

Thailand's Implementation of a Digital Economy

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Several months ago the Thai government released its plans to transform Thailand into a Digital Economy. Prime Minister Prayuth Chan-Ocha has made clear the government's intentions to promote the use of internet in business and governance and has made plans for digitalizing the economy a key initiative of his regime. Our article looks at the status of the digital economy initiative and outlines what can be immediately expected (based on an understanding of similar initiatives across the globe) and how the digital economy will affect businesses in Thailand.

WHAT IS A DIGITAL ECONOMY?

In layman's terms, a digital economy refers to an economy that is based on digital technologies and the Internet with the aim of creating smarter cities. In recent times, due to the high penetration of technology in our lives, the distinction between a "normal" economy and a "digital" economy has become blurred. This ambiguity is also present in Thailand; even before the proposed remodeling of Thailand into a digital economy, connectivity has become a way of life for everyday Thais, at least in urban areas. Thai citizens are already using their mobile phones to access banking and financing opportunities and are constantly connected on social media. Presently, mobile broadband penetration in Thailand is at 100%. In terms of internet usage, Thailand is second behind ASEAN's other established digital economy, Singapore.

REMODELING THAILAND'S ECONOMY

Despite high levels of mobile broadband penetration, Thailand is poised to be remodeled as a digital economy and the government is jumping at the opportunity to develop a technologically capable economy with a slew of legislation. The forging of Thailand's digital economy

implies the passing of ten new bills. The relevant legislation package includes, among others, the National Digital Committee for Economy and Society Bill, Ministry of Digital Economy and Society Bill, Electronic Transaction Bill (amendment), Computer-related Crime Bill (amendment), Cybersecurity Bill, Personal Data Protection Bill and the Broadcasting and Telecommunication Regulator Bill (amendment).

The proposed Thai Digital Economy platform is characteristic of digital economy plans around the world in its focus on economic growth, innovation, and a desire to bolster private company investment with government support to ensure mutual benefits for both business and citizenry. International standards for bringing a frontier market into a bustling digital economy are still being written, but a path to establishing a competitive digital economy can take a cue from the best practices of established states, such as the U.S. and EU. The United States Strategy on American Innovation has embraced standards of openness in accessibility of internet, support of entrepreneurs, its role as tech leader, facilitator of private investment for publicly beneficial research and development, and the state government playing an essential role in public investments in education and infrastructure. Thailand's Digital Economy Master Plan is based on APEC and EU standards which would place it in a position akin to U.S. standards.

Lessons learned from analyzing effective examples of successful digital economies show that the success of a digital economy, particularly from a Thai perspective, is dependent on two critical factors: (a) the efficient deployment of broadband networks and having an appropriate structure for the telecommunication sector, which is considered to be the foundation of any digital economy; and (b) an effectively governed and trusted internet to

harvest innovative potential and secure usage of new services.

THE INITIAL PROPOSAL FOR A DIGITAL ECONOMY

Since its initial release, the package had been subject to much criticism from the public. The public's main concerns surrounded the fact that the entire digital economy package predominantly addressed cyber security which was open to abuse of power by granting enormous leeway to government officials to access private information of businesses and the public without their knowledge or permission.

THE NEW PROPOSAL

The package was initially drafted by the Electronic Transactions Development Agency, which since the initial proposal has reconsidered its position and revised the package to address public concerns. Kroekkrai Chiraphaet, the head of the committee proposing the digital economy agenda, explained that the existing digital economy proposal will be remodeled to rely on digital connectivity wherein every sector of the population makes use of the internet.

The revised proposal has not yet made it into the public realm but as of August 11, 2015, the National Reform Council (NRC) has endorsed agendas relating to the development of a digital economy, for which the members of the NRC unanimously voted in favor. The revised digital economy package is now expected to be lodged to the National Legislative Assembly for its consideration by the end of August.

HOW WILL THAILAND'S BUSINESS BE AFFECTED BY THE DIGITAL ECONOMY?

As a digital economy is comprised of technology which connects entrepreneurs,

fosters innovation, and increases the connectivity throughout the entire Kingdom, the plan bodes well for American businesses interested in launching digital platforms for consumer services or accessing reliable integrated networks to connect with suppliers.

To achieve these plans, the government has launched the following initiatives under the digital economy plan: (i) creation of a Digital Economy Master Plan (2016 – 2020) to replace the current ICT Ministry plan; (ii) abolished the Ministry of Information and Communications Technology and created the new Ministry of Digital Economy and Society; (iii) basing the Digital Economy Master Plan on five platforms; (iv) creating a national broadband system; (v) the creation of the biggest data center in ASEAN; and (vi) allowing distant learning through online portals.

We look below at some of these key initiatives and discuss how the new changes could affect businesses operating in Thailand.

CREATION OF THE MINISTRY OF DIGITAL ECONOMY AND SOCIETY

One of the proposed bills under the digital economy package is the Ministry of Information and Communication Technology Reform Bill. The Bill will set up the Digital Economy Ministry and abolish the Information and Communications Technology Ministry. The Digital Economy Ministry will oversee the planning, promotion and development of the digital economy in accordance with the Digital Economy Master Plan.

THE FIVE-PLATFORM APPROACH FOR THE DIGITAL ECONOMY MASTER PLAN

In the creation of the Digital Economy Master Plan, a five-platform approach has been utilized to drive the economic

sectors of the Digital Economy. The five platforms focus on the government's relationship with the private sector and educating Thais to leverage the increased access to reliable internet service. The five platforms used as a basis for the creation of the Digital Economy Master Plan are:

(a) Hard Infrastructure

Hard infrastructure focuses on the government cooperating with the private sector to provide suitable information-technology infrastructure to support a digital economy, such as high-capacity broadband internet, various data centers, and digital gateways. This is highlighted through the government's partnership with Intel, Corp and DTAC Wireless. Intel is offering an entrepreneur connectivity class with information on using digital tools to launch business. DTAC Wireless has developed digital applications for the farmers to track weather patterns, soil issues and market conditions for agricultural goods.

(b) Soft Infrastructure

Soft Infrastructure focuses on boosting business owner and consumer confidence about online transactions such as verification systems to identify individuals online and cybersecurity in order to encourage e-commerce. The soft infrastructure is also the opening of opportunities for entirely digital investment. As reported in their monthly newsletter, the Thailand Board of Investment is reviewing its regulations to expand the opportunities for crowd-funding methods with the aim of giving increased support to small and medium enterprises.

(c) Service Infrastructure

The Service Infrastructure will be propelled by the Electronic Transactions Development Agency's plan to introduce e-documents in the hopes government-

run offices will offer more efficient services to the public, including digitized document search. Laws will be pushed to create connectivity among offices. Also, the government will set up a centralized "ICT Law Center" to provide better information to every party involved in online business and online transactions.

(d) Promotion and Innovation

The sector focus of Digital Economy Promotion has the government's sight set on developing the digital skills of entrepreneurs to improve their efficiency. It will utilize digital tools to support the business growth in sectors such as banking, services and manufacturing. It will utilize IT to support small and medium-sized enterprises.

(e) Society and Knowledge

Finally, the Digital Society and Knowledge Resource sector will provide universal access to online channels, ensuring everyone can access the internet at an affordable price. The government has promised to establish internet connectivity for over 1,500 schools in Thailand by the completion of the Digital Economy Master Plan in 2020.

While the information presented above merely indicates what Thailand can expect when the digital economy package is submitted to the Thai Cabinet, we cannot comment on how effectively the legislation will be implemented in practice. One thing is clear given the publicly available information in regard to the inception of the digital economy; if implemented efficiently, the beneficial effects on the Thai economy will be significant. The targets set by the government seem, on their face, achievable. Only time will tell how the new legislative instruments impact specific sectors of the economy and in the meantime it is recommended that businesses operating in Thailand closely follow the implementation of the digital economy. ■

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