

China's economic locomotive

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Amidst the recent worries over exports being hit by the strong baht, it was nice last week to hear some good economic news.

In a win-win-win situation, China's top home appliance manufacturer, the Haier Group, has agreed to buy a Thai refrigerator plant in Kabin Buri from Japan's Sanyo Universal Electric. It's a win for Sanyo as it will be able to concentrate in Thailand on higher-margin products such as technology and digital systems; it's a win for Haier as it will increase its production of refrigerators in Thailand for export; and most importantly it's a win for Thailand as it reflects these two companies' commitment to investing and expanding in this country.

The partnership between Haier and Sanyo goes back five years. Sanyo is the world's largest manufacturer of liquid crystal display projectors and as an indication of the direction it is heading in, it recently spent approximately half a billion baht on its commercial-product plant in Chachoengsao. Meanwhile the Haier Group is China's leading brand, the world's fifth biggest white goods maker and has a growing presence in Thailand.

Even though the Kabin Buri plant has been sold, the production technology at the factory will remain Sanyo's responsibility. The plant already has the capacity to produce one million refrigerators per year and Haier expects to use this Thai plant to expand its market share in Southeast Asia.

Combining the know-how of these industrial giants benefits Thailand in many different ways including job creation, transfer of skills, the development of new markets. It also strengthens Thailand's position as a manufacturer and supplier of top quality white ware which has already been established by other quality brands such as Toshiba, LG and Samsung.

Haier was established in 1984 when it began making refrigerators in Qingdao. The company's growth plan in Thailand has been a textbook example of the Chinese overseas investment strategy. The first stage is forming strategic alliances with retailers to gain brand recognition. For example, in America Haier formed alliances with outlets such as SEARS and Wal-Mart, in Japan with Yamada and Kojima, and in Thailand with chains such as Tesco Lotus, Power Mall and Power Buy. The second stage is to establish a local production base, which Haier did in Thailand in 2002. Thailand was the fourth country in the world in which Haier set up an offshore operation, after Hong Kong, Vietnam and Singapore. The third stage is to use local resources for production, design and distribution in foreign countries and this is what Haier is now doing in Thailand.

Many of my earlier columns have spoken about the potential flow-on benefits of China's economic locomotive for Southeast Asia such as greater economic integration within our region and abundant business opportunities for the business community.

Partnerships between Asian MNCs play an important role in the economic transformation of Asia, and as they grow in size and strength they will be able to

compete more effectively with American and European MNCs – a sign that the Asian century has finally arrived.

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