pharmaceutical Organisation (GPO) to produce medicines for a rapidly expanding Asean medical market. Bangkok is already a hub for medical tourism and improvements in medicine production, and investment in incremental innovation in this field could serve Thailand very well. Such partnerships could ensure high-quality medicines are produced, and could foster greater competition that would reduce prices. The Thai government could then embark on projects beneficial to the community, at a lower cost and with better medicines.

Ideas for the future: To enable this to happen, the IP landscape and attitudes toward IP need to change. If an IP owner cannot reasonably expect to obtain patent protection for its innovations in Thailand, then it will simply invest elsewhere. This includes Thai as well as foreign companies. Therefore, an efficient and internationally compliant patent filing system plays a significant role in moving from an efficiency-driven to an innovation-driven economy.

Incremental innovation is also best achieved by analysing current patent landscape, followed by improvements made to "prior art" technology. Regulations must also seek to enable fast registration of products that are regulated (e.g. by the Food and Drug Administration) across all product types (and importantly, across Asean).

It is imperative that IP enforcement in Thailand improve, as well. We all know counterfeits of every variety are readily available in Thailand, which undeniably harms the country's image as a destination for FDI.

In addition to legal improvements, if Thailand is to keep hold of its innovations, it must ensure that it offers favourable tax regimes for R&D and also to IP as an asset and the royalties it earns. Singapore offers lower tax rates in this regard, and Thailand may wish to follow suit to prevent businesses shifting IP assets out of the country. Certain tax breaks are already offered at the Thailand Science Park, but this policy should be expanded.

Finally, it is important that all stakeholders, including the policymakers, cooperate. The Commerce Ministry, which oversees the Department of Intellectual Property, must collaborate with the ministries of Finance, Science and Technology, Information & Communication Technology, and Public Health, to name a few. IP is present in every industry and a strong commitment to government agency cooperation improves lines of communication and presents a consistent commitment to an innovation-driven economy.