RESTRUCTURING THE THAI INDUSTRY
What the experts say- A Kaleidoscopic View.

[Thai restructuring has been in the air for the last one year and more ever since the IMF imposed a string of constraints in return for multi-billion dollar loan assistance, to get the country out of a crisis that had enveloped Thailand close on the heels of similar monetary fiascos and consequent economic chaos in this region.

Our Editorial team interviewed four prominent C.E.O.'s and consultants from the local Trade and Industry in this connection and sought their expert comments by way of their considered response to a questionaire which is given below.

Questionnaire

1. What, in your opinion, sums up the present economic situation in the country?
- both at the macro and the micro levels

2. What, do you think, directly and/or indirectly brought about this situation?
- Mention specifics---Policies---Government
  Practices---Public Sector
  Private Sector

3. Do you suggest specific
a) short-term
b) long-term
solutions?

4. Do you subscribe to the need for restructuring of Thai industries?

5. What are the steps in restructuring which you would like to emphasize as important and crucial at this juncture?

6. Recently the following phrases are frequently used in connection with restructuring:
i) Effective Corporate Governance
ii) Transparency in operations/decisions

iii) Public Accountability
iv) Providing timely, accurate and complete disclosure of information to shareholders, and the public, including especially the investors
v) Effective Internal Audit

Can you give your views on any or all of the above?

7. What is the extent of level playing in Thailand that would be necessary for sustaining a higher rate of economic growth?

8. Do you have any other specific proposal for economic recovery?

9. What are the roles of the Department of Industrial Promotion in helping the industries solving their liquidity problems? (Sources of money)

10. What kinds of industries do you see as the prospering industry which you tend to promote?
- What kinds of products do you expect that can compete with other countries?

11. In your opinion, what are the root causes of the problems in industrial sectors?

eg.
- Mismanagement and lack of skilled personnel;
- in technology: lagging behind other countries;
- lack of raw materials;
- lack of infrastructure facilities.

It is a matter for considerable comfort that almost all of them sounded quite optimistic regarding the future of Thai economy, though as a matter of record they did not refrain from expressing themselves, when we asked them what combination of factors could have brought about the economic malaise.

We have pleasure in presenting these expert views in our journal and would record our appreciation of their sincere cooperation during the interview and the time they readily and cheerfully gave amid their multi-farious activities.

The following experts were contacted by our team

Mr. Udom Chatiyanonda - (U.C.)
Mr. Manu Leopairote - (M.L.)
Mr. Krizz Chantjiraporn - (K.C.)
Mr. Mark Israelsen - (M.I.)

We present below a gist of the comments of the experts in the order of the questions in the questionaire___Managing Editor]

What Went Wrong?

U.C. - The economic changes have more substantially affected people who rely on capital borrowings from abroad. Liquidity crunch is perhaps the dominant issue. The general slowdown in turnover in key sectors is attributable to noticeable drop in demand, even though the increase in layoff that has happened may have had its share in decreasing demand. Re-appraisal of own net worth by companies is more necessary now, than ever before.

M.L. - While no doubt the liquidity situation should improve appreciably, the current scenario is characterized by a general unwillingness of lending institutions to intervene in a big way. Besides,

there is need for better co-operation and coordination between the government and the private sector if the new economic measures are to be implemented successfuly. While the current account balance may have shown improements, industries would require further motivation. Emphasis should be laid on cutting expenditure in conspicuous consumption of luxury imports.

K.C. - Basically it would not be wrong to point an accusing finger at a general mismanagement by successive administrations in the past. At the micro level, the private sector must also be held guilty of some general inefficiency in management. There is also a lack of appreciation of ethical standards in management practice.

M.I. - There is room for optimism as the government policies are considered generally positive. The hot money (short term international capital movements) does net seem to have been halted in a big way. There is scope for greater involvement in the private sector in the shaping of policies.

Solution: An overview.

U.C. - In the short term, the liquidity crunch must be tackled only with government and Central Bank support. In the long term, however, national adjustment is the answer. Thailand should be able to compete with other nations. We must not lag behind the other international players in adopting improved technology in the manufacturing as well as service sectors and in the improvement of productivity.

M.L. - According to a recent survey, Thailand has shown the most attention among the major players in this region, which include S. Korea, Malaysia and Indonesia, in tackling the problems in the wake of the currency crisis, and is the first country to appreciate the importance of having transparent policies vis-a-vis free trade, freedom of the individual etc.

M.I. - While the non-performing loans are going up, bankruptcy bills that are on the anvil must become laws quickly.

Restructuring- Why and What

[All the four participants in the dialogue unequivocally expressed the need for restructuring of Thai industries and agreed that this new economic compulsion is so obvious that the cooperation between the government and the private sector has become another new reality. Mr. Udom Chatiyanonda even went so far as to say, "economic crisis is a kind of stimulus for restructuring."]

U.C. - Our company treats investors and employees with equal respect by showing accountability. We emphasize national interest over private vested interest. There is transparency in day to day operations. Employees can communicate freely with bosses and offer suggestion for improvement of procedures and practices. There are bi-monthly executive meetings. On-line communication between departments is common, and inter-department e-mail correspondence is prevalent. Teleconferencing is also under contemplation.

The company took the step of briefing the public completely during the last strike they faced. The company is a leader in

environmental action and more particularly in energy saving. The company has got a patent from the U.S. for the solar cell converter they created.

The company is not considering any lay-off for the present, but two units are proposed to be shut down and the company may operate with only two units. There is autonomy in internal running of the units. The company has achieved decentralization simultaneously with effective coordination and control by the head office.

The company has monthly inventory audit. Purchasing information is clarified and coded. The limits of authority at different levels are clearly specified.

M.L. - In our organization re-structuring has been taken up and action plans are being implemented. With the budget approval in hand, budget allocation is discussed with the various departments. There must be close cooperation between the public and private sectors.

K.C. - The important steps in re-structuring would include

- down sizing/right sizing;
- standardization;
- supply chain re-engineering.

M.1. - The steps in re-structuring must include

- Promotion of long term investment;
- More private sector involvement in labor legislation(especially, investment criteria and labour relations);
- Enforcement of bankrupty law;
- Improving liquidity and
- controlling non-performing loans.,

Besides the above, there must be improvement in transparency in the private sector, management change in the banking sector, and enforcement of laws already in place for operating transparency and more adequate audit control than at present.

Level Playing: How far?

U.C. - I believe in privatisation.

K.C. - A high rate of economic growth by itself cannot be the only goal. Rural development must go hand in hand with general economic progress. Again growth must be achieved with stability of price levels and employment. Also development must be sustainable.

M.1. - Level playing is important, but right now we need not only more foreign equity participation but internally we need more and better management control.

Specifics

M.L. - We must stop all destructive politics, because that will only give a handle to media in countries critical of us.

K.C. - If Thailand would maintain an efficient supply chain management, it would become the logistics hub of Southern Asia.

M.1. - Spend more in the short run. Monetary policy is helpful only in the short run. Earlier the slogan used to be 'Reduce Public Expenditure', but we must reverse it in view of slowing down of major infra-structure projects.

Role of the Department of Industrial Promotion.

U.C. - As Chairman of the Electrical and Electronics Group in the Federation of Thai Industries and also Chairman of the Electrical and Electronics Association, I have been able to notice a change in the government's responsiveness to private sector needs. Nowadays, the Government listens to the private sector more than before.

The government has special schemes to promote export of specified items such as jewellery, electrical appliances and so on.

M.L. - There are two agencies under the Department of Industrial Promotion, namely,- Credit Assistance Scheme Division under the Bureau of Cottage and Handicrafts Industrial Development., lending up to a maximum of baht five hundred thousand per family and the other agency is Small Industry Finance Corporation (SIFC), which lends from baht 500,000 to baht 25 million.

The following lines are actively promoted at present:

- processed foods industries that use raw materials available in the country that have high value added and could attract hard foreign currency,
- Automobile spare parts and metal machinery in which line Thailand has a foremost place in Asia and
- Textile Industries for middle and upper markets, though there is greater emphasis on the latter.

M.1. - There are other agencies too that lend assistance to international traders. Besides, there are American companies which extend special lines of credit to their companies through their local agents.

Root Causes

U.C. - Would list the following:-

1) Lack of information to the public, -too little and too late.

2) Lack of skilled personnel. Everytime new machinery is acquired, in-house training has to be given from A to Z, since outside training is costly.

3) The educational system does not keep pace with the technology.

M.L. - Would spell out the following causes:

1) Mismanagement in some industries.

2) Lack of skilled personnel.

3) Some industries have highly qualified personnel but honesty is not present.

4) We lag behind other countries in technological development. though we are able to adopt it sooner than many.

5) Lack of energy resources.

6) Inadequate infra-structure facilities.

K.C. - 1) General mis-management

2) Lagging behind others in technology in many lines.

3) Lack of infra-structure facilities.

4) Bad Governance.

5) Lack of Standardization in the supply chain.

6) Lack of expertise in real efficiency improvements.

M.1. - 1) Lack of strong management planning.,

2) Absence of long term planning.

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