

A Centrally Driven Place-Based Economic Development Strategy: A Local Perspective of Thailand's Eastern Economic Corridor

Peerasit Kamnuansilpa¹, Andrey Timofeev², Grichawat Lowatcharin^{3*},
Sirisak Laochankham⁴

^{1,3,4} College of Local Administration, Khon Kaen University, 123 Mittraphap Road, Khon Kaen 40002 Thailand;
E-mail: grichawat@kku.a.cth

² Andrew Young School of Policy Studies, Georgia State University, USA

Abstracts: We contrast place-based economic development strategies (PBEDS) in Thailand and in economically advanced countries. Through government initiatives, PBEDS focuses on improving economically underdeveloped areas' economic conditions. Thailand's PBEDS began in 1959 to develop the impoverished Northeast region, focusing on agricultural improvements. Since 1970, infrastructure and industrial development zones have been the main strategies to attract foreign investment for export-oriented growth. In economically advanced countries, the primary purpose of PBEDS is to reduce regional economic disparity. However, as they are implemented in Thailand, they increase regional inequality as development is concentrated in and around Bangkok. Thailand's latest PBEDS is the Eastern Economic Corridor (EEC) project in three eastern provinces. The national government oversaw the EEC and granted the EEC Office special powers to streamline investment approvals, although local governments have no formal role. We contrast Thailand's top-down PBEDS with approaches in other countries that emphasize local decision-making and leveraging regional assets. Thailand's policies focus on national growth, while international evidence suggests that locally-led PBEDS more effectively address regional disparities and increase national output. Thailand should empower local governments, coordinate with them, and invest in poorer regions. At the same time, the EEC may promote growth, but its centralized approach risks misaligning with local needs. A balanced strategy accounting for local contexts could better lift Thailand economically.

Keywords: PBEDS, Thailand, Eastern Economic Corridor, FDI, Local Economic Development.

1. INTRODUCTION

The concept of place-based economic development strategies (PBEDS), defined as government efforts to improve a particular area's economic and social conditions, has been implemented by various countries for over a century. It is not easy to attribute its origins to a single country. However, the United States (US) is often cited as an early adopter of such strategies. "Southern states were actively recruiting industry from the end of the Civil War onward" [1].

In 1977, PBEDS gained prominence in the US by introducing the Community Reinvestment Act, which aimed to address the issue of disinvestment in low-income and minority communities by requiring banks to provide loans and services to underserved areas. This legislation recognized the importance of targeted investment in some geographic regions that were economically lagging to revitalize local economies.

Over time, the concept of PBEDS evolved and expanded. Different countries have adopted the idea and implemented their versions of the strategies to promote the local economy. The successful strategies could be classified as either outward-looking or inward-looking. The former aimed to attract firms or businesses from outside to induce resources and capital investment from outside local areas through different incentive schemes, such as tax abatements and privileges. In contrast, the latter strategies were designed to provide financial and technical support to retain and expand local businesses through the provision of entrepreneurship training to workers and managers of local firms, setting up small companies and business incubators, designating enterprise or free trade zones, all ostensibly in regional development programs with initiatives and activities aimed at stimulating economic growth in the areas [2].

It should be noted that while the US played a significant role in the early initiation of PBEDS, many countries have since embraced similar approaches to initiate and promote locally-led economic development (LLED) to

address the problem of regional economic disparities. Many countries worldwide also have recognized the importance of leveraging specific regions' unique assets and resources to reduce regional economic disparities and promote economic growth. Successful countries include Australia, Canada, Germany, the United Kingdom, and China.

Australia has embraced PBEDS to promote economic development in its regions. It has created the Regional Development Australia (RDA) network, consisting of 52 national committees to identify regional priorities and facilitate investment and infrastructure development. These committees comprise local leaders, representatives from local governments, business owners, and community stakeholders. The primary role of the RDA committees is to identify and prioritize economic development opportunities and challenges within their respective regions. They work closely with local businesses, community organizations, and other stakeholders to develop strategies and initiatives that promote growth and investment in their regions. While the RDA network receives some funding and support from the Australian government, the local committees drive the decision-making process and the development of regional strategies. This approach ensures that the economic development plans align with the specific needs of local people. Considering the government's support, the RDA network is locally driven, with the RDA committees playing a crucial role in identifying and addressing economic development priorities in their respective locations.

In Canada, the federal government has implemented several PBEDS. While primarily driven at the federal level, the Regional Development Agencies (RDAs), which are government organizations, play a significant role in supporting economic growth and diversification in some specific regions across the country. These agencies work closely with local stakeholders to identify regional priorities, invest in infrastructure, attract investments, and support business development. They operate under the jurisdiction of the Federal Economic Development Agency for Southern Ontario, Western Economic Diversification Canada, and the Atlantic Canada Opportunities Agency, among others. While RDAs are federally mandated, they work closely with local and regional partners, including businesses, municipalities, indigenous communities, and other stakeholders. The involvement of local and regional stakeholders is crucial to the success of RDAs, as it allows for a more nuanced understanding of local areas' economic contexts and priorities.

Germany has implemented regional policy initiatives and funding programs to support lagging regions and address disparities. The government has established regional development agencies and provided financial assistance, grants, and subsidies to local governments to promote investment, entrepreneurship, and job creation in poor areas. Moreover, the federal and state governments collaborate with local governments through intergovernmental cooperation mechanisms to ensure coordinated and coherent development strategies across the whole country. The common goals of all levels of government are to stimulate local economies, attract private investment, and improve the quality of life in lagging areas. However, PBEDS and related initiatives are primarily implemented by local authorities of municipalities, cities, and regions. They can design and implement policies and programs tailored to their needs and priorities. They also collaborate with businesses, education institutions, and community organizations to foster economic growth, attract investment, create jobs and employment, and improve the citizens' quality of life in their jurisdictions. Under this strong bedrock, Germany has capitalized on various PBEDS to promote regional growth and address regional disparities. A few examples of the flagship strategies that have been implemented are: 1) cluster development, focusing on fostering the development of industry clusters in specific regions; and 2) investing in and emphasizing the importance of research institutions, universities, and technology transfer to support regional and local development to address economic disparities.

The United Kingdom (UK) has implemented various PBEDS to promote economic development. In 2011, the Local Enterprise Partnerships (LEPs) was created as a public-private partnership involving voluntary collaborations between the public sector, which includes authorities from local government and education institutions, and relevant stakeholders from the private sector to develop and implement strategies for economic growth and job creation at the local level. LEPs aim to align local priorities with national economic objectives and provide a platform for decision-making and partnerships. They are led by local business leaders tasked with creating and implementing economic strategies that reflect their regions' specific needs and opportunities. The UK has granted a high degree of autonomy and decision power to LEPs, allowing them to tailor their development approaches to local economic challenges and priorities. LEPs work closely with local business leaders and other stakeholders to identify critical

areas for locally-led economic growth, attract investment, and support job creation. In short, LEPs are primarily locally driven collaborations between local authorities and businesses.

China introduced PBEDS as early as 1980. The Chinese government recognized the need to address regional disparities and promote balanced economic growth across different parts of the country. Here are a few key milestones in China's PBEDS: In 1980, China established four Special Economic Zones (SEZs) in Shenzhen, Zhuhai, Shantou, and Xiamen. These zones were designated as areas with preferential economic policies and regulations to attract foreign investment and promote economic development. The success of these SEZs led to the concept's expansion to other regions in China, including the establishment of numerous additional economic and technological zones.

Along with these SEZs, China implemented a coastal development strategy to promote economic growth in the coastal provinces. This strategy focused on leveraging the geographical advantages of coastal regions, enhancing infrastructure connectivity, and attracting foreign investment. The coastal provinces, such as Guangdong, Fujian, and Jiangsu, experienced rapid economic growth and became manufacturing and export hubs. In 1999, China introduced the Western Development Strategy, also known as the "Go West" policy. This initiative aimed to promote economic development in the less-developed western region of China, including provinces like Sichuan, Chongqing, and Shaanxi. The strategy involved infrastructure investments, resource development, and the establishment of industrial parks to attract investments and stimulate economic growth in these regions. All of these, along with other regional development programs and policies, have played instrumental roles in China's economic transformation and have helped to address regional disparities by promoting development in different parts of the country.

These are just a few examples of how PBEDS were implemented in economically advanced countries outside the US. While the specified strategies and approaches may vary, the underlying principles of leveraging regional strengths and addressing local challenges remain consistent across countries, with local governments playing a crucial role in identifying economic development priorities in their respective regions. While they receive support from the federal or central government, the decision-making process and the implementation of strategies are primarily carried out at the local level.

2. PLACED-BASED ECONOMIC DEVELOPMENT IN THAILAND

Against the backdrop of the notable successes of some economically advanced countries, this section reviews the genesis of place-based economic development in Thailand, whose approach to economic development has been characterized by a combination of place-based and place-neutral national economic development strategies. The country's economic development policies have evolved to foster national economic growth, with little attention to regional economic disparities.

In the earlier stages of Thailand's modern economic development, the focus was primarily on national-level-driven strategies oriented toward a market economy through free trade and foreign direct investment (FDI). The government implemented policies promoting industrialization and export-oriented growth (United Nations University World Institute for Development Economics Research [3][4]. This approach involved establishing infrastructure, attracting FDI, and promoting import substitution industries, such as textiles, electronics, and automotive manufacturing, in Bangkok and its vicinity. Over time, this created congestion and environmental degradation problems in the Bangkok Metropolitan Area, which later justified relocating businesses and industrial projects to areas outside of Bangkok.

Against this backdrop, the genesis of place-based economic development in Thailand dates back to 1959, almost the same time as the commencement of Thailand's national economic development strategies. Field Marshall Sarit Thanarat, the prime minister then, launched an embryonic form of place-based economic development. His strategy at the time focused on improving agricultural production and mitigating the hardships of northeastern people, particularly the farmers who relied solely on the unreliable rainfed agricultural products of low economic values, such as glutinous rice and kenaf. Severe drought was a regular weather pattern in the region. The droughts and lack of agricultural water storage, low soil fertility, low agricultural productivity, low incomes, and the high unemployment rates in the region served as a push factor for rural labor.

In contrast, the rising demand for labor in Bangkok was a pull factor to induce migration of working-age farmers from the Northeast to Bangkok. Consequently, this led to a profile of aging farmers that intensified the problems of the lowest agricultural productivity, lowest incomes, and a mark of feminization among the farmers, thus the concentration of poverty in the poorest region of Thailand. In 1962, per capita income in the Northeast was only \$45, compared with approximately \$100 for the remainder of the country [5].

As a result of the communist takeover of China in 1949, there was a conceptual belief that poverty was a seed of communist ideology to be planted in the Northeast of Thailand before spreading to other regions of the country. To forestall this anticipated threat, the Thai government paid particular attention to the region, started social and economic development, and received military and economic assistance from the US [6] with financial and technical support from the US government, which had an interest in stemming the influence of communism in Thailand. Highways were built to mobilize military equipment and personnel into the Northeast, making it more convenient for the migrants to travel to Bangkok. Many migrants could send remittances back home, eventually making Bangkok an attractive destination for the migrants from the Northeast. Towards the end of the 1950s, several senior officials from the Royal Irrigation Department contemplated constructing large-scale dams. At the same time, there was pressure on the Thai government to formulate overall national development policies and programs to maximize the benefits and effectiveness of foreign assistance in support of national development efforts [7]. It was recommended, among other things, that Thailand set up a central agency entrusted with long-term national economic development planning. The government of Field Marshall Sarit Thanarat accepted the recommendation and set up the National Economic Development Board (NEDB) to be responsible for the task of national development planning [6]. In its first planning document for the Northeast of Thailand, the NEDB proposed two irrigation systems and recommended multipurpose water projects. Eventually, these laid the groundwork for later centrally driven large-scale PBEDS in Thailand.

Thailand invested significantly in infrastructure in the 1980s and early 1990s, including transportation systems, telecommunication networks, and industrial zones. The government invested heavily in building highways, ports, airports, and power plants to facilitate business operations and create an investor-friendly environment. Additionally, Thailand strongly emphasized enhancing its ecosystem to attract FDI. This involved implementing policy reforms, such as relaxing regulations, providing tax incentives, and establishing special economic zones. As a result, Thailand did well in attracting FDI, which was an effective driver of economic growth. Greenfield FDI contributed to manufacturing growth in Thailand, while cross-border mergers and acquisitions played a modest role [8].

In the boom years of 1960-1995, Thailand's economy grew impressively at an average annual rate of 7.5% before declining to 5% during 1999-2005, following the Asian Financial Crisis [9]. This economic growth, however, was concentrated in Bangkok, which became increasingly congested and environmentally degraded. Resolving these problems to make Bangkok more livable would not be economically feasible or politically astute. However, to reduce the overreliance on Bangkok as the primary economic development center, the government made a policy to relocate economic development to areas outside of Bangkok.

In 1982, Thailand's Fifth Economic and Social Development Plan recommended the Eastern Seaboard Development Program (ESDP) as Thailand's first large-scale, centrally driven, place-based economic development program. However, it was viewed as the primary national economic development strategy rather than PBEDS. One of the main objectives of ESDP was to divert industrial growth and population migration to the three eastern coastal provinces of Chachoengsao, Chonburi, and Rayong. Laem Chabang Seaport (LCS) was initiated in 1987 and completed in 1991 to attract foreign investment and facilitate the establishment of export-oriented industries in the region. Since then, it has been the largest port and has served as the nation's main gateway for international trade.

During 1985 and 1995, when the ESDP was fully operative, the economy of Thailand grew at an average of 8% per annum. Nevertheless, there was a counterclaim that national growth did not directly result from the ESDP. Instead, it was argued that the growth was accounted for mainly by increased private investment in factories, particularly the export-oriented manufacturing sector, whose share in GDP increased from 14 percent to 29 percent between 1986 and 1990 [4]. This argument is consistent with JICA [10], which explained that Thailand's economic growth during the mid-1980s to early 1990s was accounted for mainly by the increase in private investment in factories, including those from abroad. At the same time, during this period, regional income inequality increased

rapidly and accounted for about 20% of the income inequality of the whole kingdom [11].

The Asian Financial Crisis of 1997 drove the economy of Thailand to plummet to a negative growth rate for the first time at -2.8% and hit the bottom at -7.8% in 1998. Since then, Thailand has demonstrated a sluggish economic performance and experienced another negative growth rate of -6.2% in 2020 [12]. During that period of economic doldrum, Thailand was searching for a new PBEDS. In 2015, it developed another centrally-led local economic development strategy. It started experimenting with Special Economic Zones (SEZs) and designated areas located at the borders of neighboring countries as SEZs. Tak and Kanchanaburi provinces border Myanmar; Chiang Rai, Mukdahan, Nong Khai, and Nakorn Phanom provinces border the Lao People's Republic; Sa Kaeo and Trat provinces border Cambodia; and Songkhla and Narathiwat provinces border Malaysia. The head of the National Council for Peace and Order (NCPO), General Prayut Chan-ocha, the 2014 coup leader and former prime minister, approved the areas for political reasons. The total SEZ investment in these ten provinces was 22.65 billion baht. However, the project did not produce any notable intended economic benefits because of the lack of clearly defined strategies [13]. Thailand did not receive the special tariff privileges (GSP) from the US and EU, causing operators to relocate their SEZ factories to neighboring countries instead [14].

The ineffectiveness of the SEZs led Thailand to look into other place-based economic development strategies. In this connection, the ESDP, which was implemented during the 1980s, was reviewed and revitalized as the "Eastern Economic Corridor (EEC) project, which, similar to ESDP, encompasses the same three Thailand's eastern provinces: Chachoengsao, Chonburi, and Rayong. One of the differences between the two is that ESDP focuses on export-oriented manufacturing. However, while there may be some overlapping, EEC focuses on high-value-added industries such as automotive, electronics, robotics, aviation and logistics, biofuels and biochemicals, digital technologies, and medical hubs.

Continuing with the FDI strategies of the past, the Thai government offered substantial investment incentives to attract private investors to invest in EEC. The significant inducement would be land, rail, water, seaport, and air transportation infrastructure investments. More than 25% of the investment cost would come from the central government's tax money. However, the high-speed train connecting three airports (Don Mueang, Suvarnabhumi, and U-Tapao), approved in October 2019, was touted as a public-private partnership between the Thai government and Charoen Pokphand/China Railway Construction Corporation. The Thai government agreed to invest approximately 123 billion baht, with the Charoen Pokphand/China Railway Construction Corporation investing 90 billion baht.

Like ESDP and SEZs, the EEC is a top-down, outward-looking, placed-based economic development policy to stimulate national economic growth, aiming at helping the country escape from the middle-income trap. Notably, it does not involve local communities' participation in policy formulation. While the economic impacts of the EEC on poverty reduction and increase in per capita income have yet to be precisely and proactively assessed, the government speculates that the EEC will produce rapid growth of Gross Regional Product to a similar extent to the operations of the ESDP. The government does not seem to be wary of the ill effects of EEC on land use changes in terms of rapid urbanization, declining agricultural lands, and environmental degradation [15], all of which will undoubtedly affect the idyllic conditions of the location. As a result, the attractiveness of the areas as tourist destinations will undoubtedly be undermined and result in a loss of national revenue from this vital industry.

As mentioned earlier, placed-based economic development initiatives, such as ESDP SEZs and EEC, are under the authority of and exclusively designated, planned, and administered by central government agencies. Therefore, we cannot assess their impact vis-à-vis that of bottom-up placed-based interventions, which have not been documented in Thailand. Even outside of Thailand, there do not seem to be many studies comparing the effect of top-down placed-based interventions, such as special economic zones established by the central government, relative to the impact of bottom-up placed-based interventions, such as special economic zones established by regional or local governments. A rare exception is a study by Luo et al. [16], which found that in China, a firm's proximity to national development zones (whether it is inside or outside zone boundaries) is associated with having higher total-factor productivity (TFP), compared to similar proximity to provincial development zones. However, this association attenuates sharply with the distance from the zone headquarters compared to the provincial development zones.

It should also be noted that, in China, the types of SEZs established by subnational governments are different from national-level zones, which have been dominated by bonded zones and export processing zones since 2000 [17]. Luo et al. [16] speculate that rather than attracting more technologically advanced firms screened through strict national criteria, provincial development zone policies pay more attention to existing local industries. This is consistent with the business-retention strategies found in the United States by Zheng & Warner [17], i.e., inward-focused strategies designed to retain and expand existing firms.

However, the design of Luo et al.'s (2015) study was not as robust as in some other studies, such as Lu et al. [17], which excluded national-level zones from their analyses as not being "fully comparable with province-level zones." (p. 338). First, Luo et al.'s study is based on data from China's Annual Surveys of Industrial Firms (ASIF), which excludes firms with turnover below RMB 5 million, unlike the economic census data used by Lu et al., which covers the entire universe of manufacturing firms. While the ASIF data cover about 90% of the total industrial output in China, they represent only 70% of industrial employment. Another significant difference in the empirical strategy is that in Lu et al., the unit of analysis is the aggregate of all firms within a village located inside a development zone, while Luo et al. use a firm-level analysis of a distance from the nearest SEZ headquarters regardless of the SEZ boundaries. Thus, Luo et al. capture both the direct effect of being in the development zone and the spillover effects on other firms that do not directly benefit from the zone privileges. Finally, as an outcome variable, Luo et al. only analyzed the total-factor productivity (TFP). At the same time, Lu et al. [16] also estimated the impact on capital, employment, output, the wage rate, and the number of firms in each village.

Furthermore, Luo et al. [17] found that firms located near the headquarters of future provincial development zones exhibited higher TFP even in the years preceding the zone establishment. To rule out the reverse causality from the strength of local economies to the establishment of development zones and firm self-selection after zone establishment, Luo et al. employed difference-in-difference (DD) analysis using propensity-score matching, unlike the boundary discontinuity regression used in Lu et al. [16]. Luo et al.'s DD analysis showed a larger average treatment effect for the national zones than for provincial zones, with the latter being statistically insignificant for some matching algorithms.

Setting aside all the caveats of the evaluation of centrally driven versus locally driven place-based economic development, the empirical evidence outside of Thailand supports using place-based economic development policies to reduce regional disparities, even if it comes at the expense of lower aggregate output due to resources being shifted to less productive locations. However, suppose the goal is to raise the aggregate economic output. In that case, the existing empirical evidence is less supportive of such policies as it cannot rule out the possibility of a zero-sum game where economic activity is shifted from one location to another without resolving the problems of regional economic disparities.

Since the central government carries out EEC without the involvement of local governments and local citizens and with no concern for the issue of regional economic disparity, we must learn of the views of the local stakeholders. Particular attention in this article is placed on the opinions of local leaders in Laem Chabang Municipality (LCM) about the benefits and responsiveness of the EEC project to local citizens. In addition, this article tries to uncover some challenges that a local government like LCM has encountered. Indirectly and in the absence of a large-scale comprehensive assessment of the economic impact of EEC on the national economy, this article will reflect the opinions of a group of local leaders on whether and how a centrally driven place-based economic development can push Thailand out of the middle-income trap as espoused by the national government.

3. SITE OF STUDY AND DATA COLLECTION

The research question underlying this study was "What factors or contexts determine whether a top-down PBEDS can succeed?" To address this question, we chose Laem Chabang Municipality, the site where the data for this study were collected. It is in Chonburi Province and has an area of 109.65 square kilometers. Most (81.9%) of its land is within Si Racha District, with the remainder in Bang Lamung District. It is approximately 125 kilometers away from Bangkok and is one of the two city municipalities in Chonburi Province. With its strategic location on the eastern coast of the Gulf of Thailand, Laem Chabang's deep seaport was constructed to serve as the gateway for international trade. Its proximity to major shipping routes and its deep-water port enables it to function for import and

export activities efficiently. Because the port is well-connected by roads to all the industrial zones of the three provinces within the EEC, all goods, raw materials, and components are conveniently shifted to support all the manufacturing and industrial plants within the EEC.

To enhance the attractiveness of the EEC, the Thai national government has invested significantly in developing the infrastructure around the port to support the growth of the EEC. This includes expanding the port's capacity, improving road and rail connectivity, and constructing additional industrial estates in the EEC. In addition, Laem Chabang acts as a multimodal transport hub, integrating sea, road, and rail transportation.

This study was designed to discover the views and opinions of leaders in LCM. An informal, unstructured group discussion was employed to solicit leaders' opinions in the municipality. Nine persons, including the Mayor, Deputy Mayor, City Clerk, 4 (of the 24) Councilors, and 2 Division Heads, participated in the discussion in December 2022. A strong rapport was established since some members were alumni of the College of Local Administration, which conducted this study. Therefore, a high level of trust between the leaders and the research team was established. The general character of the discussion flowed smoothly and was very good. All members were active and energetic, with an extensive expression of views. They were highly knowledgeable and fully willing to express their views. Through a thematic analysis, the data collected were analyzed and categorized into two themes: the roles and authority of the municipality in economic development within the umbrella of EEC and the perceived impact of EEC on local communities.

4. FINDINGS

As stated before, the EEC is a centrally driven, place-based development project aimed at promoting national economic growth by attracting FDI into the three eastern provinces of the country. To ensure the validity of the gathered information, the researchers felt it was necessary to assess the awareness of the management structure of EEC among the leaders of LCM, one of the largest and most significant local governments where the EEC project is implemented.

From listening to the conversations, it was clear that these leaders knew that the EEC project was overseen and coordinated by the Eastern Economic Corridor Policy Committee (EEPC), which the Prime Minister of Thailand chairs. The committee comprises a Deputy Prime Minister, key government ministers, and some high-ranking officials from relevant ministries or agencies. The EEPC is responsible for policy formulation, strategy development, and planning for the operations of the EEC. All the leaders we talked to told us that the day-to-day management of the EEC is run by the head of the Eastern Economic Corridor Office (EECO), who also assumes the role of the Secretary-General of EECO and serves as the Secretary of EEPC.

According to these leaders, EECO works almost exclusively for and with central government agencies and private sector entities. LCM or any other local government in the zone is not a member or a part of the management system. EECO places significant importance on international partners and investors who are viewed as instrumental in achieving the EEC. In addition, it has been granted special powers to facilitate and expedite the approval of all development or investment projects under the umbrella of EEC. These special powers allow EECO to streamline administrative processes, attract investments, and accelerate the implementation of projects within the designated zone. Thus, it is endowed with special authority to fast-track approval processes, which include issuing various permits, licenses, and clearances of all required regulations.

Consequently, it can do all these through a one-stop service center. Therefore, it has the autonomy to provide comprehensive assistance and support, including providing necessary information, consultations, and coordination with relevant government agencies. In addition, the office has flexibility, if not special power, to acquire land to facilitate infrastructure development and attract investors. Moreover, it has the authority and legitimacy to offer an attractive range of fiscal and nonfiscal incentives to both Thai and international investors, including tax incentives, investment promotion privileges, and other benefits to attract investors. In connection with this, it is authorized to initiate and implement various public-private partnership projects.

The information about EECO collected from the conversation with the local leaders sums it up nicely that LCM,

as a local government in the EEC zone, does not have any direct role in the operations and, for that matter, no decision-making or authority in the operations of EEC. At the same time, and for our purpose, they must know about the organization structure, the management system, authority, and, more importantly, the function of EECO. This provides and assures us an acceptable level of validity in the data that primarily reflects the perceptions and views of local leaders about the function and responsiveness of EEC projects to local stakeholders.

Setting aside the goal of promoting national aggregate growth, on paper, the EEC aims to generate jobs, increase income levels, and foster entrepreneurship in the area. Additionally, while hoping to boost local labor and employment, it intends to attract skilled and professional workers into the area to work in advanced industries. On this objective, some leaders emphatically said that “there was no significant increase in the level of employment for the residents in the area under the jurisdiction of LCM. While the expansion and development of LCS and new infrastructure development in the area created new opportunities for new employment, it drew an influx of skilled workers from elsewhere into the area.” There was not enough available human capital that possessed highly technical skills, such as engineers, information technology, manufacturing and robotics, biotechnology and life sciences, aviation and aerospace, logistic and supply chain management, and renewable energy in the three provinces of the EEC zone.

The leaders with whom we conversed lamented the problem of increased population. Recently, the registered population in LCM and the development zone, in general, has increased significantly at an average annual rate of 5.1%, triggering the demand for more public services. Consequently, LCM had to strive hard to improve its public services with insufficient budget allocation from the central government. For example, it had to maintain the current roads and improve the road network necessitated by increased traffic volumes coming into and out of the city, which serves as the country’s deepest and largest seaport. In addition, the LCM had to endeavor to provide primary education and primary healthcare services in commensuration with the increasing population. Without structural reform to grant more fiscal autonomy and increased budget allocation to LCM, this issue will only become worse and unbearable with time.

These leaders also complained about the adverse impact of the EEC on the environment of LCM and the surrounding areas. The development of infrastructure and the expansion of industries led to the destruction and fragmentation of various communities. The increased traffic volume due to the additional factories and industrial activities directly resulted in the deterioration of air quality as measured by the density of PM 2.5 concentration in the area. In addition, industrial operations, urbanization, and increased population have contributed to noticeable water pollution through the discharge of untreated wastewater, chemicals, and other contaminants into waterways and coastal areas, which eventually negatively impact marine ecosystems and the health of the residents relying on these water sources. Moreover, LCM has already experienced the problem of a significant increase in the amount of solid waste. All these environmental problems create health hazards and, if not appropriately managed, could lead to environmental degradation and contribute to climate change and other severe impacts, such as rising sea levels, flooding, and other extreme weather events. Therefore, while not objecting to the focus of the EEC on economic growth, a member of the conversation group voiced that the EECO needs to do more to strike a balance between economic development and environmental sustainability. This issue is a challenge that the EECO must address to ensure the success and overall acceptance of the project by the residents of LCM.

The EEC is a centrally driven macro-economic development project with no participation or input from local governments within the zone. All the management functions of EEC are placed under the responsibility of EECO. LCM (and all other local governments in the zone) have no prescribed authoritative role in economic development at both national and local levels. Indeed, EEC has created some perceived adverse impacts on LCM.

According to Neumark and Simpson [18], place-based economic development creates more job opportunities and higher wages in an area where local economic development has been implemented. However, the information we gathered from the conversation with the leaders of LCM indicated that the EEC project has yet to generate a significant increase in employment opportunities for local citizens. Therefore, it did not increase the residents’ average income. On the negative side, because of the increasing number of in-migration of laborers from the areas outside of the EEC zone, there has also been an increase in the demand for living goods, forcing the prices of commodities to increase commensurately, thus making it more difficult for the local citizens to make ends meet.

In addition, we followed Kline and Moretti [19], who defined place-based policies as those that "... explicitly target geographical areas for some form of special treatment, be it tax subsidies, public investment, or special rules and regulations." We found that LCM and all other EEC local governments did not receive special privileges. Likewise, due to legal, fiscal, and administrative constraints, none of the local governments in the EEC zone could provide any privilege to attract investors outside of its jurisdiction. With these findings, we are doubtful whether EEC is strictly a place-based local economic development policy.

We, at least for now, have yet to learn of the positive impacts of EEC on the economic well-being of the citizens in LCM. As of the time when this study was undertaken, no trace of the onset of technological, manufacturing, and service sector transformation within the EEC zone that would lead to its potential achievement, which, among other things, rests mainly on the ability of EECO to coordinate between various government agencies, local governments, private sector entities, and other stakeholders.

5. DISCUSSION AND CONCLUSIONS

Thailand has designated the EEC zone as a core investment area, with an estimated budget of 400 billion baht annually for targeted industries. According to Mr. Kanit Sangsuban, the Secretary of EECO, the whole zone is dubbed the Eastern Economic Corridor of Innovation. It is expected to be vital in pushing Thailand out of the middle-income trap by 2029 [20]. Like ESDP of the past, it was designed primarily to attract FDI and target domestic investors to the area. The only difference is that the national government has invested more this time by setting out three strong pillars: infrastructure development, super generous incentives, and investment facilitation. The first pillar includes the construction of a double-track high-speed train route to connect Suvarnabhumi, Don Mueang, and U-Tapao Airports, unlikely to be completed as scheduled by 2029. There has been a delay in the project financing and some in the construction. The second pillar is the lucrative provision of tax and non-tax incentives. Investors in EEC will be exempted from corporate income tax for up to 15 years, making Thailand's corporate income tax among the lowest in Southeast Asia. And the personal income for those unclearly defined as world-class specialists working on EEC projects will be cut and capped at a flat rate of 17%. In addition, investors in the EEC will also enjoy an unprecedented non-tax benefit, such as leases of more than 16 hectares of land for up to 99 years. The last pillar, but certainly not least, is investment facilitation for the investors through one-stop services provided by the EECO, which can be delivered by bypassing many other government offices. The EECO is authorized to issue many licenses or permits to investors in the EEC zone, such as building construction permits, commercial registration, and most notably and impressively speeding up the environmental impact assessment to just within one year.

Concerning the third pillar, the national government has reformed related regulations to grant full autonomy to the EECO to supersede administrative constraints imposed by any other state agency, rule, or law by issuing the Eastern Special Development Zone Act B.E. 2561 [21]. Section 9 of the Act allows EECPC to directly propose for consideration any law, issue, or matter that creates an undue and excessive burden, inconvenience, and delay that poses a problem or an obstacle for the operations of EEC project to the Cabinet for consideration of the amendment of such rule, regulation, by law, notification or order, or the enactment of a new law to ensure that the development operations of EEC projects be carried out efficiently, conveniently, and promptly.

Taken together, all three pillars produce the most attractive invitation Thailand has ever offered to any investors. The Thai national government hopes more investments will pour into the country and revitalize the economy. However, the lesson of ESDP tells us that FDI attraction without technological transfer or building up of local technological capability and upgrading the skills of local workers can only push Thailand so far, as Thailand is stuck at the upper middle-income level. Studies by Rattanakhomfu [22] revealed that "no country has ever escaped from the middle-income trap based purely on foreign investment."

It must be noted, however, that top-down PBEDS face unique challenges. A point of caution for Thailand is that centrally driven place-based economic development strategies may not be a panacea for financial woes, mainly when they are used in the context of industrial zones where the government must invest mainly in infrastructure

development to attract foreign investors alone or jointly with Thai economic tycoons, to catalyze its economic growth. Experiences showed that Thailand would gain from newly generated employment. However, Thailand already has an aging population, with the proportion of people aged 60 years or older larger than 20% and the working-age population continuing to edge downward; the benefits of EEC will, therefore, be precipitated considerably. This is because since 2021 Thailand has had more deaths than births each year. Thailand, therefore, has to resort to migrant workers from neighboring countries. According to the Thai Ministry of Labor, as cited by the International Labour Organization [23], as of August 2022, there were more than two million migrant workers registered with the Ministry of Labor. The exact number of illegal migrant workers in Thailand is unknown, but the actual number is believed to be at least twice the registered number.

No evidence exists that place-based economic development practices in Thailand, like ESDP, can reduce equality. It may even increase it. As Rattanakhamfu [22] states: "While the three provinces in the Eastern Seaboard become richer, the rest of the country has shared little benefit, making regional income disparity a big economic and political problem." There is evidence that Thailand now has the most significant wealth gap in the world. The Global Wealth Report and Databook showed that the wealthiest 1% in Thailand now controls almost 67% of the country's wealth. According to a Credit Suisse report, the bottom 10% of Thais hold 0% of the wealth and are either in debt or have no documented income. The poorest 50% of Thais hold only 1.7% of the country's wealth, and the wealthiest 10% now own 85.7% [24]. In addition, poverty is rising in 61 out of 77 provinces in Thailand [25], with most of the poor being in rural areas.

In promoting national economic development, it is essential to note that local governments in Thailand do have a strong potential and desire to serve as an engine of national growth. Approximately 90% have already formulated and implemented some local economic development policies [26], even without the central government's budget allocations or technical support. This exemplifies the cultural practices of central government administration that have undermined local governments' decentralization process and fiscal autonomy. There is also a biased view of the central government that local governments cannot contribute to national economic development, thus perpetuating the centrally driven place-based economic development. This is counterintuitive to the fact that the aggregate economic well-being of local entities will benefit the nation as a whole. Moreover, experiences in advanced economics indicated that investing in locally-led economic development in areas with an average income below the national average is an effective strategy to promote balanced regional development while maintaining or even increasing the aggregate growth of the nation.

While pushing Thailand to the status of a high-income country is a laudable goal, both EECPC and EECO may not have a thorough and intimate understanding of the EEC zone's challenges. People in LCM felt disconnected from the decision-making processes and operations of the EEC project, resulting in a lack of ownership of the EEC. This lack of localized insight led to misalignment between national economic policies and the real needs of the people in the communities. Another downside is the lack of coherence among local governments and other government agencies within the EEC zone, not to mention the broader regional or national collaboration and coordination that must be established.

Since the onset of national economic development in Thailand, the imposition of national authority into some selected locations without considering the needs of the local citizens has been a regular practice. In this case, the EEC is similar but will likely be fraught with more challenges. Whether it will be able to lift the country out of the middle-income trap depends to a large extent on finding the right balance between creating a sense of ownership among local governments in the zone, allocation of more budgets to minimize or mitigate the adverse effects on the socio-economic well-being of the residents, and broader coordination with other government agencies. EEC is a unique case of economic development strategies that are guided by building a cocoon through newly annexed laws, using the political power of the central government as an armor to guide and shield any misstep operations.

Finally, it should be noted that both autonomy and decentralized management, which are vital components of the success of locally place-based economic development in high-income countries, as reviewed earlier, were not a recipe in the EEC. Critical thinking and experiences of advanced countries suggest that Thailand should stop putting all the eggs into one basket of centrally driven mega projects and investing so much in economically better-off areas to attract FDI, with the hope that it will push the country into the prestigious status of a high-income

country. Logically, more consideration should be given to improving the socio-economic well-being of those in the lagging areas by investing and granting more autonomy, depending on the specific contexts, goals, and collaborative governance structure of a given location.

DECLARATION OF FUNDING SOURCES:

The research project by the College of Local Administration on the Development of Public Policies to Enhance the Capacity of Local Administrative Organizations in Reducing Economic Disparity and Improving the Quality of Life of Local People, upon which this article was based, received financial support from two sources: the Grant for Research and Graduate Studies Program of Khon Kaen University and the National Research Council of Thailand.

DECLARATION OF OWNERSHIP:

This study is our original work.

CONFLICT OF INTEREST:

None.

ETHICAL CLEARANCE:

This study was approved by our institutions.

REFERENCES

- [1] Blakely EJ, Leigh NG. Planning local economic development: Theory and practice. 4th ed. Thousand Oaks, CA: Sage 2010.
- [2] Zheng L, Warner M. Business incentive use among U.S. local governments: A story of accountability and policy learning. *Econ Dev Q.* 2010;24(4):325-36.
- [3] UNU-WIDER. Working Paper: Thailand's Development Strategy and Growth Performance [Internet]. 2011 [cited 2023 October 10]. Available from: <https://www.wider.unu.edu/publication/thailand's-development-strategy-and-growth-performance>
- [4] Robinson D, Teja R, Byeon Y, Tseng W. Thailand: Adjusting to success—current policy issues. Washington D.C.: International Monetary Fund, 1991.
- [5] Long M. Economic Development in Northeast Thailand: Problems and Prospects. *Asian Survey.* 1996;6(7):355-61. Available from: <https://doi.org/10.2307/2642328>
- [6] Chomchai P. The United States, the Mekong Committee and Thailand: A study of American multilateral and bilateral assistance to the northeast of Thailand since the 1950s. Bangkok: Institute of Asian Studies, Chulalongkorn University 1994.
- [7] Pakkasem P. Thailand's northeast economic development planning: A case study in physical planning. Pittsburgh, PA: University of Pittsburgh. 1972.
- [8] OECD. Trends and qualities of FDI in Thailand [Internet]. 2021 [cited 2023 October 10]. Available from: <https://www.oecd-ilibrary.org/sites/59874f17-en/index.html?itemId=/content/component/59874f17-en#biblio-d1e5660>
- [9] World Bank. The World Bank in Thailand [Internet]. 2023a [cited 2023 October 10]. Available from: <https://www.worldbank.org/en/country/thailand/overview>
- [10] JICA. Eastern Seaboard Development Plan impact evaluation [Internet]. 1999 [cited 2023 October 10]. Available from: https://www.jica.go.jp/english/our_work/evaluation/oda_loan/post/2000/pdf/01s-01.pdf
- [11] Ikemoto Y, Uehara M. Income Inequality and Kuznets' Hypothesis in Thailand. *Asian Economic Journal.* 2000;14(4):421-43. <https://doi.org/10.1111/1467-8381.t01-1-00117>
- [12] World Bank. World Bank national accounts data, and OECD national accounts data files [Internet]. 2023b [cited 2023 October 10]. Available from: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=TH>
- [13] Rattanakhomfu S. Leveraging special economic zones for the Economy [Internet]. 2015 [cited 2023 October 10]. Available from: <https://tdri.or.th/en/2015/07/leveraging-special-economic-zones-for-the-economy-2/>
- [14] Noranitpadurkarn C, Hansasiripotch B. The development of special economic zones in Thailand: A mini-research looking from development administration perspectives. *Rajapark Journal.* 2020;14(35):77-91. Available from: <https://so05.tci-thaijo.org/index.php/RJPJ/article/view/245046>
- [15] Tontisirin N, Anantsuksomsri S. Economic development policies and land use changes in Thailand: From the eastern seaboard to the Eastern Economic Corridor. *MDPI. Sustainability.* 2021;13(11):6153. <https://doi.org/10.3390/su13116153>
- [16] Luo DD, Liu YY, Wu YY, Zhu X, Jin X. Does development zone have spillover effect in China? *Journal of the Asia Pacific Economy.* 2015;20(3):489-516. <https://doi.org/10.1080/13547860.2015.1054171>
- [17] Lu YY, Wang JJ, Zhu L. Place-based policies, creation, and agglomeration economies: Evidence from China's Economic Zone Program. *American Economic Journal: Economic Policy.* 2019;11(3):325-60. <https://doi.org/10.1257/pol.20160272>
- [18] Neumark D, Simpson H. Place-based policies. NBER Working Paper 20049 [Internet]. 2014 [cited 2023 October 10]. Available from: <https://www.nber.org/papers/w20049>

- [19] Kline P, Moretti EE. People, places, and public policy: Some simple welfare economics of local economic development programs. *Annual Review of Economics*. 2014;6(1):629-62. <https://doi.org/10.1146/annurev-economics-080213-041024>
- [20] Theparat C. State banking on EECi to overcome middle-income trap [Internet]. 2022 [cited 2023 October 10]. Available from: <https://www.bangkokpost.com/business/2291522/state-banking-on-eeci-to-overcome-middle-income-trap>
- [21] EECO. Eastern Special Development Zone Act B.E. 2561 [Internet]. 2018 [cited 2023 October 10]. Available from: <https://www.eeco.or.th/en/filedownload/1148/77dafbdb12fe82ca68befbcbdf0791609.pdf>
- [22] Rattanakhamfu S. What should be the real development targets for the EEC? [Internet]. 2017 [cited 2023 October 10]. Available from: <https://tdri.or.th/en/2017/10/eec-requires-joined-thinking-benefit-everyone/>
- [23] ILO. TRIANGLE in ASEAN quarterly briefing notes. Bangkok: ILO Regional Office for Asia and the Pacific; 2022.
- [24] ASEAN Today. Thailand's wealth inequality is the highest in the world: What will this mean for the upcoming elections? [Internet]. 2019 [cited 2023 October 10]. Available from: <https://www.aseantoday.com/2019/01/thailands-wealth-inequality-is-the-highest-in-the-world-what-does-this-mean-for-upcoming-elections/>
- [25] Thelwell K. 5 facts about poverty in Thailand [Internet]. 2020 [cited 2023 October 10]. Available from: <https://borgenproject.org/facts-about-poverty-in-thailand>
- [26] Kamnuansilpa P, Timofeev A, Lowatcharin G, Laochankham S, Zumitzavan V, Ronghanam P, Prachumrasee K, Mahasirikul N. Local Economic Development in Thailand. *Journal of International Development*. Forthcoming 2023. <https://doi.org/10.1002/jid.3758>

DOI: <https://doi.org/10.15379/ijmst.v10i2.2700>

This is an open access article licensed under the terms of the Creative Commons Attribution Non-Commercial License (<http://creativecommons.org/licenses/by-nc/3.0/>), which permits unrestricted, non-commercial use, distribution and reproduction in any medium, provided the work is properly cited.