



**RESEARCH ON THAI SMALL-MEDIUM ENTERPRISE INDUSTRY  
ANALYSIS FROM ASEAN ECONOMIC INTEGRATION-TAKING  
MANUFACTURING AS AN EXAMPLE**



**WANG QIAN YU  
5917195029**

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR  
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION  
GRADUATE SCHOOL OF BUSINESS  
SIAM UNIVERSITY  
2018**



**RESEARCH ON THAI SMALL-MEDIUM ENTERPRISE INDUSTRY  
ANALYSIS FROM ASEAN ECONOMIC INTEGRATION-TAKING  
MANUFACTURING AS AN EXAMPLE**

**Thematic Certificate**

**TO**

**WANG QIAN YU**

This Independent Study has been approved as a Partial Fulfillment of the Requirement of International Master of Business Administration in International Business Management.

Advisor: *Li Chiao-Ming* Date: *2018. 6. 18*  
(Associate Professor Li Chiao-Ming)

*Jomphong Mongkhonvanit*  
.....  
(Associate Professor Dr. Jomphong Mongkhonvanit)  
Acting Dean, Graduate School of Business Administration

Date: *20 6 18*  
.....  
Siam University, Bangkok, Thailand

## ABSTRACT

Title: Research on Thai small-medium enterprise industry analysis from ASEAN economic integration – take manufacturing as an example

By: WANG QIAN YU

Degree: Master of Business Administration

Major: Business Administration

Advisor: ..... *Li Chiao-Ming* .....  
(Associate Professor Li Chiao-Ming)

..... *2018 / 6 / 18* .....

At present, Small and Medium Enterprises (SMEs) have become the most active factor and indispensable part of the national economy and social economy in all countries of the world. It is an important driving force for the sustained development and prosperity of the social economy. The improvement of the level of science and technology, as well as the increasingly detailed social division of labor, the socialization of economic activities, globalization, virtualization, networking, and electronics. It will inevitably bring unprecedented opportunities for the development of SMEs. However, due to the limited size of SMEs, Shortage of funds, financing difficulties, and channel restrictions, it is difficult for SMEs to obtain substantial development. In the face of the monopoly of large companies, SMEs are often struggling to obtain higher profits and long-term sustainable development. There are many difficulties faced in front of us. This paper uses Thai SMEs as research objects, focusing on the development of ASEAN's SMEs, existing strengths and weaknesses, analyzing the importance of SMEs to the ASEAN economy, and the major obstacles faced by SMEs in Thailand. And then introduce solution. It also analyzes the opportunities and challenges brought by ASEAN economic integration and *the Belt and Road Initiative* and to proposes corresponding development strategies for SMEs.

**Keywords: SMEs;Thailand;Development;Strategy;ASEAN Economies**

## CHINESE ABSTRACT

题目： 东盟经济一体化下泰国中小企业行业调查分析- 以制造业为例  
作者： 王倩钰  
学位： 工商管理硕士  
专业： 工商管理

导师：

*Li, Chiao-Ming*  
.....  
(副教授. 李喬銘)  
*2018. 1. 6* ..... *1. 18*

---

目前，中小企业已成为世界各国国民经济的基础和社会经济中最活跃的因素以及不可或缺的重要部分，是社会经济的持续发展和繁荣稳定的重要推动力。科技水平的提高，以及社会分工越来越细，经济活动的社会化，全球化，虚拟化，网络化，电子化，必然给中小企业带来前所未有的发展契机，然而，由于中小企业的规模有限，资金的短缺，融资困难，以及渠道的限制，导致中小企业往往难以获得长足的发展，面对大企业的资源垄断，中小企业往往举步维艰，想要获取更高的利润，以及长期可持续的发展，眼前面临着诸多困难，本文以泰国中小企业作为研究对象，重点论述东盟中小企业的发展状况，存在的优势劣势，分析中小企业对东盟经济的重要性，以及泰国中小企业所面临的主要障碍和解决措施。并分析出东盟经济一体化和一带一路计划下带给中小企业的机遇与挑战，提出中小企业相应的发展战略措施。

**关键词：** 中小企业;泰国;发展战略;东盟经济

## ACKNOWLEDGEMENT

First, I would like to thank Thailand's Siam University for giving me such an opportunity to allow me to complete an essay research independently and to give us all support and assistance in this process so that we can learn more practical application knowledge in the final period of completion of our studies and enhance our ability to practice and think independently.

This dissertation was completed with the kind attention and guidance of my instructor. The rigorous academic attitude of the teacher, the work style of excellence, the unyielding noble morality of the teacher, the unadorned, approachable personal charisma have far-reaching implications for me. Here, I would like to express my highest respect and all my heartfelt gratitude to all the teachers.

Thanks to my classmates, coming from this distant home to this strange city, it is you and I who jointly maintain the fraternal feelings of each other and maintain the harmony of the class's family. I will always remember yours.

Thanks for my parents raised me and always support me; your health and happiness are always my greatest wish.

Finally, I would like to express my sincere gratitude to all the teachers who have participated in the dissertation defense during their busy schedule.

## CONTENT

ABSTRACT.....	i
ABSTRACT CHINESE .....	iii
ACKNOWLEDGMENT.....	v
CHAPTER 1. INTRODUCTION .....	1
1.1 Research background and meaning .....	1
1.1.1 Topic background.....	1
1.1.2 Research purposes and meaning .....	1
1.2 Related literature review.....	2
1.2.1 Description of regional economic integration.....	2
1.2.2 ASEAN plays a leading role in regional integration.....	4
1.3 Research ideas and methods .....	5
1.3.1 Thesis ideas .....	5
1.3.2 The main research framework.....	5
1.3.3 Research methods .....	6
1.4 Innovations and Inadequacies in this paper.....	6
CHAPTER 2 RELATED THEORIES OF THE STUDY .....	7
2.1 Regional Economic Cooperation Theory.....	7
2.1.1 The concept of economic integration.....	7
2.1.2 Regional economic integration organization form.....	8
2.1.3 About Common Market Theory .....	10
2.2 Basic Theory and Connotation of Enterprise Management .....	10
2.2.1 The connotation of enterprise management .....	11
2.2.2 The role of business functions in enterprise development.....	12
2.2.3 The role of management environment in enterprise development.....	13
2.3 Corporate development strategy theory .....	15
2.3.1 The connotation of enterprise development strategy .....	15
2.3.2 SWOT Analysis.....	16
CHAPTER 3 THE STATUS OF THAI BUSINESS MANAGEMENT .....	17
3.1 The basic situation of Thai business management.....	18
3.1.1 Thai Governance and Political Characteristics .....	18
3.1.2 Economic Characteristics of Thailand .....	18
3.1.3 Thai Social and Cultural Characteristics.....	20
3.2 Key Issues and Factors in the Development of Thailand's Business Management .....	20
3.2.1 Unstable political situation.....	20
3.2.2 Thai companies attach low importance to research and development.....	21
3.2.3 The complexity and repetition of the tax system .....	22
3.2.4 The internal management system of the enterprise is incomplete .....	23
3.2.5 Serious Infringement of Intellectual Property Rights .....	23
3.2.6 Serious bribery and corruption problems.....	24
3.2.7 Aging problem.....	24
CHAPTER 4 IMPACT OF THAI ENTERPRISES JOINING ASEAN ECONOMIC COMMUNITY AND SWOT ANALYSIS .....	25
4.1 Thailand Enterprises Are Constrained from Joining ASEAN Economic Community.....	26
4.2 Impact of Thai Enterprises Joining ASEAN Economic Community.....	26
4.2.1 Positive impact.....	26

4.2.2 Negative Effects .....	27
4.3 SWOT Analysis of Thai Enterprises Joining ASEAN Economic Community .....	28
4.3.1 Advantages of Thai Enterprises Joining ASEAN Economic Community ..	28
4.3.2 The disadvantage of Thai companies joining the ASEAN Economic Community.....	29
4.3.3 Opportunities for Thai Enterprises to Join ASEAN Economic Community .....	31
4.3.4 The Challenge of Thai Enterprises Joining ASEAN Economic Community .....	32
<b>CHAPTER 5 EXPERIENCES AND IMPLICATIONS FOR EUROPEAN NATIONAL ENTERPRISES TO JOIN EUROPEAN ECONOMIC DEVELOPMENT.....</b>	<b>33</b>
5.1 About the EU Economic Community .....	33
5.1.1 EU Concept .....	33
5.1.2 European Single Market.....	34
5.1.3 Economic System of EU Member States .....	35
5.2 Experiences of Business Development in Countries under the European Economic Community .....	35
5.3. The EU is Worth Where ASEAN and Thai Enterprises Learn.....	37
5.3.1 EU deserves reference from ASEAN companies.....	37
5.3.2 EU deserves reference from Thai companies.....	38
<b>CHAPTER 6 CONCLUSIONS AND SUGGESTIONS.....</b>	<b>39</b>
6.1 Conclusion .....	39
6.2.1 Countermeasures and Recommendations of the Thai Government in Support of Economic Integration.....	40
6.2.2 Countermeasures and Suggestions for the Development of Thai Enterprises .....	41
<b>REFERENCE.....</b>	<b>44</b>

## TABLE

Table 2-1: The cost of sale drug products forming diagram .....	9
Table 3-1: Problems affecting the development of Thailand .....	21
Table 3-2: R & D spending as a percentage of GDP in Thai .....	22
Table 3-3: Entity tax.....	22
Table 3-4: Total number of elderly & Percentage of population.....	25
Table 5-1: Comparison between EU and ASEAN .....	38





**FIGURE**

Figure 2-1: Feedback and Requiements ..... 12  
Figure 2-2: The Ratio of Thailand's GDP in 2015 ..... 17  
Figure 5-1: Actual and synthetic real per capita GDP and real per worker GDP in the 1973  
EU enlargement.....36  
Figure 5-2: Large European Companies Rely on Diversified Development to Core Area  
Development .....37



# RESEARCH ON THAI SMALL-MEDIUM ENTERPRISE INDUSTRY ANALYSIS FROM ASEAN ECONOMIC INTEGRATION-TAKING MANUFACTURING AS AN EXAMPLE

## CHAPTER 1 INTRODUCTION

### 1.1 Research Background and Meaning

#### 1.1.1 Background

After the 20th century, the WTO as a platform for international trade has gradually declined, and regional economic integration has increasingly attracted the attention of various countries. However, the economic integration of ASEAN region is conducive to the rapid growth of the East Asian economy and even the world economy. Under the economic integration environment in the ASEAN region, based on the factors of the enterprise itself and the external environment, how the Small and Medium Enterprises (SMEs) should correctly choose the enterprise development model and development strategy in order to improve the enterprise's competitive advantage is the main issue to be studied in this paper Vrande, and Rochemont (2009). Otherwise, companies will soon face many difficulties that will seriously restrict the growth of enterprises. SMEs cannot obtain development chances and affect the sustainable and healthy development of the national economy. From the perspective of Thai SMEs, due to joining the ASEAN regional economic integration organization, the external environmental factors that companies face have begun to appear many new changes. How to explore the main influencing factors for the development of Thai SMEs, strategic selection and coordination of enterprises, and the long-term development of enterprises in the context of ASEAN regional economic integration. And *the One Belt One Road initiative* has become a focus of renewed attention.

In the context of globalization, production companies need to constantly break geographical restrictions, constantly adjust the allocation of resources, realize the rapid flow of production resources, specialize in the division of labor, and scale production, increase the profits of enterprises, and at the same time, aggravate enterprises, handle with Inter-competition.

The ASEAN regional economic integration organization plays a very important role in the process of economic globalization. The goal of regional economic integration is to increase production efficiency and achieve free flow and rational allocation of products, technology, services, investment, skilled labor and capital in the region. With it , Break down various trade barriers, strengthen the free flow of production factors through cooperation among member countries, achieve rapid flow of production resources, professional division of labor, and large-scale production, increase the profits of

enterprises, and promote the rapid development of productivity , increase the healthy competition of domestic enterprises.

This has made the ASEAN countries unprecedented opportunities for development, but it is different from the development of regional economic integration in the EU. Although ASEAN regional economic integration organizations have made common demands in the areas of investment and trade, and even in the monetary and fiscal policy fields of the member countries; However, it does not mean that the integration organization is the same. It has both consistency and significant differences in the EU organization. The ASEAN member countries still have environmental differences. Under the complex and ever-changing international environment, the development process and its development model of small and medium-sized enterprises, corporate strategic awareness and strategic choice have also undergone a gradual evolution. In today's society, the manufacturing and service industries have become important support for the economic and social development of ASEAN countries. And they have also developed rapidly in recent years. become an indispensable force for sustainable economic and social development and made prosperity. However, the monopoly of resources and the financial advantages of large companies have made it difficult for SMEs to survive, with a small profit margin and limited marketing channels, and they have not been able to achieve stable and long-term development.

## **1.2 Research Purposes and Meaning**

In recent years, the contribution rate of SMEs to the development of the national economy has gradually increased. SMEs are a kind of ubiquitous enterprise group that plays an indispensable role in supporting the national economy in the process of technological progress and economic development. It is an important part of the socio-economic system and is the most active type of enterprise in the market economy system with development prospects.

Although SMEs do not have the advantage of scale, due to their small scale of capital and relatively few organizational levels, they can quickly respond to various changes in the market to meet people's diversified and individualized needs, carry out technological innovations, and increase overall social employment, quantity, expanding product sales, etc. In a word, it plays an irreplaceable role.

SMEs will soon face many difficulties that will seriously restrict the growth of enterprises. SMEs cannot obtain development and affect the sustainable and healthy development of the national economy. From the perspective of small and medium-sized enterprises, due to joining the ASEAN regional economic integration organization, the external environmental factors that companies face have begun to appear many new changes. How to explore the main influencing factors for the development of SMEs in the

context of ASEAN regional economic integration, corporate strategic choice and coordination, and the long-term development of the enterprise, has become the focus of renewed attention.

After the 20th century, the WTO as a platform for international trade has gradually declined, and regional economic integration has increasingly attracted the attention of various countries. However, the economic integration of ASEAN region is conducive to the rapid growth of the East Asian economy and even the world economy. In addition, the implementation of the Belt and Road Initiative has brought more opportunities and challenges for more ASEAN SMEs, how SMEs can seize the current business opportunities; actively adjust the organizational strategy, obtain more financing, and achieve rapid development.

### **1.3 Research Content**

This paper uses a combination of theoretical research and data analysis to explore the key factors that affect the development of enterprises which based on the theory of enterprise development management. It analyzes the environmental characteristics of the regional economic integration in ASEAN and studies the complex and changeable integration of SMEs. The development strategy of the environment, with a view to discovering the main influencing factors, the formation of problems, strategic planning and adjustment of SMEs in the ASEAN regional integration environment.

The research involves foreign companies' development theories, especially the environmental factors of regional economic integration. Secondly, it bases on the existing research, combining the theory of enterprise development and related theories of ASEAN regional economic integration. This paper analyzes the internal environmental factors in ASEAN regional integration and looks for factors that influence the development decision-making and uniqueness of SMEs. Find out the main influencing factors and the basic factors for the development of SMEs' development strategy. Then combine the reality of the ASEAN free trade zone market to explore the long-term development of SMEs in ASEAN and formulate suitable SMEs development models and countermeasures.

## CHAPTER 2 RELATED LITERATURE REVIEW

### 2.1 Theories for The Paper

#### 2.1.1 Theory of Economic Integration

The Dutch economist Tinbergen (1962) believes that economic integration will eliminate the artificial factors that hinder the economic movement and create the most appropriate international economic structure through mutual cooperation and unity. The essence of regional economic integration is based on regionality. By reducing the transaction costs among member states, the degree of freedom in intraregional trade can be increased. And the free flow of production factors and products can be promoted. Besides the optimal allocation and use of resources can be realized.

Initially, the American economist, Balassa (2011) once defined and elaborated on the regional economic integration. He defined economic integration as a process, which is also a form of “a state”. The process of integration is mainly to take effective measures to eliminate discrimination between economic units in various countries. The state of economic integration is the result of the process of economic integration. It is to eliminate all forms which he believes that if there are trade relations between the economies of two independent countries, then it can be considered economic integration.

Chaiprasit, and Santidhiraku (2011) made a clearer definition of the definition of regional economic integration in the book “International Economics”. He believes that the research on the development strategy of SMEs in the context of regional ASEAN regional economic integration mainly refers to the integration of macroeconomic policies among countries and the free movement of production factors, including free trade among member countries and common commodity markets and production. Factor market is to achieve the equal price of production factors.

German entrepreneur Bende, Ford, and Slater (2001). also have published his own views on regional economic integration. He said that regional economic integration refers to two or more countries. So, it must make a certain degree of policy coordination, to eliminate countries in the Discrimination in all aspects will not only allow free flow of goods between them, but also, more importantly, allow the free flow of production factors, so as to reflect the practical significance of regional economic integration.

Meng (2001) also has his own definition of regional economic integration. He believes that in fact it is to obtain the interests of economic entities in different spaces, such as production, consumption, and trade. He also believes that regional economic integration is not just a state and a process. At the same time, it is a combination of means and purpose. The process of creating market integration is the unification of economic

policies from the product market and the production factor market, and gradually evolves into regional economic integration.

### **2.1.2 Theory of SMEs**

Marks, and Thomalla (2017) put forward in the external economic theory that “small and medium-sized enterprise clusters are conducive to skills, information, technology, and new ideas, and they are spread and applied among the enterprises within the cluster, thereby generating external economic effects.” Through enterprise clustering, we can promote cooperation between each other to save transaction costs and intermediate expenses, reduce production investment, change the disadvantage of individual small and medium-sized enterprises due to their own scale, and use the same production and operation of enterprises within the cluster. The characteristics of products, the formation of regional economies with industrial characteristics. Thus, it makes us to effectively stimulate local economic development.

Based on the findings of earlier research, the factors affecting SME business success were classified into the following categories:

- (1) an entrepreneur Characteristics Kristiansen (2003)
- (2) characteristic of SME Kristiansen, and Wahd (2003)
- (3) management and know-how Swierczek (2003)
- (4) products and services Wiklund, & Shepherd (2004)
- (5) customers and markets William, and James (2005)
- (6) the way of doing business and cooperation Chancharat , & Chancharat (2013)
- (7) resources and finance Kristiansen (2003)
- (8) strategy McMahon (2001)
- (9) external environment Huggins (2000)
- (10) internet Henriette, and Peter (2002)

However only 6 factors namely Characteristics of SMEs, Management and know-how, Products and Services, The way of doing business and cooperation, Resources and finance and external environment were considered for the theoretical framework of this study based on suitability. Therefore, Business success is the dependent variable and independent variables are: characteristic of entrepreneur and SMEs, management and know-how, products and services, the way of doing business and cooperation, resources and finance, and external environment.

Tertiary industry theory. All learn from previous theoretical viewpoints and believe that due to the process of social division of labor and industrialization, the proportion of the first and second industries in labor, employment, etc. decreased, while the proportion of the third industry continued to increase.

It has become an inevitable trend. The tertiary industry happens to be the best soil for SMEs to grow. The "existence theory", "adaptation scale theory", and "best biological theory" of SMEs in countries such as the United States and Japan. And imperfect competition theory and "environmental adaptation theory. "Business Economics Perspective. "Middle economic theory" considers SMEs as research objects. There is a difference in enterprise behaviors and management characteristics between SMEs and large enterprises, which inevitably creates special other business performance.

Marks, and Thomalla (2017) put forward in the external economic theory that "small and medium-size enterprise clusters are conducive to skills, information, technology, and new ideas, and they are spread and applied among the enterprises within the cluster, thereby generating external economic effects." Through enterprise clustering, we can promote cooperation between each other to save transaction costs and intermediate expenses, reduce production investment, change the disadvantageous position of individual SMEs due to their own scale, and use the same production and operation of enterprises within the cluster. The characteristics of products, the formation of regional economies with industrial characteristics," and thus effectively stimulate local economic development.

Ueasangkomsate (2015) argues that the size of a competitive firm is determined by the medium-to-long-term average cost level. In other words, the medium-long term average cost curve is U-shaped when all elements are variable. The result of free competition in the market makes the company's production scale at the lowest point of the average cost curve. For the U-shaped medium-to-long-term cost curve, the usual explanation is that there are some fixed production costs (plants, machines, buildings, etc.), no matter how high the output level, it will inevitably happen. With the increase of output, Variable costs increase, but fixed costs do not change. Therefore, there is a downward trend in the cost per unit per unit. However, after a certain point, it becomes very difficult to further reduce the average cost, because some inputs are difficult to change as the size of the company changes. At this point, if the company expands again, it will inevitably lead to an increase in the average cost curve over the medium and long term, and a diseconomy of scale. The theory of economies of scale on the one hand points out that companies should pursue economies of scale when expanding production, and at the same time point out that they cannot pursue scale indefinitely.

In the real economy, the scale of the enterprise cannot expand indefinitely. In the process of expanding the scale of the enterprise, it will encounter limitations in terms of capital, market, technology, and management. After a certain scale is reached, the enterprise will stop further expanding its scale. That is to say, the expansion of the company's scale is bounded. Although it can be inferred from the economic benefits of scale, SMEs are at a disadvantage when competing with large companies. However, based on this point of view, it is not easy to believe that the living space for SMEs will

become smaller and smaller. The boundary restrictions imposed on large enterprises when they are expanding have provided sufficient theoretical support for the existence of small and medium-sized enterprises, which further explains the feasibility and necessity of the existence of small and medium-sized enterprises. In fact, the expansion of large-scale enterprises and the development of small and medium-sized enterprises coexist at the same time. They have gradually formed a division of labor and cooperation, and they have both competed and cooperated to form a social production system. In their respective fields, the respective competitive advantages of large and medium-sized enterprises are very obvious. In the industries where large enterprises can exert economies of scale, the survival space of small and medium-sized enterprises is relatively narrow; while in the scope of smooth activities of small and medium-sized enterprises, large enterprises are not absolute. The advantages can be said. The respective advantages of large and medium-sized enterprises will change with the changes in economic conditions. Since the 1970s, the prosperity of SMEs has shown that the space to survive has expanded considerably. Although SMEs have a small scale of production, there are also economies of scale. The economy of SMEs is determined by its special production technology and market demand environment. There is a problem of optimal production scale for a certain amount of demand and production technologies that are compatible with it. Compared to different technologies and markets, a car factory with an annual output of more than a thousand cars uses semi-mechanized manual labor, and its production scale is in such production.

The conditions may be optimal under the conditions. But if its product is just an ordinary car, and society needs it. The scale can also attract other automobile factories to use a variety of specialized equipment to implement large-scale standardized production. Then, companies that remain in semi-mechanized manual labor cannot achieve scale competitive advantage. If the needs of society not enough to support large-scale production, more use of semi-mechanized production of smaller quantities of products.

The most efficient use of resources and the formation of another form of scale benefit, then, the smaller the size of the enterprise, it is a wise choice. On the other hand, even for products that are suitable for large-scale production, there will be room for SMEs to survive. Because economies of scale require a certain scale of production, they must be moderate in size and cannot be large and inappropriate. Instead, the scale of scale will be uneconomical.



## **CHAPTER 3 RESEARCH METHODS**

### **3.1 Research Methods**

The paper mainly uses several research methods: The literature research method: collect relevant materials by referring to related books, journals, doctoral dissertations, etc., and use literature analysis methods to summarize the collected materials and select them from the middle hoof to be valuable for the writing of this article. The data provided a solid theoretical basis for conceiving thesis and explained it through simple chart data.

Qualitative analysis: Through the use of methods of induction and deduction, analysis and synthesis, and abstraction and generalization, we will read and reflect on the various environmental impact factors, research and development literature that we have obtained regarding the development of SMEs. Understanding the causes of the main factors affecting the development of small and medium-sized enterprises in order to understand the internal and external environmental factors on the nature and profound understanding of the development of SMEs.

This article extensively collects knowledge on strategic management, management, economics, marketing, and other disciplines, and uses scientific and normative research methods such as theoretical research and practical research to study the factors that affect the development of SMEs in ASEAN.

### **3.2 Research Framework**

The first part introduces the research background, research purpose and research significance of this article.

The second part summarizes the relevant literature needed for the article.

The third part introduces the concept definition of SMEs, expounds the importance of SMEs in the Thai economy, summarizes the characteristics of SMEs and the necessity of the existence of SMEs, and puts forward industries suitable for the development of SMEs.

The fourth part mainly analyzes the impact of ASEAN economic integration on the development of Thai SMEs from the four dimensions of technology, economy, investment and resources, analyzes macro and micro-environment of Thai SMEs, and combines the background of the Belt and Road Initiative to elaborate SMEs. Future development prospects.

The fifth part summarizes and analyzes the above situation and the challenges faced by ASEAN SMEs in the future and puts forward strategies that need to be adopted.

Finally, the paper gives a conclusion for the research.



## **CHAPTER 4 DEVELOPMENT STATUES AND IMPORTANT OF THAI SMES**

### **4.1 Definition of SMEs**

SMEs are a relative concept based on the difference in scale. It refers to the relatively small unit of assets, personnel, and business scale compared with large enterprises. The definition of SMEs is the basis for theoretical research and policy design of SMEs, and the establishment of defined standards often depends on different policy objectives. The definition of SMEs defines the definition and scope of SMEs in various countries. According to the differences in the level of economic development, the actual needs of theoretical research and policy design, different countries adopt different definitions of SMEs and the definition of SMEs.

#### **4.1.1 Categories and Indicators of Standards Defined by SMEs**

The types of standards defined by SMEs in various countries generally include both quality and quantity. The qualitative criteria defined by SMEs: In the qualitative analysis of the size of the enterprise, the indicators such as the ownership of the enterprise ownership and management rights, the financing mode of the enterprise, the management mode, and the status of the enterprise in the industry are usually used.

At present, qualitative indicators related to SMEs used in the United Kingdom include: 1. Small market share: 2. Owners operate according to personal judgment; 3. All operators are independent of external dominance. The United States Small Business Act of 1953 stipulated that all companies that are independently owned and operated and that do not occupy a dominant position in a certain industry sector are small businesses. The quality regulations for SMEs in Germany are: 1. No direct financing from the capital market: 2. Operators directly take risks: 3. Operators are independent and engage in production and business activities with employees. In addition, some Western European countries regard the degree of financial independence of enterprises as the basis for judging the nature of SMEs.

Quantitative indicators defined by SMEs: SMEs are a more complex concept. Due to the different levels of economic development and cultural backgrounds in different countries, especially the purpose of dividing SMEs, different countries or regions have different definitions of SME categories. It is for the same country or region. Normative standards for SMEs are not static, and they will constantly change with economic development and social changes. In general, the definition of SMEs in major countries or regions in the world is mainly based on "quality" and "quantity". From a qualitative point of view, it mainly emphasizes the independence of enterprises and whether they are monopolized in the same industry or the dominant position is generally an economic entity that operates independently and does not occupy a dominant or monopolistic

position among peers. It specifically includes three characteristics: independent ownership, independent management, and small market share.

From the aspect of quantity, it is the adoption of a number of quantitative indicators of enterprises, including the number of employees in enterprises, the scale of fixed assets of enterprises, that is, total assets, sales of enterprises within a certain period (usually one year), and the requirement for small quantities to define SMEs. Due to the quantitative indicators of the number of employees and the fixed assets of enterprises, the characteristics of research on the development strategy of SMEs in the context of ASEAN regional economic integration are intuitively analyzed, and it is easy to grasp and understand them in practice. The economic powers with important status in the world often adopt two of them, such as the number of employees in the company and the annual sales of the company, or the total assets of the company and the annual sales of the company. There are also three factors used by individual countries. The categories of SMEs generally fall into the following categories: First, SMEs that operate in the manufacturing industry; Second, SMEs that implement trade operations; and Third, SMEs that operate in the service industry.

#### **4.1.2 International Comparison of Standards Defined by SMEs**

The SMEs in various countries (or regions) define the criteria. The selected indicators are roughly divided into qualitative indicators and quantitative indicators. Quality indicators mainly include factors such as the ownership of the company's ownership and management rights, the financing methods of the company, and the status of the company in its industry. The quantitative indicators mainly include the number of employees, capital and annual turnover.

**Table 4-1: Various countries (or area) limits the small and medium-sized enterprise the target**

Nation	Employee	Paid -in capital	Asset	Sales	Ownership	financial method	Position
USA	500			*	*		*
Canada	500			*			
Mexico	300						
UK	450				*	*	
Germany	500						
France	350						
Italy	550						
Netherlands	450						
Denmark	300						
Ireland	300						
Japan	500	*					

Source: Ping Shu, *The definition of the concept of SMEs*, ( 2010 )

The above information shows that most countries (or regions) in the world have focused on quantitative indicators rather than qualitative indicators in the selection of indicators for the definition of SMEs. The selection rate of quantitative indicators in the 14 countries and regions selected in the table is 100%. Some countries use qualitative and quantitative indicators at the same time. The purpose is to make SME policies more flexible in the process of formulation and implementation. Specific to the selection of quantitative indicators, the number of employees is a universally selected indicator, followed by annual business (sales). These two indicators have the advantages of simple statistics and strong tolerance, and at the same time, they can also reflect the differences in industrial structure and market structure.

#### **4.1.3 Thailand's Definition of SMEs**

Unlike other countries, Thailand does not have a widely accepted definition of SMEs. Various public institutions and departments have their own.

Taxonomy can meet their own needs. Despite this, the Thai government is still actively collecting data to establish a unified SME taxonomy. This article selects the classification standard of the Ministry of Industry of Thailand, which is based on the number of employees and the value of fixed assets excluding land. See Table 1 for details. It can be seen that SMEs are widely distributed and numerous, and it is not easy to define them uniformly. Since the four ASEAN countries have different defining standards at different times, it is natural that ASEAN as a whole cannot develop a unified SME standard that meets the national conditions of each country.

**Table 4-1: Dividing company size standards**

Industry	Divided by fixed assets		According to the number of employees	
	Medium-sized enterprises	small companies	Medium-sized enterprises	small companies
Manufacturing	51 ~ 200	<50	51 ~ 200	<50
Service industry	51 ~ 200	<50	51 ~ 200	<50
Wholesale industry	51 ~ 100	<50	<50	<25
Retail industry	31 ~ 60	<30	16~30	<15

Source: Ministry of commerce, Thailand (2014)

## 4.2 Characteristics of SMEs

### 4.2.1 Advantages of SMEs

(1) Rapid response to changes. Due to the small size and limited resources of small and medium-sized enterprises, when the business environment changes significantly, large companies can maintain their original development trajectory for a period of time. Small and medium-sized enterprises must change and adjust immediately, or they will become victims of change. The need for survival and development has forced SMEs to develop a rapid response capability. For example, when there are some changes in customer demand preferences, SMEs are often the first to make the first response, to meet the changing needs of people with unique products and services. It is precisely because of the rapid response of SMEs that SMEs are closer to the market and closer to customers than large and medium-sized enterprises.

(2) Innovation ability. In order to survive, SMEs must innovate in technology and products. The innovation of small and medium-sized enterprises is different from that of large enterprises. Because of the limitations of the original investment, large enterprises are often willing to engage in some process innovations or carry out some gradual improvement and improvement of the original products; SMEs are often more likely to carry out products by innovation activities.

(3) Low internal management costs. Compared with large enterprises, the internal organizational structure of SMEs is relatively simple, which reduces the large amount of costs for the coordination of departmental relations. Managers of SMEs are often also their owners, thereby reducing the large number of agency costs caused by commissioning an agency relationship. Therefore, SMEs have the advantage of lower internal management costs and higher efficiency of internal operations.

#### **4.2.2 The Disadvantages of SMEs**

(1) Lack of a broad range of capabilities. Compared with large and medium-sized enterprises, SMEs are relatively thin and lack diverse capabilities needed for enterprise development. For example, the manager of a small and medium-sized enterprise is often its owner. He (or she) often has a number of roles. He (or she) must have both technical and managerial skills; he must be responsible for day-to-day operations and management, as well as strategic management.

(2) Lack of funds. Many SMEs lack the necessary funds because they lack the necessary input in human resources recruitment and training, technology research and development and marketing, and often affect the further development of the enterprise.

(3) Vulnerable to environmental change. SMEs generally operate in a specific market, and relatively speaking, the product line and customer base are relatively narrow, encountering customer needs or technological changes in the environment are often greatly impacted.

### **4.3 The status of SMEs in the national economy**

#### **4.3.1 SMEs are Modifiers of Economic Changes**

The financial crisis that began in 1996 caused many businesses in Thailand to go bankrupt or bankrupt and a large number of people were unemployed. After 1997, the Thai government formulated the development direction of SMEs, and further recognized the role of SMEs in meeting people's daily needs, increasing employment and national income, and making SME development the primary force for economic recovery. SMEs have created a lot of value-added for Thailand. In 2004, GDP accounted for 38.1% of

GDP. In 2004, SMEs in Thailand employed 5.57 million employees, which accounted for 60.7% of the total number of employees in the country, an increase of 11.6% over 2002. About 60% of new job creation came from industrial SMEs.

#### **4.3.2 SMEs are Collaborators of Large Enterprises**

SMEs hire large numbers of workers from the agricultural sector and encourage more people to join the workforce. Jirapun, and Andrew (2013) found that when the country's overall economic growth is faster, the employment of small firms in the total employment market in Thailand tends to shrink, and in the period of relatively slow economic growth, the share of small firms' employment appears to increase. Companies can create job opportunities for the company's employees who have gone out of business, while preparing for entrepreneurs who will graduate to major companies that may be in a favorable period.

Therefore, SMEs, especially small businesses, can be seen as a buffer for low employment rates in difficult times. While increasing employment, SMEs provide a large number of vocational and technical training. Another important role of SMEs is to prevent rural labor migration to Bangkok and the surrounding areas, ensure economic growth in rural areas, and alleviate the excessive concentration of people in Bangkok and surrounding areas. pressure.

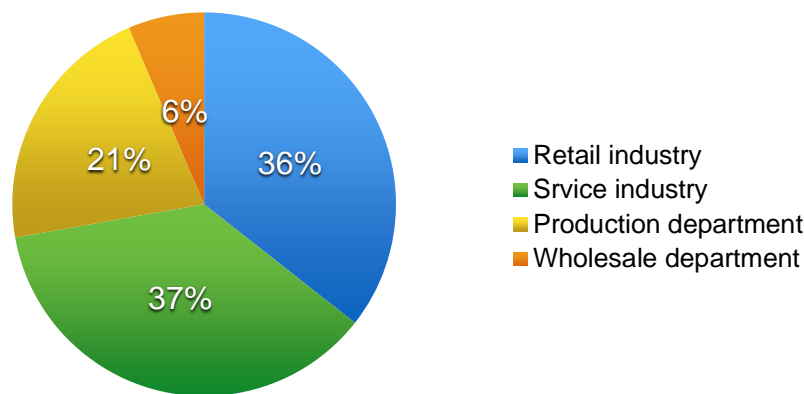
#### **4.3.3 SMEs are the Supporters of the Local Economy**

SMEs use less capital than large companies and can adapt to the needs of the situation to flexibly adopt the most appropriate business. Small and medium-sized enterprises not only manufacture finished goods sales, but also provide raw materials or semi-finished products for many large companies and developed a network of relationships with large companies and other departments. In addition, SMEs are also an important force for export earnings. The Thai government is very supportive of national entrepreneurship, encourages the establishment of SMEs, and provides them with services including advertising, capital, facilities and markets. After several years of rapid development, Thai SMEs have become the main driving force for economic recovery and growth.

According to a survey conducted by the SME Promotion Office in Thailand, 99.5% of Thai enterprises are SMEs, most of which are retail SMEs (36.2%), followed by the service sector (35.9%), Production (21.6%) and Wholesale (6.3%).

#### **Figure 4-1: Distribution of SMEs in the industry**





Source: SME Promotion Office, Thailand

Thailand's SMEs play an important role in the national economy. In 2017, the number of SMEs exceeded 3 million. In 2017 alone, there were 64,200 new registered companies in Thailand, accounting for more than 99.7% of the total number of registered companies. Domestic SMEs Gross domestic product grew by 5.3%, and the total GDP of small and medium-sized enterprises reached 1.62 trillion-baht, equivalent to a total GDP of approximately 42.6%. The output value accounted for 95% of Thailand's total output value, and the total value of exports was 235.93 billion US dollars. The total exports accounted for 29.1% of the total exports, and the employed population was 11 million, accounting for 78.5% of the total employment in the country.

According to the distribution of SMEs, the Thai government divides SMEs into ten clusters: food, fashion, tourism, manufacturing, automotive, services, packaging and logistics, franchising and OTOP, high-tech and energy, wholesale and retail. The definition standards for SMEs in Thailand are mainly the number of employees and the amount of the same assets. The manufacturing, service, wholesale and retail industry standards are not the same. The specific standards are shown in Table 3.

#### 4.4 The Development Trend of SMEs

##### 4.4.1 Thailand's SME Development Procedure

Thailand's SME development procedure in 1964, the Council of Ministers approved a financing strategy to promote and develop small industries, as proposed by the National Economic and Social Development Board (NESDB). A loan processing office for small industries was established under the Department of Industrial Promotion, under the Ministry of Industry's supervision to provide financial support to small manufacturing businesses. That office later became the Small Industry Finance Office (SIFO). However, the SIFO's operations and growth were hampered by limited funds, which were dependent on state budget allocations, and cumbersome and inflexible government procedures and regulations (SME Guidebook, 2013).

In 1991, the government promulgated the Small Industry Finance Corporation Act and the SIFO became the Small Industry Finance Corporation (SIFC) with registered capital of 300 million baht. Its status as a juristic person allowed the SIFC to raise capital domestically and internationally. In 2000, the government-initiated policies using the SIFC as the primary mechanism to assist small and medium enterprises, key drivers of the Thai economy. The Ministry of Finance recapitalized the SIFC, increasing its equity to THB 2.5 billion. On December 20, 2002, the Small and Medium Enterprise Development Bank of Thailand Act was enacted, re-establishing the SIFC as the Small and Medium Enterprise Development Bank of Thailand (SME Bank). The bank's mandate was "to conduct business with the aim of developing, promoting and assisting small and medium enterprises to start-up, expand, or improve their businesses by providing loans, guarantees, venture capital, counseling, and other necessary services as prescribed by the Act". In Fiscal Year 2009, the department passed a THB 2.5-billion-baht capital increase that saw the bank's share capital increase to THB 1.6 billion (SME Guidebook, 2013).

The other state-owned specialized SME financial institution is the Thai Credit Guarantee Corporation (TCG) under the supervision of the Ministry of Finance (MoF). It was established on December 30, 1991 under the Small Industry Credit Guarantee Corporation Act B.E. 2534 (1991) to take over all the business and operations of the Small Industry Credit Guarantee Fund. It officially commenced operations on February 21, 1992. At present, TCG's total registered capital is THB 6,839,946,700 (TCG, 2013).

The mission statement for TCG states that it is to provide support to SMEs through guarantee services for those that have potential but lack collateral security in order to enable them to acquire loans from financial institutions and, at the same time, enhance the financial institutions' confidence in credit expansion which will benefit overall economic development. TCG's operations not only help boost the capabilities of SMEs in business and investment expansion but also encourage the emergence of new entrants, contributing to the country's economic development. With the above nature of business, and as a non-profit organization, TCG is committed to operating for the benefit of the country. Its credit guarantee service will be a key driver in the strengthening of SMEs and the healthy social and economic growth of the country (TCG, 2013).

In May 2014 in an effort to relieve the economic difficulties brought on by political unrest, Thailand's SME Bank created a fund totaling 8 billion baht in liquidity, enabling each qualifying entrepreneur to seek a loan up to a limit of 40 million baht, guaranteed by the TCG. The Small and Medium Enterprise Development Bank of Thailand (SME Bank) and representatives from 23 agencies under the Ministry of Industrial Organization signed an agreement to cooperatively support SME entrepreneurs in accordance with the Ministry of Industry's policy. The SME Bank and the Thai Credit Guarantee Corporation (TCG) launched the special measure to grant loans to the SME entrepreneurs in electronics and power, vehicles, garments and the plastics field who are affected by

economic conditions and political demonstrations. The Ministry of Industry's agreement is an agreement between the agencies, to help SME entrepreneurs to enhance their potential in production and to survive the economic recession (NNB, 2014).

Even with an extensive history of SME development within Thailand, current situation under the AEC blueprint will unavoidably affect SMEs. Specifically, the ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014 outlines the framework for SME development in the ASEAN region. It comprises strategic work programs, policy measures and indicative outputs (APBSD, 2004). The strategic plan aims to accelerate the pace of SME development and enhance the competitiveness and dynamism of ASEAN SMEs by facilitating their access to information, technology, market, finance and human resource development and skills. The launch of the AEC will expand the market and increase the competition amongst producers through the free flow of goods and services, investment,

capital and free flow of skilled labor. Hence, SMEs need to be aware of this issue and prepare themselves. To help with this process, a key document was issued in 2013 titled 'SEM Guidebook Towards the AEC 2015' by the ASEAN Secretariat. It stated that small and medium enterprises (SMEs) in ASEAN will benefit from the bloc's economic integration framework which provides for simplified customs procedures, a self-certification system and harmonization of product standards which will help make doing business across the regional bloc easier and reduce the cost of doing business, and ultimately enhance their competitiveness, resilience and presence in the global value supply chains by 2015 and beyond.

The guidebook revealed that one of the measures is the ASEAN Customs Transit System (ACTS). This is an automated system established by member states' customs departments and agencies to monitor the movement of goods in transit as they move through ASEAN countries to their final destination (SEM Guidebook, 2013). This of course is Internet based and a critical component of SME's participation in this 600 million consumer trade block. ACTS will promote simplification, security and savings while boosting the bottom-line of regional businesses, leading to greater economic competitiveness.

The SME Guidebook also noted that faster customs clearance of goods will lead to significant savings in logistical time and cost for companies and "SMEs will benefit through the establishment of a more stable and secure supply chain, reduced costs through shorter and more reliable journey times, while still providing a secure environment which protects the interests and revenue of exporters and member states" (SME Guidebook, 2013), with better connectivity of goods making it easier and much less riskier for companies, and specifically SMEs, to branch out into new markets across the region and sustain their, and the member states', economic development."

Also, under the ASEAN Self-Certification Scheme, the primary responsibility of origin certification is carried out by companies, including SMEs, participating in regional trade. Certified exporters are allowed to declare that their products have satisfied the ASEAN origin criteria by presenting a commercial invoice. If the invoice is not available, any other commercial document such as billing statements, delivery order, or packing list would suffice. “SMEs commonly do not necessarily have the advantages of multinational companies with existing regional networks or familiarity with the administrative certification procedures of other member states” (SME Guidebook, 2013).

#### **4.4.2 Problems in The Development of Thai SMEs**

(1) Corporate financing is more difficult and restricts rapid development. Financing means starting from the characteristics of its own production and operation and the use of capital by enterprises, and in accordance with the needs of the company's future operations and development, and through certain means or methods to raise funds to ensure that the enterprise needs an economic behavior in the future. In theory, the main financing channels for ASEAN SMEs are the following five: the company's own accumulation, non-governmental informal financial institution loans, bank loans, venture capital and stock market financing. However, due to the impact of the global economic crisis, the economic recovery of ASEAN countries has been slow, and Thai SMEs have been greatly impacted, especially when Thailand's SMEs are immature in the external market environment and market consumption power is insufficient. In addition, although Thailand has established some financial institutions to support SMEs, financial products and services are limited, making it difficult for enterprises to obtain financing. On the other hand, SMEs also account for a certain proportion of non-performing loans of banks, which is one of the reasons why banks refuse to lend to SMEs. Non-performing loans for SMEs in manufacturing and service industries in Thailand accounted for 25% of total bank non-performing loans. According to the survey of Siam commerce bank in Thailand, the SME customer base among loan customers is the highest risk of bad debts, and its recovery pace will be about 2-3 quarters slower than the overall economy. Among them, it is worth noting that annual sales are 50 million to 100 million. Small businesses that are rampant will be a more concentrated customer base for bad debts because they are limited by the shortage of liquidity.

When banks deal with non-performing loans, they put non-performing loans from big companies first, while placing non-performing loans from small and medium-sized companies at a secondary position. In Thailand, only three banks, the Thai Bank Siam Commercial Bank and the Thai Bank Military, focused on SMEs' non-performing loans, while other financial institutions only focused on large companies. The bank also refused to increase new loans for SMEs on this ground.

(2) The company's single product, poor resistance to risk. Thailand's SMEs have adopted a single mode of operation in their business model, which has a short processing

chain and a large number of primary processing products. Some companies even rely on a single product to maintain their operations and cannot diversify their operations as large companies do. When faced with market demand changes or technological changes, you will experience greater losses. On the other hand, Thailand's SMEs have weaker anti-risk capabilities, generally have smaller asset sizes and fewer high value-added products. There is still a certain gap between product profitability and scaled products. Profitability is weak, and it is hard to resist when it comes to operating risks.

(3) The lack of corporate resources, the overall quality is low. In many foreign literature, market share is considered a serious constraint to the development of SMEs. In the ASEAN region, a famous study conducted by James and Suwanpidokkul, and Waisarayutt (2011) shows that market share is one of the major obstacles facing SMEs in the region. The study concluded that if SMEs do not make progress in market share, then market share will become a serious issue that restricts SMEs in the 21st century. Market share mainly refers to the market share of products. Like large companies, the market for SMEs has two parts, domestic and international. In the domestic market, SMEs are subject to competition from products produced by large domestic companies, foreign-funded enterprises, and imported goods. In the international market, SMEs' products are subject to fierce competition from large and small SMEs around the world.

In terms of resource allocation, SMEs lack the support of talents, technology, and funds, especially the lack of high-tech talents to improve their core competitiveness. Most companies lack the management level and sense of innovation. In SMEs in some remote rural areas, many employees have never received any professional training. Most SME managers lack the theory and practice of modern enterprise management. The enterprise's management is in a disorderly state. There is no market research before the birth, no strict cost accounting is strictly carried out, and there is no strict quality control in production. There is no Specific marketing strategies; no post-natal service. This backward management and management philosophy has led to the blind production of SMEs and the low quality of their products.

#### **4.4.3 The Development Trend of SMEs**

Starting from the real economy, the market's imperfect competition status is the deep root of the survival and development of SMEs and provides a theoretical basis for the growth of SMEs.

Product differentiation. No matter what kind of market, relying solely on the monopoly of large companies cannot meet the needs of the continuous expansion of consumer demand, so SMEs can fully use their product differentiation to form their own advantages to gain market position.

Segment market. The traditional view is that under the same conditions, large enterprises are often more competitive than SMEs. In the competition, SMEs are often at a disadvantage. This is because large companies can reduce production costs and production once they have reached scale production. cost. For example, commodities such as automobiles and televisions can only be profitable through scale. Therefore, in the automotive market, when small and medium-sized enterprises compete with large enterprises, their competitiveness will inevitably be weakened. However, not all commodities need to achieve benefits through scale. For example, in the ceramic products market, it is not to win by scale. The market is obtained through factors such as variety, quality, color, artistry, convenience, and consumption level. It can be seen that in such a detail. In a differentiated market, large companies can only produce relatively single ceramic products such as specifications, varieties, and arts, and it is difficult to fight with SMEs.

Serial production. In the trade friction between the United States and Japan, the United States has accused Japan of dumping cheap cars to the United States. However, Japan has not dumped the goods to the United States and has submitted the cost catalog of Japanese cars to the United States. After the investigation by the United States, it was found that what Japan said was true. The reason for the low price was that Japanese cars were serialized. Under an assembly plant, there were tens of thousands of small and medium-sized enterprises making full use of the advantage of "specialty" is to provide high-quality and low-cost components. The final conclusion is that the serialized production system of division of labor and cooperation is the conclusion of the fundamental reason why Japanese automobiles have defeated American automobiles.

Business areas suitable for the development of SMEs: It is generally believed that the economic sector can be divided into two categories: centralized and decentralized. Centralized departments often require large equipment or huge investments or products that are easy to standardize and have large quantities and few varieties, such as steel, petrochemical, electric power, aircraft, ships, video recorders, automobiles, and televisions. They are suitable for large-scale enterprises, even if small and medium-sized enterprises exist. Its market share is also very low, and its competitive advantage is small or at a disadvantage. The decentralized department includes sales of parts and components such as metal molds, bricks and tiles, and production of live and perishables, which are suitable for the production of textiles, foods, furniture, ceramics and other large-scale enterprises. A volatile sector. The decentralized sector is more suitable for the survival and development of small and medium-sized enterprises. With the arrival of the era of knowledge economy, SMEs have a broader space for development. Such as: research and development of electronic computers, polymer chemistry, new metals and other industries, communications machinery, CNC machinery and other precision machinery industries, and industrial education related software development, business consulting and other knowledge industries.

## **4.5 The Impact of the Environmental in ASEAN Regional Integration on Thai SMEs**

### **4.5.1 Analysis from The Perspective of The Market**

An important task of the regional economic integration of ASEAN is to expand the market scale to obtain economies of scale, allow small and medium-sized enterprises in the region to share the benefits of opening up the market, and at the same time, this can also prevent some small and medium-sized enterprises from opening up to the outside world. Market concerns support the cooperation and development of SMEs in regional economic integration.

Southeast Asia is one of the most densely populated regions in the world. The size of the population is closely related to the size of the market. It is an important factor affecting the size of the market. It is generally believed that the more people the population has, the more potential purchasers will feel for the company. The larger the market, the more the population has a direct impact on the potential buyers and market size; the larger the population, the more companies can serve new customer groups, enter new market areas or further segment markets, and expand the company's product line to Meet more needs. However, there are many criteria for measuring the size of the market. In addition to the population size, factors such as the level of economic development, consumer income, and spending power must also be considered.

The total population of ASEAN member countries exceeds 100 million. For SMEs, this is a market with great potential. Due to the small size of the domestic Thai market and the decentralized population, the narrowness of the domestic market has limited the development of the national economy. The establishment of economic integration in the ASEAN region means that the openness and inclusiveness of the market have increased, and the market has expanded and opened wider. Relaxation or cancellation of various trade barriers and restrictions will inevitably bring more opportunities to Thai SMEs.

From the perspective of market expansion effect, after the establishment of ASEAN regional economic integration, ASEAN member countries are a unified regional market, so that member countries can directly import and export products within the member countries, further strengthening the alliance. The companies inside compete with the foreign companies, especially the non-member countries. This unified regional market has expanded the market scope, promoted the company's production scale, reduced the cost of producers, continuously expanded market demand, and enjoyed economies of scale. This shows that the market effect brought about by the establishment of regional economic integration is important for enterprises to realize economies of scale.

However, due to the similarities in the structure of export commodities among ASEAN member countries, ASEAN member countries have made them become competitors. After the implementation of economic integration, domestic operators and

certain industries will be affected. This is unavoidable. Thailand's domestic enterprises need to adapt to face more and more fierce competition; to accelerate the improvement of product quality, promote technological transformation and standardization of production.

#### **4.5.2 From the Perspective of Resources**

With the development of economy, the demand for raw materials in processing and manufacturing industries in Thailand is also increasing. Since Thailand's domestic industrial base is lagging behind relying solely on its own resources, the enterprises must import the required resources from abroad; the market price of foreign raw materials fluctuates, and the price change is very important for Thailand's manufacturing industry to purchase raw material control costs, and the sales channels and cost advantages of large companies can reduce the losses caused by this risk and ensure the normal operation of the company. For small businesses, the shortage of raw materials is likely to be a problem. Bring the risk of bankruptcy

The ASEAN regional economic integration has brought unprecedented opportunities for development. In particular, the following points should be taken: Taking advantage of the resources of the region and ASEAN region, actively participate in regional economic competition and cooperation, and conduct international division of labor in the industry so that enterprises can develop rapidly.

In the past, the cooperation between SMEs only existed in small and medium-sized enterprises with the same strength, but such horizontal cooperation can only increase the scale of the company in the short term, but it cannot really get technical and cost-effective improvement. But it cannot increase the company's influence. To most small businesses, there is almost no opportunity to cooperate with large companies in their own country. However, the medium-sized companies that have the strength to cooperate with big companies will also face the risk of being acquired while they are getting some help. Small and medium-sized enterprises can break through the monopoly of domestic large enterprises. After absorbing global capital and technical resources, they can adjust their corporate structure. This will increase their competitiveness as a result of the increasing level and quality of domestic manufacturing.

#### **4.5.3 Analysis from The Perspective of Investment**

After the establishment of ASEAN regional economic integration, this will have a direct impact on the product sales of non-ASEAN member countries. In order to offset such adverse effects, some countries outside the ASEAN countries will directly transfer the production locations of the products to the countries of the Allied countries. The direct production and sales of the allies in the allied countries can avoid the tariffs uniformly collected by the allies and reduce their own costs.



Because of the new investment in the industry, Thailand needs to invest in the construction of supporting services. Then, the newly added industries and the enterprises that provide them with supporting services will enable the original idle resources (including funds, land, factories, etc.) to be readjusted and used to solve the problem of idle resources. The rational and effective use of resources improves the utilization of resources and optimizes the rational allocation of resources. However, new industries will intensify competition in the domestic industry after entering Thailand. In order to maintain competitive advantages, SMEs will increase production technology, strengthen and improve management, and continuously improve production and management efficiency. From an objective point of view, with the capital inflows caused by the transfer of production in other countries, this is also the introduction of external investment in disguise, which has brought great benefits to the local allies' economic development.

One of the characteristics of Thailand's industrialization process is to make full use of its abundant agricultural resources to develop food processing and related manufacturing industries. The main industrial categories are: mining, textiles, electronics, plastics, food processing, toys, automotive assembly, building materials, petrochemicals. Wait. Since the 1980s, the export products have gradually changed from agricultural products to industrial products. The main export products are: automatic data processors, integrated circuit boards, automobiles and spare parts, ready-to-wear garments, frozen shrimp, and precious stones. And jewelry, primary chemical fiber, rice, radio and television, rubber, etc.; main imported products are: electronics and industrial machinery, integrated circuits, chemicals, computer accessories, steel, jewelry, metal products.

The new trend of international industrial transfer will provide opportunities for the overall improvement of Thai manufacturing. Small and medium-sized processing industry, production and manufacturing industry, science and technology industry and e-commerce industry are currently one of the areas that the country needs to invest in. These are the areas that Thailand's large companies rarely or do not want to enter. These blank markets are left to SMEs to open up and develop.

In addition, after the formation of ASEAN regional economic integration, for Thai SMEs, it is equivalent to entering a national market, and ASEAN has close trade contacts with China, Japan, South Korea, India, Australia, New Zealand and other dialogue partner countries. Compared with large companies and small businesses, they have no visibility, lack of funds, and lack of technology. They simply cannot have the slightest chance of survival under high foreign tax burdens and regional protectionism. In this case of ASEAN economic integration, Thai SMEs can also use this to expand the international market. According to the ASEAN Free Trade Area "Association for Comprehensive Investment in ASEAN", the service sector will be further opened up in the future, and the

investment environment will be greatly improved. This will provide Thai SMEs with more convenience in entering each other's markets and bring a rare business opportunity.

#### **4.5.4 Analysis from the Perspective of Technology**

Compared with developed countries, Thailand, as a developing country, has a relatively weak industrial base, relatively simple industrial structure and technical structure, and there are still many defects and deficiencies in technological innovation, professional and technical personnel, which seriously restricts the pace of Thai economic development. Although the economy ranks among the top countries in ASEAN countries, there is still a big gap between the overall technical level of Thai manufacturing companies and the international advanced level. The production equipment is backward, the added value of products is low, and the development of new products is insufficient.

Most manufacturers lack advanced automation and manufacturing equipment. Due to the lack of original technological achievements in Thailand's manufacturing industry, it is difficult to grasp the initiative in international competition. Most companies have weak independent innovation capabilities, low proportion of professional and technical personnel, and insufficient cooperation and cooperation with scientific research institutions, and the absorption of advanced technologies. Insufficient digestion. The product structure still needs to be optimized, the proportion of high-tech products is low, the safety and efficiency, the product variety of energy-saving and environmental protection products are less, and the backward elimination of technological equipment is slow, which affects the development of continuous and automated production methods and becomes the bottleneck of the technical equipment that takes the new industrialization road. Therefore, it directly affects the economic growth of various industries in the national economy.

SMEs are an important part of the national economy and an important force for economic development in all countries. Technological innovation is also a key factor in promoting the development of SMEs. Since 1996, the United States, Canada, the United Kingdom, France, Germany, Italy, Japan, and South Korea accounted for over 99% of the total number of SMEs; SMEs accounted for the proportion of all employees in the company's 60 % or more; SMEs added value accounted for -68% of the total value added of all companies. More than half of the U.S. technological development projects after the 20th century was completed by small businesses. After entering the 1980s, about 80% of them were realized by small businesses; in Germany, about one-quarter of the major scientific research results came from small businesses. With the deepening of economic globalization and knowledge economy, the improvement of SMEs' technological innovation capability is becoming more and more important for a country to maintain its competitiveness in the global market and maintain sustainable economic development. Relying on the opportunity of international industrial transfer to enhance the strength of

SMEs is one way. Because international industrial transfer generally has the characteristics of large-scale, high-tech content, multiple export products, a wide range of investment areas, and diversification of investment methods, it can improve the scale and quality of Thailand's manufacturing industry in all directions and promote Thailand's domestic industrial restructuring. And upgrades. As one of the major target countries for the current industrial cross-regional migration, SMEs must seize this opportunity to actively and selectively connect with the industrial transfer of developed countries and expand the scale of manufacturing industry, which is conducive to improving the level of manufacturing industry in Thailand. We must cooperate with powerful and technological multinational corporations, absorb advanced foreign technology, and introduce strong international capital, increase the technological content of labor-intensive products, and increase the international competitiveness of products.

#### **4.6 The Development Prospect of Thai SMEs under the Belt and Road Initiative**

The Eastern Economic Corridor is a major development strategy proposed by the Thai government. It will bring tremendous development opportunities to Thailand in the coming decades. This strategy must be effectively linked with the One Belt One Road Initiative. Since 2017, high-level officials from China and Thailand have reached a consensus on the "One Belt and One Road Initiative" for the East Economic Corridor.

In order to achieve effective communication between the two countries and effectively link policies, a long-term cooperation mechanism has been established. As an important strategy for achieving economic restructuring, the Thailand East Economic Corridor project covers the three provinces of Chachoengsao, Chonburi and Rayong in eastern Thailand. The Thai government plans to in the next five years, at least 1.5 trillion baht (1 Thai baht approximately 0.2 yuan) will be invested to speed up the construction of a number of key infrastructure projects, including the expansion of U-Tapao international Airport, Lanzhou Port, the construction of a high-speed railway from Bangkok to Rayong, and regional in the process of construction, such as railway double-tracks and highways, Thailand will provide preferential policies to investors.

The Eastern Economic Corridor Project will focus on achieving breakthroughs in the two aspects of interconnection and innovation growth. Linking with the "Belt and Road Initiative", it will promote the rapid development of Thailand in the logistics industry, tourism, and cultural exchanges. At the same time, Thailand's infrastructure is expected to be upgraded and upgraded in the process. Chinese investors are expected to provide assistance to Thailand in the automobile manufacturing, food processing and modern agriculture industries. The upcoming China-Thailand railway cooperation project will bring new opportunities for the development of Thailand, highlighting Thailand's important geographic and geographical advantages.

The Eastern Economic Corridor Project will focus on achieving breakthroughs in the two aspects of interconnection and innovation growth. Linking with the “Belt and Road Initiative” will promote the rapid development of Thailand in the logistics industry, tourism, and cultural exchanges. At the same time, Thailand’s infrastructure is expected to be upgraded and upgraded in the process. Chinese investors are expected to provide assistance to Thailand in the automobile manufacturing, food processing and modern agriculture industries. The upcoming China-Thailand railway cooperation project will bring new opportunities for the development of Thailand, highlighting Thailand’s important geographic and geographical advantages.

#### **4.6.1 The Basis of Cooperation**

(1) Political foundation. As we all know, political peace and stability are not only an important prerequisite for the healthy and rapid economic development of a country, but also an important prerequisite for cooperation between countries. A peaceful and stable international environment, especially the environment surrounding the peace zone, is a necessary condition for economic development and technological progress. At present, China and Thailand are relatively stable in terms of politics and society. All countries have entered a new phase of economic development. They have successively formulated a strategy for peaceful development in line with their own national conditions, and China and ASEAN countries have peaceful coexistence. China formally joined the Treaty of Amity and Cooperation in Southeast Asia. However, this has provided a peaceful and stable political foundation for China and Thailand to carry out multi-level economic and technological cooperation.

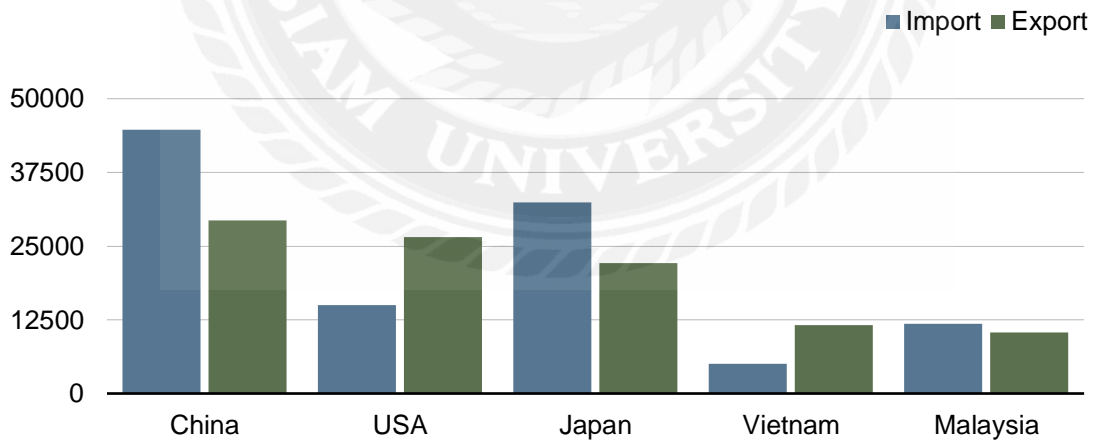
(2) Mechanism basis. Since the 1990s, the governments of China-ASEAN countries have attached great importance to bilateral economic and technological cooperation, and the framework and mechanism for cooperation between China and ASEAN and its member states have been gradually formed and improved. At the 5th meeting of ASEAN and China leaders held in Brunei, China and ASEAN reached an agreement on the establishment of a free trade zone in the next 10 years. After 2018, China and Thailand have established a multi-level and multi-faceted cooperation framework and mechanism. These have provided a broad platform for the cooperation between the two sides in SME technology development.

(3) Economic and trade foundation. Since the 1990s, the economic relations between ASEAN and China have developed rapidly. This is an important factor for the China-ASEAN Free Trade Area to reach an agreement in a relatively short period of time. According to statistics, in 2000, China-ASEAN trade hit a record high, and the total trade volume between the two sides reached 10.8 billion U.S. dollars. Over the years, ASEAN capital has made significant direct investments in China. At the end of 2003, ASEAN countries agreed to invest 6.9 billion U.S. dollars in China, and the actual investment was

33.3 billion U.S. dollars.

After the completion of the China-ASEAN Free Trade Area in 2015, ASEAN's exports to China grew by 50%, China's exports to ASEAN increased by 58%, and its contribution to the growth of ASEAN and China's GDP reached 0.9% (US\$54 billion) and 0.3% (US\$2.2 billion). By 2016, the trade volume between China and ASEAN will increase to 4522.07 yuan. ASEAN has become China's third largest trading partner. In the data survey conducted in 2017, it was shown that Thailand's largest trade exporter and importer of trade were all China, amounting to 29,405 million U.S. dollars, accounting for 12.5% of the total export value for the year. Imports amounted to US\$44,734 million, which accounted for 19.9% of the import value of the year and rose to be the largest trading partner. These favorable foundations will provide a broader market space for the development of Chinese and Thai SMEs.

**Figure 4-2: Comparison of import and export of major trading partners with Thailand**



Source: World Trade Organization, Ministry of commerce

#### **4.7 Contents and Trends of Cooperation**

##### **4.7.1 Further Development of Transnational Investment**

Cross-border investment by Chinese and ASEAN companies will further encourage their own companies to invest in each other's countries and encourage each other's enterprises to invest in their own country, as this will effectively promote the

technological progress of SMEs. On the one hand, China and ASEAN's SMEs will participate in international competition in a broader context. This will inspire the awareness of technological innovation among SMEs in various countries and force them to focus on R&D and increase the technological content of products. On the other hand, many of the transnational operations are all competitive enterprises in various countries. The advanced technologies, advanced products, and new technological processes owned by these enterprises can form a "demonstration effect", which in turn enables local SMEs to initiate technological innovations spontaneously. . Therefore, cross-border investment between China and ASEAN will have a relatively rapid development. For a long time in the past, it was mainly the flow of ASEAN funds to China. However, as China's economic strength continues to increase, China's investment in ASEAN has shown a steady increase. In 2016, Mainland China became the second largest source of foreign investment in Thailand, accounting for 15% of the total investment.

#### **4.7.2 The Trend of Internationalization of Technology is Strengthened**

With the development of China-ASEAN Free Trade Area, the internationalization of technology in China and ASEAN countries will be strengthened. Internationalization of technology generally adopts two forms of technological complementarity and technology transfer. Technology complementarity is a kind of technology alliance, which can realize complementary technologies and share technological achievements. It can also solve expensive research and development costs that are difficult for exclusive companies to handle. Technology transfer can directly obtain profits. Both are conducive to specialized technological innovation activities, so complementarity or transfer is the two "catalysts" for accelerating technological innovation in SMEs. As China and ASEAN countries have made rapid progress in science and technology, and there is greater complementarity, the bilateral cooperation in technology research and development and technology transfer activities will inevitably increase.

#### **4.7.3 International Cooperation in Personnel Training will be Strengthened**

Talent is an important factor in technological innovation. The technology and R&D personnel of small and medium-sized enterprises in China-ASEAN countries are very lacking, and their technological innovation capabilities are very limited. However, China and ASEAN have great complementarity in personnel training and have broad prospects for cooperation. In fact, China and Singapore have had years of good cooperation in the management of personnel training. Vietnam, Myanmar, Laos, Cambodia and other countries have established good educational exchanges and cooperation with China. However, the international cooperation between China and ASEAN in the areas of entrepreneurship, technology, skills, and academic training of SMEs has not really begun. With the development of the China-ASEAN Free Trade Area, cooperation between China and Thailand in personnel training will be further strengthened.

#### **4.7.4 The Gradual Development of the Regional International Financing Platform**

Funds are an important factor restricting SMEs' technological innovation, and the financing of SMEs is a worldwide problem. Therefore, many countries are particularly well-developed countries that have set up or established institutions and policies that are conducive to the financing of SMEs. For example, the United States not only established a stock market that specializes in financing for SMEs, but also provided long-term loan guarantees for venture capital and operating funds for small businesses. With the exception of Singapore, the capital markets of China-ASEAN countries are not very mature. SMEs are difficult to be listed and financed, so they are not conducive to the development of venture capital and technological innovation of SMEs. With the development of the China-ASEAN Free Trade Area, Singapore's financial institutions are likely to become the financing platform for SMEs in China-ASEAN countries.

#### **4.7.5 The Gradual Formation of Information Sharing Platform**

The rapid development of global informatization and networking has accelerated the process of world economic integration, accelerated the trend of economic globalization, and made innovation and accumulation of science and technology in an unprecedented situation. Some small and medium-sized enterprises in the developed countries emerged from this informatization process, benefiting from their superb ability to acquire and use information. For example, the US Small Business Administration created a nation-wide free information center to make the information sources for technological innovation in SMEs timely and reliable. Compared with developed countries, China and ASEAN countries have a relatively low level of informatization. In particular, the informatization process of SMEs is not fast enough, and the degree of utilization of communications and networks is low, which directly restricts the development of SMEs' technological innovation. Subsequently, China and ASEAN signed the "Memorandum of Understanding on China-ASEAN Cooperation in Information Communication", and the pace of cooperation in information construction between China and ASEAN began to increase. In China, many scholars, entrepreneurs and even officials have called for the establishment of a "China-ASEAN Information Sharing Platform for SMEs" to provide SMEs with various services such as operations, technology and information.

#### **4.7.6 Regional International Industry Cooperation and Coordination Enhancement**

With the in-depth development of economic globalization, the competition between many products of China and ASEAN in the world market has become increasingly fierce. Thailand and China should strengthen dialogues, properly adjust their respective industrial structures, and establish a more reasonable system of industrial division of labor in China and Thailand so that businesses can develop toward differentiation and

specialization and reduce vicious competition between them. The increasingly finer division of specialization not only provides SMEs with the opportunity to focus their energy on technological development, but also generates the impetus for sustainable development of SMEs' technological innovation. Therefore, with the development of the China-ASEAN Free Trade Area, industrial cooperation and coordination between China and Thailand are bound to strengthen.

#### **4.8 Macroeconomic Analysis of SMEs**

(1) Political Factors. Although Thailand promotes free operation, because of the existence of a mixed ownership system, the government still has control and ownership in important public infrastructure industries such as electricity, water power, or banking. In terms of trade, the government, for the sake of national security and protection of the rights and interests of investors, conducts appropriate supervision in some areas, such as the intervention of agricultural product prices and the provision of interest on loans. In the past decade, Thailand has experienced political instability. The turmoil in the situation has made Thailand's political image negatively affected by investors. Although the government's focus is still on handling international relations and maintaining regional stability, the government is still trying to promote long-term and short-term economic development in policy formulation.

For example, at the macro level, ASEAN promotes investment policies; at the micro level, such as populist policies, the focus is on stimulating household consumption and increasing money circulation. The government also provides comprehensive consulting services for private companies, such as product production, financial consulting, and employee training. Outstanding entrepreneurs in various industries will also receive corresponding incentives. In addition, the country also provides assistance for the development of domestic and international markets, such as the establishment of the Ministry of Industry, the SME Promotion Bureau, the Export Promotion Department, the Ministry of Commerce, and the Thai Industrial Standards Authority. There are also Thai banks as intermediary agencies, responsible for the formulation of monetary policy, through the control of currency and interest fluctuations in the appropriate interest rates to ensure stable economic growth.

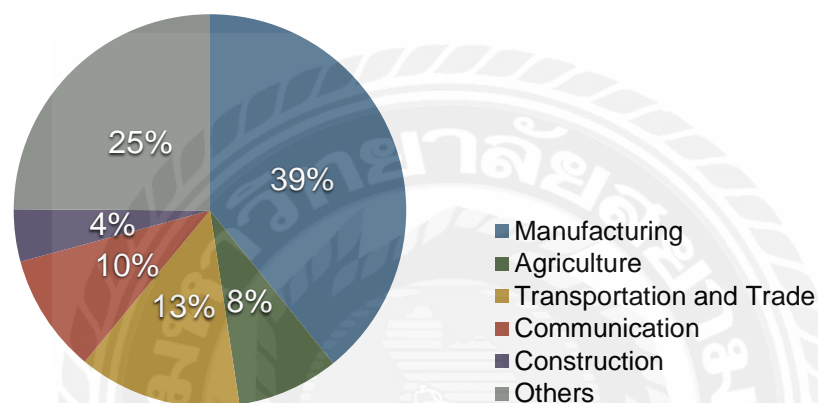
(2) Economic factors. Thailand's economic system is a hybrid model, a mix of a completely free economy and a planned economy. According to the report of the Thailand's office of the national economic and social development board, Thailand's GDP reached US\$ 38.73 billion in 2013, and the inflation rate was 3.02%. Thailand's GDP ranks 29th in the world, and its GDP equals purchasing power ranking 24th in the world. Thailand's economy grew 2.9% in 2015, with household consumption accounting for 54.4%, government spending 13.8%, and fixed-asset investment 26.7%. Due to its



sustained and stable economic growth, Thailand was rated as an emerging industrialized country.

Thailand's GDP is dominated by industrial and service industries. Industry accounts for 39.2% of GDP; agriculture accounts for 8.4% of GDP; transportation; trade and communications accounts for 13.4% and 9.8% respectively. Construction and minerals accounted for 4.3% of GDP; other aspects accounted for 24.9% of GDP.

**Figure 4-3: The ratio of GDP contribution**



Source: Bank of Thailand Statistics, Ministry of Commerce

In terms of the unemployment rate, the unemployment rate in Thailand is relatively low, showing a declining trend year by year. From 2.5% in 2001 to 1.3% in 2017, this is a low percentage compared to other countries in the world. Thailand's economic structure is mainly export-oriented. In 2015, Thailand's total value of exports was US\$ 230.018 billion, ranking 24th in the world, with a total value of US\$ 247.590 billion, ranking 23rd in the world. The trade deficit was 18.071 billion U.S. dollars. Major trading partners include China, Japan, the United States, Malaysia, Singapore, Indonesia, the United Arab Emirates, Australia, Hong Kong and South Korea.

Thailand's overall economic strength ranks second in Southeast Asia, second only to Indonesia. Per capita GDP in 2015 was low, averaging only US\$ 7,188 per person. Compared with other Southeast Asian countries, it ranked second behind Singapore, Brunei, and Malaysia. In addition, Thailand is the second largest country in terms of foreign trade volume among East Asian countries, second only to Singapore.

The World Bank adjusted the situation in Thailand from middle-income countries to high-income countries. The number of poor people in the country has dropped significantly, from 42.3% in 1988 to 5.75% in 2016. The per capita income of the population has reached 6366 US dollars. Unemployment rate in Thailand is lower than

the global figure, which only accounts for 0.7% of the national population. According to the prediction of the International Labor Organization, the unemployment rate by 2020 is only 1% of the population.

In terms of infrastructure construction, the government continues to increase investment, especially in the transport sector, and plans to spread the economy from the cities to the countryside. For example, the development of dual-track railway systems, the improvement of deep-water ports, and the connection of multiple economic road projects to China, Myanmar, Thailand, Laos, Vietnam, etc.

(3) Social Factors. Thailand has a population of 67.01 million. There are 1.8 million foreign workers in Thailand, of which at least twice the number has not yet been registered. It can be concluded that Thailand is a multi-ethnic country, but due to its national habits, it has strong adaptability and open acceptance. All ethnic groups have been harmoniously coexisting and developing. The Thai society is based on agriculture. In terms of religious belief, about 94.6% of Thais believe in Buddhism and are considered to be the state religion of Thailand. Secondly, 4.6% of people believe in Islam (mostly in southern Thailand), 0.7% believe in Christianity, and other religions and non-religious believers account for 0.1% (Thailand Statistical Institute, 2012).

However, the globalization of the economy, the rapid development of the Internet, and the rapid spread of information have, to a certain extent, spread the values and culture of the West to Thailand, which has changed the people's beliefs, values, and consumer behavior. Such as the popularity of Western food, fast food, the consumption of brand-name goods.

(4) Technical Factors. In terms of technology and innovation, the level of high-tech development in Thailand is relatively low (Thailand Industry Council, 2012), and the Internet and computer penetration rates are poor. In the first quarter of 2015, the number of Internet users in Thailand accounted for only 40% of the national population. Because Thailand's basic telecommunications facilities are relatively backward, compared with other countries in Southeast Asia, such as Brunei, Singapore, Malaysia and other countries with complete infrastructure, Thailand still has 2-3 times the gap. Therefore, changing the management system and increasing infrastructure investment in telecommunication network systems are effective ways to shorten the gap.

It is not difficult to find that the import of machinery in Thailand is second only to fuel imports and is the second largest high value commodity. Since most industries still need to import integrated technologies, the major imports of machinery come from China, Germany, Japan, and the United States. Because there is no corresponding plan support, Thai entrepreneurs are unwilling to accumulate long-term investment in the technical

base (high capital investment and long return period of investment), which has led to the low level of industrial technology development in Thailand.

#### **4.9 ASEAN Regional Economic Integration and the SWOT Analysis of Thai SMEs in the Background of Belt and Road**

In the ASEAN market economic situation, enterprises must integrate their own conditions, environment, advantages and other comprehensive factors to adapt to the new situation. We apply analytical methods to analyze the market environment of the processing and manufacturing industries. It helps companies to fully recognize their own strengths and weaknesses before curtailing their business. Avoiding market risks can help Thai SMEs find and excavate ASEAN regional economic integration. The unlimited business opportunities brought about by the transformation. Analytical method can provide more comprehensive and scientific information in the process of corporate strategy formulation. Finding the company's development strategy in the analysis results and correctly formulating corporate strategic planning must combine the actual situation of the enterprise, give full play to its strengths, and strive to overcome its disadvantages. Seize the opportunity to face the future.

##### **4.9.1 Advantages**

(1) Rich in natural resources. Thailand is rich in minerals and biological resources. It is the world's largest natural rubber producer and the second largest sugar exporter; it is also a major exporter of rice, fruit, and seafood; the total reserves of natural gas is approximately 365.9 billion cubic meters. With a total oil reserve of approximately 25.99 million tons and a total coal reserve of more than 1.5 billion tons, the tin mine is Thailand's most important mineral, with a total reserve of 1.5 million tons, accounting for 12% of the world's total reserves, ranking first in the world. The reserve of potassium salt is about 43.67 million tons, which ranks first in the world. Thailand has many rivers and lakes. Inland River and Gulf of Thailand are rich in many kinds of fish. The main agricultural products are cereals such as rice and corn.

(2) The industrial base is relatively perfect. Thailand has a leading land, water and air transportation network in Southeast Asia. Thailand has three deep-water ports and has transportation conditions for processing large-scale raw materials. Hanoi has excellent transport conditions in Thailand and can connect directly with Laos, Cambodia, Myanmar, Vietnam and China.

(3) Higher labor levels. In developing countries, Thailand's education level is relatively high, with world-class international schools and colleges. Most Thais are easy to train and adapt. Among workers at the same wage level, Thailand has higher quality than other Southeast Asian workers.

(4) Stable social and economic development. Since 2000, Thailand's economic growth has been relatively stable. The average annual growth rate before 2008 was generally maintained at more than 4%. In 2003, it was as high as 7.14 per cent, even though the growth rate in developing countries was higher. Affected by the international financial crisis, Thailand's economy fluctuates greatly after 2008. In 2009, it even experienced negative growth. After 2012, there was a clear rebound, but overall it was in the lower range until the economic growth rate reached 3.8% in 2017. In general, Thailand is a relatively fast and stable economy in Southeast Asia and even developing countries.

(5) Location advantages. Thailand is the second-ranked economy among the 10 ASEAN countries and is the only country among ASEAN members that borders on the four countries and is at the heart of ASEAN. Because of Thailand's economic advantages, superior geographical location, advantages of logistics hubs, freedom of doing business, and degree of internationalization in all ASEAN countries, companies in various countries use Thailand as their perfect springboard for entering the entire ASEAN region. In terms of investment, Thailand will attract more multinational companies to set up production bases, marketing branches, etc., to promote the introduction of funds and people, drive the development of the industry, and increase consumer demand.

The improvement of transport facilities will also be vigorously developed for East Thailand. The ASEAN section of the 2 trillion international high-speed rail investment project "Pan-Asia High Speed Rail" runs through Thailand and is in the middle of the country. It can quickly reach China, Malaysia and Singapore, making it possible for Bangkok to become the "capital" of the Southeast Asian continent. With the main line of the Pan-Asia High Speed Rail, Thailand launched a 2.2 trillion-baht infrastructure investment plan, and four high-speed railway lines linking Thailand's north and south will achieve rapid access to Thailand.

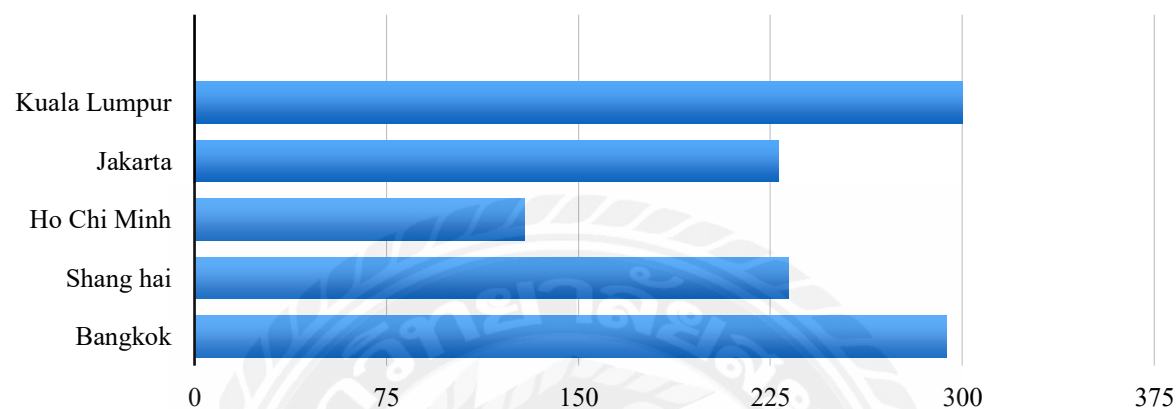
After ASEAN economic integration started in 2015, ASEAN economic community member states will be free of tariffs, free trade and visa-free, and Thailand will usher in a golden period of development.

#### **4.9.2 Weaknesses**

(1) Labor costs. First of all, for SMEs, labor costs and other costs and costs still have an absolute impact. The research report on Thailand's manufacturing enterprises' competitive advantage shows that Thai wages have risen to middle-income. Although Thailand has become one of the major target countries for industrial cross-regional transfer, many foreign labor-intensive manufacturing industries have been transferred to

Laos, Vietnam, etc. Labor-low-cost countries; newly hired professional technicians, managers, and skilled workers are basically Laotian laborers.

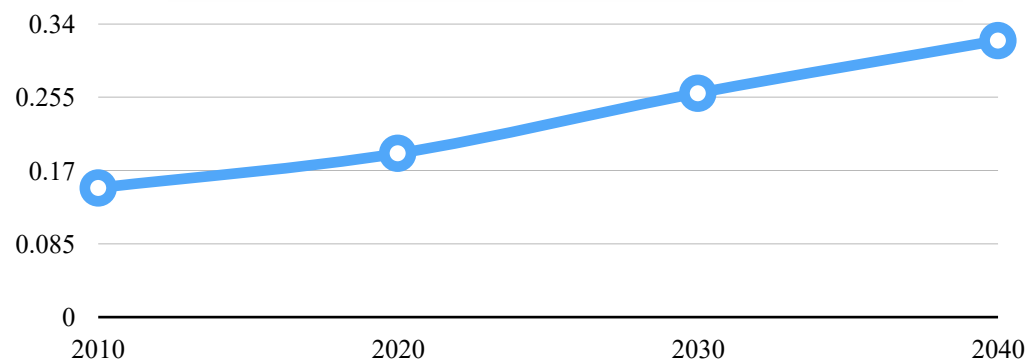
**Figure 4-4: Minimum wages for some cities in Southeast Asia in 2015 (unit: U.S. dollars)**



Source: Thailand Industrial Finance Corporation (IFC) T report, Bangkok,

(2) Aging workforce. In contrast to other ASEAN member countries, more and more jobs in Thailand require graduates or qualified labor. The number of university graduates needed in Thailand is increasing, but about 60% of university graduates choose to go to graduate school. There are about 1 million students in vocational and technical colleges, and about 30,000 to 400,000 students graduate each year. However, after graduating, most of them choose to continue studying at universities, which results in the lack of middle-class workers. There are more than 200,000 graduates in junior vocational schools, but less than 25% of them work out. There are 150,000 high-level vocational graduates, and less than 50% of them are out of work.

**Figure 4-5: The proportion of people over the age of 60**



Source: Thai Industrial and Commercial Report, Thailand Statistics Bureau.

(3) Lack of own funds. The development of the enterprise cannot be separated from the strong financial support. No matter whether it is the initial stage of the venture or the period of sustained development, the reinvestment of the enterprise requires continuous financing. However, Thai SMEs are facing problems such as insufficient funds and poor financing channels. Due to the constraints of the operation scale, management level, and competitiveness of SMEs in the context of ASEAN regional economic integration, factors such as the development of Thailand's SMEs are limited; in the course of operations, capital accumulation is relatively slow, and the company's own funds are reduced. The smaller the financing flexibility, the less stable the financial foundation, and the weaker the ability to withstand financial risks. Because of the lack of funds for SMEs, most companies need to finance externally, especially debt financing, in order to expand their production scale. This not only makes the cost of corporate financing too high, the debt burden is too heavy, but also makes it difficult for the company's self-accumulated financing mechanism to form. The ability of companies to resist market risks is extremely fragile and affects the survival and long-term development of small and medium-sized enterprises.

#### **4.9.3 Opportunities**

Thai SMEs should seize the opportunity of economic integration in the ASEAN region, make full use of the favorable conditions for integration, and actively develop a large market for tariff reductions and tariffs. At the same time, they should also be prepared to deal with foreign products without tariffs to enter their markets. Enterprises should promptly formulate new market opening strategies and strategies based on changes in market size in order to capture the new business opportunities brought about by the economic integration in the ASEAN region. It is necessary to quickly understand the market conditions of ASEAN member states, analyze the market feasibility, actively increase the ability to develop the other market, pay attention to the changes in the economic policies of the other countries, and make up for market gaps.

Small and medium-sized processing industries and production and manufacturing industries are the areas in which Thai countries are currently investing heavily. Given the large number of undeveloped market areas in the Thai processing industry, the potential for enterprise development is huge, and small and medium-sized enterprises should actively enter. Under the premise of guaranteeing the supply of raw materials for production and production, deep processing of agricultural products, food and beverage processing, feed production, medicinal materials processing, and bamboo and wood processing all have great market prospects. In addition, the processing and production of ethnic artworks, handicrafts, and souvenirs are also the future sunrise industry. The production and processing of industrial raw materials are also promising, and the market is huge.

(1) Lower raw material costs. Regional economic integration has become an important feature of Southeast Asian economic growth. Through the free trade zone, ASEAN countries have enabled member countries and trading partners in the region to open up their markets to each other and expand mutual trade and investment so that the region has embarked on market liberalization. At present, the old members of China and ASEAN countries (Brunei Darussalam, Malaysia, Singapore, Indonesia, Brunei, Philippines, and Thailand) have imposed zero tariffs on the above products, and ASEAN has reduced the tariff on products to zero. For some enterprises that import raw materials for manufacturing, entry of zero-tariff raw materials into the domestic market can greatly reduce the cost of imported raw materials, which is a good opportunity for the development of Thai SMEs.

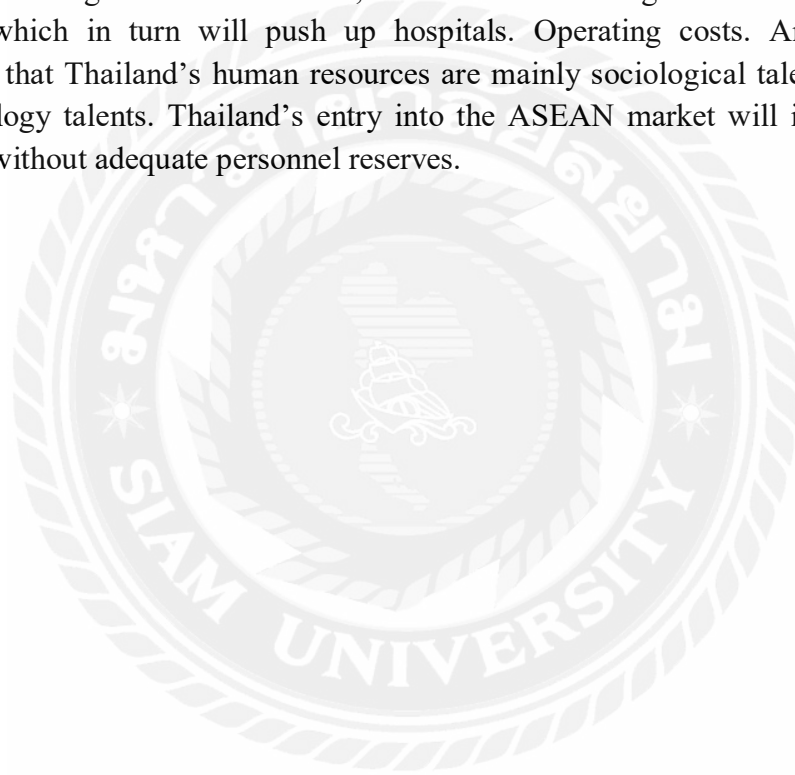
(2) More foreign workers. The large wage gap in ASEAN has created the most important reason for the movement of people. As an economic leader, Thailand is better than other countries in terms of employment opportunities, wages, and urban development. Therefore, many small and medium-sized enterprises in Vietnam, Laos, and Myanmar are facing a serious problem of labor loss due to the development of the company itself. The limitation is that employees have unstable working hours in their jobs, and their incomes are low. Their living standards are not high. A large number of workers in the industry will flood into Thailand, Indonesia, Singapore and other developed ASEAN member countries, and they can ease in the short term. Thailand's SME labor costs are rising.

ASEAN has a population of 600 million people, and an important task for the regional economic integration of ASEAN is to allow the enlarged SMEs in the region to share the benefits of opening up the market; at the same time, this can avoid the concerns of some SMEs in opening up the market and support the SMEs. Enterprises' Cooperation and Development in Regional Economic Integration. Southeast Asia is one of the most densely populated areas in the world. The size of the population is closely related to the size of the market. It is an important factor affecting the size of the market. It is generally believed that the more people the population has, the more potential purchasers will mean for the company, the greater the market, the number of people it will have for potential buyers. It has a direct impact on market size. With more people, companies can serve new customer groups and enter new market areas or market segments. The company's product line can be expanded to meet more needs. However, there are many criteria for measuring the size of the market. In addition to the population size, factors such as the level of economic development, consumer income, and spending power must also be considered. The total population of ASEAN member countries exceeds 100 million. For enterprises, this is a market with great potential.

#### **4.9.4 Threats**

(1) Social security. From the point of view of Thailand, joining ASEAN means increasing the degree of openness, diversifying investment, benefiting the development of small and medium-sized enterprises, and also bringing investment risks. Thailand must cooperate with countries with political polarization that have polarization differences in social and security concepts such as Vietnam, Laos, and Myanmar.

(2) Talent loss. Economic development will attract more talents to another country, but the internationalization of Thai SMEs will inevitably lead to the loss of Thai talent. Attracting Thailand's human resources, especially medical personnel and nurses, to work in higher-income countries such as Singapore, or to work in an aging population in Japan that requires a large number of nurses, will lead to a shortage of these professionals in Thailand, which in turn will push up hospitals. Operating costs. Another focus of attention is that Thailand's human resources are mainly sociological talents, not science and technology talents. Thailand's entry into the ASEAN market will inevitably suffer huge risks without adequate personnel reserves.





## CHAPTER 5 THAILAND'S SME DEVELOPMENT STRATEGY MODEL SELECTION

Strategic decisions account for the most important part of a company's operations. Strategic decisions not only affect the long-term positioning and development direction of the company, but also have a guiding role for other corporate decisions. The company's strategy is clear and concrete, and it has a high degree of guiding role in the internal design of the company, as well as the decision-making and actions in market sales, production, human resources, research and development.

In today's society, strategic management has become a major development direction of business management, and now developed countries regard strategic management as the focus of business management. The emergence of strategic management is an inevitable result of social and economic development. The development strategy is the product of the birth of the market economy, because Thailand has a relatively short time to implement a market economy, and the development strategy is still in its infancy. Many companies, especially SMEs, do not have a deep understanding of the concept of development strategy and cannot formulate development strategies scientifically and effectively. Therefore, it is a big challenge for Thai SMEs to develop a scientific and effective development strategy.

The SMEs in the context of "*the Belt and Road Initiative*" are facing new challenges in the new phase and the development environment they face is very different from that of the past. With the expansion of Thailand's use of international resources and international market space, SMEs will also face fiercer international competition and further increase their pressures for survival and development. From the perspective of the domestic environment, with the changes in supply and demand, the contradiction between the industrial structure of the company and the market demand has become increasingly prominent. Therefore, it is urgently required to accelerate the structural adjustment and upgrade of the manufacturing industry. In order to respond to the changing development environment, Thailand's SMEs have been rapidly and efficiently developed in the new period of time, and it is of vital importance to select Thai SME development strategies. Based on the analysis of the environment of Thai SMEs and the impact of regional economic integration on Thailand, combined with the strengths and weaknesses of Thai SMEs themselves, summed up several strategies for Thai SMEs to choose.

### 5.1 Development Strategy of Enterprise Cluster

There is a clear shortage of SMEs in Thailand compared to large companies in the lack of economies of scale. While there are differences between large-scale enterprises and the economies of scale that produce internal division of labor and specialization, Thailand's small and medium-sized enterprises can also obtain economies of scale

through geographically-based industry clustering and external division of labor and professional collaboration. An important background for the development of Thailand's economy led by SMEs is one place and one product. The production and business activities of many similar enterprises are concentrated in one region, and the production costs and transaction costs of enterprises are continuously reduced along with the expansion of industry scale. .

### **5.2 Collaborative business strategy**

Establishing a stable and close cooperative relationship with large-scale enterprises will be an important part of a large-scale and centralized production system, which will not only help improve specialized production technologies and ensure product quality, but also enable Thai SMEs to reduce their production and operation costs and obtain Scale economic benefits. As far as possible, it becomes a peripheral enterprise supporting the production and management of large-scale enterprises, providing related supporting services for large-scale enterprises, and relying on the economies of scale of large-scale enterprises to gradually embark on a benign development path.

### **5.3 Differentiated business strategy**

Small and medium-sized enterprises invest less, operate small scale, and have limited production capacity. It is not easy to achieve economies of scale in large-scale enterprises, maintain low-cost advantages, and gain the initiative in competition. However, small and medium-sized Thai businesses are more broad-based and close to customers and markets. They can choose small markets that are ignored by large-scale enterprises and carry out targeted marketing. Highlights featured management and personalized marketing to meet the needs of special users for small batches, attracting consumers with distinctive product services, and occupying market segments with small batch sizes, strong individuality, and low marketing margins, and thus occupying a place in the fierce competition in the survival of the fittest. .

### **5.4 Promote Technological Innovation Strategy**

The so-called competitive advantage of enterprises is determined by the value that can be created for customers. How much of this value depends on the company's core capabilities and technological innovation? What plays a key role in market competition is not product competition but technology competition. Compared with the value brought by technological innovation, the increase in the value of products and services and the reduction in cost is an increase in value, which is invincible in the market. Technological innovation is a chip that cannot be ignored.

The traditional advantages of low-cost labor force of Thai enterprises are gradually weakened in the fierce international trade, and technological innovation is the key to the survival and development of SMEs. Technological innovation can bring greater value to the company. Therefore, maintaining a sustainable competitive advantage through technological innovation has become the focus of SMEs' survival and development. Specifically speaking, SMEs should proceed from reality, correctly face their own disadvantages in terms of talents and funds to adhere the market demand as the guide. On the one hand, they should actively connect science and research institutions, universities and colleges, and make full use of their scientific research and technology. The advantages of sharing scientific research results and promoting science and technology as soon as possible into productivity, creating opportunities for themselves in a fierce market environment; on the other hand, due to the relative scarcity of talents and funds for SMEs, many aspects of research and development are inevitable. It is too far-fetched. Therefore, it is necessary to make clear its direction, avoid weaknesses, concentrate on developing its own core expertise, and look for breakthroughs.

## **5.5 Strategy Implementation Guarantee and Suggestions**

### **5.5.1 Thai Government**

(1) Improve the policy and legal system. To create a fair competitive market environment and market environment for SMEs, expand market access to a wide range, and reduce entry barriers. Formulate concrete measures for government procurement to support the development of small and medium-sized enterprises, implement phased policies for delaying the delivery of difficult SMEs, and reduce the implementation of rates.

(2) Improve infrastructure construction. The development of roads, ports, and docks, and the improvement and development of infrastructure can enable Thai SMEs to gain more economies.

As a result, SMEs will gain an over-consumption of economy than in the past. With the support of national budget funds, government budgets to increase competitiveness of the housing industry and infrastructure improvements, resulting in a high cost (high cost) activity distribution and the reduction of raw material exports can make production costs and sales prices compete in the free market.

(3) Financial and taxation support for SMEs. Expand the scale of the central government's fiscal policy budget to support the development of SMEs, and guide social funds to support the development strategy of SMEs. Unreasonable charges are prohibited, and the social burden of SMEs is reduced.

(4) Support eligible SMEs to participate in large-scale industries such as automobiles,

and motorcycles. Encourage large enterprises to strengthen cooperation with SMEs, and support small and medium-sized enterprises in the development of emerging industries such as science and technology, industrial design, producer services and software development. .

### **5.5.2 Thailand Business Aspects**

(1) Create environmentally friendly products. The environmental protection industry is the premise of the competitive product factors on the market today, as some destination countries implement products to promote environmentally-friendly products. This work is to prevent export and import terminals from collaborating on environmental pollution due to industrial waste. The creation of environmentally friendly products will not only gain certain support in domestic policies but also increase the competitiveness in foreign markets.

(2) Foster customer loyalty. The result of economic integration will bring more competition from foreign companies. To ensure the long-term development of Thai SMEs and the market influence of products, it is very important to cultivate domestic customers' enthusiasm for domestic products and loyalty to corporate brands. Encouraging love for domestic products can enhance the sense of responsibility of the company to a certain extent, continuously improve product improvement, and also avoid the impact of a large number of foreign products on the domestic market.

(3) Enter the dotted line. In terms of market entry strategy, according to the characteristics of Thai SMEs, the approach of point-to-point entry is more feasible. The core of this approach is to concentrate all resources in the short-term, with multiple target markets. Marketing performance, establish a company's influence and confidence. On this basis, after the success of the marketing campaign at the first target area, it will enter the second target area and form a linear interaction between the two points.

## REFERENCE

- Balassa, B. (2011). Trade creation and trade diversion in the European common market. *Economic Journal*, 77(305), 1-21.
- Bende, A., & Slater, J. (2001). Regional economic integration and endogenous growth: some evidence from southeast Asia. *Pacific Economic Review*, 6(3), 383-399.
- Brown, D., & Kaewkitipong, L. (2013) Relative size and complexity: e - business use in small and medium sized tourism enterprises in Thailand. *Journal of Enterprise Information Management*. 22(22),212-231.
- Chaiprasit, K., & Santidhiraku, O. (2011) Happiness at Work of Employees in Small and Medium-sized Enterprises, Thailand. *Procedia - Social and Behavioral Sciences*. 8(25)189-200.
- Chancharat, N., & Chancharat, S. (2013) Technical efficiency of Thailand small and medium enterprises: The application of Data Envelopment Analysis. *Journal of Applied Economic Sciences*. 8(2), 154-164.
- Huggins, R. (2000). The success and failure of policy-implemented inter-firm network initiatives: motivations, processes and structure. *Entrepreneurship and Regional Development*. 12(2), 211-236.
- Hesselmann, H., & Peter, B. (2002). Benchmarking national and regional e-business policies for SMEs. *Final report of E-business Policy Group*. 11(6) 77-79.
- Jirapun, C. (2013). The pricing and performance of IPOs for small- and medium-sized enterprises Thailand. *Journal of the Asia Pacific Economy*. 18(4), 543-559.
- Kristiansen, S., & Furuholt, B., & Wahid, F. (2003). Internet cafe entrepreneurs: pioneers in information dissemination in Indonesia. *The International Journal of Entrepreneurship and Innovation* 4(4), 251-263.
- Kristiansen, S., & Furuholt, B., & Wahid, F. (2003). Internet cafe entrepreneurs: pioneers in information dissemination in Indonesia. *The International Journal of Entrepreneurship and Innovation* 4(4), 251-263.
- McMahon, R. G. P. (2001). Growth and performance of manufacturing SMEs: The influence of financial management characteristics. *International Small Business Journal* 19(3), 10-28.
- Meng, Q.M. (2001). The concepts and mechanism of regional economic integration. *Research on Development* 12(3), 47-49.
- Marja, L. (2005). Study of Factors Affecting Business Success Among SMEs. *Empirical Evidences from Indonesia*. 57(32), 252
- Marks, D., & Thomalla, F. (2017) Responses to the 2011 floods in Central Thailand: Perpetuating the vulnerability of small and medium enterprises. *Natural Hazards*. 87(2), 1147-1165.
- Nezakati, H., & Jofreh, M., & Leong, G.(2013) Assessing E-Commerce Adoption by Small and Medium Enterprises in Malaysia, Singapore and Thailand. *World Applied Sciences Journal*. 19(10), 1406-1411.

- Swierczek, F. W. (2003). Entrepreneurial orientation, uncertainty avoidance and firm performance: an analysis of Thai and Vietnamese SMEs. *International Journal of Entrepreneurship and Innovation*. 4(1), 46-58.
- Suwanpidokkul, V., & Waisarayutt, C. (2011) Assessing awareness on food quality and safety among food small and medium-size enterprises in Thailand. *Thai Journal of Agricultural Science*. 44(5), 430-435.
- Tinbergen, J. (1962). Shaping the world economy suggestions for an international economic policy. *International trade and finance*. 5(11), 22-27.
- Ueasangkomsate, P. (2015) Adoption E-Commerce for Export Market of Small and Medium Enterprises in Thailand. *Social and Behavioral Sciences*. 3(7), 111-120.
- Vrande, V.V.D., & Rochemont, M.D. (2009). Open innovation in Smes: trends, motives and management challenges. *Technovation*, 29(6), 423-437.
- William, G., & James, M. (2005). Starting a Small Business. *Fundamentals of Business New York*. 15(3), 29-33.
- Wiklund, J., & Shepherd, D. (2004). Entrepreneurial Orientation and Small Business Performance: A Configurational Approach. *Journal of Business Venturing*. 18(31), 161.

