

A  
GLOBAL / COUNTRY STUDY AND REPORT  
ON

“THAILAND”

Submitted to  
**Gujarat Technological University**  
*IN PARTIAL FULFILLMENT OF THE  
REQUIREMENT OF THE AWARD FOR THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION*

UNDER THE GUIDANCE OF

Faculty Guide  
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**Submitted by**

(Section B, Morning, LJIMS)  
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MBA SEMESTER III/IV

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**L. J. Institute of Management Studies**  
MBA PROGRAMME  
Affiliated to Gujarat Technological University Ahmedabad  
May, 2012

## Student Declaration

We, the student of section B (Morning) LJIMS, hereby declare that the report for Global/ Country Study Report on Thailand is a result of our own work and our indebtedness to other work publications, references, if any, have been duly acknowledged.

Place:

Date:

## Institute Certificate

“Certified that this Global /Country Study and Report on Thailand is the bona fide work of Student of Section B (Morning), LJIMS, who carried out the research under my supervision. I also certify further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Signature of the Faculty Guide  
(Prof. Kiran Khatri)

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## Preface

A Country by taking up a project study is most important part of M.B.A course & is must as per the syllabus prescribed by Gujarat technological University. MBA course is of administrative and managerial activity of industrial, business or service organization. The main objective of this project study is to help the student to develop ability to practical technique to solve real life problem related to global business.

According to the GTU guidelines, we have taken Thailand as our research country, our professors and institutional managers give me the knowledge and guidance about this country.

The **Global Country Report** for student of M.B.A Sem-III/IV is required for global business knowledge. Theoretical knowledge and class room discussion is not sufficient for the students of management but external analysis in real corporate is essential for them to develop their skills. In this project report we had tried to analyze the Country profile of Thailand.

## Acknowledgement

The making of any project requires contribution and efforts of many people, right from its inception till its completion. Completion of this project was a journey in which we learnt lot of new things. It was not only learning but an enriching experience too. We take this opportunity to express our profound gratitude to them for extending their kind support throughout the course of the project.

We would like to express our earnest appreciation and gratitude to all faculty members for showing the confidence in us to take up this project, patiently resolving our queries, facilitating and providing necessary inputs and guiding us at every step of the project.

We want to wish a special thanks to Dr. Subhra Anand for guiding us to prepare this project report. Also want to thank L. J. Institute of Management Studies for giving us such a precious opportunity to get knowledge about global environment.

## Executive Summery

As a part of our MBA curriculum, we have prepared a Global country report on Thailand .where we have searched for various business opportunities after deep understanding and analysis of various factor affecting business in Thailand, specially import & export.

Thailand is country, which is a very well known for its topical region. It is a center of Middle East Asian countries. Thailand is attractive place for tourism across the world. Thai culture is very well known for its hospitality and friendly nature of Thai people.

For any of the industry to have proper growth it must be provided with proper supporting political, financial and infrastructural atmosphere. This thing is applicable to any of the industry in any part of the world. In Thailand political support is very weak.

Textile and garment industries play crucial role in Thai economy, since they have created employment and wages for many people. For overall structure, Thai textile and garment industries include completely all production processes. The total production volume is about 301.27 ten thousand tons while the total demands of textile and garment is around 276.73 ten thousand tons or 91.7% of total production.

By comparing the conclusions of both the countries' dairy industry, we can say that there is a potential in making deal with Thailand not only by exporting dairy products but also by providing assistance by the way of providing technology and dairy management competencies for dairy industry development by making collaboration or joint venture.

Government policies have always played a vital role in building up a successful electronics industry. Thailand adapted its policies to align with the rapidly changing

trends in the global economy. First, realizing that its domestic market was rather small to support industrialization, Thailand shifted from an "import substitution" to an "export oriented" development strategy. This required liberalization of the economy for trade and investments. The liberal economic policies, coupled with the availability of a skilled but low-cost labour force, made Thailand an important location for export-oriented production activities of TNCs.

Thailand is the place where around 40 to 50% of the people are eating and enjoying the food from food carts. From all the details given above, it is concluded that from proper rules and regulation the food cart industry of Thailand has become well managed and properly maintained. Because of that now they are getting healthy foods at cheaper rate from sanitized food cart.

Since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organizations become active partners in the endeavoring to attain sustainable growth in tourism, if India is to become a world player in the tourist industry. Following are the few measures that can be used for enhancing India's Competitiveness as a Tourist Destination. The need for physical infrastructure is there right from entry into the country to modes of transport to destinations (airways, roadways, railways or waterways), to urban infrastructure such as access roads, power, water supply, sewerage and telecommunications. This underscores the need for inter-sect oral infrastructural schemes and programmers that could support tourist destinations.



# Chapter-1

## Introduction

## **Introduction to Thailand**

**Formal Name:** Kingdom of Thailand

**Short Form:** Thailand

**Term for Citizen(s):** Thai

**Capital:** Bangkok

**Major Cities:**

The largest metropolitan area is the capital, Bangkok, with an estimated 9.6 million inhabitants. According to Thai census, 6.3 million people were living in the metropolitan area (combining Bangkok and Thon Buri). Other major cities include Samut Prakan, Nanthaburi, Udon Thani, and Nakhon Ratchasima. Fifteen other cities had populations of more than 100,000.

**Independence:**

The traditional founding date is 1238. Unlike other nations in Southeast Asia, Thailand was never colonized.

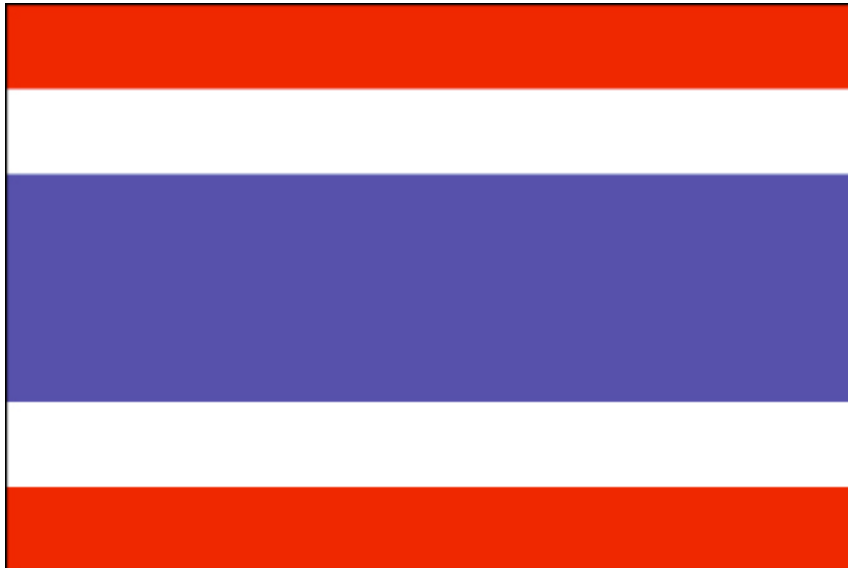
### **National Public Holidays:**

- New Year's Day (January 1),
- Makha Bucha Day (Buddhist All Saints Day, movable date in late January to early March),
- Chakri Day (celebration of the current dynasty, April 6),
- Songkran Day (New Year's according to Thai lunar calendar, movable date in April),
- National Labor Day (May 1),
- Coronation Day (May 5),
- Visakha Bucha Day (Triple Anniversary Day—commemorates the birth, death, and enlightenment of Buddha, movable date in May),
- Asanha Bucha Day (Buddhist Monkhood Day, movable date in July),
- Khao Phansa (beginning of Buddhist Lent, movable date in July),
- Queen's Birthday (August 12),
- Chulalongkorn Day (birthday of King Rama V, October 23),
- King's Birthday—Thailand's National Day (December 5),
- Constitution Day (December 10),
- New Year's Eve (December 31).

The Thai calendar has been adapted to the Western calendar of days, weeks, and months. Years are numbered according to the Buddhist era, which commenced 543 years before the Christian era. Therefore, 2011 is the year 2554 in the Buddhist era.

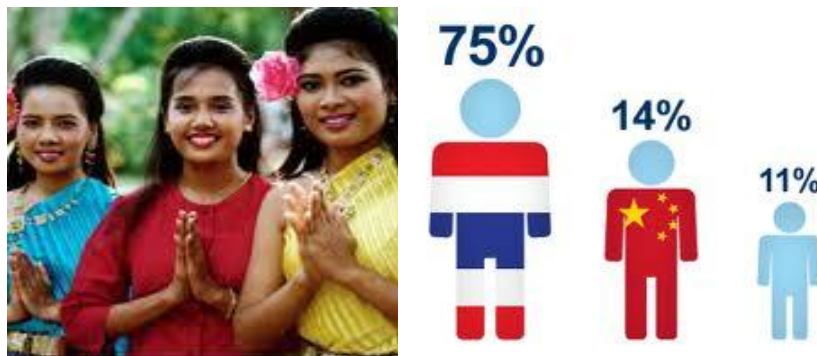
**Flag:**

- Five horizontal bands
- Red (on top), white, blue (double width), white, and red
- The red stripes represent unity of the nation
- The white strips represent purity of religion
- The blue stripe in the center represents the king



## Chapter-2

# Demographic profile of Thailand



## ➤ **Historical Background**

**Prehistory:** The earliest known inhabitation of present-day Thailand dates to the Paleolithic period, about 20,000 years ago. Archaeology has revealed evidence in the Khorat Plateau in the northeast of prehistoric inhabitants who may have forged bronze implements as early as 3000 B.C. and cultivated rice during the fourth millennium B.C.

**Early History:** In the ninth century B.C., Mon and Khmer people established kingdoms that included large areas of what is now Thailand. Much of what these people absorbed from contacts with South Asian peoples—religious, social, political, and cultural ideas and institutions—later influenced the development of Thailand’s culture and national identity.

**Thailand during World War II (1941–44):** The war for Thailand began in earnest on December 8, 1941, when Thai and Japanese troops clashed on the Isthmus of Kra. Bangkok acceded to Japan’s demands that its troops be permitted to cross the isthmus to invade Burma and Malaya. In January 1942, Phibun signed a mutual defense pact with Japan and declared war against Britain and the United States. Seni Pramoj, the anti-Japanese Thai ambassador to Washington, refused his government’s orders to deliver the declaration of war, and the United States refrained from declaring war on Thailand. Seni organized a Free Thai movement, and, with U.S. government support, Thai personnel were trained for anti-Japanese underground activities.

## ➤ **Culture of Thailand**

The culture of Thailand incorporates cultural beliefs and characteristics indigenous to the area known as modern day Thailand coupled with much influence from ancient India, China, Cambodia, along with the neighboring pre-historic cultures of Southeast Asia. It is influenced primarily by Animism, Hinduism, Buddhism, as well as by later migrations from China and southern India.

➤ **Relationships**

Thailand often is portrayed as a culturally homogeneous country, but there are approximately 75 distinct ethno linguistic groups. The Central Tai is the dominant ethnic group and accounts for 36% of the population. The Thai-Lao and Lanna Tai, who together account for about 40% of the population, were not assimilated into the national culture until the 20th century.

➤ **Prominent religion in the country**

Buddhists is the prominent religion in Thailand with almost 95% of the population following the religion, second largest followed religion is Islam, there are about 4 to 5% muslims in Thailand. Rest population follows Hinduism, jewish, sikism, and Christianity.

➤ **Population:** 66,720,153 (2011 est.)

The population of Thailand is now 66.7 million, about 10 million of whom live in the capital city of Bangkok. Thais form the majority, though the area has historically been a migratory crossroads, and thus strains of Mon, Khmer, Burmese, Lao, Malay, Indian and most strongly, Chinese stock produce a degree of ethnic diversity. Integration is such, however, that culturally and socially there is enormous unity.

➤ **Age structure:-**

0-14 years: 19.9% (male 6,779,723/female 6,466,625)  
15-64 years: 70.9%(male 23,410,091/female 23,913,499)  
65 years and over: 9.2% (male 2,778,012/female 3,372,203)

➤ **Median age:-**

Total: 34.2 years  
Male: 33.3 years  
Female: 35.2 years (2011 est.)

- **Population growth rate** 0.566% (2011 est.)
- **Birth rate** 12.95 births/1,000 population (2011 est.)
- **Death rate** 7.29 deaths/1,000 population (July 2011 est.)
- **Net migration rate** 0 migrant(s)/1,000 population (2011 est.)

➤ **Urbanization:-**

**Urban population:** 34% of total population (2010)

**Rate of urbanization:** 1.8% annual rate of change (2010-15 est.)

Approximately 68% of the population lives in rural areas and the majority are farmers with incomes reliant upon subsistence agriculture. Rapid change has had a disruptive effect on social structures. Urban migration to Bangkok, the capital city, has led to serious problems of congestion, land shortage, water and air pollution.

➤ **Sex ratio:-**

At birth: 1.054 male(s)/female

under 15 years: 1.05 male(s)/female

15-64 years: 0.98 male(s)/female

65 years and over: 0.82 male(s)/female

total population: 0.98 male(s)/female (2011 est.)

➤ **Infant mortality rate**

Total: 16.39 deaths/1,000 live births

Male: 17.38 deaths/1,000 live births

Female: 15.35 deaths/1,000 live births (2011 est.)

➤ **Life expectancy at birth**

Total population: 73.6 years

Male: 71.24 years

Female: 76.08 years (2011 est.)

➤ **Total fertility rate:-** 1.66 children born/woman (2011 est.)

➤ **HIV/AIDS - adult prevalence rate:-** 1.3% (2009 est.)

➤ **HIV/AIDS - people living with HIV/AIDS:-**530,000 (2009 est.)

➤ **HIV/AIDS – deaths:-**28,000 (2009 est.)

➤ **Major infectious diseases**

Degree of risk: high

Food or waterborne diseases: bacterial diarrhea

Vector borne diseases: dengue fever, Japanese encephalitis,  
and malaria

Animal contact disease: rabies.



➤ **Nationality:-**

Noun: Thai (singular and plural)

Adjective: Thai

➤ **Ethnic groups:-** Thai 75%, Chinese 14%, other 11%

The largest ethnic minority is the Chinese and other ethnic groups include Malays, Cambodians, Vietnamese, and Indians.

➤ **Religions:-**

Buddhist 94.6%,

Muslim 4.6%,

Christian 0.7%,

other 0.1% (2000 census)

➤ **Languages:-**

Thai,

English (secondary language of the elite),

Ethnic and regional dialects

➤ **Literacy:-**

Definition: age 15 and over can read and write

Total population: 92.6%

Male: 94.9%

Female: 90.5% (2000 census)

➤ **School life expectancy (primary to tertiary education)**

Total: 12 years

Male: 12 years

Female: 13 years (2010)

➤ **Education expenditures:-** 4.1% of GDP (2009)

➤ **Maternal mortality rate:-** 48 deaths/100,000 live births (2008)

➤ **Children under the age of 5 years underweight:-** 7% (2006)

➤ **Health expenditures:-** 4.3% of GDP (2009)

➤ **Physicians density:-** 0.298 physicians/1,000 population (2004)

➤ **Hospital bed density:-** 2.2 beds/1,000 population (2002)

➤ **Obesity - adult prevalence rate:-** 7.8% (2003)

# Chapter-3

## Geographic profile of Thailand



**Location:** Thailand is located in the centre of peninsular Southeast Asia .Burma is to the west, Laos to the north and east, Cambodia to the southeast, and Malaysia to the south. The south coast of Thailand faces the Gulf of Thailand, while the Isthmus of Kra is bordered on the west by the Andaman Sea (part of the Indian Ocean) and on the east by the Gulf of Thailand. Thailand also has coastal islands in the Andaman Sea and the Gulf of Thailand. The largest, with provincial status, is Phuket, off the west coast; on the gulf side, the largest islands are Samui and Pangan.

**Size:** Estimates vary. Official Thai sources report 513,115 square kilometers. U.S. government sources state that Thailand has a total of 511,770 square kilometers of land area and 2,230 square kilometers of water area for a total of 514,000 square kilometers.

**Land Boundaries:** The total land boundary is 4,863 kilometers in length, including borders with Burma (1,800 kilometers), Laos (1,754 kilometers), Cambodia (803 kilometers), and Malaysia (506 kilometers). A dispute between Thailand and Laos over MeKong River islands continues to delay completion of an agreement on the demarcation of their boundary. Thailand has significant differences with Burma over the alignment of their boundary. There are disputed sections of the Thai-Cambodia border where border markers are missing. Land mines, the remnants of former conflicts, are still to be found—sometimes with lethal consequences—along Thailand’s borders with Cambodia and Laos. Although Thailand has no actual border dispute with Malaysia, terrorist and insurgent activities in the frontier area lead to frequent border closures and tight security.

**Length of Coastline:** The coastline is 3,219 kilometers long: 750 kilometers on the Andaman Sea and 2,469 kilometers on the Gulf of Thailand.

**Maritime Claims:** Thailand claims a 12-nautical-mile territorial sea, a 200-nautical-mile exclusive economic zone, and a continental shelf to a 200-meter depth—or to the depth of exploitation.

**Topography:** Topography and drainage define four main regions: north, northeast, central, and south. In the north, the chief topographic features are high mountains along the borders with Burma and Laos and extending down the Isthmus of Kra to the southern border with Malaysia. The central plain, which extends to the Gulf of Thailand, is a lowland area drained by the Chao Phraya and its tributary rivers. The upland Khorat Plateau in the northeast drains into the River Mun. The narrow, tropical Isthmus of Kra runs from mainland Thailand to the border with peninsular Malaysia. It has a low-lying range of hills at the narrowest part, about 600 meters in elevation. The highest point is Doi Inthanon, in Chiang Mai Province in northwestern Thailand, at 2,565 meters above sea level. The lowest point is along the Gulf of Thailand at zero meters above sea level.

**Principal Rivers:** The principal river is the Chao Phraya, which, with its tributaries, drains about 33 percent of the national territory and flows south into a delta at Bangkok. The Mun and many other smaller upland rivers are tributaries of the Mekong, which forms the border between Thailand and Laos before flowing into Cambodia and Vietnam and into the South China Sea. Together, the Chao Phraya and Mekong systems sustain Thailand's agricultural economy and provide waterways for inland navigation.

**Climate:** A tropical country, Thailand has three distinct seasons. The first is a hot and dry season from February to May, with an average temperature of 34E C and 75 percent relative humidity.

This season is followed by a rainy, cooler season brought by the southwest monsoon from June to September, with an average daily temperature of 29E C and 87 percent relative humidity. A cooler, dry season, caused by the northeast monsoon, lasts from November to January, with temperatures ranging from 32E C to less than 20E C and lower relative humidity. The Isthmus of Kra is always hot and humid and has the heaviest rainfall. The lightest rainfall is in the northeast. Temperatures in Bangkok range between 20E C and 35E C.

**Natural Resources:** Thailand's major natural resources are fluorite, gypsum, lead, lignite, natural gas, rubber, tantalum, tin, and tungsten. Renewable resources include fish and timber.

**Land Use:** Roughly 20 percent of Thailand is covered by mountains and hills, the steepness of which generally precludes agriculture. As of 2005, rich arable land accounted for nearly 27.5 percent of the total area. About 6.9 percent was planted to permanent crops. Some 49,860 square kilometers of land were irrigated according to 2003 estimates.

**Environmental Factors:** The depletion of the water table around Bangkok has led to land subsidence. Despite the annual southwest monsoon, Thailand is subject to drought. Other environmental issues include air pollution from vehicle emissions, water pollution from organic and factory wastes, deforestation, soil erosion, and wildlife population depletion from illegal hunting. Thailand is also vulnerable to devastating tsunamis, such as the one that struck the Andaman Sea coast on December 26, 2004. It killed more than 5,300 people, including foreign visitors, and left another 2,900 missing.

**Time Zone:** Thailand has one time zone—Bangkok time (Greenwich Mean Time—GMT—plus seven hours).

**Land use**

<b>Arable land:</b>	34%
<b>Permanent crops:</b>	6%
<b>Permanent pastures:</b>	2%
<b>Forests and woodland:</b>	26%
<b>Others:</b>	32% (1993 est.)

**Irrigated land:** 44,000 Square Kilometer (1993 est.)

**Natural hazards:** Land subsidence in Bangkok area resulting from the depletion of the water table. Droughts and Flood.

**Environment - Current Issues:** Air pollution from vehicle emissions, Water pollution from organic and factory wastes, deforestation, soil erosion, wildlife populations threatened by illegal hunting.

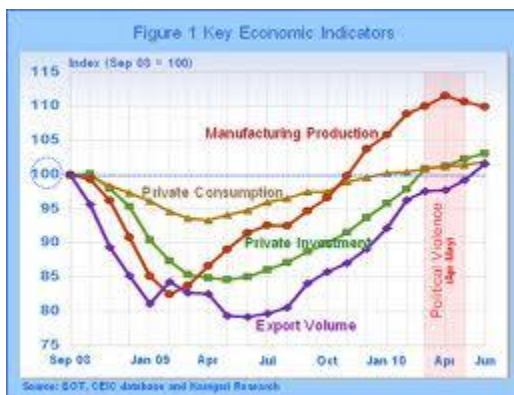
**Environment—International agreements**

Party to: Climate Change, Endangered Species, Hazardous Wastes, Marine Life Conservation, Nuclear Test Ban, Ozone Layer Protection, Tropical Timber 83, Tropical Timber 94

Signed, but not ratified: Biodiversity, Climate Change-Kyoto Protocol, Law of the Sea

# Chapter-4

## Economic profile of Thailand



<b>Rank</b>	30 <sup>th</sup> (nominal) / 23 <sup>rd</sup> (PPP)
<b>Currency</b>	Thai baht (THB)
<b>Fiscal year</b>	1 October - 30 September
<b>Trade organizations</b>	WTO, APEC, IOR-ARC, ASEAN
<b>Ease of Doing Business Rank</b>	19 <sup>th</sup>



The economy of Thailand is a newly **industrialized economy**. It is a heavily export-dependent economy, with exports accounting for more than two thirds of gross domestic product (GDP).

Recently, Thailand experienced GDP growth by 8.0% in 2010 making it **one of the fastest growing economies in Asia** and the fastest growing economy in South East Asia. The country has a GDP net worth of 9.5 trillion Baht (on a purchasing power parity (PPP) basis), or US\$584 billion (PPP) making it the 24th largest economy in the world.



This classifies Thailand as the 2nd largest economy in Southeast Asia after Indonesia. Despite this, Thailand ranks midway in the wealth spread in Southeast Asia as it is the 4th richest nation according to GDP per capita, after Singapore, Brunei and Malaysia. Thailand's nominal economic output as of June 2010 is \$313.8 billion USD, while holding some \$172 billion in foreign exchange assets which ranks 11th in world. Thailand has strong automobile industry which grew by 63% in 2010 with 1.6 million cars produced ranking it as 13th in the motor vehicle producing countries in the world. Experts predict that by the year 2015 Thailand will be one of the top 10 motor vehicle producing countries in the world.

Thailand's economy functions as an anchor economy for the neighboring developing economies of Laos, Burma, and Cambodia. Thailand's recovery from the 1997–1998 Asian financial crisis depended mainly on exports, among various other factors. Thailand ranks high among the world's automotive export industries along with manufacturing of electronic goods.

Tourism revenues are on the rise and contributing to about 6% of GDP. The GDP growth of Thailand was 8.0% in 2010, higher than previous highs of 5-7% under the previous civilian administration. Thailand enjoys high foreign investment and consumer confidence. Unemployment is at 1.2% as year 2010, with estimations of falling to 1% by the year 2012 therefore Thailand has one of the lowest unemployment rates in the world. Decades of economic growth reduced poverty in Thailand. Thailand enjoys one of the lowest poverty rates in Asia. In 2010, Thailand, along with Japan, South Korea, Taiwan, Brunei and Malaysia were the only countries in Asia with less than 2% of the country's total population living under \$1.25 per day.

Due to rising oil and food prices, the annual inflation rate for 2010 shot up to 3.5% in July, but it will unlikely reach higher rates as oil and food prices are stabilizing and Thailand is receiving high foreign reserves and capital investment.

**Gross Domestic Product (GDP):** In 2010 Thailand's GDP was US\$584.77 billion, reflecting a growth rate of 4.4 percent over 2009. Per capita GDP was US\$9,200 using purchasing power parity. In 2010 industry constituted 44.5 percent of GDP, followed closely by services with a 44.1 percent share. Agriculture accounted for the remaining 11.4 percent.

**Government Budget:** In 2010 Thailand's central government budget was estimated at US\$35.2 billion. The budget was essentially in balance, with a small surplus of around US\$467 million.

**Inflation:** Consumer prices increased by 2.5 percent in 2010, partly as a result of global demand for crude oil.

<b>GDP</b>	PPP: \$584.768 billion (2010 est.)
<b>GDP growth</b>	5.0% (2010)
<b>GDP per capita</b>	\$9,200 (PPP; 2010)
<b>Gross National Income</b>	\$1,838.41 per person
<b>GDP by sector</b>	Agriculture (11.4%), Industry (44.5%), Services (44.1%) (2010 est.)
<b>Inflation (CPI)</b>	2.5% (2010)
<b>Gini index</b>	43 (2006)
<b>Labor forces</b>	37.25 million (2008 est.)
<b>Unemployment</b>	1.2% (2010 est.)
<b>Human Development Index</b>	0.778
<b>FDI stock</b>	93,650,000\$
<b>Gross external debt</b>	\$67.01 billion (31 December 2008)

<b><u>Main industries</u></b>
Automobiles and Automotive parts (11%),
Financial Services (9%),
Electric appliances and components (8%),
Tourism (6%),
Cement, Auto Manufacturing,
Heavy and light industries, Appliances, Computer sand parts, Furniture, Plastics, Textiles and Garments,
Agricultural processing, Beverages, Tobacco

**Exports** \$195.7 billion (2010 est.)

**Main export partners**

Asian 20.1%,  
U.S. 12.6%,  
Japan 11.6%,  
China 9.7%,  
Singapore 6.3%,  
Hong Kong 5.7%,  
Malaysia 5.1% (2009)

**Imports**

\$181.1 billion (2010 est.)

**Main import partners**

Japan 20.3%,  
China 11.6%,  
U.S. 6.8%,  
Malaysia 6.2%,  
UAE 4.9%,  
Singapore 4.5% (2009)

## Public Finances

**Public debt** \$81.6 billion (37.9% of GDP; 2007 est.)

**Revenues** \$75.37 billion (2010 est.)

**Expenses** \$73.29 billion (2010 est.)

**Economic aid** None

**Credit rating** Standard & Poor's:

*A- (Domestic)*

*BBB+ (Foreign)*

*A (T&C Assessment)*

*Outlook: Stable*

Moody's:

*Baa1*

*Outlook: Stable*

Fitch:

*BBB*

*Outlook: Stable*

**Foreign reserves** US\$181.636 billion (March 2011)

**Investment (gross fixed):** 26.8% of GDP (2009 est.)

### **Household income or consumption by percentage share:**

Lowest 10%: 2.7%

Highest 10%: 33.4% (2008)

**Distribution of family income** - Gini index: 42 (2008)

**Agriculture - products:** rice, cassava (tapioca), rubber, corn, sugarcane, coconuts, soybeans

**Industries:** tourism, textiles and garments, agricultural processing, beverages, tobacco, cement, light manufacturing such as jewelry, electric appliances and components, computers and parts, integrated circuits, furniture, plastics, world's second-largest tungsten producer, and third-largest tin producer

**Industrial production growth rate:** 5.4% (2007 est.)

**Electricity:**

- production: 124.6 billion kWh (2005)
- consumption: 117.7 billion kWh (2005)
- exports: 642 million kWh (2005)
- imports: 4.419 billion kWh (2005)

**Electricity - production by source:**

- fossil fuel: 91.3%
- hydro: 6.4%
- other: 2.4% (2001)
- nuclear: 0%

**Oil:**

- production: 310,900 bbl/d (49,430 m<sup>3</sup>/d) (2005 est.)
- consumption: 929,000 bbl/d (147,700 m<sup>3</sup>/d) (2005 est.)
- exports: 225,700 bbl/d (35,880 m<sup>3</sup>/d) (2004)
- imports: 893,400 bbl/d (142,040 m<sup>3</sup>/d) (2004)
- proved reserves: 291,000,000 bbl (46,300,000 m<sup>3</sup>) (1 January 2006 est.)

**Natural gas:**

- production: 22.73 km<sup>3</sup> (2005 est.)
- consumption: 31.23 km<sup>3</sup> (2005 est.)
- exports: 0 m<sup>3</sup> (2005 est.)
- imports: 8.497 km<sup>3</sup> (2005)
- proved reserves: 400.7 km<sup>3</sup> (1 January 2006 est.)

**Current account balance:** \$14.92 billion (2007 est.)

**Exports - commodities:** textiles and footwear, fishery products, rice, rubber, jewelry, automobiles, computers and electrical appliances

**Imports - commodities:** capital goods, intermediate goods and raw materials, consumer goods, fuels

## Chapter-5

# Thailand's trade policy



## **Thailand's Trade Policy**

Thailand has currently enhanced and promoted intensive trade and investment liberalisation and implemented long-term growth policy according with current regional economic integration, WTO obligations and globalisation. Nevertheless, several recent internal and external factors e.g. the massive SARS and avian flu outbreaks, the Indian Ocean tsunami devastation, the Asia financial crisis and domestic policy reforms (ICSEAD, 2006) have also impeded this policy. While the issues are important for Thailand and developing countries in Asia, only limited research has been undertaken to investigate them. The paper conducts a substantive quantitative study to contribute to these trade and development policy issues. A new econometric modelling policy method, namely the generalised gravity theory (Tran Van Hoa, 2004) is used to develop a simple flexible simultaneous-equation econometric model of Thailand's openness model with its seven major trade partners (ASEAN-4, Australia, the USA, the EU, China, Japan and India). Using data from the ICSEAD, the World Development Indicators and the Bank of Thailand databases, the paper reveals efficient and reliable empirical findings on trade-growth causality, trade determination including the impact of shocks and policy reform on trade and growth between Thailand and its major trade partners over the past two decades. The paper also provides evidence on the linkages between trade in goods, FDI and services and regional economic integration for more credible policy implications. The implications for Thailand's openness policy in terms of opportunities and challenges under the context of multilateral, regional and bilateral free trade agreements are also discussed.

### **➤ Bilateral Agreements & MoUs**

Nearly 20 bilateral agreements have been signed between Thailand and India since 1958.

- Agreement on Trade (1968)
- Agreement on Cultural Cooperation (1977)
- Double Taxation Avoidance Agreement (1985)
- Joint Trade Committee (1989)
- Bilateral Investment Promotion & Protection Agreement(2000)

- MoU on Cooperation in Information Technology (2001)
- Framework Agreement on Thai-Indian FTA (2003)
- Agreement on Tourism Cooperation (2003)
- MoU on Thai-Indian Educational Cooperation (2005)
- MoU on Friendship and Cooperation Between Phuket and Port Blair (2005)
- MoU on Air Services between India and Thailand (2006)
- Thailand-India Joint Working Group on Security.
- MoU between the Ministry of Energy, Government of the Kingdom of Thailand and the Ministry of New and Renewable Energy, Government of the Republic of India on Enhanced Cooperation in the field of Renewable Energy (2007)

➤ **Future Potential of Thai-India Partnership**

With the signing of the FTA, bilateral trade will increase significantly, present turbulence in world financial markets notwithstanding. New areas of cooperation in the fields of energy, in particular, renewable energy, science and technology, transport and logistics will also be further expanded.



## Chapter-6

### Industry Overview

## Chapter-6A

### Telecommunication Industry

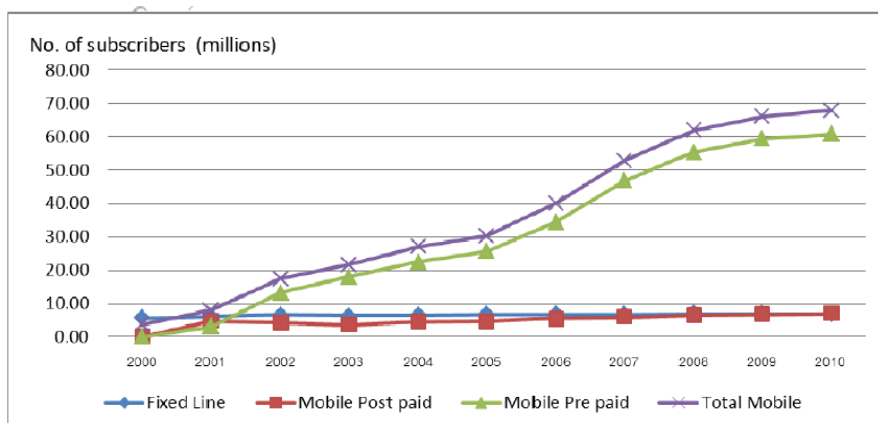
## Introduction

Telecommunications services in Thailand were once provided by only two State-owned enterprises (SOEs): the Telephone Organization of Thailand (TOT), which held a monopoly on domestic telephone and the Communication Authority of Thailand (CAT), which had a monopoly on international gateway services. In 1992, TOT and CAT allowed to private companies to undertake network development and provide fixed line, mobile, satellite; paging and other communication services, under build-transfer operate (BTO) agreements.

The creation of the BTO concession system was only the beginning of the process of telecom reform. After that Thai governments from the mid to late 1990s were unable to resolve the politically contentious issues of privatization and market liberalization. They did, however, set out two important goals towards these ends, which have largely defined the telecom policy landscape since. These were the 1997 commitment to the World Trade Organization (WTO) to completely liberalize facility-based telecommunications markets by 2006 and the Telecommunications Master Plan that identified the steps needed to implement those liberalized market.

At present the telecommunications sector in Thailand is dominated by mobile communications. There are 72 million mobile phone subscribers (2011) comparing with 7 million fixed-line subscribers in Thailand.

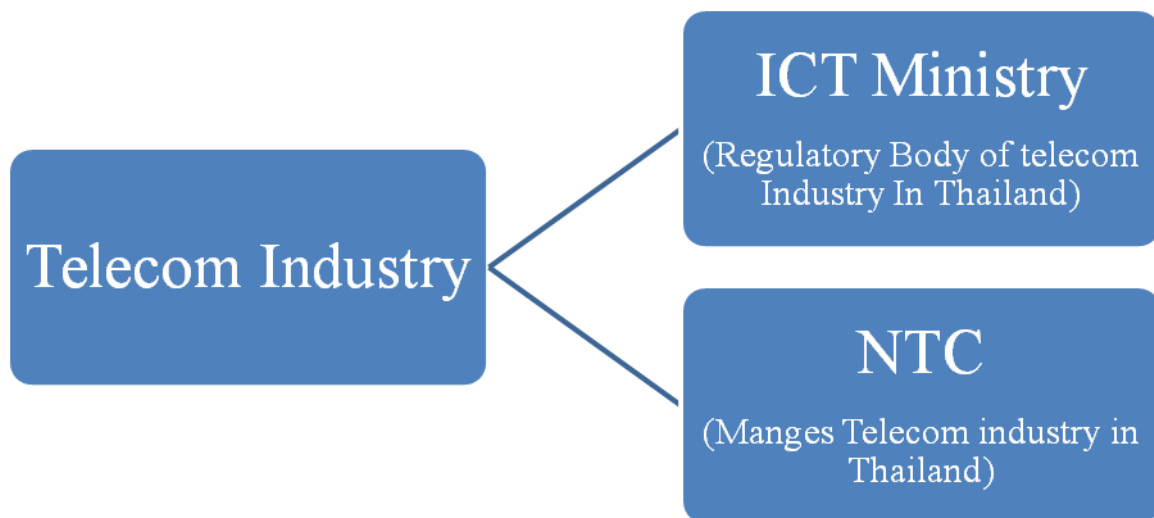
These chart show subscribers of fixed line & Mobile services in Thailand.



Sources: Companies' data (TOT, TT&T, AIS, DTAC, TrueMove).

## Structure of telecom sector

Telecom was traditionally the corporate province of the Thai military. Thai military manage and govern telecom industry for 12 years. In 2004, that an independent regulator was appointed with the creation of the National Telecommunications Commission (NTC) and ICT ministry takeover control from Thai military of telecom industry.



Where,

**ICT Ministry:** -Ministry of Information and communications technology

**NTC:** - National Telecommunications Commission



## Key Players in telecom industry

<b>AIS</b>	First and largest firm
<b>DTAC</b>	Second largest firm
<b>True (Orange)</b>	Latecomer firm
<b>Hutch</b>	Only Qualcomm CDMA operator
<b>Thai Mobile</b>	Relic of TOT and Mobile distributor
<b>TOT</b>	largest fixed line network operator

## **Role & Activity of Telecoms sector**

- Telecommunication business contributes 5.4% to GDP of Thailand in 2011.
- The efforts by the NTC to issue 3G mobile licenses continued to create problems; at the start of 2011 it was proposed that the process would take at least another 12 months to solve.
- The broadband internet market in Thailand saw another 2 years of stronger subscriber growth in 2010/11, expansion running at an annual rate of around 30%; all the signs were suggesting that broadband growth would continue.
- Demand for broadband services were finally increasing in Thailand, it was happening from a small base with overall broadband penetration still remaining low (at just over 4% by end-2011).
- The fixed-line market was showing no growth, with growth close to zero; this has been despite a suggestion that the demand for broadband services would provide a fresh opportunity in the copper network.
- While the Thailand's telecom regulator move to reform the internet segment, most notably opening up the internet gateway market, has indeed been positive, much more restructuring needs to be done; progress in this regard was likely to stall whilst the setting up of the proposed new regulator takes place.

## Comparison of telecom industry of India and Thailand

India 		Thailand 	
Operators	Market Share	Operators	Market Share
Airtel	27%	AIS	45.43 %
Vodafone	24%	DTAC	24.73 %
IDEA	16.09%	Thai Mobile & I-Mobile	5.30 %
BSNL	14.81%	TRUE (Orange)	7.50 %
Aircel	9.68%	TT&T	4.28 %
Uninor	4.53%	Hutch	12.76 %
Videocon	1.04%		
MTNL	0.87%		

Category	Thailand	India
<b>Fixed-line services:</b>		
Total number of subscribers	7 million	33.19 million.
Annual growth	0%	N.A.
Fixed-line penetration (population)	10.3%	22.34%.
<b>Internet:</b>		
Total number of subscribers <sup>1</sup>	8.5 million	118.91 million
Annual growth	21%	39%
Internet subscriber penetration (population)	12.4%	8.4%
<b>Mobile services:</b>		
Total number of subscribers	77 million	881.40 million
Annual growth	9%	29%
Mobile penetration (population)	112%	62.30%

## Licensing

In Thailand ICT is the licensing authority and all provision and rules are given in Telecommunications Business Act, 2001. There are 3 types of license given to operators according to their qualification and according to law of Thailand.

### (1) Type One License:

Being a license granted to the telecommunications business operator who operates without his or her own network for telecommunications services which are deemed appropriate to be fully liberalized. The Commission shall grant a license once notified by a person who intends to operate such business in Thailand.

### (2) Type Two Licenses:

Being a license granted to the telecommunications business operator who operates with or without his or her own network for telecommunications services intended for a limited group of people, or services with no significant impacts on free and fair competition or on public interest and consumers. The Commission shall grant a license once a person who intends to operate such business has completely fulfilled the standard criteria prescribed in advance in notification of the Commission.

### (3) Type Three Licenses:

Being a license granted to the telecommunications business operator who operates with his or her own network for telecommunications services intended for general public, or services which may cause a significant impact on free and fair competition or on public interest, or a service which requires special consumer protection. A person who intends to operate such business can commence the operation only after he or she is approved and granted a license by the Commission.

## FDI and Taxation Policy

Foreign direct investment (FDI) creates more value for the host country than the flow of capital. It is because FDI can transfer of technology, managerial expertise, and other intangible assets from one country to another. Over the past two decades, the Thai government has been actively promoting the country as investment location. Thai government has been using tax incentives to promote FDI investment, performance enhancement and transfer of technology.

In Thailand, the statutory tax rate on corporate income has long been 30 percent of net profits. Due to several recent changes and incentives in investment tax incentives, many companies are able to pay tax less than 30 percent.

We can see that in telecom there is huge FDI in Thailand

<b>Operator</b>	<b>Joint venture Company</b>	<b>Country</b>
AIS	Singapore Telecom	Singapore
DTAC	Telenor	Norway
Thai Mobile & I-Mobile	Telecom Malaysia	Malaysia
TRUE (Orange)	Bell Atlantic	USA
TT&T	NTT Docomo	Japan
Hutch	Hutchison Wampao.	Hong Kong

## **Problems in telecom sector**

Due to Thailand's political problems the country's telecom sector lost its direction and it is also creating problems in managing the telecom sector. After almost a decade of strong growth in its telecom sector, Thailand was hit by a serious economic downturn in 2009 as a consequence of the global financial crisis. At the same time the country's ongoing political problems were also continuing to have a negative impact on the national economy, with a significant downturn in investment being a major concern.

The Thai Constitution prohibits the regulator from directly regulating telecommunications companies operating on the basis of concessions that were in place prior to the adoption of the new telecommunications law.

As Thailand's political problems continue, the government is still struggling to issue 3G licenses. The biggest setback was the failure of the National Telecommunications Commission to hold the 3G auctions and to issue these long-awaited licenses.



## **Potential Market**

There is a chance of inter country collaboration as telecom companies of India can go Thailand for providing infrastructure and financial help as all the companies in Thailand are collaborative in nature and collaboration with companies of other countries.

The internet services are less developed in Thailand, Indian companies can provide USB Data card for internet which can be useful to growth of internet.

Indian companies can provide better equipments in matter of fixed line services. Indian companies such as Airtel and Idea can go to Thailand and can provide services in their market.

As we have referred data of Thailand fixed line usage. We can see that there is low population penetration in the fixed line usage. So there is also chance of providing fixed line telecom service to Thailand by Indian companies.

## **Suggestion**

Conducting a detailed study about the telecom sector of Thailand, lot of discrepancies were found out in the overall foundation as well as management of the telecom sector. Following are a few problems and suggestions to those problems:-

1. **Late Entry but proper development-** The overall development and late restructuring of the telecom industry is one of the basic factors responsible for poor development, however if the industry could adopt new ways of development according to the world telecom development then it could progress. But the country has not been able to do that.
2. **TOT & CAT-** TOT which was formed in 1954 & CAT formed in 1976 were the two key players in the industry since beginning. TOT was managed by serving and retired army and CAT by air force officers till democracy. Even after the democracy in 1992 the government still has influence in these two companies there is still rivalry between the two companies for power and growth of market share.
3. **National Telecom Commission-** the National Telecom Commission formed in 2004 has proved to be Lam Duck till 2011, there needs to proper power given to it and proper management is necessary to regulate the overall telecom industry and manage it to cater the growing needs of the people of Thailand.
4. **WTO Agreement in 2006 -**
  - a. **Internet excluded-** the internet service factor had been excluded in the agreement with WTO, so it needs to be included so that proper reforms are possible in this sector as well so people can use it to their benefits.
  - b. **CAT & TAT to be privatized-** in the agreement it was mentioned that these two companies need to be privatized but till date they haven't been as the government has given the reason that they can't be valued in terms of money, well however anything in the world can be valued in terms of money so the government needs to value it privatize it by listing the companies in stock exchange.
  - c. **BTO to licenses-** converting BTO to licenses was one of the priorities but however when the procedure was formed it mainly focuses and supports Shin Co, this needs to be improved and shouldn't favor some specific company.

5. **FDI** - There are specific rules as far as the FDI is concerned. Only 25% FDI is allowed and also  $\frac{3}{4}$  th board members of company should be of Thai origin. If specific changes in these are allowed this could lead to immense growth of telecom industry in Thailand similar to other Asian countries like China and India.
6. **Licensing Procedures**- in Thailand the licensing process consists of type 1, 2 & 3 licenses which is very complex as a result it creates confusion and problems. These needs to be changed formed to single policy to be followed for all the types of licenses and companies.
7. **Monopoly**- In spite of so many companies in the market and many reforms already in action TOT and CAT still are the companies having monopoly as the government constantly supports these two companies. So the government should change its approach and should support overall growth instead of the two companies.
8. **Limited Number of Companies**- there are only 6 companies as service providers in the country which leads to monopoly of companies like AIS & DTAC in the mobile phone section. More number of companies should be given licenses and also should be allowed so that more competition better growth and better services can be provided.
9. **Loss of direction**- the overall sector has lost direction and is going nowhere it needs to be reformed properly managed so that it can lead to growth.
10. **3G**- the main problem is that the government has not been able to issue 3G licenses till date till 2011 and it can take almost 12 more months which is matter of national embarrassment so it is necessary to quicken this process of giving license and lead to arrival of 3G in Thailand.

**Chapter-6B**  
**Automobile Industry**

## Introduction

- Automotive industry in Thailand is the third largest industry and contributes around 12% of their GDP or \$28.34 Bln. employing a workforce of more than 300,000 employees (Ernst & Young, 2008).
- Thailand's automotive industry is the South East Asia's largest and most advanced automotive industry. Thailand's automotive industry is well on the way to solidifying its status as the Detroit of Asia. It is already the ASEAN's largest automotive market and assembler and world's second largest pick-up truck market after the U.S.A.
- Thailand produced 1,645,304 vehicles in 2010, a 100% growth since 2005 (Thai Automotive Institute, 2011). Thailand is relatively small in terms of global market but as a member of ASEAN, Thailand benefits from the 0-5% tariff effective throughout AFTA in 2010 (Ernst & Young, 2008), enlarging the potential market available to local automotive producers to 500 million consumers. More than 50% of production is exported as Thailand is considered the export base for foreign assemblers for the ASEAN region, which are clustered around Samut, Prakarn, and Rayon (Board of Investment, 2007).
- Although for Thailand, most of the export growth has come from Europe, Australia and the Middle East, ASEAN are becoming major markets. With a population of approximately 550 million and 2003, production totalling 1.3 million vehicles, industry.

## **Thailand's Trade in Automotive, Parts, and Transport Equipment Products**

Data from the Department of Business Development shows that the motor vehicle, trailer, and semi-trailer manufacturing group had a total investment of US\$ 1.6 billion in 2008. More than 71% of the companies in the sector were foreign-owned, the largest group being the Japanese with 48.4%, followed by investors from Germany and USA with about 4.6% each. The sub-sector with the highest percentage of Thai companies, around 96%, is the automobile and engine manufacture sub-sector, followed by the automotive body and trailer and semi-trailer manufacture sub-sectors, each with about 49% Thai companies.

Investment from the EU countries was relatively small compared to other countries, especially Japan. As an example, investors from the EU contributed only 9% of the total investment in the machinery and transport equipment sector in 2008.

Thailand began to export significant amounts of automobiles and parts in 1990. These exports were the result of the policy of foreign automakers which decided to use their manufacturing base in Thailand for exports to other markets. Since 2001, Thailand has exported automotive products exceeding 100 billion baht (approximately US\$ 3.2 million) each year. In 2008, the figure reached US\$ 16.1 billion from the export of 700,000 vehicles. For motorcycle, the export market is less important than the domestic market, but still contributes significant export earnings. For example, in 2008 almost 1.3 million motorcycles were exported, with a value of nearly US\$ 1.5 billion. Neighboring countries are the most important markets for Thailand's motorcycle exports.

<b>No.</b>	<b>Company</b>	<b>Revenue</b>
	Automobile and Engine Manufacture	25,070.09
1	Toyota Motor Thailand Co., Ltd.	10,008.27
2	Mitsubishi Motors (Thailand) Co., Ltd.	3,172.51
3	Auto Alliance (Thailand) Co., Ltd.	2,102.79
4	Nissan Motor (Thailand) Co., Ltd.	1,741.52
5	General Motors (Thailand) Limited	1,708.90
	Manufacture of parts & accessories for automobiles and engines	46.13
1	Toyota Motor Thailand Co., Ltd.	10,008.27
2	Mitsubishi Motors (Thailand) Co., Ltd.	3,171.94
3	Thai Honda Manufacturing Co., Ltd.	2,105.73
4	Auto Alliance (Thailand) Co., Ltd.	2,102.76
5	Isuzu Motors (Thailand) Co., Ltd.	1,228.08

## **Exports of Automotive Products**

### **Potential Impacts of the EU-Thailand FTA on Thai SMEs in the Automotive, Parts, and Transport Equipment Sector**

In 2005, the Center for International Trade Studies at the University of Thai Chamber of Commerce conducted a study of the competitiveness potential of Thai industries which included the automobile, parts, and transport equipment sector. The study looked at potential impacts on the Thai economy of the reduction of import tariffs resulting from free trade agreements under the WTO framework. Some of the data also included interviews with the managers of automotive enterprises and other stakeholders in the sector. From this study, potential impacts to SMEs of the free trade agreement between Thailand and the EU can be summarized as follows:

1. **Local Producers.** Thai SMEs need to make quality and environmental adjustments and gain EU certifications to avoid negative impacts. The FTA will encourage investors from the EU to build auto assembly plants and parts manufacturing factories in Thailand. These companies will only buy from Thai suppliers that meet relevant European standards. Thai suppliers will not be able to become part of the supply chain of European automakers if they can't meet these standards. Some of the standards can arguably be considered non-tariff barriers. For example, Thai suppliers will have to abide by environmental related regulations such as the directive on the prevention of harmful residues in auto parts that could be harmful to consumers. They must gain EU certification or e-mark for certain products for sale or use in the EU countries.

2. **Investment.** The FTA will stimulate an investment increase. It is clear that investors from the EU consider this sector important and will step up investment, although not as much as Japanese investors who have a 40-year history of investment in Thailand. Concerns about recent political turmoil in the country may discourage European investors from investing in Thailand as they do not understand the local situation as well as investors from Japan or ASEAN.



The global auto industry, however, has shown great interest in the Asian region as the markets in the USA, Europe, and Japan are saturated and growing slowly while markets in Asia, such as China, Thailand, and India, are growing rapidly. Furthermore, Thailand is the automotive hub of ASEAN and therefore, remains attractive to investors.

3. **Employment.** Employment is expected to increase corresponding to the expansion of investment. However, SMEs are threatened with the loss of experienced employees to large companies that will hire more employees as a result of the growth in investment expected from the FTA.

4. **Consumers.** As a result of the FTA, consumers should benefit from having more choice, higher quality and better service as competition in the market intensifies.

5. **Competitiveness.** The country's competitiveness in this sector is threatened by high production costs and shortages of important raw materials. Consequently, there is a need to import a number of basic raw materials, such as iron, petrochemicals, synthetic rubber, rayon, and carbon black. Cost competitiveness is further hurt by the relatively high import tariffs for these materials. SMEs that rely on middlemen for such materials are at a disadvantage compared to large companies that can source and import these materials themselves. Additionally, SMEs lack sufficient expertise in technology and communications and with growth in the sector may find it difficult to retain the expertise they currently have. Therefore, with few exceptions, Thai SMEs are likely to struggle to remain competitive in the world market.

## Production and market structure of automobile industry in Thailand

1. The continued improvement in Thailand's economy saw the country's vehicle production and exports increase in January 2011.
2. A total of 146,234 vehicles were produced in Thailand last month, which was an increase of 40.8% compared with output in January 2010. For the full year 2011, vehicle production is expected to rise by 9.4% compared with 2010 to 1.8 million units.
3. Toyota and Isuzu are market leader claiming a combined 65% of the total vehicle market. Isuzu and Toyota also dominate the one-ton pickup market with more than 72% of the pickup market between them. The rest is divided up between Mitsubishi, Nissan, Chevrolet, Ford and Mazda. Sales of passenger cars, which are increasingly becoming diesel powered because of petrol price increases, are dominated by Toyota, which took more than 51% of the segment. Honda is second in this segment with a 25.9% share.

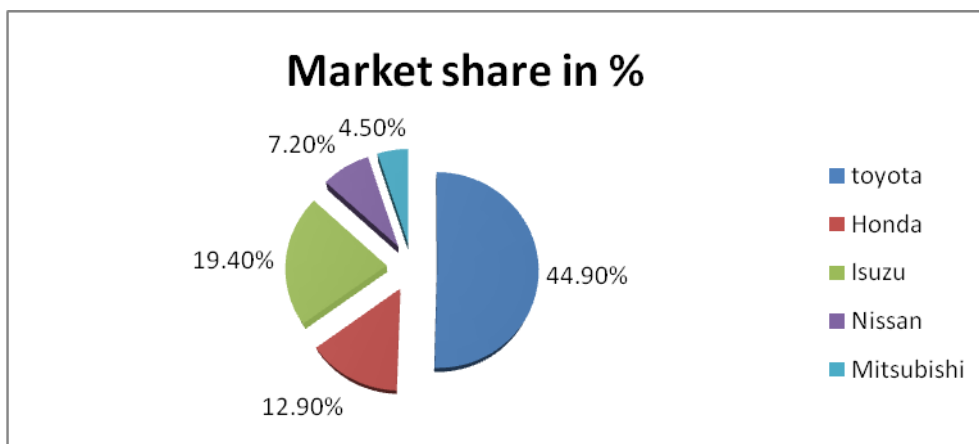
Year	Total	Passenger cars	Total commercial vehicles
2006	<b>682,163</b>	195,458	486,705
2007	<b>631,251</b>	182,767	448,484
2008	<b>614,078</b>	238,990	375,088
2009	<b>548,871</b>	238,773	310,098
2010	<b>800,357</b>	362,561	437,796
2011	<b>739,911</b>	348,225	391,686

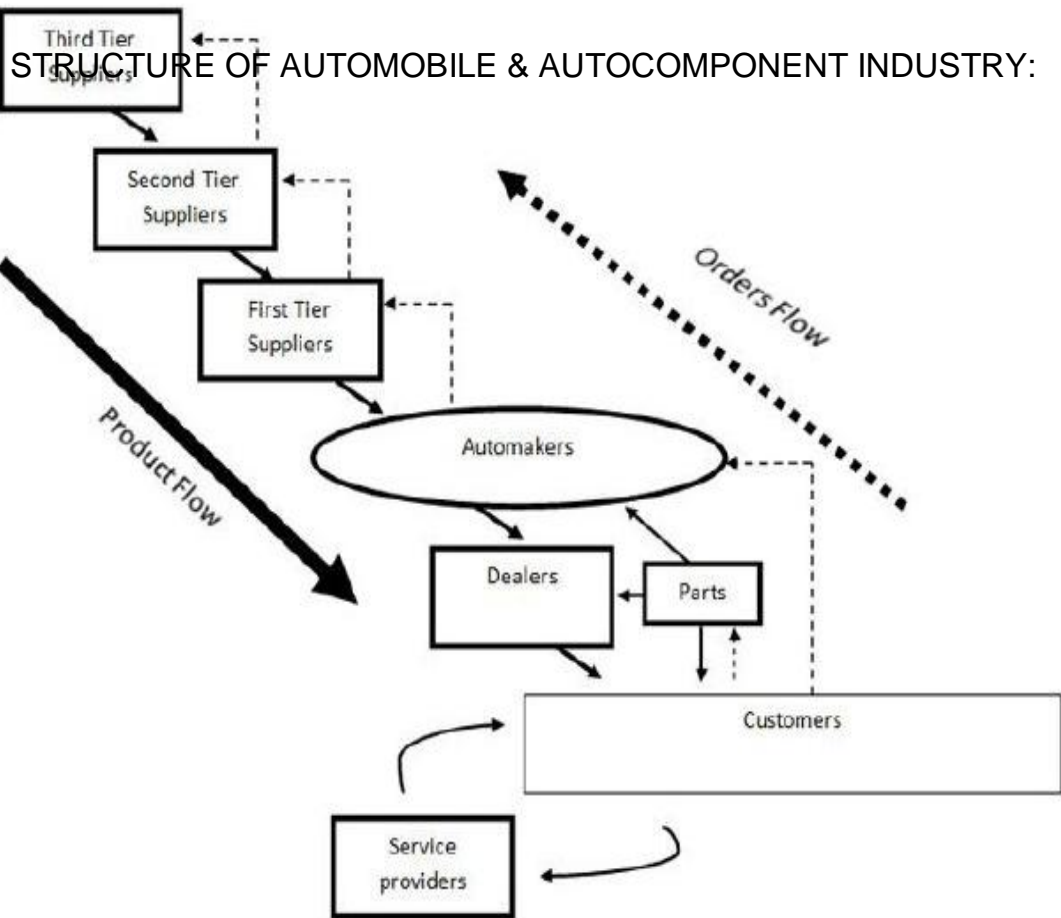
**Market Share (monthly) of Various Automobile Companies in Thailand (in Numbers)**

Share	( May 2010)	
<b>Toyota</b>	<b>23,082 25,585</b>	<b>44.90%</b>
<b>Honda</b>	<b>6,605 5,888</b>	<b>12.90%</b>
<b>Isuzu</b>	<b>9,985 11,710</b>	<b>19.40%</b>
<b>Nissan</b>	<b>3,723 3,005</b>	<b>7.20%</b>
<b>Mitsubishi</b>	<b>2,309 2,190</b>	<b>4.50%</b>

**Total sales volume for all categories**

Total 51,364 55,700 100.00%





**Third Tier Suppliers:** These companies provide basic products like rubber, glass, steel, plastic and aluminum to the second tier suppliers.

**Second Tier Suppliers:** These companies design vehicle systems or bodies for First

Tier Suppliers and OEMs. They work on designs provided by the first tier suppliers or OEMs. They also provide engineering resources for detailed designs. Some of their services may include welding, fabrication, shearing, bending etc.

**First Tier Suppliers:** These companies provide major systems directly to assemblers. These companies have global coverage, in order to follow their customers to various Location around the world. They design and innovate in order to provide “black-box” Solutions for the requirements of their customers. Black -box solutions are solutions created by suppliers using their own technology to meet the performance and interface Requirements set by assemblers.

### **Automakers/Vehicle Manufacturers/Original Equipment Manufacturers**

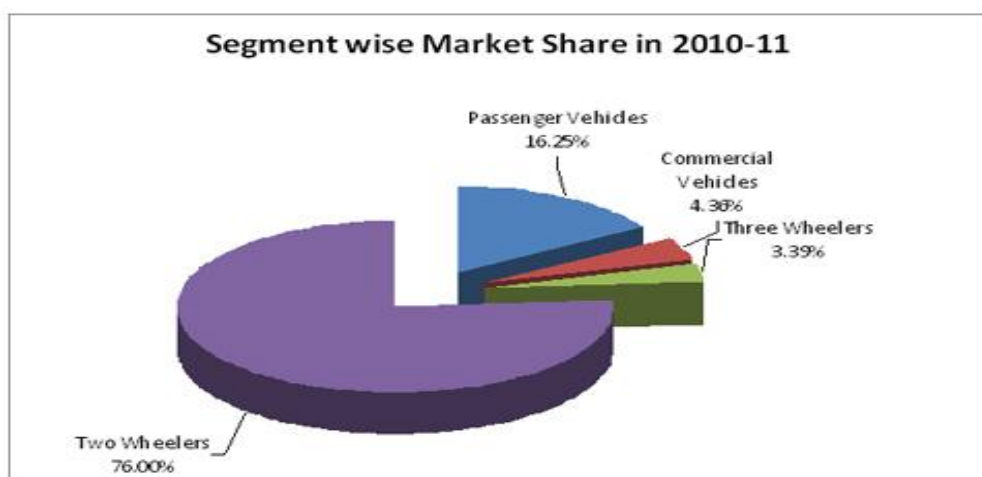
(OEMs): After researching consumers’ wants and needs, automakers begin designing models which are tailored to consumers’ demands. The design process normally takes five years. These companies have manufacturing units where engines are manufactured and parts supplied by first tier suppliers and second tier suppliers are assembled. Automakers are the key to the supply chain of the automotive industry. Examples of these companies are Tata Motors, Maruti Suzuki, Toyota, and Honda. Innovation, design capability and branding are the main focus of these companies. Dealers: Once the vehicles are ready they are shipped to the regional branch and from there, to the authorized dealers of the companies. The dealers then sell the vehicles to the end customers.

**Parts and Accessory:** These companies provide products like tires, windshields, and air bags etc. to automakers and dealers or directly to customers. Service Providers: Some of the services to the customers include servicing of vehicles, repairing parts, or financing of vehicles. Many dealers provide these services but, customers can also choose to go to independent service providers.

## Production and market structure of automobile industry in India

Automobile production in India rose substantially in last five years. 76% of market share is captured by two wheelers. Passenger and commercial vehicles capture around 16.25% market share (SIAM statistics for 2010-11). In India government made an attempt to develop automobile sector through domestic private sector before the liberalization. As a result of this, important Indian players have diversified ownership structures where promoters, banks and financial institutions own significant shares of the companies.

<b><u>Automobile Production Trends</u></b>							(Number of Vehicles)
Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Passenger Vehicles	1,209,876	1,309,300	1,545,223	1,777,583	1,838,593	2,357,411	2,987,296
Commercial Vehicles	353,703	391,083	519,982	549,006	416,870	567,556	752,735
Passenger Vehicles							16.25
Commercial Vehicles							4.36



## **Potential of Thailand Automobile industry for Export to India**

- Low cost availability of labor.
- Large number of foreign players
- Strong government support to manufacturing units.
- Thailand's automotive industry is the South East Asia's largest and most advanced automotive industry
- ASEAN's largest automotive market and assembler and world's second largest pick-up truck market after the U.S.A.

## **Suggestion**

- Country should hire high level technician or Engineers who make attractive design.
- If India carries on its work at similar pace it would emerge as an insignificant exporter of spare parts and accessories in near future.
- All countries have mfg. base for assembling cars. Thus, India has the potential for export.
- For the purpose to develop this sector country need to imports advanced technology from other country.
- To reduce the replacement and corrections company need to develop the higher standard quality.

# **Chapter-6C**

## **Alcohol Beverages Industry**



## ➤ **Introduction (Thailand)**

Thailand has a population of 67 million. As estimated 10 percent of the population drinks wine. This accounts for 3 percent of the alcohol beverage market. Even though wine has a much smaller market share compared to beer and spirits, there are strong developments in the level of consumer awareness and appreciation of wines. Wine consumption is increasing and still light red and white wines are often considered and positioned as beverages with superior health benefits. Wine is linked to fashionable lifestyles, particularly in urban areas, due to its high-quality image.

### • **Major Companies in Alcoholic Beverages in Thailand**

- Bacardi (Thailand) Ltd.
- Brown-Forman Thailand, L.L.C.
- Diageo Moet Hennessy (Thailand) Ltd.
- Pernod Ricard Thailand (Thailand) Ltd.
- Siam Winery Trading Plus Co., Ltd.
- Thai Asia Pacific Brewery Co., Ltd.
- *Thai Beverage\_Public\_Company\_Limited*



Source: UBS (Feb. 22, 08)

### ➤ **Introduction (India)**

In India the total alcohol production more than doubled to 800 million liters between 1993 and 1996. The unrecorded consumption was estimated to be more than 1200 liters in India in the recent years. A study carried out in India reported that drinking families from lower income groups spend 15%- 45% of their income on alcohol.

In earlier years the policy of the Indian government was to discourage the consumption of alcoholic beverages. This even went so far as to involve total prohibition in some states. However, the resulting problems of illicit distillation, the leakage of government excise revenue and the problems involved in enforcement, led to a review of this policy. The importation of potable alcohol is subject to government licensing. Alcoholic drinks carry a very heavy tax burden, which is in itself a major source of revenue for state governments.

#### • **Industry Structure**

- Minimum economic size : 5000 kilo litres; 15000 kilo liters for NRI proposals
- Around 40 units in organized sector, mostly regional players
- 4 large breweries have 84% of the market
- Major beer brands (manufacturers) - King Fisher, Kalyani Black Label (UB Group), Golden Eagle (Mohan Meakins), Haywards (Shaw Wallace), London Pilsner (Associated Breweries and Distilleries)
- Foreign brands - Stroh's, Fosters
- Licensing required except for smaller units employing under 50 persons or not using power Cap on additional capacities (frequently circumvented under pretext of modernisation)

- **Market Size**

- A 70 million cases market
- Market growing at 10-12 % per annum
- Major beer consuming centers - Maharashtra (Mumbai)
- Karnataka (Bangalore); Tamilnadu (Chennai)

- **Role of alcoholic beverage industry in the economy of Thailand**

Alcoholic beverages have been through a period of intense consolidation. Spirits, which account for almost half of sector value, are almost as concentrated. As players struggle to digest recent acquisitions, the quest for operational excellence has assumed special significance.

#### INDUSTRY; VALUE ADDED (% OF GDP) IN THAILAND

The Industry; value added (% of GDP) in Thailand was last reported at 44.65 in 2010, according to a World Bank report released in 2011. The Industry; value added (% of GDP) in Thailand was 43.34 in 2009, according to a World Bank report, published in 2010. The Industry; value added (% of GDP) in Thailand was reported at 44.05 in 2008, according to the World Bank. Industry corresponds to ISIC divisions 10-45 and includes manufacturing (ISIC divisions 15-37). It comprises value added in mining, manufacturing (also reported as a separate subgroup), construction, electricity, water, and gas. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3. Note: For VAB countries, gross value added at factor cost is used as the denominator. This page includes a historical data chart, news and forecast for Industry; value added (% of GDP) in Thailand. The economy of Thailand is an emerging economy which is heavily export-dependent, with exports accounting for more than two thirds of gross domestic product (GDP). Well-developed infrastructure, a free-enterprise economy, and generally pro-investment policies, made Thailand one of East Asia's best

performers. However, overall economic growth has fallen sharply in 2008 and 2009 as global downturn and persistent political crisis stalled infrastructure mega-projects, eroded investor and consumer confidence.

- **Alcoholic Beverages for our business**

→ **White Liquor:** Known as *lao khao*, white liquor is a spirit made from sticky rice, with a pungent, sweet flavor. In Thailand it's produced regionally, both legally and illegally by local outfits. It contains about 35 percent alcohol.

→ **Thai Liquor:** In Thailand, a heavy tax is placed on the legally produced brands of white liquor, and consequently, a robust, regional, illegal liquor market exists throughout the country. These liquors are made from locally available products, such as rice, taro, sugar cane, and palm sap, and can vary from 10-95 percent in alcohol content. Herbs or roots may be steeped in these home brews to add flavor.

→ **Rice Whiskey:** This form of spirit is quite popular in Thailand, due to its low price tag. Two major companies manufacture it: Suramahas Co. and Surathip Group. It contains 35 percent alcohol and has a sweet flavor, similar to rum.

→ **Beer:** Since large taxes have been placed on the sale of beer, its popularity has waned throughout Thailand (One large beer can cost as much as one-third of the daily wages of a city worker). Singha (pronounced "sing") is the most popular Thai brand. It's brewed with locally grown barley and hops imported from Germany, and are considered by some to be the highest quality beer brewed in Asia. Amarit and Kloster are

the two other beers produced by Thai companies. These two brands are bit more expensive than Singha, and are much less popular nationwide.

➤ **Structure, Functions and Business Activities of Alcohol Beverages industry in India**

Alcohol in India is basically classified into

1. Beer
2. Country liquor
3. IMFL
4. Wines

An estimate by IWSR states that there were close to 400 million cases of alcohol sold in 2009. Out of which spirits sold around 200 million cases and Beer sold around 196 million cases (a case in beer is 7.8 liters). A case has 12 bottles each, constituting 9 litres. In alcohol, spirits and beer are considered separate categories. IMFL is Indian Made Foreign Liquor and constitutes of Whisky, Vodka, Gin, Brandy and Rum. Whisky contributes to 55%, followed by Rum that contributes to 27% after which comes Brandy at 14% followed by Gin and Vodka contributing to 3 and 1% respectively. Whisky is generally made out of fermented grain mash and is hence grain based. In India however most of the whisky is made out of fermented molasses that would be called as 'rum' outside India. Rum is made out of Sugarcane. Specifically, Molasses. Vodka is composed primarily of water and ethanol. It is generally made out of fermented grains and potatoes.

➤ **Policies and Norms of Thailand Alcohol Beverages Industry for import / export including licensing / permission, taxation Barriers etc**

- **Tariff Barriers**

Tariff barriers are duties imposed on goods which effectively create an obstacle to trade, although this is not necessarily the purpose of putting tariffs in place. Tariff barriers are also sometimes known as import restraints, because they limit the amount of goods which can be imported into a country.

For importers, tariff barriers can make it difficult to bring goods into a country. The importer may be forced to import less because the tariff barriers cannot be afforded otherwise, and it may need to charge more for the goods to make importing worthwhile. Tariffs are designed to force importers to do this to level the field between domestic producers and importers, allowing costly domestic producers to compete with importers who may be able to bring in goods at lower cost.

Some tariff barriers are likely to always remain in place, even in nations which are very open to free trade. Nations may also use trade barriers to make political statements which are designed to pressure other countries into modifying their behavior. For example, Country A might refuse to import beer from Country B until Country B can demonstrate that its meat supply is free of bovine spongiform encephalitis (BSE), also known as mad cow disease.

- **Non-Tariff Barriers**

Non-tariff barriers to trade (NTBs) are trade barriers that restrict imports but are not in the usual form of a tariff. Some common examples of NTB's are anti-dumping measures and countervailing duties, which, although they are called "non-tariff" barriers, have the effect of tariffs once they are enacted.

- **Anti-Dumping Duties**

Dumping is said to occur when the goods are exported by a country to another country at a price lower than its normal value. This is an unfair trade practice which can have a distortive effect on international trade. Anti dumping is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect. Thus, the purpose of anti dumping duty is to rectify the trade distortive effect of dumping and re-establish fair trade. The use of anti dumping measure as an instrument of fair competition is permitted by the WTO. In fact, anti dumping is an instrument for ensuring fair trade and is not a measure of protection per se for the domestic industry. It provides relief to the domestic industry against the injury caused by dumping.

Although anti dumping duty is levied and collected by the Customs Authorities, it is entirely different from the Customs duties not only in concept and substance, but

also in purpose and operation. The following are the main differences between the two: -

- Conceptually, anti dumping and the like measures in their essence are linked to the notion of fair trade. The object of these duties is to guard against the situation arising out of unfair trade practices while customs duties are there as a means of raising revenue and for overall development of the economy.
- Customs duties fall in the realm of trade and fiscal policies of the Government while anti dumping and anti subsidy measures are there as trade remedial measures.
- The object of anti dumping and allied duties is to offset the injurious effect of international price discrimination while customs duties have implications for the government revenue and for overall development of the economy.
- Anti dumping duties are not necessarily in the nature of a tax measure inasmuch as the Authority is empowered to suspend these duties in case of an exporter offering a price undertaking. Thus such measures are not always in the form of duties/tax.

Thus, there are basic conceptual and operational differences between the customs duty and the anti dumping duty. The anti dumping duty is levied over and above the normal customs duty chargeable on the import of goods in question.

- **Barriers on alcohol imports consist of the following measures**

- **Non-transparent import procedures:** Indonesia's current import licensing system for alcoholic beverages lacks transparency and predictability, and is prone to smuggling and corruption.
- **Complex import system:** Indonesia recently abolished the import monopoly through a Ministry of Trade regulation (see "state of play" below). However, a system for granting automatic import licenses to qualified importers should be considered. This would ensure that any fees



requested in relation to the imports of alcoholic beverages are limited to the cost of services rendered.

→ **High taxes** on alcoholic beverages and weak monitoring of the market are factors making smuggling attractive. Import duties and taxes levied on an ad valorem basis with potential rates close to 500% of landed cost are amongst the highest in the world. As a result 90% of the so called Category B and Category C products (i.e. wines and spirits) are estimated by the industry to be imported illegally. Consequent losses of potential government revenue may exceed Rp330 billion.

- **Taxing on Alcoholic Beverages in Thailand**

1. **Excise Tax:** is an indirect and consumption based tax on alcoholic beverages and other policy designate commodities and services. This excise tax can be broken into 2 main categories: distilled Spirits and fermented spirits. The **distilled spirits** are consist of 5 types of products, which are special spirit, absolute alcohol, the product other of special spirit and absolute alcohol, white spirit, and blended spirit. And **fermented liquors** consist of 3 types of products: beer, wine, and others. alcohol tax structure that is designed during alcohol concession period more than 50 years ago indicates different tax rates for different types of alcoholic beverages. In short, there are at least 11 different excise tax rates for more than 11 different alcoholic beverages. In essence, there are two types of excise tax – **Ad Valorem** and **Specific Tax**. The former is based a percentage of the value of the product, while the later is uniform rate based on the volume of alcohol content. In theory, to maximize the tax collection, the law requires the tax liability of each classification is either the beverages value or alcoholic content that renders the higher amount of tax revenue. But in practice, alcohol content-based tax for fermented spirit or beer has been useless from the date of enactment (on Dec. 25, 1991) because of deficient, ill conceived and unrealistic low ceiling allowance (bath/liter). The only true effective rate then is *Ad Valorem* or based on price mechanism. These give way to the huge tax collection leakages and an enormous loss in policy flexibility to optimize public interest and social welfare that we shall discuss later on.

Alcohol Tax Structure in Thailand as of April 30, 2010

Type of Spirits	Excise Tax		Local	VAT	Thai Health	Thai PBS
	Ad valorem	Specific Tax	(%)	(%)	(%)	(%)
1.Fermented (Tax ceiling)	<u>6</u>	<u>100</u>				
1.1 Beer	<u>0</u>	<u>100</u>	10	7	2	1.5
1.2 Wine and Wine Sparkling	<u>6</u> <u>0</u>	<u>100</u>	10	7	2	1.5
1.3 Local Fermented Spirit	<u>6</u>	70	10	7	2	1.5
1.4 Other than 1.1-1.3	<u>0</u>	70	10	7	2	1.5
2. Distilled Spirit (Tax ceiling)		<u>400</u>				
2.1 White Spirit	2	120	10	7	2	1.5
2.2 Blend Spirit	5	300	10	7	2	1.5

Source: Excise Department, Ministry of Finance

- **Thailand's taxation on Alcohol**

- Customs Duty (60%, 5%)
- Excise Tax( Specific, Ad Valorem)
- Local Tax (10% on Excise Tax)
- Health Tax (2% on Excise Tax)
- TV Tax (1.5% on Excise Tax)

- **Policies and Norms of India for Import or export including licensing / permission, taxation etc**

- **Procedure to import foreign liquor from outside India**

1. Only Foreign Liquor authorized by Commissioner to be imported and removed from custom frontier etc: - The foreign liquor which is imported as per the provision of the Custom Act 1962 (52 of 1962) and the Trade and Import licensee those are desiring to remove such foreign liquor from the custom frontier or custom bond shall apply to Commissioner for authorization. The commissioner shall endorse the license in form FL-I by charging Rs.2, 50,000/- per annum for such endorsement to that effect. After such endorsement is made the license shall get approve such labels of foreign liquor by the Commissioner? The fees for registration and approval of labels shall be paid as under: - (These fees may change from time to time as per Govt. policy)

2. (A) For Spirits- (1) Up to 10 labels per authorized licensee - Rs.10, 000/- for each label per annum (2) In excess of 10 label - Rs.5000/- for each label per annum. (B) For Wine and Beer (1) Up to 10 labels per authorized license - Rs.5000/- for each label per annum (2) In excess of 10 label - Rs.2500/- for each label per annum

3. "Rates of Special Fee" are as follows (i) "200% of Assessable value or Rs. 160/- per proof litre of alcohol contents whichever is higher for spirits. (ii) 150% of Assessable value for wine (iii) (a) 100% of Assessable value or Rs.15/- P.B.L whichever is higher for mild beer. (b) 125% of Assessable value Or Rs.20/- P.B.L whichever is higher for fermented beer"

**Chapter-6D**  
**Textile Industry**

## **Introduction**

### **1. Textile industry in Thailand**

The Thai textile industry is large, developed & well-established. It is a key revenue and employment source for the nation. In year 2003 the industry accounted for 4.5% of the total GDP and employed approximately 1.08 million people or 21.3 % of the total workforce in the manufacturing sector. The industry experienced high growth rates over last decade but the present growth prospects are more conservative over the past few years. The industry consists of about 2500 garment firms, 400 dyeing, printing & finishing firms, 1300 weaving and knitting firms, 150 spinning companies & 18 man-made fiber mills

### **2. Role of textile industry in Thai economy.**

- Generated highest percentage of GDP in the manufacturing sector, amounting to 13% of the total manufacturing value added in 2010.
- Achievement in terms of the top rate of employment in the manufacturing sector, which is 20% (an estimated 1,100,000) of the industrial workforce in 2010.
- Being one of the highest export earners, with a 5.3% share of the total export value in year 2010.

(US \$ Million)

<b>Particulars</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
GDP	137390	164332	183563	200926	265893	290509
GDP of Manufacturing sector	47866	56611	63698	70341	94579	101461
GDP textile & Apparel subsector	6374	7451	7786	8022	9577	9931
Textile	2638	3085	3191	3239	3782	3872
Apparel	3735	4366	4595	4782	5795	6069

**Source :** Office of the National Economic and social Development Board

**Thai Textile and Apparel Export Major Markets (US \$ Million)**

Major market	2005	2006	2007	2008	2009
USA	2111	2084	2027	1932	1421
EU	1210	1363	1377	1422	1262
ASEAN	770	803	925	1024	1015
JAPAN	412	395	381	470	451
CHINA	283	250	264	254	270
OTHERS	1907	1940	2057	2098	2025
TOTAL	6694	6835	7032	7200	6444

**Thai Textile & Apparel Import Major Markets (US \$ Million)**

Major Market	2006	2007	2008	2009
EU	303	317	312	210
China	773	958	1080	271
Taiwan	327	350	369	904
Japan	279	299	342	300
USA	237	339	428	245
Others	1078	1127	1228	970
Total	2997	3390	3754	2900

**3. Demand in international market.**

There is a high demand of Thai garments in the upper & middle market. In this sector, Thailand still has an advantage of lower production costs. However the producers should always strive for the improvement of quality, innovation, design & enhancement of the variety of products.

**4. Opportunity in Thai textile industry**

Thailand has a competitive edge over neighbor countries, since Thailand has a lot of tourist and cultural attractions as well as a prospering leather and jewellery industries therefore a support & further development of these industries together with the focus

on fashion is a way forward to increase the demand of Thai garment goods in the international market.

Additionally, the nearby countries still have very low income population, therefore it is one of the ways that the cost of production can be decreased especially in larger factories. Apart from that, the large factories that have a lot of experience & money can still develop the management to cut cost by developing management techniques & production processes including the Supply Chain concept.

The industrial textiles include non-woven textiles used in hospitals, construction, automobiles and agriculture etc. For example there is an opportunity for export of textiles used in automobile such as carpets and seat belts, since there are few competitors in the international markets

## **5. Comparative position of textile industry (India v/s Thailand)**

### **Indian Textile Industry**

India's textile industry has considerable volume. India is the 2<sup>nd</sup> largest producer of textiles & garments after China (Mainland) & has a share of 3.9% in the global textile trade. Textile plays a important role by its contribution to industrial output, employment generation and the export earnings of the country. In 2008, it contributed about 14% of industrial production, 4% of the GDP and also provided direct employment to over 33 million people. The textile sector is the second largest generator of employment after agriculture. After three consecutive years of steady double digit increase, cotton textile exports in the first five months of 2008-09 slowed to 4%.

### **Strength**

1. Availability of an abundance of raw material.
2. Low cost of skilled labour.
3. Complete production system from upstream to downstream.
4. Large population and domestic market.

6. Ability to produce textile machinery.

### **Weakness**

1. Lack of an economy of scale due to fragmented industry as a large section of the industry is in the power loom and Handloom sectors so, there is an inability to source from a small number of producers.
2. Labour force has much lower productivity in comparison to China.
3. Costs such as indirect taxes, power & interest are relatively high.
4. Large portion of the processing capacity is obsolete.
5. Low quality products.

### **Policy**

1. Concentrate on the production of high quality & price competitive fabric.
2. Increase the share in the international market.

### **The Thai Textile industry**

#### **Weakness**

1. Low efficiency and productivity, old machinery and obsolete technology.
2. The deficiency in the development of raw materials.
3. Lack of qualified HR like engineers, mechanics and designers.
4. The continuous increase in wages.
5. Lack of long term loan with low interest rates.
6. Low level of foreign direct investment.

#### **Strengths**

1. A complete production cycle ranging from upstream, middle stream to downstream.
2. Most of the products are widely accepted in the international markets.
3. The existence of a moderately large domestic market.
4. Good cooperation b/w govt. & private sectors in overcoming problems & obstacles.
5. The location of Thailand is suitable to become the centre of textile industry.



6. Foreign companies have a trust in Thai producers.

### **Strategy**

1. Develop Thailand as regional fashion centre.
2. Upgrade the value and increase the variety of products.
3. Improve the productivity and management.
4. Set up a connection between industries (Supply Chain).
5. Improve the roles of the public and private sectors.

### **6. Thailand's competitiveness in textile industry across the world.**

The position of the Thai textile industry can be defined as Comparative Nutcracker or in the transition stage between the upper and lower markets. There is a strong competition from both markets for example in the upper & middle market the competitors are Hong Kong, France & Italy who have a competitive advantage due to the possession of well known brands with internationally acclaimed design and quality, whereas for the lower market there is a stiff competition from China, Vietnam & Indonesia.

### **7. Textile trend in India & Thailand**

India is the world's 2<sup>nd</sup> largest producer of textiles and garments after China. It is the world's 3<sup>rd</sup> largest producer of cotton after China and the USA and the second largest cotton consumer after China also. Textile industry in India is well established and old one, the textile and garment industry fulfils an important role in the growth Indian economy. It is a major foreign exchange earner after agriculture. It is the largest employer with a total workforce of 35 million. In the year 2005 textiles and garments accounted for about 14 percentages of industrial production and 16 % of export earnings.

It is one of the largest exporters of the cotton yarns in the world. Besides yarn exports, India's growing garment industry is working as a driving force to improve the yarn quality and to increase the production of cotton yarn. During 04-05, production of fabrics touched a peak of 45,380 million square meters. In the year 05-06 up to

November, production of fabrics registered a further growth of 9 % over the corresponding period of the previous year.

## 8. Textile & Garment trend in Thailand

**Export:** Total garment export amounted to \$2,961mn, a decrease of 15.5 percentages, reflecting 26.5 percentage decreases in garment export to the USA, Thailand's largest garment market, valued at \$1,177million. All Thai textiles major markets showed a decline in export value in the year 2009 with the exception of China, constrained by a relatively low export value. The USA, Thailand's top export market worth \$1,421.3 million, showed 27% decrease in the year 2009, reflecting 28 % decrease in the garment export. In contrast, garment export to Japan & China raised by 5.1 % and 9.2% respectively.

**Import:** Total value of garment & textile import in the year 2009 was \$2,877.7million, a decrease of 23% compared to 2008. Where, China is largest textile supplier with 24.4% share of total the textile imports, declined by 16% to US\$931mn. Total textile import in the year 2009 amounted to \$2,372.6 million, a decrease of 26.1%. Where fabric import amounted US\$ 696.5mn, which was decreased by 23.1 %

## 9. Thai textile industry in the year 2011

Total value of Thai textile and garment exports in the year 2010 (Jan-Dec) amounted to US\$7,677.9mn. Export value of fabrics, the fastest growing textile product, totaled \$1,454.4 million, an increase of 24.7% year-on-year. Total garment export worth \$3,205.9 million was 8.5 percentages higher than the same period in the year 2009.

Despite a sharp drop in its export revenues in 2009 due to the global economic downturn, the Thai textile & garment industry is expressing optimism about the future and expects to see 10 to 15% growth in export performance for 2010. Exports of textiles and garments from major global players like China, Eastern Europe, Mexico and Cambodia were down sharply in the last two years, as a result of economic recession worldwide. Thailand was no exception, with a moderate decrease of 13% in 2009. The country's ability to survive the downtrend of the global textile and garment market can be attributed to continuous product development and improved

quality assurance that are trusted by international buyers. On-trend designs, upgraded manufacturing process, strategic branding, trend setting & better distribution networks are also priorities in order to put Thailand on the world's fashion map in the next ten years.

## **COTTON EXPORT IN THAILAND**

Cotton crop remains unattractive in Thailand as farmers continue to shift to corn & tapioca cultivation driven by the Govt. price insurance program. Due to these reasons in the year 2010-11 cotton imports has increased slightly due to limited exportable supplies of major exporting countries, putting upward pressure on global cotton prices. Cotton imports accelerated due to a strong recovery in the textile industry and a reduction in global cotton prices as global supplies are replenished due to anticipated bumper crops. Meanwhile, cotton stocks remained low in 2011-12, due to high global cotton prices and a speedy recovery in the textile industry. However, cotton yarn and fabric manufacturers will face strong competition from relatively cheaper Chinese yarn and fabric & Vietnamese yarn fueled by duty-free imports under the China-ASEAN FTA, effective January 1, 2010.

### **1. Thailand's Imports of Raw Cotton**

**( Marketing year : August/July)**

Country	2008/2009	2009/2010	2010/2011	Aug. – Jan.		Change (%)
				2010/11	2011/12	
US	146348	142809	160244	53798	17496	-67.5
Australia	44276	75802	73285	44147	39127	-11.4
Brazil	40004	26772	26344	22760	19054	-16.3
<b>India</b>	<b>18360</b>	<b>26394</b>	<b>19520</b>	<b>9439</b>	<b>10855</b>	<b>15.0</b>
Burkin a faso	23055	18014	15048	6653	3636	-45.4
Zimbabwe	15181	15072	12045	7248	4324	-40.3
Mali	9067	11212	7957	2356	3083	30.8
Tanzania	10244	11394	11764	11092	1837	-83.4
Other	42893	66363	55898	34984	21141	-39.4
Total	349429	393832	382105	192387	120552	-37.3

## 2. Consumption of cotton in Thai textile industry

In the year 2009-10 and 2010-11, cotton consumption with increase of 5 % annually to 1.795 million tons by 2010-11 & fueled by the global economic recovery. Thai economic recovery is expected to persist in 2012 and 2013 with an anticipated annual growth of 3 to 5 %, driven by exports & domestic consumption.

In 2010-2011, raw cotton imports accelerated by 7 to 8 % in anticipation of a continued strong recovery of the textile industry due to a sustained economic growth. Spinners built up stocks as their beginning stocks were at minimum levels, as compared to normal inventory of 2-3 months. In addition, world prices were ease as larger bumper crops were in major exporting countries. Despite being a huge cotton importer, Thailand exported cotton in the form of comber waste, a byproduct of spinning medium count yarn.

## 3. Thai's import of cotton from India

Thailand's Imports of cotton (Calendar Year: Jan. - Dec.)

Country	2007	2008	2009	% change
United states	145916	183811	138788	-24.5
Australia	52141	42231	59718	41.4
Brazil	13194	32741	30673	-6.3
<b>India</b>	<b>44797</b>	<b>44000</b>	<b>183350</b>	<b>-58.3</b>

## 4. World scenario of cotton production

The largest producers of cotton in the world are China, India, USA, Pakistan, Uzbekistan, Brazil and Australia. During the year, 2006-07, total world production of cotton is 26,640 thousand tons. Largest producer of cotton is China, followed by India and U.S.A.

Showing area, Production and productivity of major cotton growing country (2006-07)

<b>Country</b>	<b>Area (‘000 ha)</b>	<b>Production (‘000 tons)</b>	<b>Productivity ( ton/ha )</b>
China	5740.4	7180.0	1.2
<b>India</b>	<b>9460.0</b>	<b>4760.0</b>	<b>0.5</b>
USA	5150.0	4700.0	0.9
Pakistan	3080.0	2090.0	0.6
Uzbekistan	1430.0	1170.0	0.8
Brazil	1090.0	1520.0	1.3
Australia	0.0140	270.0	1.9
world	34410.0	26640.0	0.7

### 5. Indian scenario of cotton production (Import & Export)

India was a net importer until 2003-04 after which net exports turned positive. This was mainly due to adoption of new technology (BT cotton) which increased production and liberalization of export which provided the market for increased output.

At present both cotton exports and imports are under Open General License (OGL). With a view to boost cotton exports from the country, duty draw back incentive of 1% was in vogue. However from 8th July, 2008 the Government of India has withdrawn the duty draw back incentive on cotton exports. Similarly till 8th July, 2008 an import duty of 10% was in vogue. However, from 8th July, 2008 the Government of India has removed import duty of 10% along with special countervailing duty on imports of cotton.

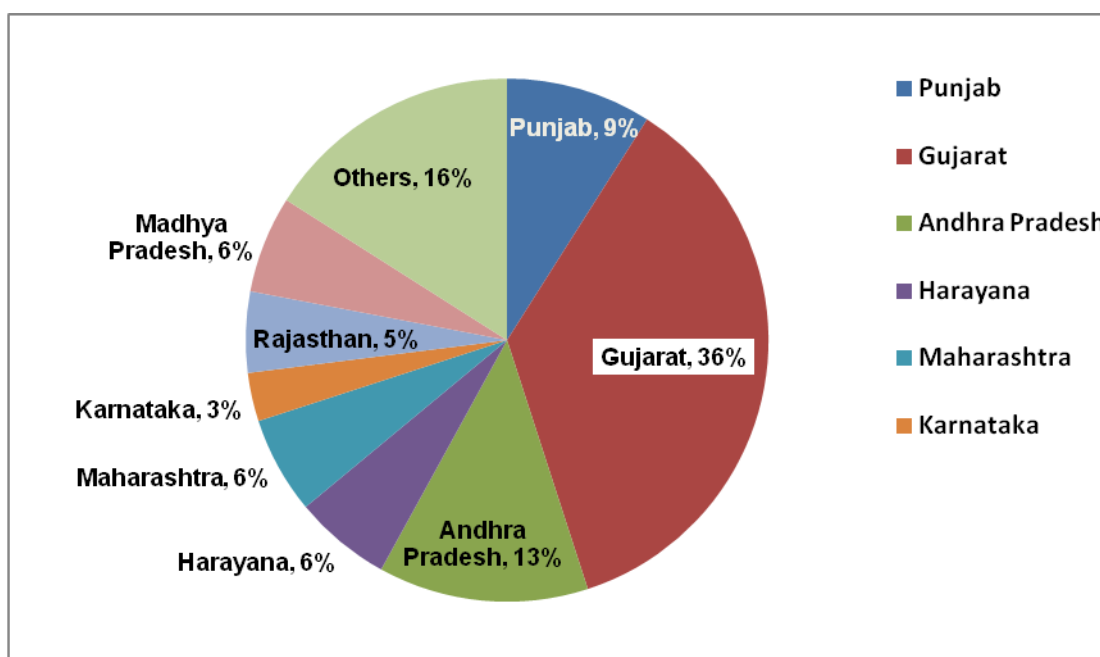
### 6. Major Cotton producing states in India

Gujarat is the leading producer of cotton in India followed by Maharashtra, Andhra Pradesh, Punjab, Madhya Pradesh, and Haryana, etc. Highest productivity is also

reported from Gujarat followed by Tamil Nadu, Andhra Pradesh, & Punjab. The details are given following in table.

Year/ States	Area( in 000'ha)		Production( in 000'tons)		Productivity( tons/ha )	
	'06-07	'07-08	'06-07	'07-08	'06-07	'07-08
<b>Gujarat</b>	<b>2390</b>	<b>2516</b>	<b>1717</b>	<b>1870</b>	<b>0.71</b>	<b>0.74</b>
Maharashtra	3070	3191	884	1020	0.28	0.32
A.P	972	1096	595	731	0.61	0.66
Punjab	607	648	442	408	0.72	0.63
M.P	639	662	306	357	0.47	0.53
Haryana	530	478	272	272	0.51	0.56
Rajasthan	350	368	136	153	0.38	0.41
Karnataka	375	371	102	136	0.27	0.36
Tamil Nadu	122	123	85	85	0.69	0.69
Others	87	77	17	34	0.19	0.49
Total	-	-	4556	5066	-	-
Loose lint	-	-	204	204	-	-
Grand total	9142	9530	4760	5270	-	-

**Major Cotton Producing states during 2010-11**



## **7. Export potential**

Export potential of cotton is discussed region or areas wise, where ASEAN countries imported 1,059,967 tons during 2006. There is a decrease of 3% in demand over 2003. The largest importers in ASEAN countries are Indonesia (4,63,205 tons), Thailand (4,22,042 tons) and Vietnam (1,19,021 tons). India's exports to these countries are approx 12% of their requirements, exporting 50,534 tons to Indonesia, 44,478 tons to Thailand & 33,670 tons to Vietnam and negligible quantities to Philippines and Malaysia. Main competition for India's export of cotton is from Australia and U.S.A. India is nearer to these countries from location point of view compared to U.S.A. India is supplying at much lower prices compared to U.S.A and Australia but still, India is not able to corner more than 12% share of imports. India needs to strive for higher productivity and lower cost of production on one hand and improve quality on the other for enhancing exports to these countries.

## **8. Indian policies, norms & regulatory body of cotton export**

**Regulatory body of cotton in India** [Cotton Corporation of India Ltd. (CCI)]

*The role assigned to the CCI under the Textile Policy of June 1985 was:*

1. To undertake price support operations whenever the market prices of 'kapas' touch the support prices announced by the government of India without any quantitative limit
2. To undertake commercial operations only at CCI's own risk.
3. To purchase cotton to fulfill export quotas given to CCI.

## **9. Registration rules for cotton exports**

On July 22, 2011, the Directorate General of Foreign Trade (DGFT) had issued a Notification No 26, whereby all raw cotton export is subject to the export authorization registration procedure with the textile commissioner of Mumbai.

The export contract must be registered prior to shipment. Accordingly, the textile commissioner has issued a procedure prescribing the terms and conditions for registration. The export authorization registration application should be submitted within 30 days prior to the date of actual shipment. If the export deal is not fulfilled

within the stipulated 30 days, then the registration issued would stand lapsed, and for revalidation the exporter should have to get it re-validated before shipment again.

If, due to some reason, the export contract is cancelled (by the importer/exporter) or the export deal is not fulfilled, the exporter should inform the TCO of such cancellation or non-exportation within 15 days from the date of cancellation. If default is on the part of the exporter in fulfilling the export shipment for two times, then no further registration application will be entertained till such time the shipment details are submitted. After the actual export of full registered quantity, the exporter should submit a legible exchange control copy of shipping bills as issued by the customs along with the details of quantity of goods exported, its value and destination

#### **10. Present- trade scenario in India**

Cotton is one of the major export businesses in India & as cotton is considered in commodity, prices of cotton are volatile. According to textile industry, cotton prices in India are currently at an all time record high, in spite of a bumper crop of 295 lakh bales during cotton year 2009-10 (October-December).

Shankar-6 which is India's standard cotton was being sold at around Rs. 23,000 a candy (355 kg) at the beginning of the year, but it is now being sold at Rs.38,000 a candy and is scarcely available even at this price. The current price is more than 50% higher than the Minimum Support Price fixed by Government. And the prices are continued to increase every day.

Export of over 83 lakh bales (nearly 30 percent of the crop) played an important role in the unprecedented increase of domestic prices. The Government announcements of cotton exports being removed from restricted list resulted in an increase of around Rs.6000 a candy within a few weeks. Increase in cotton prices pushed up prices of yarn and fabrics affecting exports of value added products. Increase in the prices of textile products has also added to inflation and affected the livelihood of the masses.

#### **11. Potential export from India & specially Gujarat to the Thailand**

India is the world's 2<sup>nd</sup> largest producer and exporter with the cheapest cotton. While Gujarat is the highest cotton producing state in the India which is about 40% of



India's total production. Thailand has skilled & cheap labors, techniques which can manufacture cotton textile products at cheaper rate even compare to India.

Apart from that Thailand is major exporter of textile products to the western countries like USA. In the year 2007 Thailand has imported 44,797 metric ton of cotton, while in 2008 import of 44,000 metric ton

*The largest importers in ASEAN countries are Indonesia (4,63,205 tons), Thailand (4,22,042 tons) and Vietnam (1,19,021 tons).* India's exports to these countries are approx 12% of their requirements, exporting 50,534 tons to Indonesia, 44,478 tons to Thailand and 33,670 tons to Vietnam and negligible quantities to Philippines and Malaysia.

If we look at the import of cotton in Thailand from Australia which is continuously increasing from last four years with imports of over 40,000 tones in the last two years, with imports of over 40,000 tones in the last two years, The Thailand-Australia Free Trade Agreement, which has eliminated import duties on cotton, provided a very strong incentive for Thai importers to develop ties with Australia.

Their relationship with Thai spinning mills is highly valued. Thailand is a very reliable buyer, as it does not have a domestic cotton market of its own. In 2009, Thailand imported 18 % of Australia's cotton production and expected a similar proportion in coming years. Last year, cotton was the 12<sup>th</sup> most important Australian merchandise export to Thailand, representing 86.5 million Australian dollars (Bt 2.6 billion), according to the Australian Foreign Affairs and Trade Department.

From the above data we can see that there are lots of scopes in Thai cotton and cotton textile industry.

## **12. Business opportunities in future**

Indian government has been promoting the cotton exports for last couple of years; moreover they have announced free trade policy, no export duty & export incentive of 1.5% on exports of raw cotton.

It is expected that India may harvest a 345 lakh bales in the year 2012-13, while one third of total crop may be exported this year. If we look at the prices on 28 Feb. 2012,

was 97 cents/pound in India, and 117 cents/ pound in china, so we can say that it is exported at one of the cheapest price

India and Thailand target to increase bilateral trade to \$10 billion at the end of 2012 from \$6.7 billion in 2010 as the two countries broaden their trade basket and liberalise norms, Thailand's Prime Minister Abhisit Vejjajiva said on 5<sup>th</sup> April 2011.

Thailand is the 20th largest trading partner of India. By the end of 2012 it is expected that trade will cross \$10 billion mark. Thailand & India has negotiated a free trade agreement that would substantially reduce trade barriers and boost two-way trade and investment.

As a part of this project we are also planning to import cotton made products (like T-shirts, shirts) from same importer at cheaper rate.

## **PART-2**

### **1.1 Textile Industry Today**

Currently, Thailand encourages a fully integrated textile industry. In 2008, Sector contain 18 man-made fiber's 150 spinning's & 1300 weaving organization, as per Phongsak Assakul, chairperson of Federation of Thai textile Industry and Thai textile Manufacturing Association, placed at Bangkok. There are 400 dyeing, printing & finishing firms, in addition to 2500 apparel firms. Those firms employed 22.1 % of the country's entire industrial labor force (more than 1 million).

Textile and garment industries play important role in Thai economy, since they have created employment and wage for many people. The total production volume is about 301.27 ten thousand tons while the total demands of textile and garment is around 276.73 ten thousand tons or 91.7% of total production.

In the first 9 months 2010, textile and garment industries exported value of 5,600 million US dollars, increased about 18% compare with the same period of 2009 (overall for the whole year was 7,400 million US dollars).Thailand and other Asian countries are the textile exporters in both the beginning and middle stream of industry, such as, invented fiber, thread, and fabric. Moreover, Thailand gain tax advantage from Asian by Trade Area (AFTA) and Free Trade Area Asian-Japan as well as the distance advantages which allow fast delivery with low cost. Moreover,

the quality of products of Thailand is at standard level and accepting by world market. These situations helping in increase employment rate and wage.

In 2011, the export value was expected to grow due to the cooperation of many projects under AFTA including The ASEAN Federation of Textile Industry (AFTEX), which help increase the textile exporting in both Thailand and Asian countries. These expected export increasing allows both government and private firm to create strategies in order to decrease the reliance in exporting only to the main markets as USA and EU.

## **1.2. TEXTILE AND APPARELS INDUSTRY OF INDIA**

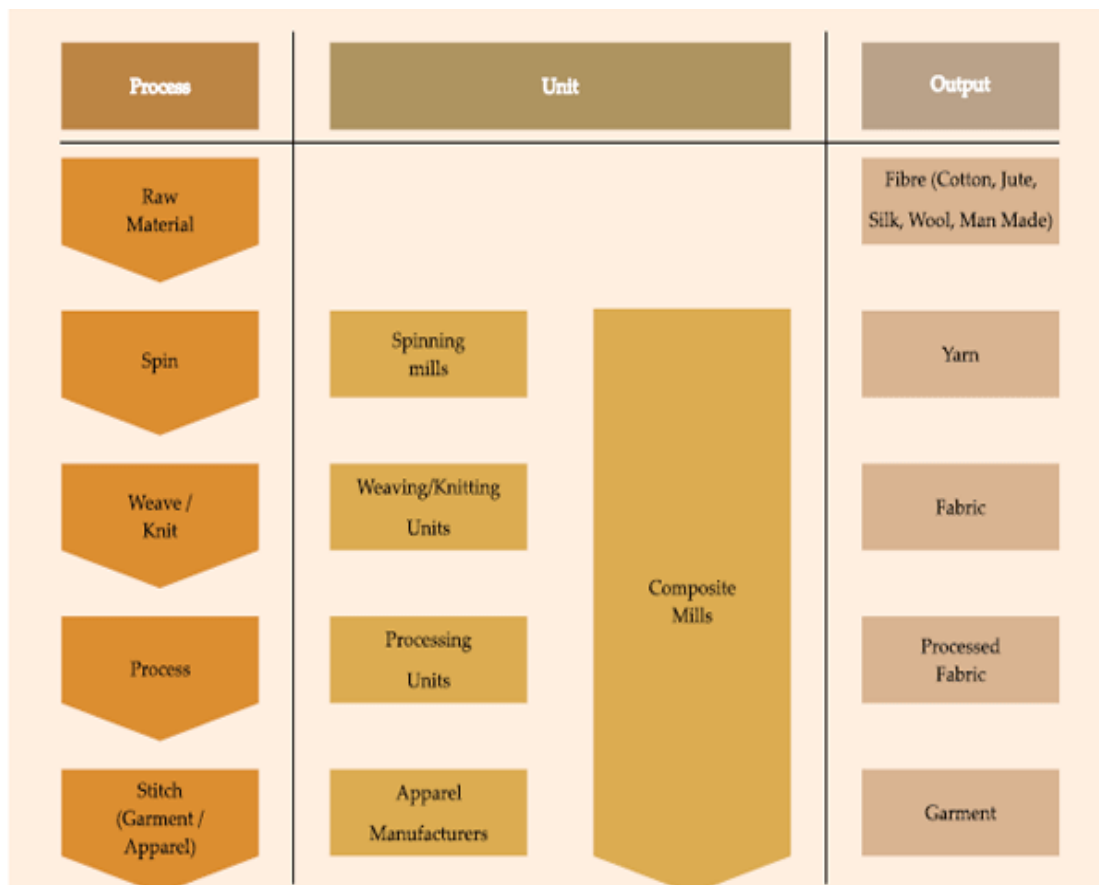
Textile and Apparels (T&C) industry is one of the key contributor in Indian economy. The textile industry accounts for 14% of industrial production, employs 35 million people, accounts for approximately 12% of country's total export basket and contributes 4% of GDP. At current prices, the size of India's textile industry is US\$ 55 billion out of which 64% is consumed in domestic market only (Annual report 2009-10).

As per available WTO data, India's percentage share in global textile and apparels trade was 4% in textiles and 2.8% in apparels during the year 2007. India's rank in world trade has been 7<sup>th</sup> in textile and 6<sup>th</sup> in apparels. The vision statement for the textile industry in the 11<sup>th</sup> five year plan (2007-12) is to secure 7% share in global textile trade by 2012. The export basket consist of a wide range of items comprising readymade garments, cotton textiles, handloom textiles, manmade fiber textiles, wool and woolen goods, silk, jute and handicrafts including carpets. Readymade garments accounts for almost 42% of total textile exports. Readymade garments and cotton textiles accounts for nearly 72% of total textile exports (Annual report 2009-10). Exports of textile and apparels products from India have increased steadily over the past few years, particularly after 2004 when quota in textile was discontinued. In global context, India offers a comparative advantage in textile and apparel industry, with it excellent raw material base, skilled people and cost competitiveness. Through exports of textile and apparels products, India earns its major chunk of foreign exchange required to payoff for its

imports and minimizes the trade deficit.

The Indian textile industry has already established its name in exporting high quality yarns & grey fabrics to the world markets. However, it is yet to make an impact in finished products. It only make sense that to go for further value added products like garments & leverage on the country's established name in the export markets. Naturally many textiles companies have announce plans to diversify in value added business to target a higher realization & compete better in the export markets of the world.

## 2. Structure, Functions and Business Activities of textile Sector



### Textile Sector – High Level Value Chain

### **2.1.1. Spinning mills**

With capacity of 40 million spindles, India accounts about 22 % of the world's spindle capacity. In 2008, India's spinning sector consisted of around 1161 small-scale independent units & around 1566 larger scale independent units. Independent spinning mills account for around 75 % of capacity and 92 % of production.

### **2.1.2. Knit/Weaving/Knitting Units**

India's weaving and knitting sector is highly fragmented, small-scale, and labor-intensive. The woven fabric industry of production can be divided in three sectors: power loom, handloom & mill sector. In 2008 it consisted of about 3.9 millions handlooms, 1.8 millions power looms, and 0.1 millions loom in the organized sector in country.

The decentralized power loom sectors are 95 % of the total cloth manufacturing. The knitted fabric is 18 % of the total fabric manufacturing.

### **2.1.3. Processing Units**

The processing sector is decentralized and marked by hand processing units & independent processing unit. Overall, around 2300 processors are running in India, including around 2100 independent units and 200 units that are integrated with weaving, knitting or spinning units.

### **2.1.4. Garment Manufacturing Units**

Small-scale fabricators dominate garment production, all garments production unit fare reasonably well on technology use. The bulk of apparel is produced by around 77000 small-scale unit divided as fabricators (subcontractors), domestic manufacturers & manufacturer exporters. The fragmented structures of the sector provide advantage of pool of skilled peoples in textile production and also give scope entry to the organized textile producer. Small scale unit in different sector of textile can also be leveraged as supply base for sourcing raw material lower price.

## **2.2. Production and Exports**

India has been experiencing strong performance in the textile industry, across different segments of the value chain, from raw materials to garments. Domestic production has been growing, as well as exports.

### **2.2.2. Production of Fabrics**

Production of fabrics increased to 9.25% in 2008-09 in compare to 8.20 % over the corresponding period of the previous year.

## **2.3. Business plan:**

### **2.3.1. Business activity**

We are in a business of to Export the Fabric from India to Thailand and to Import the readymade apparels from Thailand to India and to sale the apparels in Gujarat.

- The industry export the fabric and import the apparels (raw material or readymade) from Thailand through its partners.
- The industry may processed on raw material of fabric and sell out in Thailand cloth markets.
- The apparels are directly sold to factory outlet or to distributors.

### **2.3.2. Location:**

- We are planning to establish Warehouse in Bangkok-Thailand to stock the fabric and readymade apparels.
- In India our Production unit will be in Ahmedabad-Gujarat. And at the initial stage we are planning to sell readymade garments which are imported from Thailand in Gujarat region only.

### 3. Present Position and Trend of Business:

#### 3.1. Apparels export

Apparels exports in 2008 totaled 4,401,722.8 tons, worth US\$ 3,464,700,000, accounted for 58.2 per cent of the total value of textile exports in that year. Apparels made from woven and knitted fabrics amounted to 68,426.46 tons and 4,333,296.4 tons, worth US\$ 1,475,630,000, and US\$ 1,989,070,000, respectively.

#### Apparels and textile production of Thailand

Apparels (million pieces)	Fabrics(million square yards)		Yarns(1000 tons)		Manmade fiber(1000 tons)
	cotton	Man made	cotton	Man made	
217	365	96	34	3	0.8
249	389	108	49	7	1.2
488	605	523	71	64	39
722	838	983	96	131	113
786	872	1073	97	131	113
822	936	1146	101	132	98
883	976	1227	110	137	114
889	1032	1313	118	153	115
946	1088	1406	131	161	127
1035	1139	1494	140	170	131

### Thailand apparels and textile exports

	2007	2008	2009	2010	2011
Apparels & textile	102.9	70.5	57.8	38.1	24.9
Apparels & textile % of total	31.8	48.8	48.0	51.3	56.2
Total	232.1	144.4	120.4	74.2	44.3

### Import tariff on apparels and textile

	2007	2008	2009	2010
Manmade fiber	20(30)	20(30)	22(15)	30
Yarns(polyester-cotton)	20	20	22	30
Cotton yarns	25	25	27	30
Fabrics	60	80	66	60
Apparels	60	100	66	60

### Fabric import by Thailand

Fabrics comprised the highest portion of total textile product imports (34.3 percent) in 2008, amounting to 132,199.1 tons, worth US\$ 687.5 million. Of that, man-made fabrics accounted for 70,899.5 tons worth US\$ 306,730,000. Cotton and knitted fabrics amounted to 47,572.2 tons and 11,220.1 tons, worth US\$ 264,950,000 and US\$ 67,130,000, respectively



## **3.2. Present Trade barriers**

Due to the upcoming liberation of textile and garments trade, importing countries are considering the use of safeguard measures to protect the domestic textile industries. If the safeguard measure is widely used, the world trade situation of -11- textiles and apparels could possible worsen compared to the situation under the old MFA. There are two kinds of safeguard measures that can be used which are explained as follows:

### **3.2.1. Tariff Barrier**

There are two kinds of tariff barriers, one is the traditional import tax imposed by importing countries. The other is a form of additional tax such as the Argentina's "Special Duty", Brazil's "Industrial Product Tax" and India's Special Additional Duty etc.

### **3.2.2. Non - Tariff Barrier**

#### **3.2.2.1. Anti-dumping Regulation**

At the moment, the anti-dumping measures that are imposed on textile products are mostly on man-made yarn and fibres. As experienced in the Thai and other markets, the production of such products exceeds the demand in the domestic markets leading to an excess that are exported to other markets. The importing countries use the antidumping regulations by collecting anti-dumping tariffs. 2.5.2.2 Countervailing Duty, CVD Thailand faces a countervailing duty on man-made fiber products made of polyester from the EU who claims that the government has helped the producers in increasing the competitiveness which creates a deviation of costs. The importing countries penalize Thailand by collecting an additional tariff on the products.

#### **3.2.2.2. Product Standard**

In comparison to other international standard such as the British Standards Institution or BSI, the Thai textile product standard does not cover every detail of the whole textile and garments system especially the downstream industries namely the garment sector, where the foreign standard covers in detail the size of

clothes and even separate them into men, women as well as boys' and girls' clothes. Moreover Thailand still lacks the technological knowhow for tests such as the Anti-bacteria test, Geotextile and Technical Textile standard etc. The lack of an internationally accepted standard has led Thai producers to obtain foreign standards required by the importing countries they costs a lot of money and ultimately leads to a lower return.

#### **3.2.2.3. Environmental Standard**

There is an increasing demand of the compliance with environmental standard from importing countries such as the ban on the usage of colour that contains heavy metals. The environmental regulation in Japan and the EU demands that the manufacturers and importers must be responsible for destroying or recycling of packaging materials. There are also other voluntary environmental standard for exporters such as Eco Mark of Japan, White Swan of Nordic countries and Eco-Label of the EU.

#### **3.2.2.4. Labour Regulation**

The usage of labour regulation by importing countries forces Thailand to increase the labour standard. The regulation on the standard of employment such as the ban on usage of child labour, employees' safety standard and payment of wages that is not lower than the national minimum wages, contribute to a higher production costs and will ultimately decrease the price competitiveness of Thai textile products. The classic example of this kind of import barrier is the US Social Accountability 8000 measure (SA 8000).

#### **3.2.2.5. Labeling of Products**

The importing countries demand that there is an exact description of the goods, the constituents and the origin and if it is found that the description on the label is misleading, the goods will be sent back for correction, which will increase the costs of production. There is a lot of complication in the labelling of products since each country demands deferent details such as units, size and the language, which increase the burden on Thai producer.

### **3.3. Challenges**

Although Thailand's textile sector has been growing rapidly and has become the country's leading industry, it is still facing the following problems:

- Most exported textile products are commodity types that are subject to fierce competition and which attract lower prices;
- The lack of product variety and quality, due to the shortage of skilled technical manpower and state-of-the-art technology;
- The loss of its competitive advantage to lower cost countries, especially with regard to the labour wage rate. Currently, the comparatively higher wage rate in the Thai textile industry is pushing up the cost of production;
- Few or no research and development activities and a lack of testing facilities for basic quality control in factories;

## **4. Potential for import / export in India Market**

Post MFA Scenario - Opportunities and Challenges' observed that the Indian textile sector has potential to reach an export value of US \$ 70 billion by 2014. It is observed that the Multi-Fiber Arrangement (MFA) restricted trade in textiles and apparels through a system of quotas. The post quota regime, thus, would provide opportunities and challenges for Indian textile and apparels industry.

We noted that the apparels industry would offer higher gain than the textile industry, in the post Multi-Fiber Arrangement regime. Further, the study also observed that country like India, China, Brazil, Pakistan, Taiwan, Hong Kong, Indonesia and Egypt would emerge as power in the post quota regime. The determinants of plus/minus in market share in the long time, though; it would depend upon the cost, quality and timely delivery of these players.

The study estimated that in the short term (1-2 years) it would be the apparel market in USA and EU, which would be providing opportunities to developing countries like India. Labour intensity of garment manufacturing would enhance potential gains for developing countries like India. In the long term, (by 2014), even

the textile sector would offer opportunities, as many high cost countries would lose their competitive position in the open trading environment.

The study reviewed Indian textiles and garments sector recommended that the capacity and technology infusion in the spinning and weaving sector are relatively low. Though there is prevalence of low cost labor, the cost of production is increased due to relatively high interest cost and power tariff.

According to study India should sharpen its competitive edge by decrease the cost of operations by efficient use of production inputs. There is also need for combine manufacturing process to gain operating leverage and demonstrating good bargaining power. This would call for turning towards high tech world; foreign investments coupled with technology transfer which can help the sector to turn in high-tech mode. Study also recommended that improvement and efficiency in logistics and SCM of Indian textile sectors. With that, Indian players should also improve upon their skills, design capabilities, textile technology and management and negotiation skills.

## **5. Business Opportunities in future**

Although the Thai textile industry is still experiencing some problem, the potential remains for investment that will to serve local and export demands as:

- Wages levels in the Thai textile industry still offer an advantage over countries with a more developed textile industry such as the India, Republic of Korea, Hong Kong, China, and Taiwan Province of China. Although Thailand may be at a disadvantage compared to lower-cost countries, the Thai textile workforce is still comparatively more efficient, especially in terms of skilled labor.
- There are still opportunities for the Thai textile sector to expand its exports from the quota markets (such as the USA and the EU nation) to non-quota markets and other new markets such as Cambodia, Viet Nam Myanmar and Eastern Europe (Poland ,Russian Federation). Indochina and Myanmar, in particularly apart from serving as our market.

- Decrease in tariffs and other barrier of the ASEAN Free Trade Agreement and the GATT/WTO Agreement will give further expansion of investment and trading in textile sector.

## Chapter-6E

### Dairy Industry

## **INTRODUCTION**

Milk is traditionally un-organized industry. Milk and milk-product's production is organized through Dairy industry Thailand is involved in dairy farming from 55 years. Dairy farming has been started in 1956. Commercial dairy farming started in Thailand in 1962.

Dairy cattle population is quite low. In 2004, there were 408,350 heads of dairy cattle in Thailand. The quantity and quality of cattle is very much important factor. Milking cows were 40%. Dry cows were 11%. Heifers' means young cows were 20%. Calves were 29%. So, productive cattle are one more problem where already cattle are low. The average dairy farm size is 17.5 heads producing 10-12 kg of raw milk per cow per day.

The total raw milk production of the country is 770000 tons/year in the year 2007. The milk consumption per kg/capital/year is only 12.03, which is so negligible that every person consumes only 3.3 gram milk daily. The milk import of last year was of 19,973 million baht which increased drastically from last year. The main imported product was skimmed milk powder. The main source of milk importing is Australia and New Zealand.

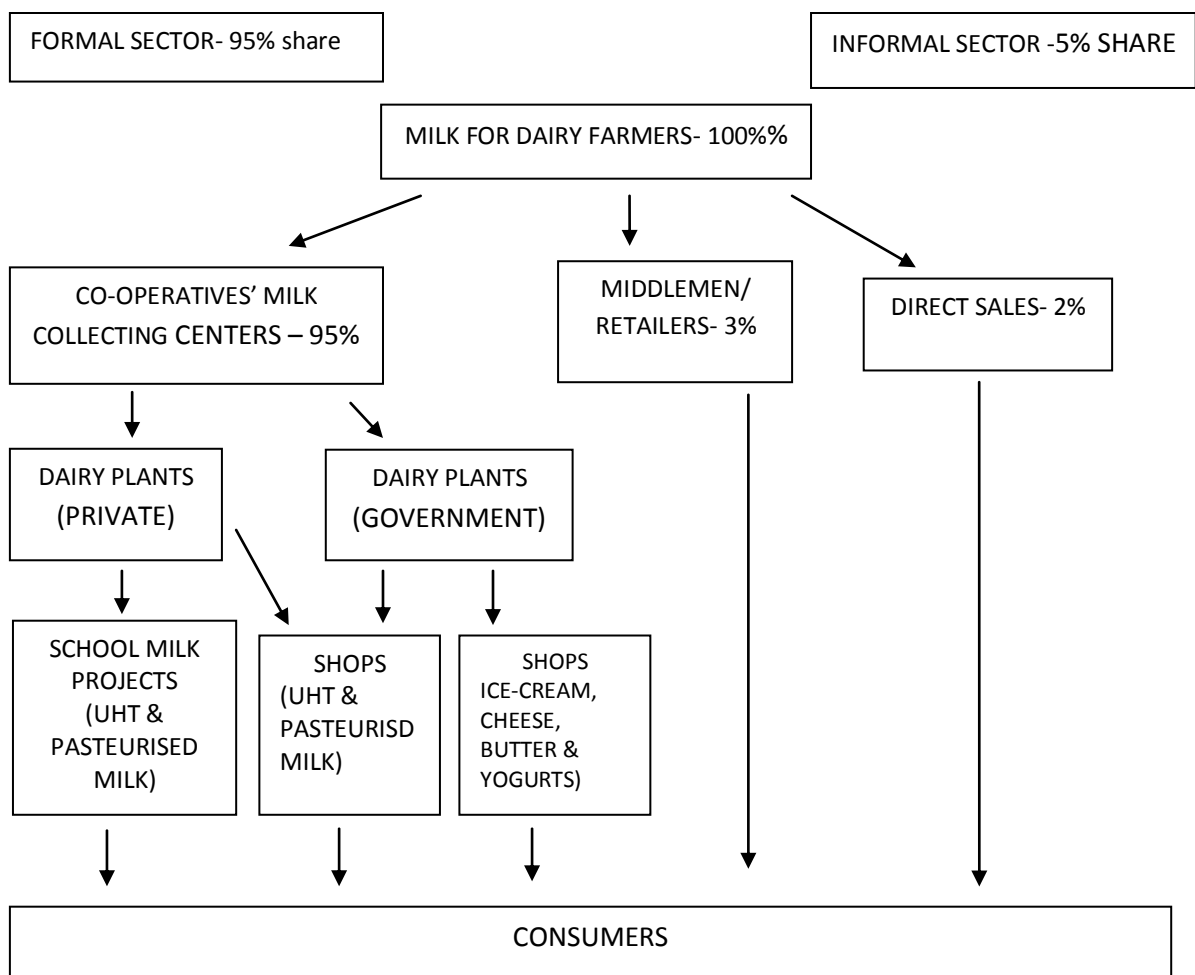
Dairy modernization is done. But, it is still not yet developed. Dairy farm management, adopting modern technology, marketing is done.

So, there is an immense possibility of trade with Thailand. It has great potential for growth.

**STRUCTURE, FUNCTIONS AND BUSINESS ACTIVITIES**

**Structure of Thai dairy industry:-**

**Distribution Channel for Domestic Milk in Thailand**



**SOURCE:** *The Economics of Milk Production in Chiang Mai, Thailand, with Particular Emphasis on Small-Scale Producers, March, 2005 (PPLI working paper Working Paper No.20)*

### **Functions of Thai dairy industry:-**

Farm types are determined by taking into consideration:-

- Location of farm
- Farm size in terms of herd size &
- Production system

Farm types in Thailand are TH-5, 14, 21 & 117. These farms have 5, 14, 21 & 117 crossbred cows respectively. Production systems improve as we move from small to large farm types.

Now, let us look at the dairy production systems:-

- The main type of dairy animals is crossbred cows.
- In small farms, i.e. TH-5, 14 & 21; family labour is used. Whereas in case of TH-117, family labor as well as hired labour is used.
- Small, locally manufactured machine, portable milking buckets & imported pipeline are used for milking.
- Role of co-operatives is very important as they work as intermediaries. They collect milk from farmers and provide it to private and government dairy plants.

### **Business activities of Thai dairy industry:-**

- **Margins of formal v/s informal dairy sector are as follows:-**  
Formal sector gets 1.5 to 1.8 times higher output prices than informal sector in liquid milk category. Formal sector's UHT and pasteurized milks have 3.15 to 2.23 times margin of informal sector.
- **Packaging:-**



For packaging, dairy processors use tetra pack in case of UHT and plastic bags in case of pasteurized milk.

- **Preference of customers:-**

Customers prefer UHT and pasteurized milk in comparison to fresh milk. Even farmers sell marketable milk and purchase milk from shops for their own consumption. Even other dairy products, especially yogurt, are consumed equally.

### **Limitations of co-operatives and dairy farms:**

- Co-operatives are unable to protect themselves against milk imported by private sector milk factories. And apart from that, though milk production is increasing, it is not sufficient to meet total consumer requirements.
- The villages in which dairy farms are located are not that developed. As the basic facilities are not available, dairy farming is not that encouraged.

## **COMPARATIVE POSITION OF DAIRY INDUSTRY WITH INDIA**

### **Production comparison between India & Thailand**

- **Indian Scenario:**

In India, the milk production has been increased by almost 50% over the decade. India is the world's largest producer of milk. The reason behind high milk production is the government support and good development in animal husbandry. In India milk from buffalos is important. As per Department of Animal Husbandry, Dairying & Fisheries of Govt. of India the production of milk has increased by more than four folds from only 17 million tons during 1950-51 to 100.9 million tons in 2006-07.

- **Thailand Scenario:**

Thailand is a non milk drinking country. But the Thai government has started many canvassing programs to increase the consumption of milk. As per FAO report, *Titled- "Smallholder dairy development: Lessons Learned in Asia", January 2009*, the total raw milk production of the country is nearly the total amount of raw milk production in 2007 was 770 000 tons.

## Per capita consumption

It is better to compare the consumption of both the countries on per capita basis because the population in both the countries is different. As per Department of Animal Husbandry, Dairying & Fisheries of Govt. of India the world's daily average consumption of milk is about 285 gms.

### ➤ Indian Scenario

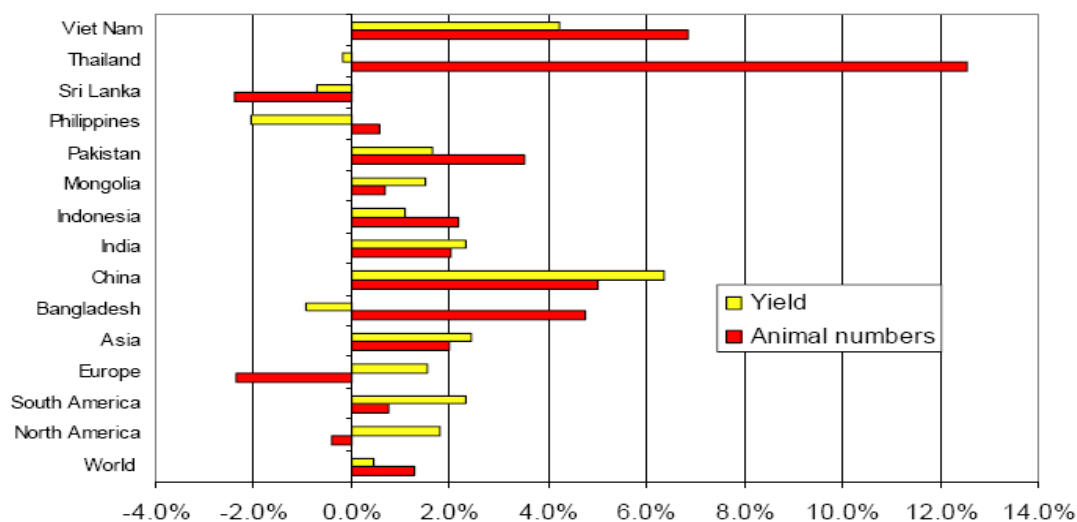
As per Department of Animal Husbandry, Dairying & Fisheries of Govt. of India, the milk consumption of India is 256gms per day in 2007-08

### ➤ Thailand Scenario

The milk consumption per kg/capital/year is only 12.03, which is so negligible that every person consumes only 3.3 gram milk daily.

## Contribution of yield to milk output comparison

### Contribution of yield to milk output (over the past decade)



SOURCE: *Smallholder dairy development: Lessons learned in Asia, ANIMAL PRODUCTION AND HEALTH COMMISSION FOR ASIA AND THE PACIFIC, FAO, January 2009*

### ➤ Indian Scenario:

Due to tremendous improvement in dairy industry, the yield from the milk production is higher than the number of increase in animals. This shows the proper utilization of resources, which leads to increase in the yield by more than 2% over the past decade.

➤ **Thailand Scenario:**

Over the past decade, the percentage number of animals increased in Thailand is higher than the percentage number of animals increased India as well as other countries. But due to lack of proper utilization of resources yield has decreased.

## **Current Trend and Business of Indo-Thai**

### **Trade of dairy products between India-Thailand**

India's leading dairy Amul is exporting milk to many countries. It is exporting only Ghee to Thailand. The products of Andhra Pradesh Dairy Development Cooperative Federation Ltd.'s brand called Vijaya can also be exported to Thailand. Amul's authorised dealer of exporting Ghee to Thailand is **A.R.Trading**. It has own distribution channel and established network to sell product in whole Thailand.

## **POLICIES AND NORMS OF BOTH THE COUNTRIES**

➤ **THAILAND'S POLICIES AND NORMS**

### **Thailand's Trade policy Framework**

Thailand's trade policy for imports of dairy industry has been classified under two parts

1. THAILAND'S DAIRY IMPORT POLICIES UNDER THE GATT FRAMEWORK
2. THAILAND'S DAIRY IMPORT POLICIES UNDER THE WTO FRAMEWORK

## **THAILAND'S DAIRY IMPORT POLICIES UNDER THE GATT FRAMEWORK**

In 1982, Thailand became a member of GATT, as the objectives of GATT as applied to Thailand's dairy sector; Thai government had to balance between competing aims in relation to its dairy product import policy as follows:

- To promote fair trade under the trade agreement of GATT;
- To guarantee self-sufficiency of dairy products of good quality to the Thai market;
- To maintain the price of milk and dairy products as stable as possible and to avoid any inflationary pressures especially on lower income households; and
- To assist the promotion of the dairy farming in Thailand, and in particular, thousands of small local dairy producers

## **THAILAND'S DAIRY IMPORT POLICIES UNDER THE WTO FRAMEWORK**

In 1994, Thailand became the member of the World Trade Organization (WTO). The tripartite sub-committee of Thailand's dairy industry was set up in 1995 with the aims stemming from the National Livestock Development (NLD) and policy committee under the Ministry of Agricultural Cooperation (MOAC). They developed an agreement to focus on liquid milk and skim milk powder (SMP) proportion fixing system to be replaced by an import quota system. Due to local raw material shortages in the domestic dairy industry, a large amount of imports were allowed to fall within quota by committee.

Based on the GATT and WTO commitments following are the changes made in the import policy of Thailand:

- Minimum quota level has been decided mainly for 2 products, SMP and liquid milk.
- Import quotas of SMP and liquid milk have increased substantially from 2,286 and 45,000 tons in 1995 to 55,000 and 2400 tons, respectively in 2004.

- The tripartite sub-committee has further agreed to import from WTO non-member countries that would not be eligible for the lower level of quota tariff rates.
- Imports of liquid milk or SMP from non- WTO member countries are subjected to the 46 per cent and 240 per cent rates and the ratio for these countries are not expected to decline in the future.

## Tax and Tariffs

### Tariff Rate Quota

Following table shows Thailand's quota allocation in dairy products

**Thailand's Import Quota Allocation in Dairy Products**

Description of the product	Tariff Rate Quota	
	Quantity (Tons)	In Quota Tariff
SMP (Skimmed Milk Powder)	55000	20%
Liquid Milk and Cream	2400	20%

*SOURCE: Dairy Product Import Policies of Thailand, 2005*

The Thai government specified four categories of dairy products for which imports of milk powder were allowed and eligible to apply for part of the quotas as follows:

- UHT product manufactures and milk depots importing milk powder on behalf of the Thai government.
- Sweetened condensed milk manufactures;
- Importers of milk powder, who have a proven and continuous track record of importing from 1991 onwards; and
- Processed dairy manufactures, producing bakery products, cheese and other processed dairy products

**Tariff rates:**

Following Table-2 shows differential tariff rates for Thailand's dairy product imports.

**Thailand's import tariffs on the dairy products.**

<b>Dairy Products</b>	<b>Tariff (%)</b>
Milk and cream, not concentrated nor containing added sugar or other Sweetening matter. Of a fat content, by weight, not exceeding 1 %	40
Milk and cream, not concentrated nor containing added sugar or other Sweetening matter. Of a fat content, by weight, not exceeding 1 % but not exceeding 6%	40
Milk and cream, not concentrated nor containing added sugar or other Sweetening matter. In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5% (SMP)	216
Butter, cream powder curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter (WMP)	5
Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere Specified or included.	30
Butter	33
Cheese and curd	33

*SOURCE: Dairy Product Import Policies of Thailand, 2005*

## ➤ **INDIAN TRADE POLICY**

India is a member of WTO, by signing agreement on GATT. India have to reduce tariffs to import and remove the hurdles and step-by-step eliminate taxes.

India is also member of ASEAN countries, which means it, will have to reduce tariffs for trade with ASEAN countries. The result of membership in ASEAN is quite positive for India. India's trade with these countries has been tremendously improved. AFTA provides for a phased reduction of import duties on Indian and ASEAN countries' agricultural and non-agricultural goods from January 2010 to January 2016.

The FTA between India and Thailand would double the bilateral trade to USD 14 billion, by the end of 2012. Trade between India and Thailand grew from USD 4.7 billion in 2007 to USD 8.2 billion in 2011, almost double.

## **Norms and Legislation**

### ➤ **Milk and Milk Product Order (MMPO) 1992**

It was issued on June 9, 1992 seeks to ensure the supply of liquid milk, an essential commodity, to consumers by regulating its processing and distribution. Salient Features of the MMPO Order include the following:

- Registrations for units handling up to 75,000 liters of milk per day are granted by the State Governments and units with more than 75,000 liters per day capacity are registered by the Central Registering Authority.
- The Certificate also specifies the milk shed area, which, under the order is defined as a geographical area demarcated by the Registering Authority for the collection of milk by the registered unit.
- Maintenance of specified hygienic conditions in the premises where milk and milk products are handled processed, manufactured or stored.

### ➤ **Standards on Weights and Measures (Packaged Commodities) Rules, 1977**

All commodities that are packed form come under these rule, with respect to declarations on quantities contained. Directorate of Weights and Measures under the Ministry of Food and Civil Supplies operates these rules.

➤ **Export (Quality Control & Inspection) Act, 1963**

The Export Inspection Council is in charge for the operation of this Act. Under the Act, a large number of exportable commodities have been notified for compulsory pre-shipment inspection. In addition, organizations may be recognized as agencies for inspection and /or quality control.

## **EXPORT POTENTIAL AND FUTURE BUSINESS OPPORTUNITY IN THAILAND**

### **Potentials of the dairy industry**

India is one of largest milk producing countries in the world. There are many reasons behind holding such a strong position in the dairy industry in the world.

➤ **Following are the strengths of India dairy Industry.**

- There are large numbers of small and marginal farmers are involved in dairying in India which has strengthened the economic visibility of dairy farms by interventions on the input side as well as ensuring fairer farmer price.
- There is proper marketing channel helps to meet the demands of milk and milk products.
- The larger number of milking animals like buffalos, cows etc., increase scope in larger production of milk and other products.
- The utilization of dairy technology and machineries to enhance the quality and the productivity of milk and milk products.
- There is well developed cooperative societies, like Gujarat Cooperative Milk Market Federation (GCMMF), MACS in Andhra Pradesh, The Orissa State Cooperatives.

Because of these strengths there is a huge scope for Indian dairy players to explore Thai dairy market. The above mentioned strengths of Indian dairy industry can be implemented to Thai dairy industry to overcome its weaknesses which are as follow.



Thailand's dairy industry is shaped by the Government support. But still there are some problems in proper development of this industry.

➤ **Following are major the weaknesses of Thailand dairy industry:**

- As Thailand falls under non milk drinking countries, there are no such incentives for farmers for proper utilization of resources to get qualitative drinking milk.
- There is lack of proper marketing research to meet the demand of Thai customers.
- The farmer institutions, such as cooperatives, farmer groups or association, weaken delivery of services and technology transfer to their members or smallholder farmers.
- Capacity to produce qualitative milk and milk products is lower.

The weakness of Thai dairy industry can be overcome by using the strengths of Indian dairy industry.

**Future Business opportunities**

In Thailand, there is huge demand for SMP, WMP and Cheese. Following table shows the data SMP, WMP and Cheese imports

**Imported dairy products volume and value (Year: 2003-2007)**

Year	SMP		WMP		Cheese	
	Volume(in tonnes)	Value(in million baht)	Volume(in tons)	Value(in million baht)	Volume(in tons)	Value(in million baht)
2003	73657	5038.79	31595.13	2301.27	2928.7	348.01
2004	68020	5445.34	32142.13	2618.95	3174.26	421.2
2005	69671	6380.42	29116.4	2540.16	2876.21	436.55
2006	66835	5535.03	28319.76	2433.94	3909.8	560.26
2007	56940	7458.66	22616.89	2197.43	4846	699

**SOURCE:** *Smallholder dairy development: Lessons learned in Asia, ANIMAL PRODUCTION AND HEALTH COMMISSION FOR ASIA AND THE PACIFIC, FAO, January 2009*

Based on above table it can conclude that there is good potential for business SMP, WMP and Cheese. Not only SMP, WMP and Cheese, Thailand also import other dairy products which are Butter/Ghee, Butter Fat/Butter oil, Cream , Yoghurt, Curd, Condensed Milk, Powder milk.

From the Indian perspective there are prospects in this industry in Thailand. India can make good deal by exporting dairy products to Thailand as well as industry development.

Chapter-6F  
Restaurant Industry

## **Restaurant industry of Thailand**

The Thai food industry is amongst the most dynamic and diverse in the world. The sector contributes significantly to Thailand's growth and prosperity.

14.4 percent of the country's total exports originate from the food sector, and Thailand earns nearly 10 billion Dollars annually from food manufacturing. The sector has a direct or secondary effect on the employment of around 20 million people. Since the 1970's, the Thai food industry has been moving away from being a traditional primary commodity producer and exporter, to specializing in processed food production for home and export markets. This has been accompanied by very rapid growth in the food sector, with some 9000 food factories in existence currently. Recognizing the potential of the food sector, the Thaksin Shinawatra government has included the food industry in its set of 5 special 'clusters' that are viewed as drivers of industrial growth

The motto accorded to the food cluster is **'Kitchen to the world'**

Agriculture and food industry is an important sector in the economy of Thailand. The country is the only net food exporter in Asia and earns about US\$ 10 billion annually from food manufacturing alone. Agricultural production is still a strong base for the production of food for the nation's population and of raw materials for food-processing industry. Thailand's location at the centre of Southeast Asia makes it a natural export platform. Exports account for half of the food & beverage (F&B) industry's output with the balance consumed domestically. The Thai food industry can be divided into 4 major categories:

- Primary
- agricultural products
- Livestock and poultry
- Fisheries and Processed foods.

Food processing is one of the country's biggest manufacturing sectors. About 61% of the processed F&B Market in Thailand is food products while beverages make up a significant 39%. The main types of processed foods include fruits & vegetables, shrimp & seafood, poultry products, rice grain & cereal products, sugar & confectioneries and juice & beverages.

A key reason for the healthy growth of the agricultural sector was the favorable food and agricultural policy whose emphasis has been on strengthening competitiveness of food and agricultural commodities in the world market on the basis of efficient and sustainable natural resource utilization and strengthening the capability of farmers as well as farmers. The major elements of the strategy were as follows.

- Increasing efficiency in input utilization to reduce the cost of production through application of appropriate technology, research, and development in agriculture as well as agro-industry.
- Promoting production according to market demand.
- Improving agricultural market infrastructure at all levels.
- Increasing capability for decision-making among farmers and farmer's Organizations.
- Increasing farmers. Participation in agricultural policy planning.
- Promoting sustainable agriculture through support of farmer mutual Learning process.
- Increasing farm credit and developing credit networking among farmer's Organizations and entrepreneurs.

Thai government has promoted the globalization of Thai cuisine by launching the Kitchen of the World. The Project, which aims at promoting Thai food in the international arena. The goal of the project is to increase the number of Thai restaurants overseas to 20,000 by 2008. The government encourages Thai investors to invest in Thai restaurants overseas and provides support in the forms of training, information, and finance. The government hopes that the project will generate foreign income not only from the sales of food and Service overseas but also from adding value to agricultural and food products which have been Thailand's leading exports.

## **Structure of Food industry**

### Consumer Foodservice by Type

- Chained Consumer Foodservice
- Independent Consumer Foodservice
- 100% Home Delivery/Takeaway
- Cafés/Bars
- Full-Service Restaurants
- Fast Food
- Self-Service Cafeterias
- Street Stalls/Kiosks
- Pizza Consumer Foodservice

### Consumer Foodservice by Location

- Consumer Foodservice Through Standalone
- Consumer Foodservice Through Leisure
- Consumer Foodservice Through Retail
- Consumer Foodservice Through Lodging
- Consumer Foodservice Through Travel

In Thailand's GDP Majority of the Income Produce by 2 Sectors: Service sector and manufacturing Industry. In GDP Service sector's Contribution is 42.3% and Industry contribute 45.30% so this are two sector are huge market in Thailand.

Agriculture sector provide 12.20% Contribution in GDP. This data Show Thai Economy mainly based on service and Industry sector.

### **India - Thailand Relations**

- I. India and Thailand, located in each other's extended neighborhood, share unique civilization links going back several millennia. The shared link of Buddhism is affected in regular pilgrimages to places of Buddhist interest in India by a large number of Thai people. Hindu elements can be found among those reflected in Thai architecture, arts, sculpture, dance, drama and literature. The Thai language incorporates Pali and Sanskrit influences. A large Indian Diaspora living and working in Thailand is another important bond.
- II. Over the past two decades India's 'Look East' policy has been complemented by Thailand's 'Look West' policy in bringing the two countries closer. India and Thailand would celebrate 65 years of their diplomatic relations in 2012. In recent years, political contacts have intensified as reflected in a series of high level visits by leaders of the two countries. Trade and economic linkages and tourist traffic continue to grow steadily.
- III. Both countries are important regional partners linking South and Southeast Asia. They cooperate closely in the ASEAN, East Asia Summit (EAS) and BIMSTEC groupings as also Mekong Ganga Cooperation (MGC) and Asia Cooperation Dialogue (ACD). The implementation of the India-AESAN Agreement on Trade in Goods from January 2010 is an important latest milestone of this partnership.

### **TOURISM AND CONNECTIVITY**

Air connectivity between India and Thailand is growing with nearly 140 flights per week, reflecting a rapidly growing passenger traffic between the two countries. Bangkok is connected by air to 9 Indian destinations. India and Thailand are cooperating closely on improving regional connectivity through initiatives such as India-Myanmar-Thailand trilateral Highway, Asian Highway Network (under UNESCAP), BTILS under BIMSTEC framework.

IV. About 790,000 Indian tourists visited Thailand in 2010, making India one of the fastest growing markets for Thailand for inbound tourism. In 2011, the number is about 8,30,000 for Jan-Nov 2011 (some slowdown in later part of the year is due to floods in Thailand) The number of Thai tourists to India is around 45,000 (mainly to Buddhist pilgrimage sites).

## **CULTURE**

Cultural exchanges take place under the framework of a Cultural Exchange Programme (CEP) between the two governments. An Indian Cultural centre was opened in Bangkok in September 2009. Cultural Agreement Programme for 2012-14 has been signed during the visit of Thai PM in Jan 2012. A number of India Studies Centre is operational in prestigious Thai Universities.

### **INDIAN MIGRANTS IN THAILAND**

It is estimated that there are between 100,000-150,000 people of Indian origin in Thailand. Many of them have lived here for several generations over the past century. Majority of them hold Thai nationality. The Indian community comes from different part of India and mainly comprises Sikhs, Punjabis, Gorakhpuris, Tamils and Sindhis. Two persons of Indian origin from Thailand have been awarded the Pravasi Samman in 2006 and 2010.

## **COMPARATIVE POSITION OF RESTAURANTS IN THAILAND, INDIA AND GUJARAT**

### **Position of Restaurants in India**

We are all aware about the boom in the restaurant sector in India, particularly in the metro cities and other large cities. One anecdotal evidence suggest that about 2 new restaurants are opening in Delhi and Mumbai every week which makes it as 100 new restaurants in the year in these cities. These are in the organized sector, and a huge growth is simultaneously taking place in the unorganized and informal sector also. The Indian economy is on a high growth curve and experts believe that the economy can generate an average 8% growth in the GDP on a sustainable basis for the next few years. This is bound to result in high disposable incomes and higher consumer expenditure in the food service sector. Based on projections extrapolated from the Third Economic Census conducted in 1990, we estimate that there are



approximately 500,000 restaurants in India in the organized sector. This figure is expected to rapidly increase as a result of the changes in demographic and economic factors which are having a significant impact on the restaurant industry in India. Increasing urbanization and rising disposable incomes are characteristics that are common across several emerging economies, particularly in Asia.

However, the pace at which this has taken place in India in the last few years is likely to continue over the next decade and will outpace most other economies in the region. In particular, Merrill Lynch estimates a growth in urban consumption at potentially 20% per annum in nominal terms (16% in real terms) for at least the next 5-7 year period. In addition, higher disposable incomes among consumers particularly in the top 25 cities and the trend towards eating out are combining with growth in organized retailing to fuel growth in the foodservice sector. There are 10 million households in India with average household income of Rs 46,000/month and 2 million households with a household income of Rs 115,000/ month. Eating out has emerged as a trend, which is prevalent within this elite group. 2 out of every 5 households in this group eat out at least once a month. There are 100 million 17-21 year olds in India, and 6 out of 10 households have a child that was born in the post-liberalization era and has grown up with no guilt of consumption. In 2002 sales by Indian food service companies totaled Rs 350 billion. The organized sector is responsible for approximately Rs 20 billion worth of sales. Indian consumers spend only 2.4 percent of their food expenditure in hotels and restaurants (including on premises and take-out sales). American consumers, by comparison spend 46 % of their food expenditure on away-from-home meals. These demographic numbers represent a young nation which has an increased propensity to spend in restaurant and other food service sectors.

### **Position of Restaurants in Gujarat/Ahmedabad**

Although Gujarat predominantly has had a strong family dining culture at restaurants, youth and young professionals are experimenting with new cuisines also. This is a reflection of a state in transition. And it's only set to grow as the state steps into the big league of India's auto hubs Gurgaon, Chennai and Pune by employing 8 lakh workers over the next 3 years. As Ford Motors and Peugeot enter Sanand, 40 km from Ahmedabad, they are likely to bring in a flood of white-collared migrants. In

2008, Tata Motors drove the trend when it relocated its small car project Nano. With so much industrialization, the offerings had to change.

Many small entrepreneurs, who attempted to set up non-vegetarian eateries in the state, had earlier been forced to down shutters after protests from locals. But industry players feel that non-vegetarian chains are moving past the experimental stage in Gujarat. Pizza Hut's success in Gujarat has made it natural for KFC to open in Ahmedabad as part of its plans to be present across the top 25 cities in India. There are enough non-vegetarian consumers in Gujarat. 3 of the 5 Pizza Hut outlets in Gujarat offer non-vegetarian options. Although McDonalds' highest-selling product remains the aloo tikki burger, it serves 3,50,000 people monthly across 11 outlets today. Even established hotel chains know they have to balance their platter in Gujarat. With the increase in cosmopolitan and international crowd in Ahmedabad, we do see an increase in the demand for the non-vegetarian buffet. Entrepreneurs find it harder to compete with high street, vegetarian chains in Gujarat as they are very competitive on price. This is why franchisees are interested in specialty concepts especially in non-vegetarian products as it offers novelty and the ability to charge a premium. Most outlets are careful to take into account local sensitivities by making a clear demarcation between vegetarian and non-vegetarian products at the back-end, kitchen and store front. KFC, for instance, intends to strengthen its vegetarian mix in Gujarat.

While the structure of the menu remains, the spice levels vary. Gujaratis prefer a sweetish tinge.

Ahmedabad doesn't have pubs, and the locals cannot get alcohol legally. On weekends, the only modes of entertainment for an average middle class family are movies and dining out. Also, the people of Gujarat are foodies: all of them. Consequently, there are thousands of restaurants in Ahmedabad.

### **Position of Restaurants In Thailand**

In recent poll Thai restaurants and Thai cuisine were voted No.1 out of 4. There are about 1.3 million food outlets across Southeast Asia, with street vendors and

hawkers making up the largest percentage. In Thailand, there are about 250,000 restaurants and 210,000 street hawkers. Between 2004 and 2008 the Thai foodservice industry grew at a CAGR of 4.1%. In 2008, the street and mobile vendors channel led the profit sector with 43.6% share.

Approximately 150,000 outlets including some 100,000 restaurants and more than 5,000 hotels and resorts are comprised in Thailand's large Hotel Restaurant Institutional food service sector. Hotels, resorts, restaurants and institutional contracts are the heavy users of imported food for food preparation and ready-to-eat meals at restaurants, catering services for airlines and cruise lines. This is because this sector attracts middle to higher income Thais, Thai corporate businessmen, resident expatriates, and tourists.

Consumer expenditure on hotels and catering per capita was US\$172. Throughout 2008, international tourist arrivals to Thailand totaled 14.6 million, up 0.8%, and the average hotel occupancy rate was at 56.4%. Food and beverage sales in hotels and resorts account for about 30% of total revenues. Independently owned restaurants have been largely replaced by chains of restaurants such as Oishi, Fuji, Zen, S&P, Black Canyon, MK Suki, Grayhound, etc. Sidewalk restaurants have been replaced by food centers and food courts, which are more hygienic and more convenient. Food centers and food courts can be seen in most department stores and office buildings. Fast food and chain restaurants have boomed for the last few years and are expected to continue expanding for the next few years. Hot and cold drinks including coffee and ready-to-eat foods are served in convenience stores.

Despite of economic downturn and the political crisis in Thailand the growth in number of Thai restaurants continues worldwide. These are now estimated to be over 15,000 worldwide. Since 1998, the Thai government has been promoting Thai restaurants as part of its **'kitchen of the world'** policy for expanding the Thai food sector. For many thinking of Thai dating or finding a relationship partner, a visit to a Thai restaurant is often one of the 1<sup>st</sup> steps in getting acquainted with Thai culture. Indeed, as part of the Royal Thai governments' initiative, an alluring atmosphere and the traditional.

Thai restaurants are at the centre of Thai emigration to countries across the globe as they offer job opportunities for Thai immigrants and is key to emerging Thai communities as centres of culture and meeting points. Thailand's growing food business is now giving employment to over 20 million people in Thailand. Thailand exports over 100 varieties of food to over 100 countries worldwide and is a leading tropical fruits & supplier of rice.

### **THAILAND'S PRESENT POSITION, TREND OF BUSSINESS WITH INDIA SINCE PAST FEW YEARS**

Foreign visitors to Thailand are impressed with the flavors and unique presentation of many Thai specialties. Besides being among the healthiest foods, Thai gastronomy is ranked as one in five among world's most popular cuisines, in the league of French, Italian, Chinese and Japanese food. The demand for the authentic Thai food resulted in the improvement of many local and international Thai restaurants. Owners raised the quality of their premises and the taste of the dishes to attract investments from abroad and to expand their outlets abroad. When the owners saw a definite direction in the world market, the franchise system was adopted to improve their potential. The Thai restaurant business has adopted the franchise principle so that every restaurant in the "family" operates on the same standard and offers similar-tasting Thai delicacies that blend the Thai herbs in traditional recipes, served in the traditional courteous manner. Such a trend is in line with the government's plan for Thai businesses, which aims at building Thai brands through SMEs, small and medium-sized enterprises.

The Department of Export Promotion realizes the important role of Thai restaurant franchises in promoting and exporting Thai products, such as Thai Jasmine rice and One Tambon, One Product goods used as tableware and restaurant decorations. Thai restaurants also serve as venues to promote Thai culture and traditions abroad. Indians are known worldwide for their love for cuisine. From small street vendors and stand-alone shops restaurants in India have become a full fledged industry. Businessmen who have been able to identify the potential for growth in this sector have invested heavily and today are reaping the benefits. This see change in the Indian food industry has mostly taken place because of the changing lifestyles of the

people growing disposable income, favorable demographic and increasing number of working women.

## **Business Summary**

### **Important Assumptions**

The financial plan depends upon important assumptions, most of which are shown in the following table. The key underlying assumptions are:

- We assume a slow-growth economy, without major recession.
- We assume that there are no unforeseen changes in the expectancy in the popularity of our restaurant.
- We assume access to investments and financing are sufficient to maintain and fulfill our financial plan as shown in the tables.
- We have just projected the plan starting our restaurant at one place and expanding the chain in the next few years in an appropriate state of Thailand.
- We have forecasted the sales data based on the average number of NRI's and visitors in Thailand.

### **Executive Summary**

Prasad- The test of India is a new Indian restaurant on the Sunset Strip. Prasad- The test of India will target both fun-seeking as well as sophisticated dinners looking for good Indian food in a fascinating atmosphere. Prasad- The test of India will seek to earn 85% gross margins through an innovative setting, a wonderful menu, and an experienced restaurateur.

**Indian cuisine** consists of myriad regional cuisines which date back thousands of years. Indian dishes are characterized by the extensive use of Indian

spices, herbs, vegetables, and fruits. Vegetarianism is an important part of Indian society and is reflected in the cuisine. Indian food varies from region to region, reflecting the demographics of the ethnically-diverse subcontinent.

Prasad- The test of India will be targeting locals and tourists who are active restaurant seekers. There will be a special focus on young adults with BHT15K- BHT60K of income looking for good Indian food and a great time.

In addition to the young adults with money to spend, Prasad- The test of India will also be targeting tourists. The general demographics are males and females ages 20-50 with some or all of a college education. Prasad- The test of India will also serve Menu from neighboring cities and tourists.

Historically, if there is a dip in the general economy, the restaurant industry is usually effected far less than the overall economy. To some degree this is because of people's perception that food, regardless whether it is from the grocery or a restaurant is a fundamental necessity of life and spends accordingly.

### **The Service and Products**

The menu is India's pride. It is a culmination of over 20 year of cooking. The menu contains traditional favorites such as Gujarati kadhi, Dhonsa, Undhiyo . These favorites are differentiated through the use of the freshest organic ingredients. Most people are not aware of how much better the items taste when they are prepared with the freshest ingredients and made with love. Other menu items are chutneys, flat breads and desserts. Everything is fresh, homemade, and prepared daily.

### **Target Market**

Prasad- The test of India focuses on local and tourist active restaurant seeker, with special focus on young adults with a BHT 20-30,000/year income and a desire for good food and a fascinating atmosphere as our target market.

### **Management**

Our management philosophy is based on responsibility and mutual respect. People who work at Prasad- The test of India want to work there because we have an environment that encourages creativity and achievement. The team includes a maximum of 8 to 12 employees, under a president/manager of one.

## Chapter-6G

### Hard Disk Manufacturing Industry

## **Introduction**

The computer industry in Thailand has been an important factor in the country's economic growth and industrialization of the past 20 years. Computers and parts have been Thailand's leading industrial export since 1985 with the value of computers and parts exported in 1998 reaching US\$ 8 billion, amounting to 15 per cent of the country's total exports for the year. With the exception of 1992 and 1993, the average rate of growth for computer exports over the past decade was 20 percent a year.

Thailand's computer industry can be divided into three major segments: hardware, software and information service companies. Of the three, only the hardware segment of the industry is involved in export with the other two segments mostly producing or importing for domestic consumption, as local manufacturing and expertise are still limited.

Most of the manufacturers of computers and parts in Thailand are foreign companies who receive promotional privileges from the Board of Investment (BOI). According to the BOI, some 53 manufacturers were granted promotional status as of 1998, with the stipulation that 80 per cent of their production must be exported. These incentives have attracted and benefited primarily multinational companies that use Thailand as an export base for finished computer parts and their components.

The largest constituent of Thailand's computer and parts industry is the manufacturing of hard disk drives (HDD) and related components, accounting for



over 68 percent of computer and parts production value. The hard disk drive industry in Thailand began in 1983 with Seagate's investment in head-stack assembly, employing some 50 workers. Some fifteen years later, the industry has expanded to include around 25 firms engaged in all aspects of the industry's assembling and manufacturing activities. The HDD industry accounted for approximately ten percent of Thailand's total exports in 1998, earning US\$ 5.3 billion.

Thailand has become one of the world's important production sites for hard disk drives and related components, but the country faces significant competition from Singapore, Malaysia, the Philippines and China. While American and Japanese companies dominate sales of HDD, over 65 percent of product final assembly is achieved in Southeast Asia with Singapore having almost 50 percent of the total market.



The hard disk drive industry in Thailand revolves around finished assembly and component manufacturing by three companies, **Seagate, IBM and Fujitsu**, along with other supporting companies who exclusively manufacture components used for production.

Thailand offers HDD companies an inexpensive and relatively experienced labor pool, export oriented tariff and tax incentives along with close proximity to large Asian markets and Singapore, where component parts are often shipped for final assembly.

While the HDD industry has a solid footing in Thailand, its future as the country's largest export product is in question. The country faces strong opposition from Singapore and Malaysia, which have production bases for disk media and wafer fabrication to support the industry. This allows the countries to better sustain HDD production, while increasing the critical mass of local technology companies, research and development along with engineers to work in conjunction with the industry.

Foreign firms dominate HDD and parts production in Thailand, with little involvement from indigenous companies. The lack of quality engineers and R & D activity, combined with competition from lower labor cost countries, mainly China and the Philippines, challenges Thailand's future as a main producer of HDD products and components.

Similar to HDD production, multinational companies dominate the remaining 32 percent of computer and parts exports from Thailand. **Fujitsu** is the third largest computer and parts exporter and complements its production of HDD's with printers and related components. AMD Thailand has two large facilities north of Bangkok that are involved in plastic assembly, testing, marking and packing of its logic and memory products. Delta Electronics has five plants in Thailand producing components for monitors, stripped down computers, adapters and switching power supplies. Cal-Comp Corporation is involved in the production and export of printers and components. Thailand has been unable to champion any domestic companies to successfully compete in the global computer and parts market on a large scale.

The International Disk Drive Equipment and Materials Association (IDEMA) has recently set up a Thailand office and is working with representatives from industry, academia and government to strengthen Thailand's HDD industry. Thailand's pool of engineers should continue to grow as graduates from new engineering programs at several universities have recently begun to enter the job market. The Council of Economic Ministers approved a master plan for the electrical, electronic and information technology sectors, which addresses many of the current shortcomings. In all likelihood, the computer and parts industry in Thailand will be as energetic and dynamic as the industry is around the world.

### **Role of Hard disk drive in the economy of Thailand:-**

The hard disk drive industry has been concentrated in Asia, especially in Southeast Asia. Singapore, Thailand, Malaysia and the Philippines are the country

in SE Asia that has been chosen by HDD manufacturer. The competition in the HDD industry is aggressive. Those countries try to be the world number one HDD manufacturer. Thailand is one of the world's largest HDD exporters and manufacturers. Most of the main leading HDD companies have established production bases in Thailand. It is necessary to evaluate and compare Thailand's competitiveness with other nations.

A well-known indicator that is used to measure comparative advantage of any country at the disaggregated product group level is the Revealed Comparative Advantage Index (RCA). Countries that are identified as the important players in HDD industry are the base of HDD manufacturer in ASIA and have the investment from multinational enterprises. There are 5 countries that have those characteristics which are Singapore, Thailand, Malaysia, the Philippines and China. This paper attempts to evaluate the competitiveness of Thailand's HDD industry and its competitors by using the RCA index and comparing it with the trade balance.

The results reveal that Thailand has a strong competitiveness in the HDD industry along with China. RCA indices of Thailand have increased rapidly and have also generated the highest trade surpluses among its competitors. China has a steady value of RCA indices, however the negative trade balance indicates that China has an issue with a weak position in the domestic market. On the other hand, Singapore and the Philippines with a decline in RCA indices are vulnerable in the HDD industry. In Malaysia, HDD is a product in which the RCA indices have remained constant since 2004. The value of HDD exports shows that Malaysia is not a major threat to other nations in the HDD industry.

### **Structure, Functions and Business Activities of hard disk drive manufacturing:**

"Global demand for HDDs continues to grow and last quarter hit 177M units, which equates to 59M units per month, and is forecast to hit 180M next quarter. However, the impact of the floods is expected to cause a 20M unit shortfall over demand per month. As a direct result prices could rise by up to 25% for hard disks and this will impact finished products down the line as well."

Manufacturer status is changing by the hour but disruption is being seen at the key HDD producers, which include Western Digital, Seagate, Hitachi Global Storage Technologies, Toshiba/Fujitsu and Samsung Electronics. Apple, Sony and Toshiba have all confirmed they believe HDD shortages will prevail.

### **Player of the hard disk drive Manufacturing:-**

1. Seagate
2. IBM and
3. Fujitsu

#### **1. Seagate:-**

Seagate is the worldwide leader in the design, manufacturing and marketing of hard disk drives. Hard drives are used as the primary medium for storing electronic information in systems ranging from desktop computers and consumer electronics to data centers delivering information over corporate networks and the Internet. Seagate produce a broad range of hard drive products that make it as the leader in the enterprise, desktop and consumer electronics markets. Seagate have achieved its leadership position through ownership of critical component technologies, a commitment to advanced research and development and a focus on manufacturing and supply chain efficiency and flexibility. We believe our current industry leadership in technology and manufacturing efficiency has been achieved through the successful ongoing execution of our long-term strategic plan is being developed.

#### **2. IBM:-**

IBM manufacturing magnetic disk storage devices from 1956 to 2003, when it merged its hard disk drive business with Hitachi'. Both the hard disk drive (HDD) and floppy disk drive (FDD) were invented by IBM and as such IBM's employees were responsible for many of the innovations in these products and their technologies .The basic mechanical arrangement of hard disk drives has not changed since the IBM 1301. Disk drive performance and characteristics are measured by the same standards now as they were in the 1950s. Few products in history have enjoyed such spectacular declines in cost and size along with corresponding improvements in capacity and performance. IBM manufactured 8-inch floppy disk drives from 1969 until the middle 1980s but was not a significant manufacturer of smaller sized floppy disk drives.

IBM always offered its magnetic disk drives for sale but did not offer them with OEM terms and conditions until 1981. By 1996 IBM had stopped making hard disk drives unique to its systems and was offering all its HDDs on an OEM basis. IBM has used many terms to describe its various magnetic disk drives, such as Direct Access Storage Device, Disk File and Diskette File; however, here the current industry standard terms, hard disk drive and floppy disk drive are used.

### **3. Fujitsu:-**

Fujitsu is the leading Japanese information and communication technology (ICT) company offering a full range of technology products, solutions and services. Over 170,000 Fujitsu people support customers in more than 100 countries. We use our experience and the power of ICT to shape the future of society with our customers. Fujitsu Limited (TSE:6702) reported consolidated revenues of 4.5 trillion yen (US\$55 billion) for the fiscal year ended March 31, 2011.

### **Comparative Position of selected Industry / Sector / Specific Company / Product with India and Gujarat**

#### **TECHNOLOGY POLICY IN GUJARAT:**

Gujarat is fast emerging as ideal destination for IT, ITES business to scale new heights. Drives include a business friendly environment, relatively lower real estate and manpower costs. Human resources advantages stem from high education

standards, better productivity up time. All these translate into shorter lead and delivery time project. The key points for being the right destination for IT products are as follows.

- Investor friendly Policy
- Fastest growing hub for peripheral Industries of technology
- Robust physical, social and industrial infrastructure
- Pro active governance
- Lowest cost of living, real estate & lower cost of human resources
- One of the lowest star-up and operational costs in India
- 24X7 uninterrupted power supply

#### **POLICY SUPPORT THROUGH SUBSTANTIAL INCENTIVES**

- Special incentives for mega projects creating employment for more than 1000 persons in case of an technology unit.
- Special incentives for projects with an investment of US\$12.2 mn and above.
- The state shell facilitate a grant of SEZ status to Technology industry/ IT parks subject to the provisions of the SEZ Act/rules.
- There is continuous government support for enhancement and development of quality manpower for the IT/ITeS Industry.
- A property registration tax exemption up to 50% for IT/ITeS units in the IT parks.
- All new IT units are exempt from the payment of electricity duty for a period of five years and are also exempt from power cuts.

#### **TYPES OF HARD DISKS:**

Disk drive technologies have advanced quickly over recent years, making terabytes of storage available at reasonable cost. When researching the type of hard disk storage system appropriate for your needs, keep in mind the format and data rate of the video you're capturing. Depending on whether you work as an independent video editor or collaborate with others, the amount of storage you require and the bit rate of data transfer will be important factors to match up with your storage needs. Outlining

all of the hard disk storage technologies is beyond the scope of this documentation, but four common choices include:

- ATA
- FireWire
- SCSI
- RAID and Fibre Channel
- IDE
- SATA
- SAS

#### Price List Of Hard Disk

- 2 TeraByte Seagate Hard Disk Price – Rs. 6,500/-
- 1.5 TeraByte Segate Hard Disk Price – Rs. 4,900/-
- 1 TeraByte Sata Western Digital Hard Disk – Rs. 3,600/-
- WD 1 TB Caviar Black HDD – Rs. 5,100/-
- 640GB Sata Western Digital Hard Disk (32MB buffer) – 3000/-
- Seagate Barracuda 500 GB Price – Rs. 2,050/-
- WD 500GB Caviar Blue HDD Price – Rs. 2,050/-
- 320 GB Sata Western Digital Blue Hard Disk – Rs. 1,900/-
- 250 GB Sata Seagate Hard Disk – Rs. 1,700/-
- 160 GB Sata Seagate Hard Disk – 1650/-

## **POLICIES AND NORMS OF THAILAND & INDIA FOR HARD DISK MANUFACTURING INDUSTRY FOR IMPORT/EXPORT**

### **Policies and strategies supporting a competitive electronics industry**

Over the last four decades, the Government of Thailand has adapted its policies to meet the changes in the global economy and overcome developmental challenges. Many of these policies are reflected in the National Economic and Social Development Plans (NESDPs). NESDPs contain detailed indicators and targets that serve as guidelines for government agencies.

The investment agencies and the science and technology institutions have played a critical role in the industrialization of Thailand. The investment policy measures developed by the Thailand Board of Investment (BOI) promoted Thailand as a favorable destination for export-oriented FDI. These measures were particularly important for investment in the electronics industry.

An overview of the evolution of these policies provides a look at some of these government efforts that influenced the development of the manufacturing sector in general and the electronics industry in particular.

### **1 Overall national development policies**

Since 1961, the development policies of Thailand have been reflected in the five-year National Economic and Social Development Plans (NESDPs). NESDPs serve as the main guideline for medium-term economic development and play an important role in directing national development. Each plan contains detailed targets such as economic growth rate, inflation rate, export growth rate and the number of jobs to be created, and how the targets would be achieved. Although the plans are only indicative, the Government strives to achieve the performance indicators contained in the NESDPs.

The first and the second plans (1961-1971) focused on import-substitution policies to promote the local industrial development, attract investment and reduce the current account deficit. The objective of the third plan (1972-1976) was to increase exports as a way of boosting growth in per capita income and employment opportunities. The



annual growth rate target was set at 7 per cent. The fourth plan (1976-1982) had the same focus but paid more attention to investment as a tool for employment creation. It set the growth rate at 7.2 per cent annually and aimed at the creation of 2.2 million jobs. The aim of the fifth plan (1982-1986) was to expand investment flows to the rural areas, while achieving an economic growth rate of 6.6 per cent and export growth rate of 22 per cent. It induced industries to move production bases to the rural area through tax incentives and provision of support infrastructure. This led to the creation of the Eastern Seaboard as an export-processing zone. The sixth plan (1987-1991) saw the rise in exports of Transfer of Technology 6 electronic products and the location of industries in eastern, northern and southern regions of Thailand.

The eighth plan (1997-2001) and ninth plan (2002-2006) have placed emphasis on, among other things, human resource development and the role of SMEs in the competitiveness of the nation.

## **2 Investment promotion policies**

The Government recognized the importance of FDI in building the national productive and technological base as reflected in the NESDPs. One institution that has played an important role in the development of the electronics industry is the Board of Investment (BOI). BOI is the Thai government agency responsible for investment policy advocacy and its implementation, and investment promotion and facilitation. BOI is composed of two bodies: the Board and the Office of the Board of Investment. The Board is currently chaired by the Deputy Prime Minister and is responsible for formulating policy guidelines and implementing the Investment Promotion Act. The Office of the BOI is the administrative arm that implements the decisions of the Board. BOI works with the Ministry of Foreign Affairs, the Ministry of Commerce and the Ministry of Industry, and has overseas offices in Frankfurt, New York and Paris. BOI provides investors with a wide range of incentives such as exemptions from and/or reduction of import duties, corporate income and other income-related taxes, credit assistance, guarantees, infrastructure support and services. The non-tax incentives (e.g. guarantees) are available to all BOI-promoted projects, regardless of location or industry.

Tax-based incentives are location- and/or industry-specific. Over the last four decades, the incentives have evolved from those supporting import-substitution policies to those promoting export growth and encouraging location of industries in

rural areas. Since 1993, investment projects in the Government-defined zones have been exempted from corporate income tax for two to eight years and import duty on raw materials for production of export products for a period of one to five years. Similarly, investment projects in Government-defined priority areas (agriculture and agricultural products, involvement in technological and human development, public utilities and infrastructure, among others) receive corporate income tax exemption for eight years and exemption from import duty on machines.

### **Export performance**

Thailand has significantly increased the export of manufactured products over the last four decades (Sribunruang, 1986). The share of manufactured exports as a percentage of total exports increased from 4.7 per cent in 1970 to 65.5% in 1991. The electronics industry has contributed greatly to the successful transformation of the composition of Thai exports. For instance, computers and peripherals and IC have been the main exports of the manufacturing sector since 1995 and their combined annual export value has stayed above \$10 billion since 1999. In 2000, the electronics industry accounted for about 40 per cent of exports and contributed \$6.2 billion to Thailand's foreign exchange revenue. About 91 per cent of all the products of the electronics industry are exported.

Of the electronic exports, totalling about \$23.6 billion in 2000, 40 per cent were electronic parts and 34 per cent were computers and peripherals. The remaining 26 per cent were composed of consumer electronics, electrical household appliances, telecommunication and office equipment, and others. In terms of products, HDD and parts accounted for about 21 per cent of total exports in 2000, while semiconductors accounted for about 20%. They are the two major export products and contributed about \$9.4 billion. Thailand is the world's second largest HDD producer (after Singapore) and accounts for almost 20% of the global production. Similarly, the

semiconductor sub-sector of the electronics industry in Thailand has expanded rapidly

since 1995, with an average annual growth rate of about 18 per cent.

The major producers of HDD in Thailand include Seagate, Quantum, IBM, Maxtor and Fujitsu. Seagate, IBM and Fujitsu are among the top five world producers of HDD.

However, Seagate has the largest HDD assembly plant and ships its products to Singapore for final assembly.

### **Foreign direct investment**

Thailand has been one of the major FDI recipients in South-East Asia over the past two decades (Brimble and Sherman, 1999; Mephokee, 2002). In general, FDI flows into Thailand were small prior to the 1980s. An estimated \$31.6 billion was invested in Thailand between 1991 and 2002. Of this, 27 per cent and 16 per cent of the investment came from Japan and the United States, respectively, while the NIEs and member countries of the European Union accounted, respectively, for 35 per cent and 13 per cent of total FDI. The flows of FDI have changed over time in terms of origin. For instance, the share of US net FDI inflows increased from about 19 per cent in 1996 to 25 per cent by 1998 but declined to 23 per cent in 2002.

The Plaza Accord,<sup>2</sup> which resulted in the appreciation of the Japanese yen and the currencies of NIEs, played an important role in facilitating FDI flows as firms relocated to cheaper manufacturing destinations such as Thailand. For example, in 1988 net FDI flows exceeded \$1 billion for the first time and increased to reach about \$5 billion in 1998.

The electronics industry is one of the major recipients of FDI in the manufacturing sector. As in the case of other industries in that sector, FDI flows increased rapidly after 1988.

Before 1988, the net FDI in the electronics industry was below \$50 million. In 1988, the value of net FDI jumped to \$250 million and remained above \$200 million until 2001. Despite some fluctuations, FDI inflows into the industry increased significantly.

For instance, the FDI stock in the industry increased from about \$250 million in 1987 to above \$4 billion by 2001.

The electronics industry has seen its share of net FDI flows increase from about 11 per cent in the early 1990s to about 17 per cent in 2001, with a significant fall of its share in 1998 (5.1 per cent). That fall was mainly due to increased FDI in other industries following the Asian financial crisis. The depreciation of the Thai bhat resulted in increased liquid challenges. The Government decided to relax foreign ownership rules after the crisis.<sup>3</sup> These two factors catalyzed an increase in mergers and acquisitions (UNCTAD, 2000), most of which involved foreign investors taking up more shares in their domestic affiliates. For Recently, BOI has introduced new incentives to promote the entire electronics industry supply chain. This is a major departure from earlier packages that targeted mainly the manufacturing sub-sector. The new incentives will provide firms that engage in R&D, training and marketing with similar privileges to those extended to contract manufacturers. In addition, there are provisions to facilitate recruitment of foreign IT personnel to work in Thailand.

## **Policy from INDIA**

### ***Foreign Investment Policy***

India welcomes investors in Electronics and IT sector. Government of India is striving to bring greater transparency in policies and procedures to provide an investor friendly platform.

A foreign company can start operations in India by registration of its company under the Indian Companies Act 1956. Foreign equity in such Indian companies can be upto 100%. At the time of registration it is necessary to have project details, local partner (if any), structure of the company, its management structure and shareholding pattern. A joint venture entails the advantages of established contracts, financial support and distribution-marketing network of the Indian partner. Approval of foreign investments is through either automatic route or Government approval.

Government of India facilitates Foreign Direct Investment (FDI) and investment from Non-Resident Indians (NRIs) including Overseas Corporate Bodies (OCBs), predominantly owned by them to complement and supplement domestic investment.

Foreign technology induction is encouraged both through FDI and through foreign technology collaboration agreement. Foreign Direct Investment and Foreign technology collaboration agreements can be approved either through the automatic route under powers delegated to the Reserve Bank of India (RBI) or otherwise by the Government

- In general, all Electronics and IT products are freely importable, with the exception of some defence related items. All Electronics and IT products, in general, are freely exportable, with the exception of a small negative list which includes items such as high power microwave tubes, high end super computer and data processing security equipment.
- Second hand capital goods are freely importable.
- Zero duty Export Promotion Capital Goods scheme (EPCG) which allows import of capital goods at zero% customs duty is available to exporters of electronic products. The export obligation under EPCG Scheme can also be fulfilled by the supply of Information Technology Agreement (ITA-1) items to the DTA provided the realization is in free foreign exchange.
- Special Economic Zones (SEZs) are being set up to enable hassle free manufacturing and trading for export purposes. Sales from Domestic Tariff Area (DTA) to SEZs are being treated as physical export. This entitles domestic suppliers to Drawback/ DEPB benefits, CST exemption and Service Tax exemption.

## Chapter-6H

# Economic Empowerment through a Food Cart Micro Leasing Program

## INTRODUCTION

The towering high-rises of Bangkok's contemporary skyline give a sense of the modernization that has occurred in Thailand over the past few decades. Bangkok aspires to reach the ranks of other modern cities; however, poverty is still prevalent down on the crowded city streets. Despite the progress Bangkok has made, Thailand remains a developing country, reliant on small and medium-sized enterprises (SME) to support its economy. Scholars and policy makers alike have recognized the importance of SMEs in economic development of many developed and developing countries.

Although these enterprises are contributing to the improvement of Thailand's economy, with proper assistance they could reach a new level of success. Street food carts are an example of one enterprise that has room for improvement because it is not reaching all of its prospective clientele. Currently there are no programs that provide food cart owners with the means to optimize their business potential by tapping into the lucrative tourist market. Today, tourism stands as one of Thailand's biggest industries; at times tourism generates more income than Thailand's largest export, textiles (Bao, Cummings, Martin). Tourists are urged to be wary of food items sold by vendors on the streets due to hygiene and health concerns. Because most food vendor sanitation levels are sub-par, there is a large untapped market. Without a prosperous business it is difficult to dedicate the time and resources necessary for

providing sanitary food services. Therefore, business management skills are also needed to create and maintain a successful business. If food carts appealed more to westerners, the street food market could rise to an entirely new level of success, which could eventually result in hygienic carts for all.

We integrated the “Clean Food Good Taste” project by incorporating their logo and sanitation standards to certify our carts. The potential administering organization will facilitate the application, leasing, and business education process of this project. The participation of “Clean Food Good Taste” and the administering organization are to solidify the structure of this project in Thailand.

### ➤ **Positive Effects of Street Food**

Food carts have always been an enormous benefit to developing countries ([www.fao.org](http://www.fao.org)). Along with the desirable economics of food carts, there are many social properties that helped explain their popularity and reiterate their importance in society. Although research showed some negative aspects of street food vending, there were many more positive aspects. Sound reasons for the existence of food carts included cheap food, endless variety, nutritious value, basic facility requirements, low capital expenditures, and employment for women. These qualities of street food make buying food simple and worthwhile and make it easy for individuals to join the business. Inferior qualities of the food cart business include the poor sanitation that comes with the lack of education as well as the low status that is given to this position.

The variety also prevents customers from becoming bored by a limited menu and allows vendors to specialize and perfect their food while maintaining stable business. Fast food restaurants in developed countries such as the United States and those of the European Union, sell only a small variety of food (i.e. hamburgers, pizza, fries), Thai street food offers a large selection of generally nutritious food. Of the estimated 20000 total street food vendors in Bangkok, There are roughly 213 different foods



sold including full meals, beverages, and snacks (Boccas, Dawson, and Liamrangsi, 1996).

Street food vending also makes it possible for uneducated people to obtain and maintain a job. Unschooling citizens who have difficulty finding employment in the professional workplace need to only know basic cooking skills and how to manage money in order to run their own food cart. However, there are reports that show poor sanitation at food carts. Studies have revealed that the percentage of positive tests for *Salmonella* spp. in meals ranged from zero to ten percent.

In addition to the uneducated citizens, women are also allowed easy admission to the food cart business. This gives women an opportunity to take a large role in providing for the family. Women are typically in charge of running the household, which includes the preparation of food. Because street food is simply a multiplication of one of their everyday tasks, they can make food and provide for their family at the same time. A mother can work the cart throughout the day while her children are at school because of the flexible work hours that are involved in running a food cart business. Busy hours usually tend to be during late afternoon and early evening. The mother can then either close up shop after the busy lunch period to take care of her family or have her children assist her with business when they get home from school.

There is a drawback to flexible hours and self-sustainability and that occurs when business is not faring well. It would then include extended hours, which might drain the vendor of energy and in the end still might not bring in as much money as a person might earn in the formal sector. This flexibility in work hours increases the availability for Thais to own a food cart and run their own business. Although flexible work hours contribute to the availability of owning and running a food cart business, the lack of access to capital is a problem for most prospective entrepreneurs.

### ➤ **Micro Leasing**

A way to ease the access to capital is by providing the actual equipment needed for the business through a micro lease. Micro leasing was an important subject to

research since our program implements food cart businesses through the scheme of a small business lease. This information provided us with pros and cons of the system as well as examples of specific projects that utilized micro leasing to finance entrepreneurs. Micro financiers provide resources that allow entrepreneurs to start small-sized businesses. Micro financiers have several types of schemes to provide clients with money. A traditional scheme used by lenders is the direct exchange of cash.

Lending institutions, however, have been looking to equipment leasing as a new scheme to providing resources for business startups. Known as micro leasing, this is a financial system that is structured to finance entrepreneurs. Micro leasing assists entrepreneurs in purchasing equipment or machinery (Dupleich, 2000). In this financing system, the client will use the equipment for an agreed period of time and pay the leaser on fixed installments. The idea is that once the lease period is over, the client obtains full ownership of the equipment.

When a lease is in operation, there are of several components that must be considered. One component is the lease term, which defines the time range the equipment will be leased to the client. The lease term usually does not exceed three to five years, so that the equipment does not run out of its useful economic life (Deelen, Dupleich, Othieno, Wakelin, 2003). However, lease terms can be made longer depending on the cost and size of the equipment. The second component of a lease operation is the lease payment.

Payments are made throughout the entire lease term and the amount depends on the various factors: the value of the equipment, the interest rate, the duration of the lease term, and the options given to the client of buying or returning the equipment after the contract expires. The amount of payment can be fixed or variable.

### ➤ **Food and Sanitation Laws and Regulations**

Besides providing entrepreneurs with opportunity to better their lives by leasing a food cart, our sponsors also hope the project will result in the creation of sanitary

food carts that guarantee to provide healthy food items to customers. While locals trust and frequent food carts, tourist clientele is minimal. More often than not, tourists are warned to be cautious about eating from food carts because of poor sanitary conditions that lead to unsanitary food. In order to create sanitary food carts, information on sanitation regulations that promote hygienic cart and appeal to both tourists and locals would prove beneficial. Thai organizations that worked on public health and sanitation were likely to have useful info about standards that food establishments must uphold, if any. Other important information included the actions of the Thai government in promoting sanitary practices in food service market and any regulations that they currently enforce.

As a response to concerns over sanitation, Thailand's government has taken action and developed the Food Act of B.E. 2522 and the "Clean Food Good Taste" Project to promote food safety and quality. As a result, these high sanitary conditions would produce a good image and reputation, appealing to both the locals and tourists. Laws and regulations concerning food storage and preparation were important because they established a set of standards that should be abided by food vendors. The standards that we decided to implement would aim to prevent unacceptable sanitary conditions, increase sales to potential clientele, and promote economic growth at an individual and national level.

- **Thai Food Governing Body and Laws**

The Food Control Division of the Food and Drug Administration, a subdivision of the Ministry of Public Health, is responsible for "protecting the consumers' health from hazardous and deteriorated foods" (<http://www.fda.moph.go.th>). It is through this government institution that laws and regulations are made and applied to most areas pertaining to food, such as manufacturing, exportation, importation, labeling and preparation.

The major law directed towards "protecting and preventing consumers from health hazards occurring from food consumption" (<http://www.fda.moph.go.th>) is the Food Act of B.E. 25 22 passed in 1979. Ministerial regulations describe the procedures for applications for manufacturing licenses, importation licenses, and registration and fees for the identification card of the competent officers and the labeling of food products for exports (<http://www.fda.moph.go.th>). The law aims to ensure quality and

safety of food by “1.1 setting up food standard and specification as well as hygienic and labeling requirements,” and “1.7 sampling and quality assessment of food products” (<http://www.fda.moph.go.th>) among other areas of the Food Act. Refer to Appendix A for the food act categories.

Although the Thai government has established laws and regulations to uphold standards on the level of safety and hygiene via the Food Act, it does not specify whether the laws can be applied to food establishments such as food carts. It is also unknown whether the laws were intended for, or directed towards, promoting economic growth in the food sector.

The “Other Foods” category in the Food Act seems to focus primarily on the types of food served on the carts, but does not specify whether food carts fall within this category. Fortunately, several years later a government program directed specifically towards sanitary conditions on food carts and promoting economic growth was developed.

- **The “Clean Food Good Taste” Project**

In 1989 the Department of Health of the Ministry of Public Health, the Tourism Authority of Thailand and the Ministry of Interior along with the support of numerous groups and agencies, joined forces in a project to protect consumers and promote good tourism in Thailand, called the “Clean Food, Good Taste” project. This project’s objective is to assure good sanitation and benefiting people while reassuring tourists, as Kongchuntuk (2002) states, “that food in Thailand is safe as well as looks and tastes good.”

According to Kongchuntuk (2002), the three main goals of this project are:

- 1) To reduce the risk of food borne diseases in restaurants, cafeterias and vendors;
- 2) To promote clean and good sanitary food service in tourist areas and also around
- 3) To support and encourage local authorities in managing for safe food for consumers and tourists in their areas of jurisdiction.

The reported success of this project, according to Kongchuntuk (2002), was the use of four strategies based on: partnership and co-ownership, quality assurance, sustainability, and public awareness and involvement. These four strategies are described as follows:

Partnership and co-ownership is restaurants, food vendors, and cafeterias being inspected and controlled by local authorities empowered by the Sanitation Act of 1992. Through this strategy, other partners are involved in the private sector and consumer groups, with all stakeholders.

Quality assurance is the “inspection conducted according to different criteria set by the Department of Health for restaurants, cafeterias vendors” (Kongchuntuk, 2002). The procedure involves ten samples drawn; 5 from food, 3 from containers and utensils and 2 from food handlers' hands. In order to receive a “Clean Food Good Taste” logo, 9 out of 10 coli form tests for bacteriological criteria must result negative. If the establishment does not pass the inspections, improvements must be made as recommended by authorities. Inspections are conducted every two months.

Sustainability is the continuous training sessions held for food service personnel and consumer groups so that the “concept of good sanitary practices are well understood and then correctly and efficiently applied” (Kongchuntuk, 2002). Restaurants and vendors are encouraged to form associations by regional offices, while receiving from them technically and finance support.

This project established 12 regulations to be followed by vendors, consisting of basic instructions to uphold sanitary conditions. These involve maintaining surface cooking surfaces and utensils clean, using clean containers for storing food, beverages and utensils. These regulations also focus on making sure that the food handler takes measures to not contaminate food and utensils (Refer to Appendix B for the actual regulations).

The “Clean Food Good Taste” project appears to be a potentially useful tool in achieving our project goal of promoting sanitary carts. Perhaps, many of these regulations are not being enforced by local authorities, ignored due to negligence

from the vendor's behalf or because many carts might not have the necessary accommodations to fulfill these regulations.

The laws set by this project give a good idea of the type of measures that have been taken to promote good sanitation conditions and gave us a base from which we can make improvements if deemed necessary. An important aspect is that not only were we trying to improve the sanitation conditions on food carts for the benefit of the locals, but also the regulations are to project assurance to tourist of sanitary conditions. An effective manner to improve these conditions was to provide vendors with educational tools to aid them in becoming aware of sanitary practices and business skills.

## **RESEARCH DONE BY SAMESAME LTD ON MICRO LEASING TO FOOD CART**

### **➤ Methodology**

Our primary objectives were to determine the vendors' income level, determine cost of prototype carts, find potential administrators, and determine attached programs to enhance the after achieving these four objectives, we were able to meet our goal of lease program. A researching and designing an economic empowerment program extending food carts as a micro enterprise opportunity to the disadvantaged in Thailand. The vendors' income level and the cost of prototype carts would allow us to provide suggestions for developing lease plans. The chosen organization would then administer this leasing plan with the cart to the vendors. They would also provide the attached program, which would educate the vendors and increase their potential for business optimization.

### **Determine Leasing Specifics**

The first objective was to determine street food vendors' income to aid in establishing an appropriate leasing program. To achieve this objective we looked for expert knowledge on the income of street food vendors. Unfortunately, we were unable to find any experts that focused on food carts. Therefore, we decided to go directly to the vendors and investigate for ourselves. Using questionnaires allowed us to obtain actual numbers for income of vendors rather than relying on estimates from other

sources. We conducted interviews with street food vendors about the amount of sales and expenditures that they have during a full day.

In and credibility, we conducted 50 interviews with order to achieve statistical significance a food cart vendors. We decided that interviewing 50 vendors was sufficient for our results, taking into consideration the time needed for conducting, translating and analyzing each interview. Conducting 50 vendor surveys allowed us to observe and analyze several carts within each cart category. The decision was also made due to the lack of interpreters available to us. It was difficult at times to conduct interviews because the presence of an interpreter was necessary.

We created our surveys in English and had them translated them to Thai. An interpreter was also necessary to assist us with the interviews by giving the vendors a more detailed explanation of our intentions and project goals. The interpreter was useful in translating and answering any questions that the vendors had about the project. Once the surveys were completed, they were then translated back from Thai to English for analysis.

Locations where food carts are prevalent in Bangkok were chosen as sampling spots. The areas of Bangkok where we conducted our interviews were Chinatown, Klong Toey, Pratunam, Siam Square, and Suan Luan. These locations were selected because they were apt to have food cart activity during most hours of the day according to Gordon and Yee (2001). A variety of vendors from each location who might experience different market cycles were randomly selected in order to avoid biased data. The time of day when we conducted our interviews were late-mornings and mid-afternoons, with a few conducted in the evening hours. We concluded that these would be the best times since they are slow business hours and most vendors would have the time to answer the questions.

After the interviews were conducted and translated, they were categorized according the type of food sold and the type of generalized cart that matched the food preparation. Once each questionnaire was grouped into its respective categories, we began the process of analyzing each category for average income.

By figuring the daily income, we were able to estimate the weekly income since our interviews also gathered information on the number of days each vendor worked per week. The average weekly income would then be compared to the manufacturer's price of a cart in that category which would allow us to determine feasibility for that cart and provide suggestions for an adequate leasing plan.

We dedicated four weeks to creating and translating our interview questions, conducting a test pilot, conducting fieldwork, translating the interview answers, and compiling the data we gathered in Microsoft Excel. The database was made as an easy way to evaluate the data we collected into an organized chart and graphs.

### **Findings and Discussions**

There are a vast number of diverse food carts that impede traffic on the sidewalks and sometimes hinder the flow of cars on the streets of Bangkok. Regardless, due to the immense variety of food sold and carts used there is plenty of room for the addition of new carts. Our proposal for using food carts as a tool to provide economic self-sufficiency to the disadvantaged of Thailand was a good start but still needed further investigation before execution of the project. Through our research, we have made several conclusions and findings that will be most useful for the success of the project.

### **Step Ahead Microenterprise**

Step Ahead Micro Enterprise Development is a non-profit organization aimed at assisting poor people in Bangkok and different regions in Thailand. The organization gives micro loans to micro entrepreneurs who wish to upgrade their business. The loans are between \$100 and \$300 US dollars, which are gradually paid back in weekly payments. The program not only includes a payment plan but also includes a savings program and weekly meetings that help with personal growth, provide social collateral and facilitate payments. The applicants must allow Step Ahead to run a credibility check, must have a relative that has proof of income, and have been in the business. The organization iness for at least proves to be successful with their repayment rate of 97 percent.



Their microfinance program is maintained by the clients' repayment. With every payment made the capital available for new clients' loans increase. We met with Ms. Supatra Sirisomruthai, Program Manager of Step Ahead, to discuss our project and the possibility of partnering together for the administration of the future phases of this project. She informed us she would consult with her director and respond later with any conclusions; however, in the following weeks of our meeting, we were unable to contact Step Ahead due to their relief efforts in southern Thailand.

## **CARE**

CARE is a humanitarian organization fighting global poverty through poor communities. Among the wide variety of projects that they conduct, there are several projects categorized as Small Economic Activity Development (SEAD). Various aspects of the SEAD projects involve supporting moneymaking activities, providing savings and loan programs and offering technical training to people for the start up or expansion of their small businesses to increase family income.

With a local office situated in Bangkok CARE was also deemed a potential administrator for our project. From their website, we determined that they fit several aspects of our criteria including working with micro and small enterprises, having ties to impoverished areas, and having experience in money-lending. Their Small Economic Activity Development Program not only assists people in beginning or expanding small businesses, but also initiates community savings-and loan programs. Their projects all work to serve individuals and families in the poor communities of the world. Although we are unaware if they have direct ties to the impoverished areas of Bangkok, they do have projects spread throughout Thailand.

## **Duang Prateep Foundation**

Duang Prateep Foundation is a non-profit organization working in the Klong Slums of Bangkok to help the poor communities of Thailand. Their projects range from

educating kindergarteners to assisting in the control and extinguishments of fires in the slums.

Their project most relevant to our micro leasing scheme is the launch of their credit union, Cooperative for Community Service. This bank provides its clients a means of avoiding the high interest rates of “loan sharks” and provides them with loans of up to 100,000 Baht (roughly 25,000 US dollars). These large loans are mainly to provide capital to start businesses. When becoming a member of the credit union, all applicants must attend a training session to learn about the regulations as well as the importance of saving money (<http://www.dpf.or.th>).

Their ties in impoverished areas of Bangkok lie deeper than every organization we researched except for Step Ahead. Although they looked promising, there were still many details that needed further research, such as their work with micro enterprises and their interest in our project. Their work with money lending involves setting up credit unions for in communities; because of this they seem promising.

### **Food for the Hungry International**

Food for the Hungry was founded in 1971 and now has locations in 47 countries to help disadvantaged people. The organization has various programs assisting child development, agriculture and clean-water, health and nutrition, education, micro enterprise loans and emergence relief. Food for the Hungry began its services in Thailand since 1976, and in 2003 moved its headquarters from Scottsdale to Bangkok (<http://www.fh.org>).

Food for the Hungry is another potential administrator for our project. It is a religious-based organization that works with impoverished communities. This organization focuses on poverty needs related to food and nutrition with a primary emphasis on long-term development among the extremely poor. In addition to their concern for sustainable food production, water resource development and primary health care, they also focus on income enhancement, including micro enterprise development and skills training. With an office situated in Bangkok and prior experience in micro enterprise development, Food for the Hungry International qualifies as an adequate

candidate for administrating our project. Its ties with impoverished communities and its focus on poverty needs relating to food and nutrition would also be beneficial to our cause. Further research on their operations and interest to work with a project such as ours is needed.

The unfortunate tsunami tragedy in the last week of December 2004 caused severe and catastrophic damages to many nations, including small islands of the southern region of Thailand. This devastation inevitably needed the immediate attention of many international aid organizations including those we considered potential administrators. This made it difficult to establish contact with representatives and schedule meetings to present our project.

We requested that our co-sponsor, Mr. Thawach Imraporn, contact these organizations and establish meeting times since he is a Thai business man and has helpful contacts. He reported that all of these organizations were in southern Thailand aiding in the relief efforts. We were unable to meet with all organizations, except for Step Ahead Micro Enterprise Development. Based on the limited information we obtained through meetings, internet searches and contact via telephone, we made suggestions for four possible administrators discussed above.

### **Certification and Location**

In order to reassure consumers that our carts are upholding high sanitation standards, we wanted to provide a means of certification for all carts. Certification for our carts exclusively in Thailand is managed by the participation of the “Clean Food Good Taste” Project. They are orchestrating an on-going, recognized and established movement to improve food cart hygiene. Despite “Clean Food Good Taste’s” assistance with certification, there are some considerations that must be taken into account before choosing a location for implementation in Thailand. The cooperation and certification of the “Clean Food Good Taste” project is to benefit the vendors and the consumers alike.

With regards to the certification of our carts, we were assured that we would receive support from the “Clean Food Good Taste” project. The certification of our carts

included the “Clean Food Good Taste” logo, its sanitation standards, and routine inspections to ensure consumers of high sanitation standards. Our project’s original intention was to conduct a 20 cart pilot study throughout Bangkok. However, we were advised by the representatives of “Clean Food Good Taste” that to have an easier process of affiliation and certification with them, we should consider conducting the pilot study in a province outside of Bangkok or selecting a specific district in Bangkok. We learned of two other projects that attempted to improve the food cart scene in Bangkok, however, both projects failed to fully reach their objective due to challenges that exist while working in Bangkok.

## Chapter-6I

### Tourism Industry

## **Introduction to Tourism Industry**

Recognizing the benefits of tourism, Thailand was among first country, in creating active tourism campaigns. Its strategic location as a mid-way stop between East Asia and Europe and Australia and as a gateway to Indo-china and entrance to mainland China provides a strategic position to offer diversity of tourism to international tourists

In the last two decades, the number of international tourists in Thailand has increased five times from 1.2 million tourists in 1975 to about 7 million tourists in 1995. This figure represents approximately 1 % of the world's total travel. Therefore, Thailand has ample opportunities to create more new arrivals and expand its market (TDRI, 1998). In summary, taking account of the flow through effect economy of Thailand, travel and tourism represents: 13 % of jobs, 15 % of GDP, 12.7 % of exports and 14.4 % of capital investment

The THAILAND tourist ranks for the 2nd European tourism market in Thailand. Therefore, knowing the situation of tourism promotion in the THAILAND is important for Thailand tourism development. THAILAND tour operators are supposed to be the major promoter for destination in Thailand.

Higher level discussions were held among all sectors of the Thai travel and tourism industry to facilitate recovery from the political up-downs which resulted in significant declines in visitor arrivals summer 2010. A range of strategy, projects and activities are being discussed among the public and private sectors as well as in cooperation with agencies of government responsible for other economic sectors, which were affected too. As per the official data, international passenger arrival at Suvarnabhumi International Airport declined by an average of 30% in May 2008 and by 20% in May 2009.

Phuket is Thailand's 2nd largest international gateway for the tourism by air and has become a major hub providing facilities to local flights from the Asian countries and Australia. Phuket is also attracting many charters planes from European country.

The proposed tourism packages needs to be planned carefully to ensure the most effective investment return, especially viewing the fact that Thai tourism is now having low season, when the traditional sources of visitor arrivals become different from those in the peak season.

A number of short-term tactical measures are also being planned; such as, website internet competitions, travel awards for travelers around the globe, lucky draws coupons, and special offers targeted at specific customer target segments in the vast databases of credit card companies.

The traditional marketing themes, such as "Amazing Thailand", will remain unchanged as will the core message that Thailand remains an excellent value-for-money destination. The many special offers now set to be launched across the board will only reinforce this core message. TAT will also maintain its focus on the country's long-standing tourism strengths; such as, Thai hospitality, culture, and the environment.

Traditional measures like special concessions and waiving of visa fees given to the airlines on landing charges have been extended beyond their expiry date of last March. More heavy-duty marketing campaigns and stepped up fame trips for travel

agents, media, and MICE event's organizers will be deferred until the end of the year.

## **Structure & Function of tourism industry**

Tourism makes a larger contribution to Thailand's economy (typically about 6 % of GDP) than that of any other Asian country. Most tourists come to Thailand for various reasons—mostly for the relaxation and beaches, although with the ongoing insurgency in the Deep South, Bangkok has seen a large increase in tourism over the past years.

Also, a sharp increase in tourism from other Asian nations has contributed largely to Thailand's economy even though the Baht has gained strength compared to most other currencies in the past 2 years. In 2007 some fourteen million tourists visited Thailand. The Thai tourism industry includes a thriving sex industry. Successive Thai governments, however, continue to neglect sex workers (prostitutes) rights under labor laws that persist in the criminalization of sex workers (prostitutes), allowing corrupt authorities and employers to exploit sex-workers' labor.

## **POSITION OF TOURISM INDUSTRY IN INDIA**

Tourism in today's world is no more a sightseeing or luxury. It is motivated by the natural urge for new adventure, experience, education and entertainment regarding different cultures and religion, life styles and environments around us. This urge is expanded with recent advances in transportation system and information technology in the 21st century and has made tourism industry to undergo a drastic significant change. Even a common man has attained the status of a tourist and enabled to reach even the remotest parts of the earth.

Tourism Industry has given birth to a number of secondary and tertiary activities, provided new career opportunities in hospitality, leisure and surface transport, gainfully

employing thousands of people and fetching several millions of rupees in foreign exchange year after year.

### **World's Tourism Scenario**

The World Tourism Organization report for the year 2006 states that, "There were more than 840 million international travelers and the tourism incomes were around US \$ 682 billion (approximately 34, 10,000 Crores Rupees). Earnings from tourism have substantially increased and it is considered as one of the fastest growing industry in the world.

The World Travel and Tourism Council's (WTTC) figures for 2006 indicated that travel and tourism had generated approx 234 million direct and indirect jobs worldwide, i.e.8.7 per cent of the global employment. This accounts for 10.7 per cent of the global Gross Domestic Product (GDP), 12.8 per cent of global exports, and 9.4 per cent of global capital investment.

### **Current Tourism Scenario - India**

The WTO forecasted increasing tourism preference towards the Pacific, East Asia, West Asia and South Asia, although Europe and America still remain the world's famous tourism destinations commanding 77 per cent of the global market.

East Asia/Pacific achieved the highest rate of growth of 15 per cent in tourism and travel in last decade followed by South Asia and West Asia.

India is expected to achieve the fastest rate of growth of economic activity which is likely to be generated by travel and tourism, at 9.7 per cent over the next coming decade. Also, the largest employment creation after China is expected to take place in India over the same period, thanks to the growing tourism industry in the region. The growth in 'visitor exports' and spending by international travelers, is likely to be the fastest in India at 14.3 per cent per year over the next decade.

It is estimated that tourism in India could contribute Rs. 850,000 crores to the GDP by 2020 (approx. 1800 million USD). At present, India has **0.8 per cent share of world**



*tourist market.* Country witnessed 4.51 millions as International Travelers and 367 millions as domestic Travelers, thus contributing around 10.7 million direct and 24.4 million indirect employments. All this had a 5.3 per cent overall contribution of GDP out of which 2 per cent is the direct contribution of travel and Tourism. On the whole, the WTTC forecast for India is promising.

### ***Nature of Indian Tourism***

An amazing feature of Indian tourism is the average length of stay of foreign tourists in the country. The estimated average length of stay for tourists is 31 days, which is amazing when compared to international average. Domestic tourists visiting different parts of the country every year return with a better understanding of the people living in different regions of the country.

According to predictions made by industrial stakeholders, the tourism and travelling sector in Asia over the next 10 years is projected to grow at a higher rate than most other regions. India must capitalize on this great window of opportunity by evolving a tourist friendly tax regime in the region. The events around the globe and in the subcontinent have had their impact on the flow of overseas visitors to India. But, in the last 15 years, visits by the domestic tourists have grown by more than approx 300 million.

From a figure of 63 million in the year 1990 it stood at 382 million in the year 2005. This phenomenal explosion of domestic tourism is an inevitable by-product of the prosperity that is achieved by India. Domestic tourism in India is also fuelled by a number of factors like important pilgrim sites of different religions are scattered throughout the country. India's cultural heritage and eco-tourism potential are the major consumer preferences of the international tourists.

### **Tourism Policy and Norms of Thailand**

Thailand attracted approximately 10.8 million international tourists, which is equivalent to an increase of 7.33 percent, which generated national revenue of 323.484 billion baht. The tourism industry became the top foreign currency earner in

comparison to other industrial sectors like computers and parts, electronic components, textiles etc.

- Standardization tourism packages and product to attract quality tourists.
- Thai uniqueness to be used as the country's selling point while establishing a brand image for each region.
- Development of an integrated management information system in which public relations and customer relations are managed through the technology.

## **Tourism Policy of India**

Development of tourism in India has gone through many different phases. The developments of tourist facilities were done in a planned manner in 1956 coinciding with the Second Five Year Plan (1956-61). The Sixth Plan (1980-85) is considered as the beginning of a new era when tourism was considered as major instrument for social integration and economic development. But it was only after the 80's that tourism activity gained momentum when government took several significant steps.

The government of India has initiated a national action plan in 1992 for tourism to improve the tourist flow by providing proper infrastructure at the tourist sites. In 1997, a new draft on tourism policy was put for the public debate in tune with the economic policies of the Government.

## **POTENTIAL FOR IMPORT / EXPORT IN INDIA**

### **Tourism Flows**

Another area of services trade that holds potential for expansion is tourism. Indonesia, Malaysia, Philippines, and Singapore have already developed considerable expertise and competitive advantage in tourism, with Vietnam also developing into an important tourist destination in recent years.

However, India has realized the potential in this area rather belatedly, and is taking steps to implement an integrated tourism industry. India aims to not only attract substantially larger number of international visitors than the current 2.75 million tourists in 2003, but also provide a conducive atmosphere and money-for-value services to increase their stay and expenditure per day.

### **Business Opportunities In Future**

The Government of India reported in 2006 on its tourism satellite account covering the period of 2002-2003. As a pilot study, the Indian TSA focused on constructing seven TSA tables: three tables to identify tourism consumption (inbound, domestic and outbound); a fourth table to consolidate total tourism consumption. Fifth table to show the production account of tourism industries in order to compare with tourism consumption; a sixth table bringing together the demand and supply side to evaluate aggregate tourism value added and GDP; and a seventh table for analyzing employment.

The tourism industry accounted for 4.59 per cent of employment and the tourism economy accounted for 8.27 per cent of total employment in India, which was estimated to be 38.6 million jobs. Adjustment factors were applied to account for same-day tourism, which was a large and growing segment of India's tourism industry. After making adjustments, it was found that the direct contribution increased from 2.78 per cent to 3.78 per cent and the tourism economy (direct and indirect) contribution went from 5.83 per cent to 6.83 per cent. The contribution to employment also increased from 8.27 per cent to 9.27 per cent.

When TSA tables are compiled and analyzed, it is important to clarify whether the category of connected products is identical to complementary products. It could also be the case that analysis of complementary products is one way to measure the informal sector of the tourism economy at the local level.

One reviewer observed that leakages in the tourism industry occur when revenue arises from tourism-related economic activities in a destination country is not available for re-investment or consumption of goods and services within that country. Financial resources "leak away" from the destination country to another country, particularly when the tourism company is based overseas and when tourism related goods and services are being imported to the destination country, thus limiting the economic benefits of tourism development.

Estimates are often cited saying that a significant percentage of revenues from tourism leak from developing countries due to foreign ownership in the industry, imported resources, foreign tour operators, foreign airlines and other reasons. However, the extent of leakages depends on a number of factors such as economic size, industrial structure, among others. Updated analysis can support or refuse the argument about whether the more established country becomes as a tourism destination, the greater the proportion of revenue which will leak away. In the absence of reliable data, however, it is possible to have only common impressions about the amounts and share of tourism revenue that leaks from tourist destinations in developing countries.

The complexities of the industry must be taken into account as well. That is, some leakage occurs where tourists spend money at the destination for imported goods and services; other leakages are external payments that never make it to the destination country, such as travel agent commissions, tour operator profits and financial transactions of foreign airlines.

Leakages are in the form of general estimates and approximate shares, which makes it difficult to analyze the impact or take related policy action. One way to reduce leakages is by creating and strengthening linkages within the domestic

economy. Tourism businesses and governmental tourism organizations can be encouraged to buy supplies from people in the host country, recruit local laborers, use locally-owned accommodation and work more with informal tourism enterprises. Tourism destinations that integrate tourists into the local economy and purchase local products can be encouraged, especially at resorts that employ local staff at reasonable salaries.

Analysis of the multiplier effect leads to the understanding that the true impact of tourism is not simply the actual expenditure by visitors since there are indirect and induced impacts that can be measured. The multiplier effect provides one way to take account of the interrelationships between the tourism industry and different sectors within an economy. However, there has been little recent work or research to update the reports about tourism multipliers that was done in the 1990s.

### **Strengthening the knowledge base**

A variety of techniques using data at the macro level can clearly show policymakers the significance of tourism for national economic development. The time-series data available from TSA can show some of the complex interrelationships and patterns involving the tourism economy and the tourism industry and safety, social and economic needs can be met along with the demands of the tourism industry. An infrastructure policy environment that includes consideration of tourism development would have to address: (1) constraints to sector development; (2) which infrastructure sectors to prioritize; (3) how to strengthen international and/or cross border linkages; and (4) the complexity of relations between tourism developments.

### **North-East India: An Emerging Industrial Center**

Potential for the north-east India can be exploited by developing necessary infrastructure required to satisfy the needs of different regions. It is necessary to complete project in time which are Time-bound. Healthy and friendly centre-state relations and political stability is also required to achieve the target.

# **Chapter-7**

## **Conclusion**

## **Telecommunication Industry**

For any of the industry to have proper growth it must be provided with proper supporting political, financial and infrastructural atmosphere. This thing is applicable to any of the industry in any part of the world. In Thailand political support is very weak.

NTC is attributed to three major factors:

- 1) Unfavorable regulatory environment associated with the legacy of telecom concessions;
- 2) Political interference in the setting up of proper institutions that facilitate an effective regulatory regime;
- 3) NTC's capacity constraints in handling complex but important issues such as pricing which requires detailed examination of cost data.

NTC is inability to deal with more complicated regulatory issues, such as competition regulation, tariff regulation, quality of service monitoring, and USO. In all of these areas, NTC has merely announced rules that provide broad guidelines but lack

detailed implementation regulations. It has failed to establish a transparent, effective and predictable regulatory regime.

As far as Thailand's telecom industry is concerned it started late compared to other countries and was under influence of military for many years and due to that it has not match up its progress with other countries after 2006 liberalization the industry has started growing but due to few of the fact like very few companies in competition, tight license laws and still influence of army on those companies is not allowing the industry to grow at proper rate. If reforms suggested in suggestions are implemented it can lead to overall growth of the industry which is helpful for overall growth of GDP and improvement of other services as well.

### **Automobile Industry**

- India's current import from Thailand is relatively peaceful and smooth.
- FTA (Free Trade Agreement) with Thailand helps India to carry smooth trade with Thailand.
- Many foreign players have invested in Thailand auto sector which makes Thailand a export hub.
- Thailand has availability of cheap labor & supportive government policies(FTA) which helps develops increase the trade with other countries.

### **Alcohol Beverages Industry**

Alcohol is no ordinary commodity with 2 faces. One shining face is as one of the oldest beverages and reputed to have some health benefits if drinking in moderation. Millions of people enjoy it safely. Alcoholic beverages are also big business that creates substantial jobs, pay huge tax and contribute to our economy. But another tarnished face is if consume excessively and regularly, alcohol is addictive substance that can cause brain disease beyond a reasonable doubt. Despite a



chronic, potentially relapsing disorder and dependence bio-behavior, alcohol is widely distributed and consumed until Thailand has become the world's fifth largest alcohol consumption per capita behind Russia and UK.

At first glance Alcohol beverages business looks like something wrong but if you are thinking as an businessman you will find this business as one of the most growing and shining business in the nearer future as the thinking of people towards this will be changing day by day and the new generation will accepting it very easily.

The above Para was talking general thing about this industry but if we are looking with the perspective of Thailand and India than also we can say that people leave their tradition view about Alcoholic beverages and drink it as and when they will find suitable.

We have also seen in the Report that people from both the country now having familiar with this beverages and the consumption of this also increasing in both the country which shows the good shine of the brighter future of this business.

## **Textiles Industry**

- Thai textile industry is well known for its textile manufacturing with world class quality, they export majority of garment & clothing products to western countries like U.S.A.
- But Thailand doesn't have enough suitable land for cotton production, therefore they always have shortage of raw cotton & it's become compulsion for them to import cotton. If we look at recent scenario they have imported most of cotton from Australia and rest from India & other cotton exporting country.
- In spite of ups & down in Indian cotton industry, India will be in a position to export cotton always. If we look at Gujarat, it is a major cotton producing & exporting state in India, Gujarat's Sanker-6 category of cotton is world famous and always in demand.

- Thus we have planned to export cotton to Thailand, where we will export with the help of agent to our Thai local importers.
- After looking at the future prospects, we are also planning to import cotton products like T-shirt, shirts etc. from same importers. This way we will make bilateral agreement & it will be possible for us to import cotton products at cheaper rate.
- Textile and garment industries play crucial role in Thai economy, since they have created employment and wages for many people. For overall structure, Thai textile and garment industries include completely all production processes. The total production volume is about 301.27 ten thousand tons while the total demands of textile and garment is around 276.73 ten thousand tons or 91.7% of total production.
- In the first 9 months 2010, textile and garment industries exported value of 5,600 million US dollars, increased about 18% compare with the same period last year (overall for the whole year was 7,400 millions US dollars). Thailand and other Asian countries are the textile exporters in both the beginning and middle stream of industry, such as, invented fiber, thread, and fabric. Moreover, Thailand gain tax advantage from Asian Free Trade Area and Free Trade Area Asian-Japan as well as the distance advantage that allows the fast delivery with low costs. Moreover, the quality of Thai products is at standard level and has been accepted in the world market. These situations help increase employment rate and wage continuously. In 2011, the export value was expected to grow due to the cooperation of many projects under Asian Free Trade Area including The ASEAN Federation of Textile Industries (AFTEX), which help boost the textile exporting in both Thailand and Asian countries. These expected export increasing allows both government and private organizations to develop strategies in order to decrease the reliance in exporting only to the main markets as USA and EU.

- The ability of Indian textile sector to take advantages of quota phase-out depends upon their ability to increase overall competitiveness by exploitation of economies of scale in manufacturing & supply chain. This aimed to improvement in the levels of productivity and efficiency, faster product innovation, quality control, quick response to alter consumer preferences and the ability to move up in value chain by creating brand names.

## **Dairy Industry**

On the conclusion of this project, it can be said that over and above the export of dairy products India can also help Thailand dairy players by collaborating with them.

Following are the points for conclusion:

### ➤ **For Thailand**

- The demand for milk and milk products in Thailand increases gradually.
- Thailand is good market for cheese and other edible dairy products as there good amount of use of these products in Thai cuisine.
- Thailand is a non milk drinking country but the Thai Government is taking an initiative to develop milk market and started milk promotion campaign by showing the advantages of milk drinking.
- Dairy industry in Thailand is shaped by government support.
- Weak marketing channel is the threat for Thai dairy industry.
- Thailand is the emerging market for dairy industry including all the dairy products.
- There is lack of R&D for dairy animal health care.

### ➤ **For India**

- India is one of the leading countries in milk production.

- There is modernization in milk production and production of other dairy products.
- India has good potential to meet the demand of dairy products in Thailand.
- The government of India supports for R&D in dairy industry and dairy animal health care program.
- There is proper distribution channel in India in dairy industry.
- India is self sufficient in milk production and other medicine production for the animals.
- Not only milk and milk products but other dairy related services and technology can be exported to Thailand.

By comparing the conclusions of both the countries' dairy industry, we can say that there is a potential in making deal with Thailand not only by exporting dairy products but also by providing assistance by the way of providing technology and dairy management competencies for dairy industry development by making collaboration or joint venture.

### ➤ **Suggestions**

Following are the suggestions that can be useful for both the countries to make the business successful.

- There should be FTA between Thailand and India especially for milk and milk product exports.
- Thai government should allow collaboration or joint venture with Indian dairy player for development of dairy industry in Thailand.
- Indian government should encourage the dairy players to develop their business in Thailand
- Indian dairy players should use their expertise and should make proper marketing channel in Thailand
- There should not be any barrier in export of milk and milk products to the emerging market of Thailand.
- If Thailand government allows the collaboration, the government should also support to India player for R&D for dairy development.

- Indian dairy player should do proper marketing of their products through proper media and also develop a distribution channel.

## **Restaurant Industry**

Our main focus is INDIAN Tourist Who seeking for traditional Indian Food and Vegetarian Food. Also A Thai Segment Who love a spices of India. We targeted them for our business. as earlier mention over 7,50,000 Indian Tourist visit Thailand last year through Bangkok international Airport. So our restaurants location is in Bangkok. And for overcoming legal barriers we provide employment to 7-8 thai local people so it is convenient for us to know the legal frame work of Thailand.

We are provided them a wide range of Indian traditional food like Gujarati, Panjabi, South Indian Food, Kashmiri food etc. so customer have wide range of Indian vegetarian Food.

## **Hard-Disk Manufacturing Industry**

Thailand has been successful in building up an internationally competitive electronics industry and in integrating itself into the global economy. It is now a major global manufacturer and exporter of several electronics products/components. FDI and trade have played a key role in building up this industry by facilitating inflows of capital and technology and providing access to international markets. Between 1986 and 2001, FDI inflows into the electronics sector amounted to \$4.5 billion. In terms of trade, electronics currently account for more than 30 per cent of Thailand's total exports. The main export items include hard disk drives (HDD) and parts, and integrated circuits (IC), which account for about 21 per cent and 20 per cent of the total electronic exports, respectively. Thailand is the world's second major HDD producer (after Singapore). At the present time, the electronics industry employs about 300,000 workers.

Government policies have always played a vital role in building up a successful electronics industry. Thailand adapted its policies to align with the rapidly changing trends in the global economy. First, realizing that its domestic market was rather small to support industrialization, Thailand shifted from an "import substitution" to an "export oriented" development strategy. This required liberalization of the economy for trade and investments. The liberal economic policies, coupled with the availability of a skilled but low-cost labour force, made Thailand an important location for export-oriented production activities of TNCs.

Having been established as an important destination for FDI, Thailand attempted to steer the FDI inflows into areas of national priority. The Government has designed incentive schemes to channel investments into sectors of importance, such as electronics.

TNCs have played a major role in the transfer of technologies by setting up facilities to assemble and manufacture electronics products. TNCs' operations have enabled local employees in Thailand to learn process technologies, mainly how to operate and maintain production equipment. The transferred technologies mainly relate to assembly processes and in some cases to manufacturing. Nevertheless, there are few cases of transfer of design and product development skills to Thailand. The technologies and skills transferred largely remained within the production networks of TNCs, with limited diffusion to some domestic suppliers and subcontractors. This limited diffusion facilitated the emergence of a number of Thai firms as suppliers to TNCs. Thailand's electronics industry remained dependent on imports for the vast majority of high-tech components.

### **Economic Empowerment through a Food Cart Micro Leasing Program**

Thailand is the place where around 40 to 50% of the people are eating and enjoying the food from food carts. From all the details given above, it is concluded that from

proper rules and regulation the food cart industry of Thailand has become well managed and properly maintained. Because of that now they are getting healthy foods at cheaper rate from sanitized food cart.

The same situation is here in India. Our people are also eating food from the food carts. We are also having a huge number of food carts over here. So our government also can take this type of step to get healthy food from the food cart at cheap rate. We just need proper rules and regulation to make our food cart as sanitized food carts.

## **TOURISM INDUSTRY**

To sum up, Indian tourism has vast potential for generating employment and earning large sums of foreign exchange besides giving a fillip to the country's overall economic and social development. Much can be achieved by way of increasing air seat capacity, increasing trains and railway connectivity to important tourist destinations, four-lanes of roads connecting important tourist centers and increasing availability of accommodation by adding heritage hotels to the hotel industry and encouraging paying guest accommodation. But much more is needed and remains to be done.

Since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organizations become active partners in the endeavoring to attain sustainable growth in tourism, if India is to become a world player in the tourist industry. Following are the few measures that can be used for enhancing India's Competitiveness as a Tourist Destination. The need for physical infrastructure is there right from entry into the country to modes of transport to destinations (airways, roadways, railways or waterways), to urban infrastructure such as access roads, power, water supply, sewerage and telecommunications. This underscores the need for inter-sect oral infrastructural schemes and programmers that could support tourist destinations.

In order to enhance India's competitiveness gain as a tourist destination, there is a need to simplify the visa procedure and consider strategies for the speedy issue of

visas including electronic visas and visas on arrival. As air capacity available to India is woefully short during the peak travel months, ranging from October to March, there is an urgent need to open India's skies to increase air capacity to help enhance tourism. Additional seat capacity from the major tourism generating destinations can significantly benefit the national economy and can act as booster to tourism. In order to improve the standard of facilities and services at the international and national airport, more professional management agencies can be employed.