



Joint Foreign Chambers of Commerce in Thailand

AEC 2015

JFCCT Experiences with AEC and SME's
JFCCT AEC Committee

JFCCT

- 30 Members
- Advocacy for JFCCT Members
- Presidents Council
- Committees
 - ICT
 - Tourism
 - Education and Training
 - AEC
- Meet with Thai Government Departments
 - MOC
 - BOI
 - Revenue
 - Customs
 - Labour
 - Immigration
 - Land
- Wins:
 - Tax laws changing
 - Customs laws
 - Foreign Dominance
 - 90 Day Reporting
 - Residency Permits
 - Views are heard



What is the expectation in Thailand?



AFTA and AFAS Role

- Many SME's are Service oriented
- Services companies employ many people in Thailand (and all over the world)
- SME's normally don't have financial capabilities beyond one or two months
- SME's lack ability to obtain new information
- SME's in a local country are often concerned about loss of market share if "outsiders" are allowed in
- SME's don't often have capabilities to expand physically into other locations



AFTA and AFAS Role

- AFAS provides opportunities:
 - Cross border delivery now possible
 - Consumption abroad easier (tourism especially)
 - Easier physical presence
 - Movement of natural persons supported
- More service suppliers creates benefits for economies:
 - More jobs
 - Lower costs
 - Improved quality
 - Forces improved competitiveness
 - Forces innovation



AFTA and AFAS Role

■ Problems in Thailand:

- Most Thai SME's don't understand the opportunities, real threats (not the imagined ones) and details of how to take advantage of the AEC
- Many Thai SME's can't access assistance from Thai government to expand
- Thais have more cultural aversion to travelling and expanding
- Roadmap has not been followed
 - FBA and Labor Act have not yet been changed
 - Government department processes have not been planned
 - Standards and Definitions etc have not been harmonised
 - Taxes have not been determined
- Content of "Packs" create impression that Thailand does not agree with AFAS



NTM's and NTBs Impact

- Some examples for SME's with some foreign ownership or ASEAN based SME's operating in Thailand:
 - Limitations of the FBA on company ownership for "all others"
 - Limitations of the FBA
 - 4 Thai employees, 2m baht capital requirement per foreign worker (regardless of country)
 - Visa and Work Permits and 90 Day reporting
 - Lack of easy to access Business Visa coupled with definition of "Work"
 - Extreme use of paperwork and signatures
 - Monthly reporting for many business activities in Thai language only
 - "Certificate of Guarantee" MOC (DBD) document called หนังสือรับรอง (NangsiLapLong)
 - When establishing a business, the Company Objectives is still used (limits flexibility of SME's)
 - Poor Access to Banking and Finance (BOT and Bank policies)
 - Reliance on "National Security" as a defence for Thai government need to retain these NTM's and NTB's



NTM's and NTBs Impact

- Many ASEAN governments collect large % (30%+) of revenue from Customs Duties
- Under ATIGA (Free movement of Goods) large amounts of this revenue will disappear – some governments will have significant budget issues
- Excise (SIN) Taxes are likely to increase
- Wide range of implementation differences across ASEAN:
 - Ex Factory value
 - Last Warehouse point value
 - Retail value
 - Volume differences
- SME's cannot avoid these
 - larger companies using various "tricks" can
 - Hard to maintain the list!



SME Strategies

- Contact TCC or BOT or CoC:
 - Push Thai govt to explain, implement
 - Tell Thai govt NTBs are a problem for all
 - Push Thai govt for assistance to expand
 - Push Thai govt to reduce compliance and paperwork
- Make use of online media to market into other ASEAN countries
- Improve innovation and competitiveness by:
 - Adopting best practice,
 - Being innovative
 - Learning at all times
 - Risk Management
 - Language skills
 - Cultural knowledge and exposure
- Pay Taxes – and then complain and ask for better services!



Trading and Logistics

- The “Oil” that makes the wheel go round easier and faster
- Trading and Logistics companies have big opportunities due to Free Movement of Goods (ATIGA) and Services (AFAS)
 - Increased demand for services
 - Easier ability to enter new markets
 - Easier to have people travelling to perform services, sell or make deals
 - Can grow and create lower per transaction costs
 - Therefore can decrease prices and win greater market share
- May be tax opportunities also



Trading and Logistics

■ Problems:

- Border Controls and processes are still a problem
- Standards and labelling are still issues
- Taxation issues still unresolved
- Language, Cultural and Licensing barriers
- NTB's likely to get worse

■ Actions:

- Tell TCC, BOT and CoC to put pressure on govts to resolve these issues fast
- Advertise services to SME's better
- Lower prices to get bigger piece of the pie
- Innovative use of networking and partnerships



Foreign Treaties.....

- International Treaties affect safety, resource supplies, refugee control and various other risks for countries
- International Treaties (eg FTA's) also affect the business environment which serves to minimize other risks
- Some win and some lose locally, but overall the position of the country should improve
- Thailand has a strategic problem ...



Thailand's Strategic Problems ...

Flood/Drought cycle due to nature and poor planning

Surrounded by less stable countries and poorer, less educated populations

- “invasion” by groups of people or worse
- may need to support neighbors
- disease control for food and people
- water supply interruptions

Insufficient Energy

- Oil usage > local supply (60+%)
 - Gas usage > local supply (30+%)
 - Coal usage > local supply (50+%)
- (Risk of price increases, lack of suppliers, supply interruptions)



Thailand's Strategic Solution (Risk Minimisation strategy) ...

Create and lead ASEAN

- Secures favorable trade status with energy rich neighbors
- Assists neighbors improve living standards and creates political stability
- Creates regional disaster systems and assistance, and natural resource planning agreements



ASEAN deal....

- Entered into in 1967
- Based on non-interference
- Aimed at stopping Communism
- Expanded into AEC 2007

- All sounded very good as a Risk Minimisation Strategy
- Even able to suggest Thais would be better off Win-Win!
- Now serious and deliberate non-action



What is the Risk?

If the AEC is not implemented in Thailand, the result is likely to be:

- Brain drain of smart people
- Factory employment will move to neighbors (already started)
- Foreign Investment will trend to neighbors (already started due to other factors)
- Less innovation
- Energy supplies are not secured with strong likelihood of price increases
- Agriculture remains main source of income – subject to weather, price variations and strong competition with ASEAN and from other places
- Balance of trade will limit wealth of the nation
- Thailand goes backwards relative to ASEAN

Myths and Misconceptions about the AEC Implementation

Lots of news about ASEAN and the AEC

Most of it is not correct

Lets start with a quiz...

- | | |
|-----------------------------|---|
| Start Date? | A) Jan 1 2015 B) Dec 31st 2015 C) Other |
| Borders Open? | A) Yes B) Maybe/sort of C) No |
| More Tourism in TH? | A) Yes B) Maybe/sort of C) No |
| More factory workers in TH? | A) Yes B) Maybe/sort of C) No |
| Can Aliens own land? | A) Yes B) Maybe/sort of C) No |
| TH gets richer? | A) Yes B) Maybe/sort of C) No |
| Common Currency? | A) Yes B) Maybe/sort of C) No |
| Good for Thailand? | A) Yes B) Maybe/sort of C) No |
| Good for ASEAN? | A) Yes B) Maybe/sort of C) No |



ASEAN – is it united?

Big Differences :

- Democratic Capitalism v Communism
- Buddhist, Islamic and Christian
- Stages of Development
 - Education
 - Health
 - Corruption
 - Technology

