

Preparing for International Free Trade

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Human resources strategies at both national and company levels are vital to Thailand's ability to compete in global markets. Last week we looked at the implications of globalization for the private sector; this time we expand the scope of discussion to include the role of the public sector.

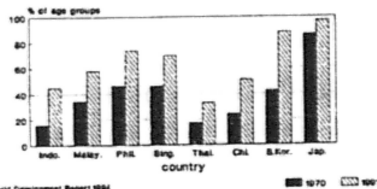
We tap the experience and insight of the same two leading industrialists who helped us before. Here, Khun Chumpol Na Lamlieng, president of Siam Cement Plc., and Khun Prachai Leophairatana, Chief Executive Officer of the Thai Petrochemical Industry Group of Companies, explain how corporate management and government can together ensure that the country makes the most of its trade and investment opportunities.

The time to act is now. We live in a world characterised by rapid change, and only those who are properly prepared can reap the rewards. Those who are not ready are at considerable economic risk.

The Thai style of government planning is markedly different to, and somewhat behind, that of Singapore and even Malaysia, where strategies for competitiveness are given top priority. Our political system does not yet seem capable of being so decisive. And yet, as mentioned before, we Thais have our own surprisingly effective ways of muddling through, and we usually do better than anyone expects. Nevertheless, there is no room for complacency. Non-governmental organisations, business groups, academics and responsible members of the press among others, must combine their strengths and compliment each other's efforts for the long term good of the nation.

Having had a look at the big picture in the first two weeks, we'll be going from the macro to the micro in week 3 and looking at agriculture; the industry on which more Thai livelihoods depend than any other (about 30 million people). As such no-one, not even residents of Bangkok, can afford to ignore the plight of farmers and their families. Unless the standard of rural development and education is raised, our democracy will never be anything but fragile.

% of Age Groups Enrolled in Education (Secondary)



Turning Globalization To Advantage

Government policy, preparation and incentives

Khun Chumpol: Generally speaking the government seems pro-Thai overseas investment. From a financial point of view there are no great obstacles. In fact industry doesn't really need a lot of government help in this respect, the less interference the better. Nevertheless there are legal and regulatory obstacles, such as the over complicated customs regulations and procedures in relation to import tariffs on equipment and components. Where you do encounter difficulties it is hard to know who to turn to for action. In addition, the government may not fully understand that investment is a two way street. For example, the Immigration Department's attitude towards the granting of visas to professionals is outdated. Granting only 15-day visas for businessmen from other Asian countries is impractical. Civil servants think millions of immigrants will come if they relax the regulations even slightly, and this means that in matters of business we are not yet as open as would be to our advantage.

Khun Prachai: I see many relatively minor obstacles along Thailand's path to globalization. For example, our present taxation system effectively penalises international traders. If a businessman wishes to buy goods in Vietnam and sell them in India he has to pay full tax on all income. No tax allowance is made for such offshore transactions. In Singapore the same kind of deal incurs only 1% tax, and as a result international trading is flourishing there and also in Hong Kong. Meanwhile Thailand is missing out. If the government could content itself with the Letter of Credit registration fees, the sheer volume of goods being traded would more than compensate for any tax shortfall.

Other irritations include the difficulty of getting work permits for foreigners and facilitating business travel. I believe we should reach reciprocal agreements with partnership countries like Vietnam whereby visas would not be needed.

Where does AFTA (Asean Free Trade Area) fit into the concept of globalization?

Khun Prachai: In my view AFTA and NAFTA directly contradict the principles of globalization because they represent a factionalization of countries. Globalization is about bringing down the boundaries between nations. Only GATT and the WTO (World Trade Organization); the legislative arm of GATT) are truly globalized organizations. AFTA should be abolished because it is founded on an unworkable and obsolete concept. Instead we should create a customs union of countries which impose the same rates of import tariffs so goods can move freely within the grouping under the same terms.

If AFTA is bad, why don't more businessmen speak up?

Khun Prachai: All true businessmen are against AFTA. The only ones who support it are those who pretend to be businessmen, but actually are not. If you inquire at the various trade associations, no one agrees with it. Under AFTA raw materials are free of import tax in Singapore but not in Thailand. The AFTA system is inequitable. Remember, investment capital is much cheaper in Singapore than in Thailand so if we freely allow the import of Singaporean goods, Thai industries producing for the local market will go bankrupt. The only way Thai producers can compete under such a system is to declare that their goods are intended for export, put them on a ship and send them once around Srichang Island, or pick up some "Made in Singapore" tags, and then re-import the goods tax free. A customs union is different. In such a grouping there are no such things as exports and the only tariffs apply to trade beyond the group. In the end, only this kind of system can work in Thailand's favour.

When will we be ready to open the doors?

Khun Prachai: Given that globalization is unavoidable, it is essential that industry prepares for a gradual opening of the economy. But first industry must acquire the skills necessary for survival

in a freely competitive market, without having to turn to the government for monopolies and tariff barriers as in the past. Industrial groups we consider large within the context of Thailand are small compared to the American and European giants. Our industries must first grow stronger muscles in order to survive in a bigger league. If we are not given enough time, industries will collapse.

In former times cement companies were forbidden to diversify their operations, and the government gave monopolies in other businesses like petrochemicals to different groups. As a result there was no coordination or integration of operations and the expansion of the industrial base was held back. To survive these new trading conditions and achieve the vital economies of scale, forwards, upwards, backwards and every other kind of integration is needed. Without it there is no way we can compete with the foreign multinationals or with countries like Singapore which has fully integrated industries. Put simply, if your competitor drives a 100 HP car you must have one too, because if you only have 10 HP he will run you off the road.

Obviously there is nothing to be gained by letting foreign companies in before our industries are operating efficiently enough to compete with them. There must be time for us to prepare. According to the WTO we have 10 years to get ready. This is not much time and if our human resources and organizational structures are not ready, we will not survive.

Is the government ready for globalization?

Khun Prachai: I think the government is losing too many quality people to the private sector and government service no longer attracts the brightest graduates. Unless wage adjustments are made the government will not have sufficient quality personnel. We should adopt the Singaporean system of reducing the number of civil servants, improving efficiency and offering higher wages. As G.N.P. increases, government employees wages and bonuses should increase proportionately.

Human Resources Development in the Workplace

How are the challenges of international competition being met by management?

Khun Chumpol: In the beginning we had a "learn by doing" approach. We were completely new to the petrochemicals and machinery businesses and there was very little expertise available in the country to help us, so we used mostly on the job training, and expanded knowledge and experi-

ence through rotation of positions. We took people who didn't know anything about the business and gave them a training in technologies and procedures.

Even today Thai industries are still relatively new, but now we really need to upgrade the broad non-specific approach to training into one that is more in depth, so that personnel acquire a really strong understanding of their industry. Fortunately, whereas previously we simply bought know-how from overseas or acquired it through joint ventures, nowadays we are increasingly self-reliant in this respect.

And do Thai companies have the personnel to develop overseas business interests?

Khun Chumpol: As far as overseas postings are concerned, these days Thai students are reluctant to go, while those already there are trying to return to Thailand for good. Thai people hate to be separated from their friends and families. Perhaps we are losing the spirit of adventure.

In the cement business we cannot afford to miss overseas opportunities, and yet there is a shortage of people with a spirit to do something for the good of company. Usually it's more a case of "if they tell me to go, I'll go", but when the order comes their attitude is "why me?"

If there is a positive side to this it may be that we will be forced to develop the human resources in overseas operations more rapidly, perhaps bringing them to Thailand for training.

Next week: The Advantage of Agricultural Sector in Globalization