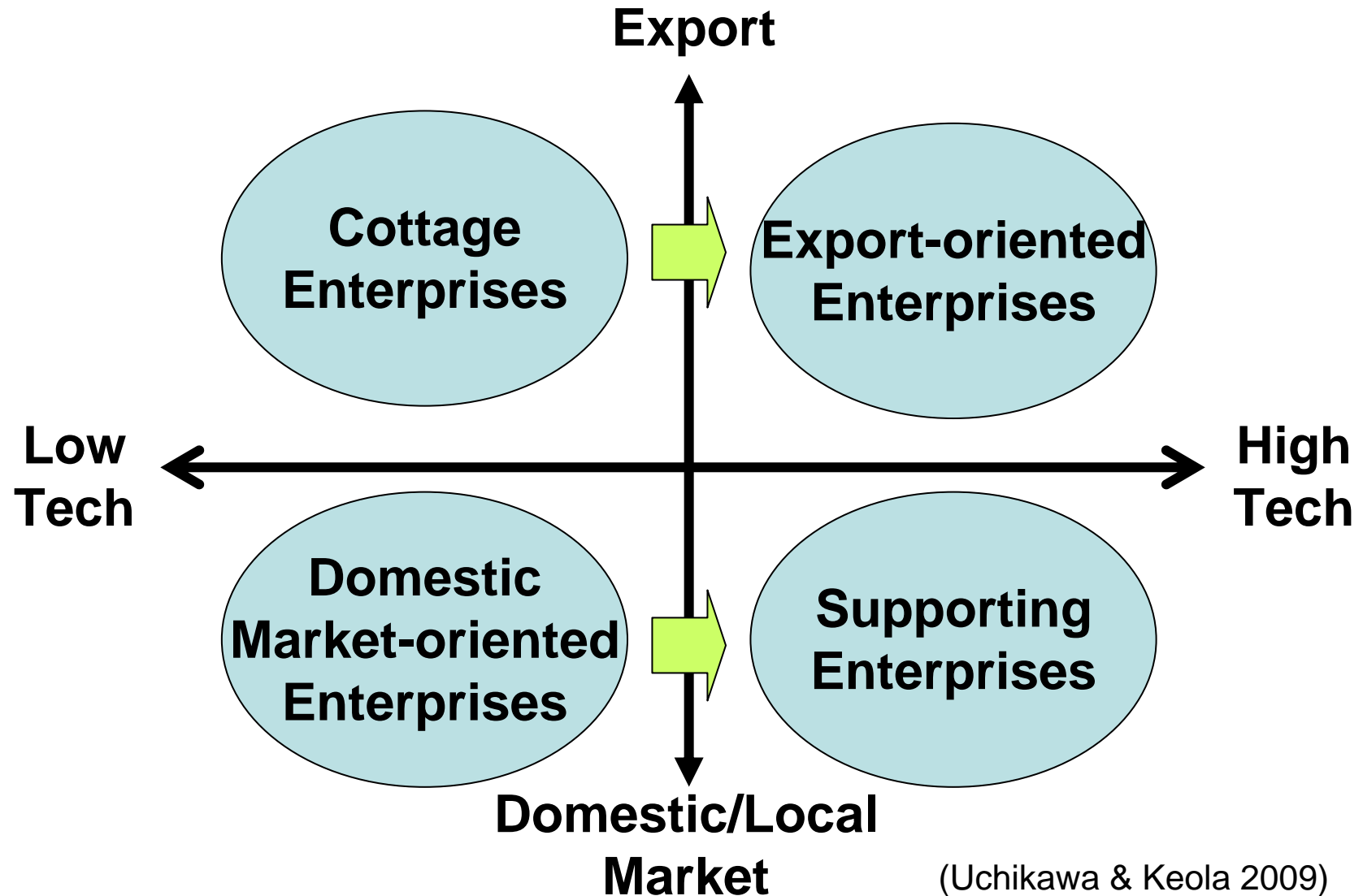


Responding to changing global and regional realities: challenges and opportunities for Thai SMEs

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SME Typology



(Uchikawa & Keola 2009)

SMEs in Thailand

- **Defined as companies having up to 200 employees and capital of up to 200 million baht (small: <50 and 50m)**
- **Account for 99.7% of all enterprises**
- **Registered number 2.8 million, 960,000 in services**
- **Account for 76% of employment**
- **Contribute 37.8% of GDP and 30% of exports**

SME competitiveness in a globalized environment

Within the context of global value chains and associated production networks, competitive performance is now to a large extent a function of **reliability**, which involves getting the **right products** in the **right quantity**, of the **specified quality**, at a **competitive price**, to **the right place**, at the **right time**. Along the way, firms must be able to meet an increasing number of **stringent standards, conformity requirements and certifications.**

The ideal is....

- Selling products directly to international consumers with “Brand Presence” & “Pricing Power”
 - Have information related to market/process/product
 - Have capabilities over the full Value Chain; design, production, marketing, distribution, etc.
 - Respond effectively to the changing market conditions



Very difficult for SMEs in developing countries

- Alternate option: Reaching global /regional markets through global/regional value chains

Emergence of GVCs: Drivers

- ❑ Multilateral and regional free trade agreements; international investment agreements
- ❑ Rising labour costs at home/high value of national currency: rapid growth of FDI
- ❑ Willingness to be internationalized
- ❑ Policy Liberalization
 - Trade, investment, capital & finance, HR
- ❑ Technological innovation
 - Transportation and ICT
- ❑ Increasing competition (pressures for lower cost, higher efficiency/ quality etc.)
- ❑ New management strategies
 - EDI, ERP, JIT, lean manufacturing, TCM, SCM, etc.

Shift in GVC governance during the past two decades

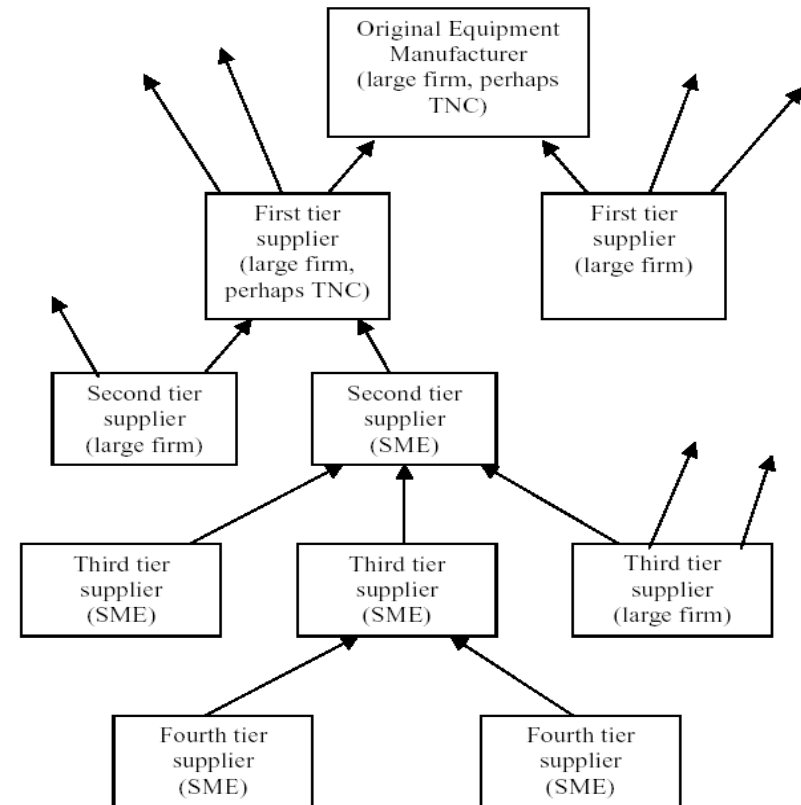
TNCs controlling all production



Ownership of overseas subsidiaries/ franchises



Outsourcing to suppliers
(no legal ownership)
TNCs focus on core values



Source: UNIDO, Integrating SMEs in Global Value Chains

Opportunity for SMEs in developing countries:
Specialize in a limited set of activities or components
in the GVC



standing the regional context

**ed market integration (GMS; ASEAN/AEC;
ASEAN, RCEP)**

**d has FTAs with India, China, Australia,
New Zealand**

**rowth countries amidst stagnating world
y**

**il policy focus on export & FDI driven
oment**

tion more intense

**I industrialization toward products with high
dded**

**ucture development needs
g importance of services**