THE ADAPTATION OF THAI INDUSTRY TO ENTER ASEAN ECONOMIC COMMUNITY

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ABSTRACT

The purposes of this research were to investigate the effects of ASEAN Economic Community to the Thai industry in terms of opportunities and threats as well as to offer the guidelines for Thai industry to adapt itself to the new environment of ASEAN single market. This was a qualitative research method using mainly the context analysis from secondary information. The findings revealed that there are several important ways to offer as guidelines for adaptation of Thai industry. There should be an improvement the effectiveness of production in terms of labors force, technology and the production level to match with the demand of world market and there should be a production network to produce in the large volume in order to gain economy of scale to reduce cost.

Keywords: Adaptation, Thai Industry, AEC, ASEAN

INTRODUCTION

ASEAN was found in 1967 with the first group of member nations which were Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand. After that there were four more new members which were Cambodia, Laos, Myanmar, and Vietnam [1]. The objectives were to create harmony and peace in the region which leads to the advancement of economics, social, and culture. The 8th ASEAN summit in 2002 provided a consensus to create ASEAN Economic Community (AEC) which leads to ASEAN blueprint which has four important components: a single market, enhancement of the level of competition, equity economic development, and integration to the world economy [2].

The major benefits of AEC or single market of ASEAN nations include the economy of scale and the large single market. The geographic location of Thailand allow Thailand to be at the center of ASEAN community [3]. This is one of the great advantages for Thailand. The Thai industry must find the way to adjust and adapt itself to the real the advantages of the single market and economy of scale for producing and exporting by using local resources, add values, and increase the level of competitiveness in order to enter the ASEAN Economic Community effectively.

There are many obvious benefits for Thailand to join the AEC in terms of economics, social, investment, and tourism. First, the AEC has become the major exporting market for Thailand and ASEAN market also had become the second importing market, second to Japan. In addition, Thailand had a trade surplus with ASEAN market up until present. Second, the foreign direct investment from ASEAN nation accounts for 20 percent of the Total investment. Moreover, the ASEAN community helps to reduce many obstacle and unnecessary regulations and allow ASEAN to have more bargaining power in negotiation with China. Finally, the ASEAN tourism has increased both in number of tourist and spending of the tourists. The VISA exemption of ASEAN members will further help to increase the ASEAN tourism and directly benefits Thai tourism in the long run.

EFFECTS OF AEC TO THAI INDUSTRY

Since the major pillar of ASEAN Economic Community is to have both single market and production base, this means the freely movement of five categories: goods, funds, investments, services, and skill labors. This free movement of five categories has both advantages and disadvantages for ASEAN member nations. However, Thailand as one the important member of ASEAN has many positive advantages from this policy especially Thai industry in eight areas. First, it helps to expand the international trade and international investment. Second, it helps to create a good image of Thailand in the world stage and increases the level of confidence of Thai exporters. Third, it helps to facilitate the convenience in terms of exporting and importing both in domestic and international market as well as increase the real GDP of Thailand [4]. Fourth, it helps to increase the potential of Thai entrepreneurs and Thai investors and use resources effectively and efficiently. In addition, it also helps to reduce the transaction costs of international business. Fifth, it helps to increase the opportunity for both purchasers and consumers to have more choices to choose
and better access to low cost and high quality products and services due to the healthy competition. Sixth, it helps to increase a domestic employment from the expansion of trade and business international. Seventh, it helps the high skill labor from Thailand to have an opportunity to work abroad with high paid in many areas of MRA agreement with ASEAN nations such as physicians, architectures, engineers, and accountants. Eighth, it helps to increase knowledge and skill development by exchanging technology and experience among ASEAN nations [5] [6].

However, the ASEAN market also provides some threats to Thai industry. First, the other ASEAN members can export their products and services into Thailand with low taxes or no taxes at all. Therefore, the domestic producers and entrepreneurs has to compete with all ASEAN nations. Second, domestic market has no protection mechanism which allow low quality with cheap price products to enter Thailand [7]. Third, Thailand needs to improve infrastructure and labor productivity in order to be able to compete with all ASEAN nations. Fourth, the free movement of labors will allow high skill labor from Thailand to work in other ASEAN nations and create the shortages of high skill of labors in Thailand. At the same time, there are many illegal workers enter Thailand and remain in the country for a long time.

![Fig. 1 Research Process](image)

**METHODOLOGY**

The two main purposes of this study were to investigate the major effects of ASEAN Economic Community to the Thai industry in terms of opportunities and threats as well as to provide important guidelines for Thai industry to adapt itself to the new environment of ASEAN single market and production base. This was a qualitative research method using mainly the context analysis from secondary information. The process of this research involved six steps: research objectives, research methodology, data collection, data analyzed, findings, and suggestions [8] [9].

**GUIDELINES FOR SUCCESSFUL ADAPTATION OF THAI INDUSTRY**

From the study of opportunity and threats both positive and negative effects of the ASEAN economic community to Thailand and Thai industry. From the analysis, the findings revealed that there are seven important ways to offer as guidelines for adaptation of Thai industry. First, there should be an improvement the effectiveness of production in
terms of labors force, technology and the production level to match with the demand of world market. Second, there should be a production network to produce in the large volume in order to gain economy of scale to reduce cost. Third, there should be a new exporting market to gain new exporting market and ways to find the low cost and high quality raw material. Fourth, there should be an amendment of rules and regulations to reduce the obstacle of exporting and importing. Fifth, there should be a readiness of abundance of high quality infrastructure to serve and draw the large volume of the foreign investment for production process of the nation in order to export effectively. Sixth, there should be an overhaul of Thai tax system to benefit Thai investment and draw more foreign investors to invest in Thailand rather than other ASEAN member nations. Seventh, there should be a mechanism to propel the equity of trade and business of both domestic and international market.

In addition, there are both offensive strategy and defensive strategy that Thai industry need to understand and be able to perform to compete with other ASEAN member nations. The offensive strategy involves the search for new untapped resources in ASEAN member nations to gain low cost and high quality of raw materials. It is important to understand the taste and consumer preferences of each of ASEAN member nation and move the production process to the geographic location of advantages such as near seaport to reduce transportation costs. Finally, it is important to understand local norms, tradition, and culture of each local market of ASEAN member nations in order to increase customer satisfaction. The defensive strategy involves the understanding the strategy of competition from ASEAN member nations thoroughly and it is important to constantly find the ways to reduce cost of production without reduce the quality of products and services. It is also important to maintain customer loyalty by increasing or maintaining the high level of customer satisfaction. Finally, learn to use SWOT analysis to understand the opportunity, threats, strengths and weakness of all ASEAN member nations.

CONCLUSION

The ASEAN economic community was considered as the success step of ASEAN member nations. Obviously, Thailand has benefited from the entering AEC. However, there is a fact that there are both advantages and disadvantages from the AEC. Therefore, Thai industry would benefit more if they are well prepared for the entering of AEC. This paper offers the seven guidelines as well as both offensive and defensive strategy to enhance the successful of Thai industry from the entering the single market and large production base of AEC.

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