Future of Thai Electronic Component Industry under ACFTA

Master’s Thesis
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ABSTRACT

Program: MIMA student – International Business and Entrepreneurship

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Title: Future of Thai Electronic component industry under ASEAN-CHINA Free Trade Agreement

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Problem: “How does the ASEAN-China Free Trade Area influence investment decision for electronic components business in Thailand?

Purpose: Explore factors that influence investors interested in investing in the electronic components sector in Thailand, with a focus on the consequences of Thailand’s membership in the ASEAN-China Free Trade Agreement.

Method: This study is based on a qualitative approach involving both primary and secondary data. Interviews are performed at SMTV Co., Ltd., and Fabrinet Co., Ltd., which are electronic components distributors and manufactures in Thailand respectively. The collection of secondary data, including statistical data, as, is made from various valid and reliable sources, both domestic and international websites. The major sources of information cover ministries of Thailand websites, ACFTA website and news broadcasts.

Conclusion: ACFTA impacts on investment perspectives into three points of views which are initiation, adaptation, and expansion.

Keyword: ASEAN-China Free Trade Area (ACFTA), Electronic components, Economic Integration, Foreign Direct Investment
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Unnada Mongkoltada
Tossapon Boonumpaichaikul

Västerås, 21 May 2010
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Chapter 1 Introduction

1.1 Background

Nowadays, globalization creates trade and transaction between countries to become more efficient, which makes the world to be more connected. The barriers those existed in the past are now removed including the lowering of taxes and tariffs or even been removed in some countries. This makes the export and import of goods to become more in common. The benefits from the trade barriers reduction lead many groups of two or more countries to make an agreement between each other. One of the known agreements that are signed among many countries all around the world is Free Trade Area (FTA) agreement. North America Free Trade Agreement (NAFTA) is known as free trade area in North America. This is similar to South East Asian where there is a treaty for Free Trade Area conducted throughout the region known as ASEAN Free Trade Area (AFTA). Area of FTA is confined in products and services. Right after the formation of AFTA, the volume of sales among countries in ASEAN has dramatically increased. Thailand is also a member of ASEAN. By the year 2002, the framework agreement on ASEAN-China Comprehensive Economic Cooperation was assigned, and it was first used in 2004.

In 2007, amount of exporting products from Thailand stood at THB 4.15 trillion and throughout the year 2008, value was significantly increased to THB 4.4 trillion, before dropped to approximately THB 4 trillion in 2009. However, the amount of electronic component product has increased significantly from year to year and it has stayed at the first rank among other product types (see appendix E). Throughout this thesis, we are interested on how ASEAN-China Free Trade Area (ACFTA) would impact export and import activities of electronic products in Thailand including the factors that affect investment in the electronics sector in Thailand from this agreement.

The authors focus on the electronics sector due to the fact that the electronic products were ranked in the first place among exporting listing products as a major source of income for Thailand. This study is performed with the concentration in the advantages and disadvantages to Thai electronics industries, while Thailand becomes a member of ASEAN-China Free Trade Area. Moreover, it emphasizes some influential effects that induce old and new investors to engage in foreign direct investment (FDI) in Thailand.

1.2 Problem Statement

Our research problem is:

- How does ASEAN-China Free Trade Area influence investment decision for the electronic component industry in Thailand?
The problem is formulated against the background of more general questions like:

- What are the advantages and disadvantages of the ASEAN-China FTA for investors’ perspectives?
- What are investors’ attitudes towards ASEAN-China FTA?

1.3 Purpose of study

The main purpose of this research is to investigate and discuss the consequential outcomes from the Free Trade Area toward ASEAN-China agreement that would affect domestic and international investments in Thai electronic component business. The investigation on the agreement might have an effect on both domestic and international investors in direct and indirect ways. The final outcome of this thesis does not only offer the consequential outcomes as decision support for electronic devices market, but may also serve as a source of knowledge for other domestic and international business investors in Thailand in general.

1.4 Scope of the research

In order to answer the research questions, the ASEAN-China Free Trade Area in Thailand is focused. Since the research is mainly aimed to study investors in the field of electronic devices business, other businesses than this group will be considered as supportive information. Moreover, the study involves only domestic investment.

1.5 Target audience

The intention of this study is to define the effect of the ASEAN-China Free Trade Area on the electronic component business in Thailand as well as to identify advantages and disadvantages from this agreement for investors. The outcome of this research can be beneficial to the private sectors, which are electronic component businesses, as well as both domestic and international investors interested in investments in Thailand. Last but not least, the authors hope that this report will give some benefits for other business segments from reading through the research result and use it as a guideline for decision supporting in many aspects such case study for academic purpose and investment aspect for investors for further study.

1.6 Disposition

This report is divided into 6 chapters. The disposition part gives readers an explanation and a guideline for each chapter and the structure of this research is finalized as presented in the content.
The first chapter is “introduction” presenting the background of the research in order to create basic understanding to the readers with the substance of this research, which are: problems, purposes, scope of the research and target audience.

The second chapter is the “theoretical framework” which comprises of the theories used in the research and economic concepts relating to the topic of our research. The conceptual model is also included in this chapter presenting the concepts applied in our study.

The third chapter is “research methodology”. This chapter explains how the study is conducted. It includes the nature of research design and questions, literature review, the development of framework, data collection, and analysis plan of the research.

The forth chapter is “empirical findings” that represents the gathered information from both reliable primary and secondary sources.

The fifth chapter is “analysis” part that analyzes the collected information from the academic perspective. This part is separated into two major sections; section for theory analysis and another section is for analyzing “strength”, “weakness”, “opportunity” and “threat” result from ACFTA and then leads the way to the discussion part in the next chapter.

Finally, the sixth chapter is “discussion” and the objective is to present the outcomes of the research relating to analysis process. For this chapter, the authors also give suggestions for any companies that are struggling with the impact of ACFTA agreement.
Chapter 2 Literature Review

This section consists of four theories, which are separated into two categories. First, economic theory which focuses on the “economic integration” concept presents an overall idea of nations coordinating trade and other aspects of economic policies. It is the core theme of this study, while the other supporting theories are institutional, international investment and structuration theories, which are all presented below.

2.1 Economic Integration Theory

Economic integration is the coordination relating trade, fiscal, and/or monetary policies among countries. The claimed benefits include lower trading cost, exploiting specialization and utilizing comparative advantage concept for optimal production of goods and services. According to Suranovic (1998), the six “levels” relating to economic integration are preferential trade agreement (PTA), free trade area (FTA), customs union, common market, economic union and market union which stated below.

Preferential trade agreement (PTA): It is a form of tariff reduction, not necessarily elimination, to a selected group of countries in a certain range of products. This means that tariffs still apply to remaining countries and toward remaining product categories. This is the weakest form of economic integration.

Free trade area (FTA): It is the elimination of tariff among a selected group of partners. Nonetheless, external tariffs on imports from other countries still apply. Two examples of FTA are ACFTA and NAFTA. However, the original rules concept is placed in high consideration about preventing transship products into FTA-associated countries with the lowest tariff and then transfer to other countries with higher tariffs.

Customs union: This practice eliminates tariffs to selected partners and agrees to set common external tariff on imports from other countries.

Common market: This is another form of economic integration which is similar to customs union with additional benefit of free mobility of capital and labor across countries.

Economic union: This adds fiscal coordination to a supra-national agency beyond that of common market.

Monetary union: This involves the establishment of common currency among group of countries by forming central monetary authority for selected group of countries.

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However, the authors illustrate six levels into figure below separating by level of integration.

![Economic Integration Diagram](image)

**Figure 1: Economic Integration (Source: Suranovic, 1998)**

According to Chemingui and Colton (1995), international trade is one important tool that allocates resources. Trade liberalization paves way for opening trade regimes, which can generate growth by increasing worldwide knowledge exposure. In addition, Ben-David and Loewy (1995) stated that the growth impact of free trade derives from the idea that:

"... (1) knowledge may be characterized as a non-rivalries public good, which in many cases is non-excludable, and ... (2) trade flows facilitate the diffusion of knowledge among countries. Heightened trade will, in general, lead to greater diffusion and faster knowledge growth and hence, faster per capita income growth" (Ben-David & Loewy, 1995).

**Free Trade Area agreement**

Among the Economic Integration practices, the currently applied, ACFTA is classified as a Free Trade Agreement that focuses on tariff removal among members. The essence factor of international trade is accessibility to overseas raw materials, intermediate goods and world markets as well as the transfer of capital among countries. With these advantages, organizations will have the opportunity to develop their manufacturing in terms of both quality and quantity achieving lower cost. According to the core idea of a free trade agreement, it can be seen that it directly impacts toward foreign direct investment.

As suggested by Hecksher and Ohlin in 1933, the alteration of the theory of comparative advantage is demonstrated with the factor proportion theory. The idea gives evidences on trading between different countries’ specialties in international market that have price
advantage over the others. In Contrasting to Ricardian model in supporting reason to the fact that variety of production factors determine cost efficiencies to the manufacturing as well as concentration in factor usage which cover land, labor, capital, knowledge, and material. However, Hecksher & Ohlin and Ricardian model are theories support in international trading and also lead to many other new theoretical approaches such as foreign direct investment theory, product life cycle theory, and many more. (Buckey & Brooke,1992; Mtigwe, 2006)

- **Advantages of free trade agreement**

  Free trade agreement is one of the tools that enhance economic relationship among nations. According to Ken Edge (1999), free trade occurs when government set policy to eliminate trade barriers in order to promote flow of goods and services between trading countries. Some advantages are mentioned below.(Ken Edge,1999)

1. **Increased production**

   FTA supports product specialization for each country because it enhances comparative advantages from economies of scale benefit, increased output and size of a firm’s market from international trade. The results come from lower average costs and increase productivity leading to an increase in production. (Ken Edge, 1999)

2. **Production efficiencies**

   Due to different resource endowment in each country, this mean that each country must allocate and develop in order to compete with other nations and respond in productivity level that corresponds to technology and innovation improvement as well as marketing and distribution development.(Ken Edge, 1999)

3. **Benefits to consumers**

   The more competitive suppliers are, the more benefits earned by customers in terms of varieties in options of choosing goods and services at lower prices that they have to pay. (Ken Edge, 1999)

4. **Foreign exchange gains**

   Export of products gives opportunity for country to receive payments in form of hard currency, which in turns can be used to pay for imported goods that are produced with lower cost of production from other countries.(Ken Edge, 1999)

5. **Employment**

   Higher capabilities from manufacturing and service industries will increase employment rate for labor market. The labor resources will move from the lower employment demand to the higher and more productive area.(Ken Edge, 1999)

6. **Economic growth**

   The high competition in the market enables member countries to become more productive and efficient. This leads the distributors to lower the production cost to make price competition, and then people can afford to buy more products. As a result, it becomes the supporting reason that drives economic growth in nation.(Ken Edge, 1999)
- **Disadvantages of the free trade**

  Despite the fact that free trade seems to bring various areas of benefits to the member countries, there are also numbers of drawbacks which include:

1. **Unemployment rate**

   Due to the change in employment regulations and the open of international labor market, the unemployment rate in high living cost area will rise since the growing industries will choose to employ labor from lower living cost area. (Ken Edge, 1999)

2. **Economic status**

   Due to the dependence of the economies on global markets, the insecure economic status for domestics will be caused. This may lead to the decline of export incomes, lower GDP, lower incomes, lower domestic demand and so forth. (Ken Edge, 1999)

3. **International markets are not a level playing field**

   Countries that have exceeded products can make use of their cost benefits in challenging the global market, which cause drawbacks to the other countries that do not have this advantage. (Ken Edge, 1999)

4. **New entry players**

   Free trade creates difficulties to the new entrants and developing companies because they must compete with large and well-developed players in international market. (Ken Edge, 1999)

5. **Pollution and environmental problems**

   The high rate of competition that was led by FTA opens opportunities for market expansion, and even create higher competition situation in the market. This becomes the major reason for cost of production reduction, which lower the quality control, especially in environmental aspect. Moreover, the higher rate of production also leads to the more pollution led to the environment. (Ken Edge, 1999)

2.2 **Institutional Theory**

   The institutional theory defines three pillars which could affect organizational strategy. The institutional theory consists of cognitive, normative and regulative pillars. All of these processes can help people gain more understanding of inward FDI. According to Shenkar and Von Glinnow, who coined the institutional theory as it explained organizational behavior. It also plays a prominent role in the locating decisions of foreign investors as well as domestic entrepreneurs. (Trevino, Thomas, & Cullen, 2008)

   To support the organization process, three aspects of normative (value system), cognitive (social knowledge) and regulative (governmental policies) pillars are being used. Institutional pillars examine the process by influencing organizational and managerial actions. (Trevino, Thomas, & Cullen, 2008)
According to normative pillar, it can be defined in term of the corrective way in which social norms, values and beliefs are shared among society’s member and carried out by individual as being components of normative pillar. Mostly, it emphasizes in the morality and ethic aspects. Educational system, religion and government are also important factors in influencing organizations and individual actions towards the process of normative pillar. (Trevino, Thomas, & Cullen, 2008)

Based on cognitive pillar, it relies on “the way people perceive, categorize and interpret stimuli from the environment” (Kostova, 1999). The external social framework responses from individual’s process form social institution of cognitive pillar. Scott’s (1995) viewed the cognitive component of institutions in term of social knowledge which can be greatly shared through cultural support. (Trevino, Thomas, & Cullen, 2008)

Referred to regulative pillar, Kostova (1997) defined the characteristic of regulative pillar as focusing on the rule, regulation and laws in which it exists in a specific national environment. Regulative pillar is controlled by rewards and punishment system as referred to Scott’s definition. The key process of legitimacy classifies the right and wrong in which these external factors force the organization to follow its path and condition through rules, boundaries, laws and regulations, and sanctions. (Trevino, Thomas, & Cullen, 2008)

Seven institutional characteristics can be used to identify the processes associated with each pillar. There are an educational system, bilateral investment treaties (BITs), political risk, trade reform, tax reform, financial account, privatization since all of these institutions may affect the likelihood of inward FDI through institutional processes associated with the institutional pillars. By the study of cognitive, normative, regulative effects, it provides the useful framework for expanding the knowledge in decision making towards FDI, understanding of traditional economic, political, and financial dimensions help to determine FDI approach. (Trevino, Thomas, & Cullen, 2008)

2.2.1 The education system

This provides “socializing experiences which prepare individuals to act in society” in an act of central component of a country’s institutional profile (Meyer 1997). Education also brings out the social norms and belief from time to time. Education plays an important role in which foreign investors are interested in the countries with higher education attainment since it usually has positive correlation with high quality labor standard. Borensztein, DeGregorio, and Lee (1998) concluded that to attract FDI a developing country, it needs a minimum threshold of human capital investment. Through the concept of institutional theory, the higher educational attainment reflects the degree of nation in which it’s becoming more geocentric as people are more educated as well as nation state is more open to foreigners. Also it represents an internalized symbolic presentation and a way of acting since the educational attainment creates legitimizes through cultural cognitive processes. (Trevino, Thomas, & Cullen, 2008)

2.2.2 Bilateral investment treaties (BITs)

Investors are interested in BITs since these offers a great deal for them to gain the benefit from higher standard of legal protection and guarantees for foreign investments than the one that offered under national laws. Through this factor, it helps to avoid double taxation of income and capital, and it is likely to get manipulated the way to signal a more
favorable investment platform. BITs could act as an instrument in which it gives international protection for foreign investment by reducing uncertainty and any related cost to FDI, so BITS legitimize through the cognitive pillar. (Trevino, Thomas, & Cullen, 2008)

2.2.3 Political uncertainty
This involves political uncertainty profile according to one of the elements of the institutional environment. Foreign investors and entrepreneurs give concern on the uncertainty and cost associated with each country’s political uncertainty due to the risk relating to the country that may impact them. The image of the country itself can be viewed through the political uncertainty profile in which the way they present themselves to world and this legitimizes through cognitive pillar. It seems that the political uncertainty constructed is less regulative and tangible than other elements. (Trevino, Thomas, & Cullen, 2008)

2.2.4 Trade reform
For the internal markets, trade reform is used for protecting selective industries by creating tariff structure. This can be viewed as regulative pillar based on operating primarily because of its process on institution building. On the other hands, it also operates through both the normative and cognitive pillars in which the actors from outside of protected sectors are resisted to trade protection in protected sectors, so it can be classified into cognitive pillar. Trade reform is referred to normative pillar by the work of this variable through the acceptance of the shift from state control to open markets. However the impact of the institutional constructed is tightly bonded with the regulative pillar. (Trevino, Thomas, & Cullen, 2008)

2.2.5 Tax reform
There are two major components that build up tax reform which are the value added tax and marginal tax rates on corporate and personal income. Tax reform can be viewed through both cognitive and normative pillars. From cognitive viewpoint, the existing institutional structure allows the initial actor to perform the challenge through favored domestic firms over multinational enterprises (MNEs). According to normative pillar, it legitimizes to the extent that geocentrism and openness to foreignness become taken for granted. Taxes are significant as it effects the decision making for an organization with these obligations. Tax reform can be seen through regulative pillar because of the tangibility of reforms and due to the presence of sanctions for non-compliant behavior as well. (Trevino, Thomas, & Cullen, 2008)

2.2.6 Financial account
Due to the fact that the government in developing countries control over the capital, according to “increase financial integration by holding government’s hostage to foreign exchange and capital markets, forcing them to exhibit greater fiscal and monetary discipline than they might otherwise choose” so it can be legitimized through the cognitive pillar (Andrew, 1994). However financial account can be pointed to regulative pillar since it has an influence on legitimization process in which it reflects to the rules and regulations significantly and due to the presence of sanctions for non-compliant behavior. (Trevino, Thomas, & Cullen, 2008)
2.2.7 Privatization

It is one of the fundamental elements in which it transfers assets from the government to the private sector which drives the development of the transitional economy. It also helps eliminating institutional barriers that constrain level of FDI by giving out the opportunity to foreign companies to invest in the host country. Privatization can be viewed through normative pillar by allowing the private sector to play major role in the economy while the government supports the entry, growth for foreign MNEs and support domestic firms as well. (Trevino, Thomas, & Cullen, 2008)

![Diagram showing the institutionalizing processes of the independent variables](image)

**Figure 2: Three pillars and the institutionalizing processes of the independent variables**

(Source: L.J. Trevino et al., 2008)

The diagram above shows the independent variables that move towards each pillar as it is based on categories of cognitive, normative and regulative according to institutionalizing processes.
### Institutionalization, Independent Variables and the Three Pillars

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<th>Cognitive (Symbolic)</th>
<th>Normative (Taken for Granted Behavior)</th>
<th>Regulative (Laws, Rules, Sanctions for Non-compliance)</th>
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<tr>
<td>Educational attainment</td>
<td>+</td>
<td>Learning how to deal with foreigners and differences</td>
<td>Resistance/acceptance of shift from sovereignty/ethnocentricity to geocentricity</td>
<td>Societal compliance is the norm</td>
</tr>
<tr>
<td>Bilateral investment treaties</td>
<td>+</td>
<td>Challenge to existing institutional profile, advocating shift from sovereignty to openness to FDI</td>
<td>Resistance/acceptance of belief that FDI is beneficial</td>
<td>Protection for MNEs, sanctions for non-compliance; may lead to adjudication or arbitration in rare cases</td>
</tr>
<tr>
<td>Privatization</td>
<td>+</td>
<td>Challenge to institutional profile, advocating divestment of SOEs</td>
<td>Resistance/acceptance of shift from state-controlled production to private sector</td>
<td>Restrictions on transition process, positively encouraging investment; ambiguity of sanctions and rewards as determined by normative and cognitive processes</td>
</tr>
<tr>
<td>Political uncertainty</td>
<td>-</td>
<td>Challenge to existing institutional profile, pushing toward democracy and transparency</td>
<td>Resistance/acceptance of shift from opacity and corruption to transparency and increased certainty</td>
<td>Ambiguity of sanctions/rewards, determined by normative and cognitive processes</td>
</tr>
<tr>
<td>Tax reform</td>
<td>+</td>
<td>Challenge to existing institutional profile, leading to reform and FDI</td>
<td>Resistance/acceptance of shift from sovereignty/ethnocentricity to geocentricity/openness to level playing field and FDI</td>
<td>Creates even-playing field for domestic and foreign firms; significant sanctions for non-compliance</td>
</tr>
<tr>
<td>Trade reform</td>
<td>+</td>
<td>Challenge to institutional profile representing import-competing industries</td>
<td>Resistance/acceptance of shift from state-controlled trade to open markets</td>
<td>In general, penalizes previously protected sector while positively encouraging trade and openness; significant sanctions for non-compliance</td>
</tr>
<tr>
<td>Financial account liberalization</td>
<td>+</td>
<td>Challenge to protected financial sectors and government</td>
<td>Resistance/acceptance of shift from sovereignty/ethnocentricity to geocentricity/openness to FDI</td>
<td>Increased integration constrains government choice; significant sanctions for non-compliance</td>
</tr>
</tbody>
</table>

Table 1: Institutionalization, independent variables and the three pillars  
(Source: L.J. Trevino et al., 2008)

The illustration above represents the impacts of institutionalization that reflects through independent variables and the view of each three pillars.

### 2.3 International Investment Theory

One important theory that supports “Free Trade Area” concept, core issue in this thesis, is “International Investment Theory”. This part focuses especially on theory of “Foreign Direct Investment” which occurs under imperfect market. Foreign Direct Investment (FDI) can be separated into two main types of ownership and control of international investment involving with physical assets such as plants and other facilities. This theory does not relate to other types of international investment such as bonds, portfolios of stocks, or other forms of debt. According to Ball, et. al., 2008, FDI is the establishment of production or other investments abroad including Greenfield investment (the
establishment of new facilities from the ground up) or cross-border acquisition (the purchase of an existing business in other nations). Many objectives drive investors to invest abroad; for example, finding new markets, accessing new materials, achieving production efficiencies, gaining access to new technologies or managerial expertise, enhancing political safety of the firm’s operations, or responding to competitive or other pressures in the external circumstances. The topics below will extend more detail about “Foreign Direct Investment” approaches.(Ball, et. Al.,2008)

2.3.1 Monopolistic Advantage Theory

Hymer (1960) demonstrates that FDI favors industries that operate under oligopolistic industries to almost perfect competition. This concept demonstrates that company must own some advantages that do not exist in local firms so as to create competitive advantage to overcome some disadvantages associated with being foreigners. For example, lack of local market knowledge, high costs of operating at foreign distance, culture, language, laws and regulations or institutions. All of these factors cause disadvantages to foreign companies against local firms. However, Hymer stated that some advantages from this approach involve economies of scale, superior knowledge from local market, management skill and finance issue.(Ball, et. Al.,2008)

2.3.2 Product and Factor Market Imperfections

This approach supports the idea that FDI flows to countries where investing firms have superior knowledge that enables them to produce differentiated products that will be preferred by consumers over local offerings.(Ball, et. Al.,2008)

2.3.3 Financial Factors

This theory focuses on financial issue relating imperfection of the foreign exchange market. This presents the idea that companies in overvalued currency countries tend to invest in undervalued currency nations to capture benefit. Moreover, portfolio theory adds that international trade allows investors to diversify of risk in order to earn maximum expected return from investment. (Ball, et. Al.,2008)

2.3.4 International Product Life Cycle

Concept of International Product Life Cycle explains that FDI is a natural stage in the product life. One preventive method used from losing market share is that company applies exporting approach to be strategic investment. The main reason forces company to invest in overseas production facilities is that other companies start to offer similar products that occur during third and fourth stage of product life cycle.

2.3.5 Follow the Leader

Knickerbocker developed “Follow the leader” theory, which explains that leader invests in market while other firms in the industry followed. This approach is considered as defensive since followers invest after the leader has invested in order to avoid risk from being initiators in that market such as lack of local knowledge and customer preference.(Ball, et. Al.,2008)
2.3.6 Cross Investment
This theory concerns FDI in multinational countries. The reason comes from many factors such as seeking knowledge and resources, following customers and taking advantages from political and economic stability from the host nation. (Ball, et. Al.,2008)

2.3.7 Internalization Theory
When firms have superior knowledge but lack of efficiency in external markets, this theory presents the idea that firms can use its knowledge to open market instead of selling to others. Investment is set up in internal organization across borders in order to perform some activities such as purchasing, supplying, distributing and manufacturing by the concept of sharing and maintaining knowledge within the firms. (Ball, et. Al.,2008)

2.3.8 Dynamic Capabilities
This perspective relates to resource-based view theory, which demonstrates the importance of ownership specific knowledge. However, due to it is insufficient for company to succeed in international FDI; somehow this theory suggests firms to develop centers of excellence to improve unique competencies in organizations to compete with other competitors in business world. (Ball, et. Al.,2008)

2.3.9 Dunning’s Eclectic Theory of International Production
This theory is the most broadly discussed theory involved with the FDI conception and the main theme of this idea suggests is that firms aim to engage in FDI rather than perform other activities such as franchising, licensing, exporting, joint venture and strategic alliances. Moreover, when firms tend to engage wholly owned subsidiary, they have to meet three criteria of advantages that are ownership-specific advantages, location-specific advantages and internalization advantages. (Ball, et. Al.,2008)

2.4 Structuration Theory
Structuration theory is the theory that based on the perspective of Anthony Giddens in order to extend the description of ‘need’ in social theory. It specifies a common relationship between agency and structure. The structuration perspective given to entrepreneurship was initially suggested by Shane and Venkataraman (2000), which states entrepreneurship as “the nexus of individual and opportunity”. After that, Sarason et al., (2006) introduced development of the research and view entrepreneurship in structuration perspective, which represents entrepreneur as agent, and opportunity as structure. The theory focuses on the common interaction of human actors and social structure. (Sarason, Dean, & Dillard, 2006)

Human actors are affected by the structure, which are the rules and resources that human agents use and face in daily lives. The structures consist of all factors surround them in the social systems that are resulted from other actors from the previous actions. They become different view of opportunities and pushed forward by the current agents to create entrepreneurial actions. The obligations of the agents also include power to “make a difference” (Sarason et al., 2006), making use of obtainable structures and create business channel to fulfill the market gap in the society. For these reasons, the agents
need full awareness of social rules in order to become successful. Moreover, they need well awareness of “what they are doing while they are doing it” coined by Giddens (1984). (Sarason, Dean, & Dillard, 2006)

The relation between agent and structure is that structures are driven by the agents over time, while structures become influences that generate knowledge for the agents. The process of entrepreneur system in organization creation is regarded as dynamic process. In other word, individuals and social systems are considered as the nexus of entrepreneurship, as suggested by Sarason (2006) and that “Entrepreneurs are empowered to act in a manner that influences structures (opportunities), and to reflexively monitor the impact of their actions leading to actions that reinforce, modify, or create new opportunities.”(Sarason, Dean, & Dillard, 2006)

The view of structuration to entrepreneurship enhances abilities to verify and design the set of mechanism to create achievement in business channel, which were suggested by Sarason et al., 2006 as below.

- The discovery process: creating new interpretations from existing sets of relationships
- The evaluation of opportunities: normative evaluations and the criteria sets and ongoing process
- The exploitation of opportunities: the ability to control resources in order to achieve goals associated with a particular venture.

Moreover, structuration theory is theoretical perspective involved with the dynamics process of entrepreneurship; it also explains the social system in terms of rules and resources in reciprocal interaction of human action and social emphasizing on reflexive monitoring. Entrepreneurs are not only the initiator (actor) of their social system, but also creator of social system as well. In addition, the structures of entrepreneurial process divided into three structures; signification structures, legitimation structures and domination structures. In the field of entrepreneurship, signification structures rely on instantaneous opportunities by justification of entrepreneurial specification, interpretation and influence. To evaluate value and norms of entrepreneurial opportunities, the legitimation structures are being used while domination structure provides entrepreneurial exploitation of opportunities. (Sarason, Dean, & Dillard, 2006)
Chapter 3 Research Methodology

In this section, the authors present the process, the means of gathering and analyze the data according to the problem statement and the purpose of this research.

In order to ensure that readers understand the process of this research, methods that are used to perform in this research will be explained step by step as follows. First, authors selected the topic which is interesting and could be beneficial to broaden knowledge to authors and readers. After that the authors stated the problem and the purposes of the research based on international trade and free trade area concept. Following by the next step which involves theories; economic integration, institutional theory, investment theory and structuration theory that can be used to answer the problem statement and then, determined the research method, and realized possibility and limitation. After research method is arranged, the authors design interview questions by depending on the chosen theories and revise it before collecting data. After the interview method is designed, authors then gather both primary and secondary data, and analyze accordance with the selected theories. Finally, a conclusion is summarized for the final step.

![Methodology Plan](image)

**Figure 3: Methodology Plan**

### 3.1 Topic selection

Recently, international trade has driven world economic growth. Because different countries have different endowments, this affects cost of production and lead to import
and export between countries. Tax measure creates barrier on international trade. In economic approach, the solution to the issue is believed to create free trade area.

In this paper, the authors will discuss about impact of FTA between China-Thailand. The first agreement of China-Thailand was assigned in 2002. At that time China and Thailand had traded in a small number of product lists and the most ratios are accounted agricultural products. As a result, it leads to expansion into other types of products. Until 2010, the agreement of ACFTA is conducted for adding more product types and includes electronic components. The electronic components are one of main exported products from Thailand. The authors would like to observe “How does ASEAN-China Free Trade Area influence investment decision for electronic components industry in Thailand?”

3.2 Literature review

For the literature review, the authors use the theories to support the research. Literatures that conducted in this paper are mostly found via the internet and e-library that offered in Mälardalen University. Most of the articles came from EMERAL database.

First, the authors searched the university databases and website search engine to review the existing article and research data. The keywords those are used in this step are “Free Trade Area”, “ASEAN-China FTA”, “Economic integration”, and “Foreign Direct Investment”.

Second, the authors use theories that will be useful for doing this thesis. The authors acquire four main theories which are Economics Integration, Institutional, International investment, and structuration theory. It can be divided into two main sections, one is with economic theories and the other one is international business theory.

From this paper, the authors want to access in-depth knowledge about effect on investors in Thailand. Throughout this paper, the authors choose electronic components business to be the case study.

3.3 The development of framework

This part starts with the definition of free trade area and follows by the conceptual framework as the authors used for preceding the research. Finally, this research is explained by the model.

3.3.1 Definitions of free trade area (FTA)

The goal of economic integration is to reduce the tariffs between nations into a minimum or completely remove it. But for non-member of free trade, it still prevails at original tax rate. Free trade area in the past focused on the liberalization of goods by reducing taxes and non-tariff barriers. Nowadays free trade area includes the liberalization of services and investment.
3.3.2 Conceptual framework model

At this point, we demonstrate the linkage between the model and theories on how these two are connected through the conceptual framework. The framework model is being used for describing analytical tool of the research as presented below.

Figure 4: The conceptual framework model

Figure above illustrates the use of three theories of institutional, international investment and structuration theories with interlink through economic integration. The institutional theory is used to conduct the research in which some factors can have an impact on organization related to FTA. While the investment theory gives concern relating areas in which it influences foreign investors to enter and to create a new business venture in the specific location. The structuration theory is based on how the opportunity is obtained by discovering, exploiting and evaluating through the process of FTA. The use of economic integration is to filter the three theories that are being used by correlating the similarity of each theory to define the form of economic processes. When three theories are conducted in term of economic integration, strength, weakness, opportunity and threat will then play the significant role that would have a crucial effect towards the business from entering to FTA. With the understanding of the impacts, the company will then be able to handle...
such an unexpected occurrence that might overwhelm the growth rate of the company. Finally, the company will then need to build strong competitive advantages to compete with new challenged competitors within the domestic sale as well as international market.

### 3.4 Data Collection

In order to achieve the objective of this research, the authors need to access information from both sources consisting of primary and secondary data which are described as follows;

#### 3.4.1 Primary Data

The authors decide to use interview method as a key approach to collect primary data because it provides ability to access qualitative information in order to reach our goal in this research, which is analysis, the influences on electronic components business under ACFTA. Moreover, this approach can reflect perspectives from the company’s owner and manager in order to answer our research question which is the core objective of this study. In addition, companies that the authors chose to interview are electronic component companies locating in Thailand. The first company is "SMTV Co., Ltd.", which is an exporter electronic appliance company in Thailand and the other one is the manufacturing in Thailand named "Fabrinet Co., Ltd.". The objective is to understand perspective of executive in-depth and to investigate the effect from ACFTA situation. The main reason for interviewing these two companies is from privilege access to the information from family relation. Additional advantage includes native language since these two firms are Thai companies. For the process of interviews, the authors conducted interviews by e-mail in form of question lists and telephone contact for direct interviewing.

#### 3.4.2 Secondary Data

The authors obtain secondary data relating an overview of FTA, effect to the investment, impact to Thai industry from the internet, and those supporting information from the case study companies’ website, Thailand’s Board of Investment, news and journalists, analysis articles and other relating websites.
3.5 Analysis Plan

![Figure 5: Analysis plan](image)

Throughout the project, the authors set out the problem statement, purpose and scope in the area in which ASEAN-China Free trade area has impacted in effecting the electronics product in Thailand. This is done by gathering the empirical sources from primary and secondary data thorough out the interviews, website, news and articles that are related to FTA. Once the information is collected, authors start to analyze the information through institutional, international investment and structuration theories, which are interlinked with economic integration in accordance to strength, weakness, opportunity and threat analysis. In the end of the project, the authors explain the market direction of electronics components from the impacts of FTA and give some recommendations towards business plan and it can be viewed into three aspects, initiation, adaptation and expansion for any company are confronted with the impact of FTA agreement as a conclusion of this project.

3.6 Limitation

The scope of this research paper is focused on the investment in electronic business in Thailand. The authors have chosen two companies for a case study in electronic sectors.

Due to the time limitation, only two companies are taken since it took very much time consuming for an interviewed. Therefore, the authors are only presented two companies in this research paper.

Also the limitation in resources, the information provides for evaluating the data is presented in the 1st quarter in 2010 in which it was used to compare with 1st quarter 2009, and it didn’t compare through the whole year as it should be, since the beginning of ACFTA is just announced in year 2010, so it may not be appropriated in comparing for the rate of investment as a whole.
Chapter 4 Empirical Findings

4.1 Overview

4.1.1 ASEAN Free Trade Agreement

Free Trade Agreement (FTA), this concept is quite new to Thai people. In fact, it was first introduced in Thailand since 1992 as free trade area where commerce in goods and services can be conducted across countries with the reduction of tariffs. The emergence of FTA in South-East Asia known as ASEAN Free Trade Area(AFTA), it creates new economic alliances, expands trade opportunity as well as increase the potential in the competitiveness of domestic goods and services. The FTA has huge effect on the comparative advantage in producing the product due to the exchange of goods which can maximize the benefits from international trade among the contracting parties. However, this benefit can be adjusted, if those countries impose import tariff and strictly maintain other trade barriers. (Department of Trade negotiation, 2005)

The ASEAN is comprised of 10 countries, which had the total population of 515.30 million people, covered the area of 4.5 million square km and the GDP stood around $US 581.58 billion. Comparing with EU in which it consisted of 15 countries and the total population was approximately 377.13 million people, the GDP of EU($US7894.52 M) was approximately 13 times greater than ASEAN, nonetheless when comparing with NAFTA($US11059.53 M), the GDP was 19 times greater than ASEAN. This information was conducted in year 2000. (Xiaohong, 2005)

Aims and Purposes

ASEAN has set its aims and purposes in order to achieve these declarations as below:

1. “To accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations;”

2. “To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;”

3. “To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;”

4. “To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres;”
5. “To collaborate more effectively for the greater organization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications facilities and the raising of the living standards of their peoples;”

6. “To promote Southeast Asian studies;”

7. “To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves.”

(Source by ASEAN Secretariat, 2009)

**Member Countries**

![Flags of ASEAN countries](image1)

- Brunei Darussalam
- Cambodia
- Indonesia
- Laos
- Malaysia
- Myanmar
- Philippines
- Singapore
- Thailand
- Vietnam

**Figure 6: Member Countries (Source: Association of Southeast Asian Nations)**

### 4.1.2 ASEAN-China Free Trade Agreement

The framework agreement on ACFTA was signed on 4 November 2002, in order to “strengthen and enhance economic, trade and investment co-operation between the parties, and also progressively liberalized and promoted trade in goods and services as well as to create a transparent, liberal and facilitative investment regime along with explore new areas and develop appropriate measures for closer economic co-operation between the parties and facilitate the more effective economic integration of the new comers of ASEAN member states and bridge the development of gap among the parties as its objectives”. (Department of Trade and Negotiation, 2005)
FTA in a certain products related to Early Harvest

<table>
<thead>
<tr>
<th>FTA</th>
<th>Negotiation Started</th>
<th>Negotiation Completed</th>
<th>Signed</th>
<th>Date of Entry into Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN-CHINA (Economic Cooperation) Tariff elimination certain products</td>
<td>November 2001</td>
<td>October 2002</td>
<td>4 November 2002</td>
<td>1 January 2004</td>
</tr>
</tbody>
</table>

Table 2: FTA in a certain products related to Early Harvest  
(Source: Department of Trade negotiation 2005)

FTA in some services and only some sectors of product types

<table>
<thead>
<tr>
<th>FTA</th>
<th>Negotiation Started</th>
<th>Negotiation Completed</th>
<th>Signed</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN-CHINA (Trade in Services) only some sectors Professionals, Education, Healthcare, Tourism and Maritime Transportation</td>
<td>January 2003</td>
<td>December 2006</td>
<td>14 January 2007</td>
</tr>
</tbody>
</table>

Table 3: FTA in some services and only some sectors of product types  
(Source: Department of Trade negotiation 2005)

FTA in the rest of the sectors in all product types

<table>
<thead>
<tr>
<th>FTA</th>
<th>Negotiation Started</th>
<th>Date of Entry into Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN-CHINA (Economic Cooperation) Trade in service liberalization (The rest of sectors)</td>
<td>January 2007</td>
<td>1 January 2010</td>
</tr>
</tbody>
</table>

Table 4: FTA in the rest of the sectors in all product types  
(Source: Department of Trade negotiation 2005)

Note: According to year 2010, the average tariff rate China charged on ASEAN goods have reduced to 0.1% from 9.8%. While the average tariffs imposed on Chinese goods by ASEAN states will deduct to 0.6% from 12.8%
4.1.3 ASEAN-CHINA Economic Relationship

ASEAN countries develop their relations with China in three different state levels. One is relations with China individual state level, second is at the bilateral level with ASEAN as a collectivity such as ASEAN-CINA, and last is at the multilateral level s such as ASEAN+3, ASEAN+6. (Thangavelu, 2010)

In the early 1990s, Foreign direct investment that had flown into Thailand and also ASEAN countries, it was significantly concentrated to the product of electronics and electrical products, followed by the automobile, chemical and textile sectors. Within ASEAN, Thailand comes third for the largest in importing and exporting after Singapore and Malaysia. Concerning Chinese imports, Thailand has proved its capability in exporting to China and maintained the second largest gain among the ASEAN countries after Malaysia. In year 2007, China was the third most important export destination which acquiring 10% of Thai exports as it increased from 7% in year 2004. With the ACFTA, Thailand’s exports to China grew more rapidly than its bilateral imports between year 2002 and 2007. However Thailand’s trade balance showed a deficit by THB 71,333 million in year 2006, even the trade volume of Thailand-China FTA was increased to 27% for Thais exports. In the past decade, ASEAN-CINA trade was at $US 39.5 billion in 2000, and it has dramatically increased to $US 192.5 billion in year 2009. Apparently, ASEAN-China trade with the rest of the world has pointed at $US 4.3 trillion or about 13.3% of global trade. (Coates, 2009)

4.2 Impact of ASEAN-China FTA

4.2.1 Will ASEAN benefit from the ACFTA

Nowadays, the ACFTA plays significant role among free trade areas across the globe. ACFTA is the agreement, signed on January 2010, in which the objective is to expand the accessibility in service and manufacturing of Chinese market, one of the world’s largest trading areas. Referring to the agreement, members of ASEAN have their expectations toward China to contribute significant export volume among ASEAN countries. Accordingly, it will enhance opportunity and create economic corporation in ASEAN in aspect of being catalyst for ASEAN+3 countries (China, Japan and Korea) and ASEAN+6 countries (China, India, Japan, Korea, Australia, and New Zealand). Additionally, Chinese economy is attractive for FDI investment since China is a significant labor-abundant country providing resources to other countries in needed. In terms of business segment, industries relate to labor-intensive are textiles, garments, footwear, toys manufacturing and foodstuff processing in which China has an advantage. For large capital-intensive production, such as steel manufacturing and machinery and equipment, it will not yield much of an advantage from FTA as in the prior group of industries. From this aspect, it will enhance economics benefit for middle-class in China from the formation of small and medium enterprises (SMEs). Moreover, SMEs still gain advantages for advanced countries such as Singapore, Malaysia and Thailand but not as much as emerging countries including Indonesia and Philippines. In addition, ACFTA lessens the significance of other agreements such as AFTA (ASEAN Free Trade Area) and AEC (ASEAN Economic Community) due to the fact that Chinese market can change focusing away from ASEAN region. These benefits mentioned are the net benefit
after taking into consideration of the adjustment cost factor. However, there are still other concerns that need to be addressed e.g. the importance of unity as a single market in the region, the disparity in income and growth among ASEAN countries, human capital development, development of SMEs and product differential creating distinction between domestic and non-domestic products for value-adding purpose. (Thangavelu, 2010)

### 4.2.2 The change of investments in Thailand under ACFTA

ASEAN CHINA Free Trade Area (ACFTA) have made Thailand more attractive for foreign investor to invest due to the acceleration of the process of globalization, the rise of regional trading arrangements and the increase in number of export in electronics and automotives sectors have become more in common and enhanced dramatically in a past few years. The FTA gives the duty free access to the key industries in which the market is more independent as well as rule and regulations respect to foreign investment along with the logistics streamlined become liberalized. Also the liberalization of their trade regimes allows foreign direct investment to open new markets and industries in Thailand as known as ASEAN Investment Area (AIA). The agreement of multilateral that Thailand has participated as it’s giving Thai and Thai-based international manufacturers earn largely towards the production and export base.(Board of Investment Thailand, 2010)

From January 1, 2010, ASEAN market will be more open for the ASEAN member and non-member investors, and allowing them to invest according to the agreement of AIA in which ASEAN is more liberalize and facilitate in the most sectors such as manufacturing, fishery, agriculture and tourism or any related to services. Furthermore based on liberalized investment, it would increase the flows of capital, skilled labor to gain professional expertise and technology in return for ASEAN. Even more, this also gives some benefits to investors in the first stage in developing common product certification standards due to harmonize customs codes. Electrical and electronic equipment also correspond to product standard.(Board of Investment Thailand, 2010)

The Agreement on Trade of goods between ASEAN-China has created the world’s largest free trade area accounted for 1.7 billion consumers in which a regional gross domestic product estimated at $US 2 trillion, and the total trade approximately $US 1.2 trillion in 2003. Apparently ASEAN and China is mainly a major key market for Thai exports, as it could be viewed from year 2004 in which the rate of exports enhanced by 29%, approximately up to $US 21 billion. Computers and any related parts are respected to be Thailand’s main ASEAN exports which acquired the value of $US 2.3 billion, followed by the automotive and any related components approximately $US 1.5 billion. Rely on FTAs of ASEAN’s pursuit with major trading partners; it would not be too tough for Thailand and its foreign investors to get access to new markets outside the ASEAN. (Board of Investment Thailand, 2010)

Referring to Board of Investment (BOI) website, Thailand, the table presents comparison on foreign direct investment in Thailand separated by project and investment capital from January to March as of 2009 and 2010.
### Investment / Year

<table>
<thead>
<tr>
<th></th>
<th>2009 (Jan-Mar)</th>
<th>2010 (Jan-Mar)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
<td>143</td>
<td>185</td>
<td>+29.4%</td>
</tr>
<tr>
<td>Investment (Million Baht)</td>
<td>18,292</td>
<td>49,626</td>
<td>+171.3%</td>
</tr>
</tbody>
</table>

**Table 5: Investment compare 2009 and 2010**
(Source: Board of Investment Thailand)

The table below shows comparison of investment classified by business section from January to March as of 2009 and 2010 according to Board of Investment website, Thailand.

<table>
<thead>
<tr>
<th>Section / Year</th>
<th>2009 (Jan-Mar)</th>
<th>2010 (Jan-Mar)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project (Number)</td>
<td>Investment (Million Baht)</td>
<td>Project (Number)</td>
<td>Investment (Million Baht)</td>
</tr>
<tr>
<td>Agriculture and Agricultural Products</td>
<td>12</td>
<td>1,860</td>
<td>15</td>
</tr>
<tr>
<td>Mining, Ceramics and Basic Metals</td>
<td>5</td>
<td>1,162</td>
<td>2</td>
</tr>
<tr>
<td>Light Industry</td>
<td>13</td>
<td>2,600</td>
<td>22</td>
</tr>
<tr>
<td>Metal Products, Machinery and Transport Equipment</td>
<td>42</td>
<td>7,094</td>
<td>41</td>
</tr>
<tr>
<td>Electronic Industry and Electric Appliances</td>
<td>18</td>
<td>2,167</td>
<td>45</td>
</tr>
<tr>
<td>Chemicals, Paper and Plastics</td>
<td>13</td>
<td>1,289</td>
<td>19</td>
</tr>
<tr>
<td>Services and Public Utilities</td>
<td>40</td>
<td>2,121</td>
<td>41</td>
</tr>
</tbody>
</table>

**Table 6: Investment separated by section during Jan-Mar 2009 and 2010**
(Source: Board of Investment, Thailand)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Source</th>
<th>Project (Number)</th>
<th>Investment (Million Baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Japan</td>
<td>73</td>
<td>22,705</td>
</tr>
<tr>
<td>2.</td>
<td>Hong Kong</td>
<td>6</td>
<td>8,121</td>
</tr>
<tr>
<td>3.</td>
<td>Switzerland</td>
<td>2</td>
<td>3,136</td>
</tr>
<tr>
<td>4.</td>
<td>Singapore</td>
<td>15</td>
<td>3,071</td>
</tr>
<tr>
<td>5.</td>
<td>United State of America</td>
<td>13</td>
<td>2,686</td>
</tr>
</tbody>
</table>

**Table 7: Foreign country that invest in Thailand from Jan-Mar 2010**
(Source: Board of Investment Thailand)

### 4.3 Electronic components industries

Electronic industry has absorbed the most impacted from the world economy than other types of industries.

- The volume of exported computers was increased by 10.45% from year 2008 within 11 months comparing to previous year.
- The low production cost in Asia Pacific would interest the foreign investors to come to invest and that country will earn a benefit from it.
Slow in growth rate of global economic and financial crisis would give some negative impact in industrial level.

The value of exports from Thailand within 11 months period in year 2008 was $US 166,236 millions, it was increased by 19.73% comparing with previous year at $US 138,837.1. The electronic component and computer device was ranking in the top for exported product which was equivalent to 10.37% among the total. However it was slightly reduced from last year at 11.25%. For circuit board stood in the 5th placed as an exported product which was accumulated 4.06% from total, it had decreased from 5.34% in the year before. The major exported markets are China, United stated and Hong Kong, where were accounted for 27%, 19% and 10% respectively, where the growth rates were increased by 29%, 6%, 12% consequently. (Wiriyapong, 2010)

4.3.1 Trend of Electronic Shipment on ASEAN FTA

By Year end 2010, the electrical and electronic goods exported by Thailand are expected to grow by 15%, and might reach up to 20% comparing with last year which was at $US 42 billion. This might be the effect from the rebound of automotive sectors and global information technology. According to ASEAN Free Trade (AFTA), it has reduced the import duties of trade goods down to zero this year, consequently, it has shifted up the volume bound for ASEAN, as it’s now ASEAN gains the largest export destination of Thai made electronic products. The prediction of Mr. Sampan, the president of the Electronics & Computer Employers Association (2010), towards the effect of AFTA, the industry can expect the export of electrical and electronic goods grow by 20%, and we might encounter with labor shortage. He also mentioned that “Thailand is now the leader in the electrical and electronic industry in ASEAN, and we would gain the most benefit from the removing of tariffs under the agreement of AFTA”. (Wiriyapong, 2010)

From the previous empirical result of electrical and electronics institute, The first eleven months of last year, ASEAN was the number one of the sector’s exports, which accounted for 17%, followed by China and Europe, 16% and 15%, respectively. However 10% and 8% was the percentage of exports to ASEAN and China over the period, in US and Europe were down to 15% and 20%, respectively as well as in Japan, the shipments to Japan were dropped 19%. (Wiriyapong, 2010)

In 2010, a huge demand comes from the product of electronic components and hard disk drive (HDD) in last three years. This sector has served in the ASEAN and Chinese markets well as the number one exports product. Comparing in ASEAN, Thai industry is still equivalence with Singapore and Malaysia in the way of competitiveness, and Thailand is now step ahead from Vietnam, Indonesia and Philippine. Referred to Mr. Charuek, institute president, “Under AFTA, it could bring out more of investors to invest in Thailand due to Trade facilitation because exports and imports within the region is now more open for investors”. The Forecast from Kasikorn Research(Bank of Thailand), the export growth rate for Thailand in electrical and electronics industry would be settled around $US 44.5-46.65 billion in 2010, and they also predicted the target of electronic products year 2010 to increase by 5% - 10% to $US 29 billion. Electrical appliances might increase up to 6% - 11% approximately $US 17 billion. This demand is based on the increase in mobile phone, computer & IT and automotive industries. The rising of notebooks and netbooks demand relative in emerging economies might have an effect on
global demand for mobile phones and computers, and it’s expected to surge 10% for year 2010. (Wiriyapong, 2010)

As stated in “Export Outlook” (2010), Thailand’s electrical appliances and electronics goods achieve the most sold products among the nations in ASEAN, which accounted for US$9.2 billion last year, followed by US$4.2 billion for automotive spare parts.

As what Ms. Porntiva (2010), the finance ministry stated that, “The oversea sales would expand to 14 percent as its target for the ministry, if the Thai currency does not strengthen exceed 32 baht per dollar.

The demand for electronics products has significantly increased for Thailand’s export the most in 20 months in March 2010 as it helped to support an economy threatened by political problem. (Bloomberg, 2010)

According to Bloomberg (April 2010) in business news, the demand from China and Asian is helped to enhance the exports from Thailand, this helps to recovery in Southeast Asia’s second largest economy since Thailand are now struggling with problem in political issue in which the clashes between Thai military and anti-government protesters whose had been killed more than 20 people as a consequence, it has undermined tourism and confidence. (Bloomberg, 2010)

4.4 Data Collection from Interviews

4.4.1. SMTV Co., Ltd

SMTV has conducted the business for more than 20 years. The company is an agency, selling product of electronics appliance for many brands. The company has its own office in Bangkok as the main operation, while they also have 2 more branches located in Supunburi and Ang Thong, Thailand. Around 60% is accounted for domestic sales and another 40% is based on export selling to China, Malaysia, Singapore and Philippine. They are now more than 80 employees working for the company. The company deals with both retail and wholesale. The company provides more than 500 items to choose from, with the best service in delivery and repair for their customers as a heart of their services. (SMTV, 2010)

SMTV’s perspective to ACFTA

The impact of FTA, it’s recommended that it need to be observed in the long run due to the FTA just began, so the company cannot judge it now whether it is good or not. The company viewed that Thailand would gain benefit from FTA since there are plenty of manufactures based in Thailand such as the production line of SAMSUNG, HITACHI, SONY and so on. Currently, Thailand produces more of electronic appliance than other countries in Asia Pacific. The questioning for Thailand is at “Are we being well prepared to handle such any circumstance according to impact of FTA?” Towards SMTV company, FTA is not yet affected the sales volume, but the more important is to focus on the people especially sale person, because of the efficient of people are different among other, and also the company needs to concern the potential of countries that company is
trading with. Beyond than that the infrastructure is also essential. For Thailand, the infrastructure seems to be well organized, however comparing with Singapore we are still behind them since they are one step ahead than us. Another point that Mr. Wanchai wanted to point out is that “in the past when we were trading, we need to pay the tax, but now the tax is no longer conduct, so we can purchase any product wherever we want, but still we need to comply with the logistic cost like transportation, when comparing with these cost, if the cost is worth, we gain competitive advantages to compete with other countries so this should be taken into consideration”. FTA would not affect the financial status of the company if the company does not intend to expand or invest more in relatively to the company. Therefore it would not be any effect to the company. The benefits of FTA can be seen in the larger view. For example, the customers have plenty of choices to choose from. Since the FTA plays a big role in allowing the customer to choose the product from other countries without paying tax, if any countries have a competitive advantage in price and quality, customers would move toward to that country and purchase the product from them in which that country should be well prepared to handle such a situation according to FTA. The problems that the company might encounter are, when AFTA has entered into the ASEAN Pacific, every country is more opened to other, it would bring more of competitors, and if we could have such a potential in dealing or handling with any kinds of situation related to FTA, we would gain competitive advantages, otherwise we wouldn’t. The management, vision, modern management program, marketing, quality, standard and pricing, all of these factors should be considered for challenging with other foreign competitors. The strategies that SMTV used are to promote brand of the company by convincing people to be trustworthy and loyalty with the brand of company. Improve the services in both before and after sales. Set a fair price and prove the quality of the product, also do the sale via the e-commerce as well. (Mr. Wanchai, 2010)

4.4.2. Fabrinet Co., Ltd

Fabrinet is a provider of fiber optics, which also does foundry services to optical and electro-mechanical process technology. The company is located in Bangkok as the main plant, what they do is manufacture, assemble, and test products for customers. They also have two more plants in China and United Stated of America as to design and manufacture their own bulk optical materials and components. Due to their established operation, they gain prime advantage of Asia located suppliers to drive continuous material cost reduction. (Fabrinet, 2010)

In 2009, the new establishment of new facility was completed, the new facilities in Fabrinet’s Pinehurst campus in Thailand brings Fabrinet’s global facilities footprint to over one million square feet. They also build long established relationships with Asia suppliers to maintain dedicated supply chain resources. (Fabrinet, 2010)

Fabrinet’s perspective to ACFTA

Since the announcement of FTA January 2010, the orders for the electronics shipments have risen significantly. The main customers are in Asia and US. China is also one of their main target customers. Even the company has a manufacturing based in China to serve the Chinese market, however the customers want to move their production from China to Thailand as following reasons, one is the quality of the product since the quality of Thailand’s product is better than in China. Second is exposed of technology by mean
of any products built in China have the high risks to be duplicated in terms of technology. In another word, after building products a few years in China, China will copy the technologies to be on their own (No IP protection). The last reason is that Import and export the equipments to/from China very difficult according to the custom clearance in china are very difficult. Sometimes, it took more than 3 months and caused the delay to launch any NPI (New Product Introduction) products. Through rational reasons, so most of electronic components that serve in Asia are produced in Thailand as a consequence Thailand gains the most benefits from ACFTA in electronics sectors as Thailand being the largest producer of electronic components. According to ACFTA, the company is now facing with the high number of competitors due to foreign investors are interested in Thailand as they found Thailand is the center of modern technology with best in location in logistic, custom clearance, good allocation in resources, low labor cost, the good image of Thai production and strong support from the government. As mentioned above, once Thailand joined ASEAN-China FTA, the potential of purchasing power of customer is increased as well as the expansion of market. Fabrinet is now positioned in the top five of electronics producer in Thailand in which it acquired the huge number of domestic sales and international sales. With ACFTA, there are variety of markets such the company can choose the lowest cost in raw material purchasing as it can bring down the production cost with these benefits the company gains a large customer base. The effect of financial status is not yet to be seen due to the company is supported by the government, moreover the facility is located in the BOI area, so the tax is strictly limited for industries here in several years. Dr. Wichai stated that “Thailand won the selection for a several of strategic reasons such as a long history of stability, a dedicated working and knowledgeable workforce, honesty and respect, a culture of openness, well infrastructure, and a government that warmly and openly encouraged overseas investment”. “The company needs to have well management in confronting with the situation from impacted of FTA, and now Fabrinet, they are ready to meet with that challenge, and take out this opportunity to expand their business inside and outside the country as the quality assurance and services are the most essential for achieving our goals from joining the ACFTA” added Dr. Wichai. (Dr. Wichai, 2010)
Chapter 5 Analysis

According to our conceptual framework, the authors separate analysis part into two main sections. First, theories analytical review, involves with economic integration, institutional, international investment and structuration theories. All of them are used to evaluate the influential of ACFTA to electronic component business, the potential that support decision making of Thai electronic component investors, the inspirations for Thai electronic component business investments and ACFTA as opportunities of Thai electronic component business. The second part collects the analyzed information from the first part and then analyzes them into strength, weakness, opportunity, and threat from ACFTA to Thai electronic component investors, and makes clearer understand to this dissertation.

5.1 Influential of ACFTA to electronic component business; Economic Integration

According to Economic Integration theory, “Free Trade Area” approach is one of the essential tools used to foster economics relationship among specific groups in the world. The essence of this approach is “tariff elimination” among selected groups of partners. Several groups are formed from this approach such as North American Free Trade Agreement (NAFTA), Central European Free Trade Agreement (CEFTA), African Free Trade Zone (AFTZ) and Asian-China Free Trade Area (ACFTA). Each country has to encounter with the positive and negative consequential outcomes from participating the free trade agreement inevitably. For this report, the authors emphasized on effects from Asian-China Free Trade Agreement to electronics devices business in Thailand. It has been Thailand’s main exported products for many years (Appendix E).
From table 6 (Investment compare 2009 and 2010), the number of foreign projects invested in Thailand grew approximately 29.4%. The amount of investment also increased almost two times from last year. Moreover, according to figure 6 and 7 show...
the majority of foreign approval projects are in electronics industry and electric appliances sector. This shows that Thailand has gained its attractiveness for foreigners to invest.

Mr. Sampan, the president of the electronics & computer employers association, mentioned that Thailand is now the leader in the electrical and electronic industry in ASEAN; therefore, Thailand would gain benefits the most from tariff elimination under the agreement of ACFTA. Supporting indicator can be seen from an increased investment capital in the country. This enhances external investors to invest in Thailand due to rising demand of notebooks and netbooks from technology emergence. Other several impacts to investors that gain benefit from participating under ACFTA are demonstrated as below;

5.1.1 Advantages

*Increase production:* ACFTA leads to lower cost of production from cheaper cost of raw material and intermediate goods imported from country that has lower price. China is the country that has low cost of labor and product. Moreover, additional advantage arises from the reduction of tariff, which used to be one of the hardest obstacles in foreign investment and trade. Accordingly, industry sections can purchase materials and intermediate goods for cheaper price. So, this seems to be opportunity for investors to invest in Thailand that equipped with high quality and use cheaper raw material from China. This benefit will boost production from economies of scale advantage.

*Production efficiencies:* ACFTA enhances resource seeking in other countries and Thailand is well known for electronic exporting. This issue considered as excellent opportunity to Thailand for attracting foreign investors.

*Benefit to consumers:* Higher degree of competition implies that consumers have choices among varieties of products. ACFTA is also believed to open market toward both markets of Thailand and China. This allows consumers to choose good quality of products and possibly lower price resulting from price war engaged by producers in order to maximize market share.

*Employment:* ACFTA plays significant role on creating career to employee that will increase employment rate for country and other regions under the agreement. From eliminating tariff for products and services, it will encourage investment to the business and then generate career to people. Moreover, each country can transfer intermediate goods to produce in another country that have knowhow and knowledge. Thailand is known for having competitive advantage in terms of knowledge in electronic device that will earn benefit from this agreement.

*Economic growth:* Not only does ACFTA create opportunity for entrepreneurs as well as create career for employee but also support economic growth in terms of productive development arising from high competition in the market. GDP growth is also one of the benefits derived from trading activity.

5.1.2 Disadvantages

*International markets are not a level playing field:* If there is a big player in the continent, the company will gain benefits from ACFTA and become even stronger. If the competitors are not strong enough, and are not capable to create advantages over the
leader, the gap between the products from different players will be big enough to create non-leveling playing field in the market. In this case, China as the largest material supplier might be able to collect more knowledge, and position itself as a leader, that has advantage in terms of the quality of scale.

**New-entry players:** It is true that ACFTA gives advantages to Thai electronic industries, but it also gives advantages to the other member countries as well. The new entries from member countries in the same level become stronger and become possible to make use of the existing advantages from the other continents. This leads internal market to be highly competitive.

### 5.2 The potential that support decision making of Thai electronic component investors; Institutional theory

Institutional theory is used to identify the strategies in which the foreign investors use for making the decision in approaching ACFTA in accordance to the seven characteristics as being factors in consideration of choosing the location for foreign direct investment. ASEAN gains the largest export destination of Thai made electronic products; hence, it attracts many foreign investors to settle their electronic component plants in Thailand. The seven characteristics are used to evaluate the impact of ACFTA to Thai electronic business to understand the traditional economic, political, and financial dimensions.

#### 5.2.1 The education system

With the strong support from the government, Thailand’s education system meets the standard approved by the ministry of education Thailand. From the outcome, Thailand creates the quality of people who are capable of doing work efficiency along with a strong motivation to lift up society and country potentially. This makes Thailand even more attractive for investors since the quality of people are dominant in creating quality of product. Back to ACFTA, developing countries such as Thailand becomes an appealing place to invest by mean of the low labor cost but with acceptable quality of workforce. Therefore, the electronic products that are made in Thailand is reliable and acceptable to international market. Consequently the competitive advantage in such a quality is capable of challenging in the international trade in electronic sectors according to ACFTA. Moreover with the well laid out of technology and infrastructure in Thailand by government, it provides crucial benefits in persuading the foreign investors to conduct the business in Thailand.

#### 5.2.2 Bilateral investment treaties

In Thailand, the protection of treaty must be accepted by the board of investment at the first stage for investment protection, and then it will issue a certificate (Certificate of Approval for Protection- CAP) to investors, with an exception for some investments that grant the permission from the Foreign Ministry or The Act. This is to promote the investment in Thailand under a concession from the government. With the contract of ACFTA, Thailand grant free tax charged on import and export products in ASEAN and China. It helps to expand the distribution channels in purchasing and selling the product throughout the ASEAN. The larger in market with an increase in demand from customer,
so the quality and price is the most essential factor in capturing with these demands. Apparently Thailand can produce the electronics product in lower cost than other countries within ASEAN, and Thailand’s product is met the international standard along with the removal in tax across the border, Thailand would gain the advantage from this approach and in return the foreign investors would continuously invest in Thailand numerously.

5.2.3 Political Uncertainty

It is quite obvious that Thai government is now struggling with some problems relate to anti-government protests that have undermined the confidence of Thailand’s market. However from the empirical finding, it showed that export value was the highest in 17 months(April 2010) as the global economic recovery boosted the demand for electronic according to ACFTA. From this incident, it shows that foreign investors still believe that the government could handle such an unexpected situation. Through this factor, it doesn’t affect much on the decision making for the investor since export value did not shrink. Nonetheless, the image of the country is still strongly important in which it represents the symbol of the country convince the investors to invest in Thailand.

5.2.4 Trade reform

From the support from Thai government such as Board of Investment (BOI), Fabrinet industry is located in Zone 1 of investment promotion zone (Appendix F), which has privilege of 50 percent reduction in import duty on machinery and corporate income tax exemption for 3 years and exemption in import duty on raw material that is used in manufacturing process for exported products for 1 year. Government encourages the foreign investors to invest in Thailand to decentralize industrial base from the Bangkok Metropolitan Area. Thailand is now an open country once it has joined ACFTA, this could bring more investors to settle electronic industries in Thailand since they would gain a lot of benefits from what government is offering.

5.2.5 Tax reform

In Thailand, the value added tax is set at 7% to a finished product. The standard tax income for the company is accounted for 30% of net profits. The companies in Thailand are obligated to pay income tax on income earned under the law and regulation by the ministry of Thailand. For SME company tax rate can be classified into three types of rating, the first one is accounted for the rate of 20% on net profits to one million baht, the second one is at 25% on net profits to three million baht, and the last one is accounted for 30% on net profits above three million. (The Revenue Department, 2008)

5.2.6 Financial account

In financial aspect, the exchange of currency is the most appropriated thing to concern due to the weak of the currency would give some benefits to exported product, which means foreign customers could buy the product at cheaper price comparing to anywhere else within the same amount of quantity. On the other hand, the country with strong currency exchange also gain the benefit from imported product since that country could purchase the product in the lower cost than other countries in comparing with the same amount of quantity. The approaching of ACFTA, the purchasing power is also emphasized in currency exchange as a pricing in contrast. This could be the influence
impacted in exporting electronics product from Thailand to overseas. Hence the weak of Thai currency is consequently increased in profitability.

5.2.7 Privatization

Thai government with a warmly support and openness encourages foreign investment which allows private sector to drive the development of the transitional economic.

5.3 The inspirations for Thai electronic component business investments; International Investment theory

Investment is one among many factors that is an outcome from ASEAN-China agreement. International investment theory suggests several approaches that investors can choose to invest in order to earn benefit from the agreement. The authors will state only the approach that match with the benefit from ACFTA.

Product and Factor Market Imperfections: ACFTA enhances “Foreign Direct Investment” flows to member countries of the agreement. As a result, country that has superior knowledge will have benefit from produce differentiate products to compete with other nations. For the electronics devices business, Thailand will get benefit from being part of the agreement because it is one of key business activities of country.

Financial Factors: Countries that have overvalued currencies will benefit from investing in undervalued currencies countries. Scoping down to ASEAN members, Thailand can gain advantages from other countries that have overvalued currencies than Thailand. According to Thailand Board of Investment, Thailand investment capital during first quarter as of 2010 is higher than last year approximately 29.4%, comparing, comparing with countries that invested in Thailand in the same period. Most of them are countries that have overvalued currencies than Thailand such as Hong Kong, Switzerland and Singapore as shown below.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Source of foreign investment to Thailand</th>
<th>Number of Projects</th>
<th>Investment amount (Million Baht)</th>
<th>Currency rate (Thai Baht per foreign currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Japan</td>
<td>73</td>
<td>22,705</td>
<td>0.36</td>
</tr>
<tr>
<td>2.</td>
<td>Hong Kong</td>
<td>6</td>
<td>8,121</td>
<td>4.25</td>
</tr>
<tr>
<td>3.</td>
<td>Switzerland</td>
<td>2</td>
<td>3,136</td>
<td>29.06</td>
</tr>
<tr>
<td>4.</td>
<td>Singapore</td>
<td>15</td>
<td>3,071</td>
<td>23.73</td>
</tr>
<tr>
<td>5.</td>
<td>United State of America</td>
<td>13</td>
<td>2,686</td>
<td>32.61</td>
</tr>
</tbody>
</table>

Table 8: Currency rate of foreign country
(Source: Kasikorn Bank Thailand, as at 14 May 2010)

Follow the leader: Thailand gains the most benefit from ACFTA in electronic section as a consequence of being one of the largest producers for electronic devices. As Thailand equipped with the competitive advantage, for example, best location in logistic, custom clearance, good allocation in resources, low labor cost, good image of Thai products and
strong support from the government, so it is a place that attracted other countries. Moreover, the emergence of ACFTA is one factor that boosts the follower not only from domestic and also from other countries to invest more. As we seen from the amount of investment capital is higher than the last period.

**Cross Investment:** With the advantage from cross investment, which occurs from ACFTA, it creates opportunity for investors to invest in oversea. Thailand obtains benefit from this matter due to other nations can move capital investment to Thailand and at the same time Thailand can move to other countries in order to learn knowledge and seek for resources. With the alliance strategies, it will enhance efficiency and productivity occurring among group of members.

From the reason above, ACFTA generates several investment approaches to both domestic and international investors. Then, the authors will analyze the agent and opportunities in structuration theory.

### 5.4 ACFTA as opportunities of Thai electronic component business; Structuration theory

According to this research, the joint of ACFTA agreement is confined the area in ASEAN and China. Thai electronics owner is acted as reflexive agent or an actor which is seeking for an opportunity from the approaching of ACFTA. The opportunity is created through the free trade agreement which light up the way for the sellers and customers to trade goods across the borders without tax paid. This is how the opportunity is being discovered.

Based on Thai electronic industries, the effect of ACFTA made the electronic product gained the highest market share which accounted for 10.37% among the total of all sectors in 2009. With the opportunity relative to ACFTA, ASEAN and China has consumed the most of Thai made electronic product with the exported value of US$ 9.2 billion in 2009. Moreover the benefits of ACFTA also expands the market distribution channels in which Thailand do not need to depend on one market alone since purchase of raw material for electronic component is now widespread, and do not rely on only one supplier anymore. As Thai electronic owners and investors are both gained the benefits from the opportunity of ACFTA such a direct and indirect ways and this is how the opportunities is exploited. For the direct way, the export of Thai electronic product can penetrate through other market in ASEAN and China more easily. Moreover Thailand has a low labor cost and acceptable of product quality, for these reasons it could bring more investors to invest in Thailand in consecutively, it would rise up the Thai economy in return as an indirect way, also the improvement of technology which comes along with the new foreign investors, Thai people will also gain the new knowledge of new technology vice versa.

The opportunity from ACFTA is also supported by Thai government in which it offers the tax reduction in the role of Board of Investment. In accordingly, Thai government has paved the way in excellence infrastructure. By these advantages, Thai electronic owner gains the benefits from this opportunity as it seeks out for competitive advantages.
5.5 Analysis impacts to electronic components business under ACFTA

The authors summarize “strength”, “weakness”, “opportunity” and “threat” that affect to electronic component industry in Thailand, which are shown as follow;

5.5.1 Strength

The objective of strength analysis is to verify the potential of Thai electronics industries related to the center of ACFTA. Thai industrial has strengthened since the exported product has lifted up the scale of economic. Based on this analysis, the authors indicate the strengths of Thai electronic component industry as below.

- Good product quality: Thailand is known for producing good quality of products as it can be measured by the increase in sale value of Thai exported product. Therefore, this will shift up the product demand from the market expanding to ACFTA. The electronic product from Thailand has met the standard of ISO which is approved in the worldwide standard.
- Low labor cost: Compared to other countries, relatively in Thailand has abundant labor force available for production. Also the quality of labor is well educated enhancing the effective of the production.
- The largest production base for electronic components: Hence Thailand can produce the electronic product in low cost and reliable in quality. Product of Thailand is accepted for the international standard as well as the advance in technology increases the capacity for productivity in order to meet the huge demands for domestic and international as a result Thailand has a largest production base for electronic components.
- Low cost of purchasing material: Some of resources used for producing the electronic components can be obtained internally (Internalization). The variety from opened markets gives more options to the company to select the lowest cost of raw material.

5.5.2 Weakness

The objective of weakness analysis is to verify the obstacles that Thai electronics industries are confronting under the pressure from ACFTA. The company has yet reduced vulnerability. In order to acquire the largest market share and gain the competitive advantages, these weaknesses should be overcome by applying some strategies to not lose advantage over the others.

From the analysis, the authors indicate the weaknesses of Thai electronic component industry as below.

- Relatively higher labor cost: In comparison with Chinese labor due to the Chinese labor is quite slightly cheaper than Thai labor.
- Import raw material: Some raw materials are still need to be import for other countries as it lacks of ability to produce some components in-house.
• Insufficient of Research and Development: There is no capital support for the Research & Development area, so Thailand cannot create their new invention in order to implement a new innovation without the necessity support in capital from the government. There is no inspiration for Research & Development due the electronics product has a short product life cycle.

• Short product life cycle for electronics product: The electronics product has a short product life cycle, so the cost of electronics product tends to lose its price in a rapid time. For reality, the old technology is always replaced by new technology, so as electronics product.

5.5.3 Opportunity

The objective of opportunity analysis is to verify the possible advantages from ACFTA that could be beneficial to Thai electronic component investors. As a result, it helps Thailand to increase the rate of economic growth.

From the analysis, the authors indicate the opportunities of Thai electronic component industry as below.

• Market Diversification: The expansion of the new market area reduces the dependence on only one market itself due to FTA approach.

• The currency exchange: The weak in Thai currency exchange influences to increase the purchase power from the international buyers, consequently increased in profitability.

• Government support: From Government support is providing a privilege to the company (Fabrinet) for 50 percent reduction of import duty on machinery and corporate income tax exemption for 3 years and exemption of import duty on raw material that is used in manufacturing process for exported products for 1 year (Appendix F, BOI) as a consequence, it increases investment inflow and outflow. Government also encourages the export expansion in enhancing the economic growth by opening the training center on exports matters, to consult directly for the exported business. Moreover, the protecting selective industries advocating by government as well.

• Acceleration of the process of globalization due to the world economics: Make the world is more connected increasing the market expansion.

• Removing of Tariff: The rate of demand is increased as the tariff is no longer conducted. Meanwhile, the inflow of cash into country is increasing.

• Oil price: Reduce in oil price effect the manufacturing cost to reduce such as cost of shipping.

• Joint venture between China and Thailand: Increase in advance technology inflow, as Thailand could achieve the new form of technology along with the experience in new knowledge by the joint between China and Thailand.
5.5.4 Threat

The objective of opportunity analysis is to verify the possible disadvantages from ACFTA that have frightened the investors and owner of Thai electronic components from enjoying the benefits of ACFTA. These threats interfere the owners/investors of electronics components in achieving the goals.

From the analysis, the authors indicate the threats of Thai electronic components industry as below.

- The high in competitors: Removing of tariff, increase in number of competitors. The manufactures are likely to move to the country that has sufficient in resources as well as a large customer base. As a result, the high competitive in price since the variety of markets are now entering into ACFTA.

- Standard of product: Once the ACFTA is assigned, the adjustable in product quality is most strictly concerned. To achieve the international approve in product quality, the product must obligate to law and regulation of the international standard, so the product quality is lifted up than it’s usually being.

- Financial crisis: From the world crisis, it impacts in all the business sectors as well as electronic business. It’s definitely decreased the sales volume since it reduces the purchasing power from consumers.

- Thai political problem: This reduces the confidence of investors to invest in Thailand and if this is protracted in the long run, it would affect Thai economy to downturn. The foreign investors would invest into other country that they feel more comfort to sustain their beneficial.

All in all, the authors summarize strength, weakness, opportunity and threat affecting from ACFTA agreement for Thai electronic component business in the table below;
### Table 9: Strength, Weakness, Opportunity and Threat analysis for Thai electronic component industries

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
<th>Opportunity</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Raw materials / Parts</strong></td>
<td>- Skilled labor. (Ability to produce the quality of raw materials)</td>
<td>- Lack of ability to produce some components in-house (lack of advance technology) - Insufficient R&amp;D personnel - Unavailable/insufficient in some resources.</td>
<td>-Lower import duty rate - Variety of suppliers</td>
</tr>
<tr>
<td><strong>Production process</strong></td>
<td>- Have good quality control. - The supporting industries (for appliances) are quite complete. - Have potential to replace imports and product development. - Patent in Finished goods product.(Intellectual Property Protection)</td>
<td>- International factors play significant role in manufacturing and technology. - Product’s characteristic causes short product life cycle. (Product has changed rapidly and price of product tend to be decrease continuously).</td>
<td>- Move the manufacturing base to China to reduce cost of production and expand the market. - Ability to produce high value product</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
<td>- Multinational companies in Thailand play significant role in distribution. - Low cost in logistic</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Research &amp; Development</strong></td>
<td></td>
<td>- No support from the government in research and development. - No R&amp;D inspiration due to short of product life cycle</td>
<td>- Joint venture between Thailand and China has become more in common in terms of production and distribution. (shared the knowledge of technology)</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>- Support from the government in increasing investment inflow and outflow. (BOI support) (Training center &amp; Consult for exported business)</td>
<td></td>
<td>- Improvement of product quality from corporate with China (Capital and Technology)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Expansion of the market area - The Weak of Thai currency exchange which influences the increase in purchasing</td>
<td>- Thai politic problem is a obstacle for investors</td>
</tr>
</tbody>
</table>
Chapter 6 Discussion and Recommendation

6.1 Discussion

From this research, the authors have acquired new knowledge in which can be categorized into three aspects regarding to the affect from Asian-China Free Trade agreement. Accordingly, the impact of ACFTA has such a potential influencing the investment in all business types especially in electronic sectors as well as creating both advantages and disadvantages based on initial stage, adaptation stage and expansion stage. So far, the information that has been analyzed by the authors is now being the guidelines in terms of market direction and business plan for domestic and international investors.

At initial stage: The opportunity creates through the ACFTA for the investors who are interested in initiating their new business in Thailand from the remove of tariff and provide the opportunity for diverse business. For the Thai electronic component business perspective, the advantages can be brought from several supports to generate opportunities in many aspects such as investment, production process, and distribution which result from comparative advantage in terms of skilled labor, product quality, government supporting. All of these create capability and pave the way for initiating business in Thailand and Asian region.

At Adaptation stage: The impacts of ACFTA bring about positive and negative aspects to manufactures and traders. In order to sustain their potential and create opportunities occurring from the agreement, they have to adapt business strategies and management skills in terms of human resources development such as marketing, labor skill and production process such as cost reduction, improve product quality. However, cost of improvement will be spent in order to adapt to reach the circumstances.

At Expansion stage: Spread out to new market is one benefit that companies can take from joining ACFTA from tariff elimination among nations creating opportunities in terms of investment flow, raw material accessibility, technology learning. Nevertheless, Thailand’s infrastructure has not yet supported compare with China and Singapore that which is a hindrance for foreign investors.

All in all, ACFTA brings about advantages and disadvantages in several aspects as mentioned above. However, if entrepreneurs and industrialists realize the potential effect and take advantages from the agreement, it can create opportunities to the business.
6.2 Recommendation

The authors viewed that the advancement of technology is significantly important in order to compete with other nations. Thailand should have incentive to implement new advance technology by supports from the government, as it should be focused in the area of research and development in offering a capital to be a great inspiration for initiate to create such a thing. Furthermore, the emergence of new business companies should have an alliance with other international company in order to get the wide access connected to variety of markets. As a result, it could reduce the time to penetrate to new market formality. The government should settle the problems that relative to political issue because it will undermine the confidence of foreign investors as well as distort the image of the country which might lose the inflow of investment. However, the management in human resource is most critical as the quality of product comes from the quality of people. The entry of ACFTA provides more channels in marketing, the diversification of marketing strategies should then be implemented in order to compete with other competitors. In a mean while, if any business has a good ability in encountering with ACFTA along with effectiveness in market strategies, it would enjoy the benefits of ACFTA as well as increase the economic scale for that country as a whole.
References

Articles


Online


Appendix

Appendix A: Interview Questions

Interview Questions

- What type of your business? Export or Import? Manufacturing or Trading?
- What kind of products does your company provide?
- How many years has your company been established?
- How many countries do you deal business with? Have you ever exported your products to China?
- Does your company totally understand about ACFTA (ASEAN China-FTA)?
- Does your company have any effects from ACFTA? What kind of effects do you encounter with?
- In financial aspects, ACFTA effect to your financial status in what way(s)?
- In your opinion, what are the benefits that your company has perceived from ACFTA?
- In your opinion, what are the problems that have impact to your company related to ACFTA?
- Have you set any strategies to handle with the ACFTA? If yes, what are your strategies?
- In your opinion, Does ACFTA has an impact on investment in Thailand.
- How ACFTA generates opportunities to your company?
- How ACFTA generates opportunities to your opponents?
- How ACFTA generates threats to your company?
- How ACFTA generates threats to your opponents?
- For your field of business, what strength do you think Thailand have over China?
- For your field of business, what strength do you think China have over Thailand?
Appendix B: Fabrinet products

All of their products are qualified by ISO Certified Operations:
ISO 9001:2000 Manufacturing Quality Systems
ISO 14001 Environmental management Systems
ISO/TS 16949:2002 Automotive Industry Quality Certification
ISO 13485 Medical Device Quality Certification
TL 9000 Telecommunication Quality System

Product lines include:
Laser crystals
Nonlinear crystals, birefringent crystals
Diode pumped microchip (DPM) crystal assemblies for commercial laser systems, instrument systems
Diode pumped solid state (DPSS) laser module applications
Telecommunication passive devices
Ferrules and Alignment Sleeves
Tubing
Vitrotubes™ (hollow rectangle capillaries)
VitroCells™ (precision glass capillary tubes)
Rectangle and Square Cells
Rectangle Glass Microslides
Micro-Capillary Sample Kits
Core Tubes
Precision Optics Capabilities include:
Optical window, prism
Waveplates, mirror, IR cut fiber and OLPF filter
Lenses
C-lens
Grin lens
Beamsplitter
Light pipe and optical component assemblies for market applications in DVD optical pickups
Digital camera
Surveying instruments
Instrumentation
Semiconductor equipment, medical instruments
Telecom optical devices
Projection displays applications
Appendix C: SMTV Home Electric products

SMTV Product lines include:
- LCD TV, Plasma TV, LED TV
- CTV, Slimfit TV
- DVD player
- Camcorder
- Audio, Home Theater
- Video Projector
- Refrigerator 1 door – 6 doors
- Freezer & Wine Keeper
- Washing Machine
- Microwave Oven
- Air Condition
- Air Curtain
- Air Purifier
- Ventilation Fan
- Electric Fan
- Vacuum Cleaner
- Water Heater
- Rice Cooker
- Hot Pot
- Electric Pan
- Electric Iron
- Blender
- Pump
- Wall Mount LCD, Plasma

The Brands cover:
Appendix D: History of Free Trade Area

Base on “Association of Southeast Asian Nations” website, “On 8 August 1967, five leaders - the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand - sat down together in the main hall of the Department of Foreign Affairs building in Bangkok, Thailand and signed a document. By virtue of that document, the Association of Southeast Asian Nations (ASEAN) was born. The five Foreign Ministers who signed it - Adam Malik of Indonesia, Narciso R. Ramos of the Philippines, Tun Abdul Razak of Malaysia, S. Rajaratnam of Singapore, and ThanatKhoman of Thailand - would subsequently be hailed as the Founding Fathers of probably the most successful inter-governmental organization in the developing world today. And the document that they signed would be known as the ASEAN Declaration. It was a short, simply-worded document containing just five articles. It declared the establishment of an Association for Regional Cooperation among the Countries of Southeast Asia to be known as the Association of Southeast Asian Nations (ASEAN) and spelled out the aims and purposes of that Association. These aims and purposes were about cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter. It stipulated that the Association would be open for participation by all States in the Southeast Asian region subscribing to its aims, principles and purposes. It proclaimed ASEAN as representing "the collective will of the nations of Southeast Asia to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom and prosperity."”

“It was while Thailand was brokering reconciliation among Indonesia, the Philippines and Malaysia over certain disputes that it dawned on the four countries that the moment for regional cooperation had come or the future of the region would remain uncertain. Recalls one of the two surviving protagonists of that historic process, ThanatKhoman of Thailand: "At the banquet marking the reconciliation between the three disputants, I broached the idea of forming another organization for regional cooperation with Adam Malik. Malik agreed without hesitation but asked for time to talk with his government and also to normalize relations with Malaysia now that the confrontation was over. Meanwhile, the Thai Foreign Office prepared a draft charter of the new institution. Within a few months, everything was ready. I therefore invited the two former members of the Association for Southeast Asia (ASA), Malaysia and the Philippines, and Indonesia, a key member, to a meeting in Bangkok. In addition, Singapore sent S. Rajaratnam, then Foreign Minister, to see me about joining the new set-up. Although the new organization was planned to comprise only the ASA members plus Indonesia, Singapore's request was favorably considered."

“And so in early August 1967, the five Foreign Ministers spent four days in the relative isolation of a beach resort in Bang Saen, a coastal town less than a hundred kilometers southeast of Bangkok. There they negotiated over that document in a decidedly informal manner which they would later delight in describing as "sports-shirt diplomacy." Yet it was by no means an easy process: each man brought into the deliberations a historical and political perspective that had no resemblance to that of any of the others. But with goodwill and good humor, as often as they huddled at the negotiating table, they finessed their way through their differences as they lined up their shots on the golf course and
traded wisecracks on one another's game, a style of deliberation which would eventually become the ASEAN ministerial tradition."

"Now, with the rigors of negotiations and the informalities of Bang Saen behind them, with their signatures neatly attached to the ASEAN Declaration, also known as the Bangkok Declaration, it was time for some formalities. The first to speak was the Philippine Secretary of Foreign Affairs, Narciso Ramos, a one-time journalist and long-time legislator who had given up a chance to be Speaker of the Philippine Congress to serve as one of his country's first diplomats. He was then 66 years old and his only son, the future President Fidel V. Ramos, was serving with the Philippine Civic Action Group in embattled Vietnam. He recalled the tediousness of the negotiations that preceded the signing of the Declaration that "truly taxed the goodwill, the imagination, the patience and understanding of the five participating Ministers." That ASEAN was established at all in spite of these difficulties, he said, meant that its foundations had been solidly laid. And he impressed it on the audience of diplomats, officials and media people who had witnessed the signing ceremony that a great sense of urgency had prompted the Ministers to go through all that trouble. He spoke darkly of the forces that were arrayed against the survival of the countries of Southeast Asia in those uncertain and critical times."

""The fragmented economies of Southeast Asia," he said, "(with) each country pursuing its own limited objectives and dissipating its meager resources in the overlapping or even conflicting endeavors of sister states carry the seeds of weakness in their incapacity for growth and their self-perpetuating dependence on the advanced, industrial nations. ASEAN, therefore, could marshal the still untapped potentials of this rich region through more substantial united action.""

"When it was his turn to speak, Adam Malik, Presidium Minister for Political Affairs and Minister for Foreign Affairs of Indonesia, recalled that about a year before, in Bangkok, at the conclusion of the peace talks between Indonesia and Malaysia, he had explored the idea of an organization such as ASEAN with his Malaysian and Thai counterparts. One of the "angry young men" in his country's struggle for independence two decades earlier, Adam Malik was then 50 years old and one of a Presidium of five led by then General Soeharto that was steering Indonesia from the verge of economic and political chaos. He was the Presidium's point man in Indonesia's efforts to mend fences with its neighbors in the wake of an unfortunate policy of confrontation. During the past year, he said, the Ministers had all worked together toward the realization of the ASEAN idea, "making haste slowly, in order to build a new association for regional cooperation.""

"Adam Malik went on to describe Indonesia's vision of a Southeast Asia developing into "a region which can stand on its own feet, strong enough to defend itself against any negative influence from outside the region." Such a vision, he stressed, was not wishful thinking, if the countries of the region effectively cooperated with each other, considering their combined natural resources and manpower. He referred to differences of outlook among the member countries, but those differences, he said, would be overcome through a maximum of goodwill and understanding, faith and realism. Hard work, patience and perseverance, he added, would also be necessary."
"The countries of Southeast Asia should also be willing to take responsibility for whatever happens to them, according to Tun Abdul Razak, the Deputy Prime Minister of Malaysia, who spoke next. In his speech, he conjured a vision of an ASEAN that would include all the countries of Southeast Asia. Tun Abdul Razak was then concurrently his country's Minister of Defence and Minister of National Development. It was a time when national survival was the overriding thrust of Malaysia's relations with other nations and so as Minister of Defence, he was in charge of his country's foreign affairs. He stressed that the countries of the region should recognize that unless they assumed their common responsibility to shape their own destiny and to prevent external intervention and interference, Southeast Asia would remain fraught with danger and tension. And unless they took decisive and collective action to prevent the eruption of intra-regional conflicts, the nations of Southeast Asia would remain susceptible to manipulation, one against another." (http://www.aseansec.org/7069.htm)

"We the nations and peoples of Southeast Asia," Tun Abdul Razak said, "must get together and form by ourselves a new perspective and a new framework for our region. It is important that individually and jointly we should create a deep awareness that we cannot survive for long as independent but isolated peoples unless we also think and act together and unless we prove by deeds that we belong to a family of Southeast Asian nations bound together by ties of friendship and goodwill and imbued with our own ideals and aspirations and determined to shape our own destiny". He added that, "with the establishment of ASEAN, we have taken a firm and a bold step on that road". (http://www.aseansec.org/7069.htm)

"For his part, S. Rajaratnam, a former Minister of Culture of multi-cultural Singapore who, at that time, served as its first Foreign Minister, noted that two decades of nationalist fervor had not fulfilled the expectations of the people of Southeast Asia for better living standards. If ASEAN would succeed, he said, then its members would have to marry national thinking with regional thinking. "We must now think at two levels," Rajaratnam said. "We must think not only of our national interests but posit them against regional interests: that is a new way of thinking about our problems. And these are two different things and sometimes they can conflict. Secondly, we must also accept the fact, if we are really serious about it, that regional existence means painful adjustments to those practices and thinking in our respective countries. We must make these painful and difficult adjustments. If we are not going to do that, then regionalism remains a utopia." S. Rajaratnam expressed the fear, however, that ASEAN would be misunderstood. "We are not against anything", he said, "not against anybody". And here he used a term that would have an ominous ring even today: balkanization. In Southeast Asia, as in Europe and any part of the world, he said, outside powers had a vested interest in the balkanization of the region. "We want to ensure," he said, "a stable Southeast Asia, not a balkanized Southeast Asia. And those countries who are interested, genuinely interested, in the stability of Southeast Asia, the prosperity of Southeast Asia, and better economic and social conditions, will welcome small countries getting together to pool their collective resources and their collective wisdom to contribute to the peace of the world." (http://www.aseansec.org/7069.htm)

"The goal of ASEAN, then, is to create, not to destroy. This, the Foreign Minister of Thailand, ThanatKhoman, stressed when it was his turn to speak. At a time when the Vietnam conflict was raging and American forces seemed forever entrenched in
Indochina, he had foreseen their eventual withdrawal from the area and had accordingly applied himself to adjusting Thailand's foreign policy to a reality that would only become apparent more than half a decade later. He must have had that in mind when, on that occasion, he said that the countries of Southeast Asia had no choice but to adjust to the exigencies of the time, to move toward closer cooperation and even integration. Elaborating on ASEAN objectives, he spoke of "building a new society that will be responsive to the needs of our time and efficiently equipped to bring about, for the enjoyment and the material as well as spiritual advancement of our peoples, conditions of stability and progress. Particularly what millions of men and women in our part of the world want is to erase the old and obsolete concept of domination and subjection of the past and replace it with the new spirit of give and take, of equality and partnership. More than anything else, they want to be master of their own house and to enjoy the inherent right to decide their own destiny ..." (http://www.aseansec.org/7069.htm)

“While the nations of Southeast Asia prevent attempts to deprive them of their freedom and sovereignty, he said, they must first free themselves from the material impediments of ignorance, disease and hunger. Each of these nations cannot accomplish that alone, but by joining together and cooperating with those who have the same aspirations, these objectives become easier to attain. Then ThanatKhoman concluded: "What we have decided today is only a small beginning of what we hope will be a long and continuous sequence of accomplishments of which we ourselves, those who will join us later and the generations to come, can be proud. Let it be for Southeast Asia, a potentially rich region, rich in history, in spiritual as well as material resources and indeed for the whole ancient continent of Asia, the light of happiness and well-being that will shine over the uncounted millions of our struggling peoples.”” (http://www.aseansec.org/7069.htm)

“The Foreign Minister of Thailand closed the inaugural session of the Association of Southeast Asian Nations by presenting each of his colleagues with a memento. Inscribed on the memento presented to the Foreign Minister of Indonesia, was the citation, “In recognition of services rendered by His Excellency Adam Malik to the ASEAN organization, the name of which was suggested by him.”” (http://www.aseansec.org/7069.htm)

“And that was how ASEAN was conceived, given a name, and born. It had been barely 14 months since ThanatKhoman brought up the ASEAN idea in his conversations with his Malaysian and Indonesian colleagues. In about three more weeks, Indonesia would fully restore diplomatic relations with Malaysia, and soon after that with Singapore. That was by no means the end to intra-ASEAN disputes, for soon the Philippines and Malaysia would have a falling out on the issue of sovereignty over Sabah. Many disputes between ASEAN countries persist to this day. But all Member Countries are deeply committed to resolving their differences through peaceful means and in the spirit of mutual accommodation. Every dispute would have its proper season but it would not be allowed to get in the way of the task at hand. And at that time, the essential task was to lay the framework of regional dialogue and cooperation.” (http://www.aseansec.org/7069.htm)

“The two-page Bangkok Declaration not only contains the rationale for the establishment of ASEAN and its specific objectives. It represents the organization’s modus operandi of

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School of Sustainable Development of Society and Technology, Mälardalen University, Västerås, Sweden
building on small steps, voluntary, and informal arrangements towards more binding and institutionalized agreements. All the founding member states and the newer members have stood fast to the spirit of the Bangkok Declaration. Over the years, ASEAN has progressively entered into several formal and legally-binding instruments, such as the 1976 Treaty of Amity and Cooperation in Southeast Asia and the 1995 Treaty on the Southeast Asia Nuclear Weapon-Free Zone.](http://www.aseansec.org/7069.htm)

“Against the backdrop of conflict in the then Indochina, the Founding Fathers had the foresight of building a community of and for all Southeast Asian states. Thus the Bangkok Declaration promulgated that “the Association is open for participation to all States in the Southeast Asian region subscribing to the aforementioned aims, principles and purposes.” ASEAN’s inclusive outlook has paved the way for community-building not only in Southeast Asia, but also in the broader Asia Pacific region where several other inter-governmental organizations now co-exist.”](http://www.aseansec.org/7069.htm)

“The original ASEAN logo presented five brown sheaves of rice stalks, one for each founding member. Beneath the sheaves is the legend "ASEAN" in blue. These are set on a field of yellow encircled by a blue border. Brown stands for strength and stability, yellow for prosperity and blue for the spirit of cordiality in which ASEAN affairs are conducted. When ASEAN celebrated its 30th Anniversary in 1997, the sheaves on the logo had increased to ten - representing all ten countries of Southeast Asia and reflecting the colors of the flags of all of them. In a very real sense, ASEAN and Southeast Asia would then be one and the same, just as the Founding Fathers had envisioned.”](http://www.aseansec.org/7069.htm)

“This article is based on the first chapter of ASEAN at 30, a publication of the Association of Southeast Asian Nations in commemoration of its 30th Anniversary on 8 August 1997, written by JamilMaidan Flores and Jun Abad. Further readings in ASEAN History:”](http://www.aseansec.org/7069.htm)

ThanatKhoman, "ASEAN Conception and Evolution", in the ASEAN Reader, Institute of Southeast Asian Studies, Singapore, 1992.](http://www.aseansec.org/7069.htm)

Appendix E: The amount of exporting products in Thailand

Export products of Thailand during year 2005-2009

![Graph showing export trends](image)

**Figure 9:** Main export products of Thailand during year 2005 - 2009
*(source: Division of Information Technology and Communication, Ministry of Commerce, Thailand)*

<table>
<thead>
<tr>
<th>Product/Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer and components</td>
<td>474,445.19</td>
<td>565,806.93</td>
<td>587,059.91</td>
<td>605,313.98</td>
<td>545,521.33</td>
</tr>
<tr>
<td>Automotive equipment and components</td>
<td>310,316.53</td>
<td>362,374.31</td>
<td>447,109.39</td>
<td>513,154.20</td>
<td>378,374.77</td>
</tr>
<tr>
<td>Gems and Jewelry</td>
<td>129,339.28</td>
<td>139,864.58</td>
<td>185,149.57</td>
<td>274,093.15</td>
<td>333,719.63</td>
</tr>
<tr>
<td>Circuit boards</td>
<td>238,454.60</td>
<td>267,598.31</td>
<td>290,349.51</td>
<td>237,972.57</td>
<td>219,508.87</td>
</tr>
<tr>
<td>Oil (cooking)</td>
<td>94,995.55</td>
<td>138,785.62</td>
<td>140,716.09</td>
<td>259,739.09</td>
<td>184,670.58</td>
</tr>
<tr>
<td>Rice</td>
<td>92,993.72</td>
<td>98,179.00</td>
<td>119,215.43</td>
<td>203,219.08</td>
<td>172,207.65</td>
</tr>
</tbody>
</table>

**Table 10:** Main export products of Thailand during year 2005 - 2009
*(Source: Division of Information Technology and Communication, Ministry of Commerce, Thailand)*
Growth rate in percentage during year 2005-2009

![Growth rate](image)

**Figure 10**: Growth rate in percentage of Thailand export products during year 2005 – 2009 (Source: Division of Information Technology and Communication, Ministry of Commerce, Thailand)

<table>
<thead>
<tr>
<th>Product/Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer and components</td>
<td>28.62</td>
<td>19.26</td>
<td>5.52</td>
<td>1.38</td>
<td>-9.88</td>
</tr>
<tr>
<td>Automotive equipment and components</td>
<td>40.54</td>
<td>16.78</td>
<td>23.38</td>
<td>14.77</td>
<td>-26.26</td>
</tr>
<tr>
<td>Gems and Jewelry</td>
<td>21.7</td>
<td>8.14</td>
<td>32.38</td>
<td>48.04</td>
<td>21.75</td>
</tr>
<tr>
<td>Circuit boards</td>
<td>21.39</td>
<td>12.22</td>
<td>8.5</td>
<td>-18.04</td>
<td>-7.76</td>
</tr>
<tr>
<td>Oil (cooking)</td>
<td>33.66</td>
<td>46.1</td>
<td>1.39</td>
<td>84.58</td>
<td>-28.9</td>
</tr>
<tr>
<td>Rice</td>
<td>-14.16</td>
<td>5.58</td>
<td>21.43</td>
<td>70.46</td>
<td>-15.26</td>
</tr>
</tbody>
</table>

**Table 11**: Growth rate in percentage of Thailand export products during year 2005 – 2009 (Source: Division of Information Technology and Communication, Ministry of Commerce, Thailand)
Appendix F: BOI privileges by location

Investment Zones have long been used to support government goals in decentralizing Thailand’s industrial base. In line with the government policy of decentralization from the Bangkok Metropolitan Area, the BOI announced new “policies and Criteria for Investment Promotion” since April, 1993, creating three Investment Promotion Zones throughout Thailand.

The quotation below represents the privilege areas for BOI.

Projects in Zone 1 are granted:

- “50 per cent reduction of import duty on machinery that is subject to import duty of not less than 10 percent.
- Corporate income tax exemption for 3 years for projects located within industrial estates or promoted industrial zones, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, otherwise the corporate income tax exemption will be reduced by 1 year.
- Exemption of import duty on raw or essential materials used in the manufacturing of export products for 1 year.”

(http://www.boi.go.th/english/about/boi_privileges_by_location.asp)
Projects in Zone 2 (excluding Laem Chabung Industrial Estate and industrial estates and promoted industrial zones in Rayong Province) are granted:

* Fifty percent reduction of import duties on machinery that is subject to import duty of not less than 10 percent and * exemption of import duty on machinery for projects located within industrial estates or promoted industrial zone;
* Corporate income tax exemption for 3 years, * increased to seven years for projects located within industrial estates or promoted industrial zones, provided that projects with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within two years of their start-up date, otherwise the corporate income tax exemption will be reduced by one year.
* Exemption on import duties on raw or essential materials used in the manufacturing of export products by one year.”
(http://www.boi.go.th/english/about/boi_privileges_by_location.asp)

Projects in Zone 3 (including Laem Chabung Industrial Estate and industrial estates and promoted industrial zones in Rayong Province) are granted:

* Exemption of import duty on machinery.
* Corporate income tax exemption for 8 years provided that a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up-date, otherwise the corporate income tax exemption will be reduced by 1 year.
* Exemption of import duty exemption on raw or essential materials used in the manufacturing of export products for 5 years.
* Deduction from net profit of 25 percent of the project's infrastructure installation or construction costs in addition to normal depreciation, and such deductions can be made from the net profit of one or several years within 10 years form the date of first revenue derived from the promoted activity.”
(http://www.boi.go.th/english/about/boi_privileges_by_location.asp)
Appendix G: Employment rate

After the validation of ACFTA, Thailand’s employment rate in Manufacturing has increased, which the rate in February 2010 has shown the highest amount for this sector along the past years.

<table>
<thead>
<tr>
<th></th>
<th>Feb 10</th>
<th>Jan 10</th>
<th>Dec 09</th>
<th>Nov 09</th>
<th>Oct 09</th>
<th>Sep 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>6,085.14</td>
<td>5,626.60</td>
<td>5,225.83</td>
<td>5,465.79</td>
<td>5,821.98</td>
<td>5,706.13</td>
</tr>
</tbody>
</table>

Table 12: Thailand employment rate in manufacturing field (Source: National Statistical Office Thailand)
## Appendix H: 2010 Minimum Daily Wages

### 2010 Minimum Daily Wage

<table>
<thead>
<tr>
<th>Baht</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>206</td>
<td>Bangkok and Samut Prakan</td>
</tr>
<tr>
<td>205</td>
<td>Nakorn Pratom, Nonthaburi, Pathum Thani and Samut Sakhon</td>
</tr>
<tr>
<td>204</td>
<td>Phuket</td>
</tr>
<tr>
<td>184</td>
<td>Chonburi and Saraburi</td>
</tr>
<tr>
<td>181</td>
<td>Ayutthaya</td>
</tr>
<tr>
<td>180</td>
<td>Chachoengsao</td>
</tr>
<tr>
<td>178</td>
<td>Rayong</td>
</tr>
<tr>
<td>173</td>
<td>Nakhon Ratchasima, Pang-nga and Ranong</td>
</tr>
<tr>
<td>171</td>
<td>Chiang Mai</td>
</tr>
<tr>
<td>170</td>
<td>Krabi, Prachinburi and Lopburi</td>
</tr>
<tr>
<td>169</td>
<td>Kanchanaburi</td>
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<td>Petchaburi</td>
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<td>Singhaburi and Angthong</td>
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<td>Prachaub Khiri Khan</td>
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<td>Loei, Samut Songcram and Sa Kaeo</td>
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<td>Kamphaeng Phet, Chai Nnat, Nakhon Sawan, Suphanburi and Uthai Thani</td>
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<td>Nakhon Phanom, Phetchabun, Mukdahan and Amnat Charoen</td>
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<td>Tak, Phitsanulok, Sukothai, Surin and Uttrakadit</td>
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<td>Nan and Si Saket</td>
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<td>Phayao, Pichit, Phrae and Mae Hong Son</td>
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*Table 13: Minimum wages 2010  
(Source: Ministry of Labor, as of January 2010)*
Appendix I: Timeline for the research paper

<table>
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<th>Process</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
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<td>1) Define Topic</td>
<td>- Define topic area</td>
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<td></td>
<td>- Define research question</td>
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<tr>
<td></td>
<td>- Planning methods</td>
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<td>2) Introduction</td>
<td>- Define introduction, problem statement, purpose of study, scope of research, target audience, disposition</td>
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<td>3) Literature Review</td>
<td>- Define theory</td>
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<tr>
<td></td>
<td>- Search for ACFTA information</td>
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<tr>
<td>4) Methods</td>
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<td>- Design Conceptual Framework</td>
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<td>5) Empirical Finding</td>
<td>- Interview</td>
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<td></td>
<td>- Gathering information</td>
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<td>6) Analysis</td>
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<td>7) Discussion</td>
<td>- Conclude discussion</td>
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<td>- Prepare presentation</td>
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<td></td>
<td>- Group opposition</td>
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</tbody>
</table>

Table 14: Time planning for study

Appendix J: List of abbreviations and definition

ACFTA: Asean-China Free Trade Area

AEC: ASEAN Economic Community

AFTZ: African Free Trade Zone

ASEAN: Association of Southeast Asian nations

BITs: Bilateral investment treaties

BOI: Board of Investment

CAP: Certificate of Approval for Protection
CEFTA: Central European Free Trade Agreement

FDI: Foreign Direct Investment

FTA: Free Trade Area

GDP: Gross Domestic Product

MNEs: Multinational Enterprises

NAFTA: North America Free Trade Area

NPI: New Product Introduction

PTA: Preferential Trade Agreement