

CHAPTER I

INTRODUCTION



In chapter 1 will be presented in the rational and problem, objective, methodology and data to understand the scope of work in this thesis.

1.1 Rational and Problem

In the present time, Small and Medium Enterprises (SMEs) is the word that all general people know it very well especially in this global business. Most country in Asian and Thailand realize in it.

In addition, small and medium-sized enterprises (SMEs) are considered to be one of the principal driving forces in economic development or to be drive-machine of developing countries because they can add the value of the production business, trading business and service business. They are the source of material and middle goods for supporting the large business and extend the growth of large business in the future. So SMEs play an active role for developing. They stimulate private ownership and entrepreneurial skills, they are flexible and can adapt quickly to changing market demand and supply situations, they generate employment, help diversify economic activity and make a significant contribution to exports and trade. The strength and growth of SMEs can boost the country's economy as the source of manufacturing, hiring, and increasing income as well as purchasing power.

According to the four dragons in East Asia are Taiwan, Korea, Hong Kong and Singapore, which are have almost reached the level of developed countries. They have the different ways of measuring a country's economic attainments. From the perspective of international comparison, Taiwan is the most interesting country to study the achievements gained in economic development and could serve as a role model for many developing countries because Taiwan has enjoyed more than

twenty year of solid GDP growth. Taiwan is a net international creditor with trade surpluses and Taiwan's economy is export driven. Overall, Taiwan's strengths are that it allows for a high level of competition in the marketplace. Taiwan's economy is characterized by small to medium-sized business that, during the Asian crisis, displayed their ability to quickly adapt to the changes of the marketplace and have been able to survive even in the most difficult of environments. Taiwan is new industrialized country trading and its citizens have per capita income higher than those in some of these very same trading partner nations.

Refer to data published by the World Bank of the total 209 world economic in 1994, the per capital gross national production in Taiwan was US\$ 11,604 in 1994, accounting for one of the thirty countries with a per capita income exceeding US\$ 10,000. The fact that Taiwan has gained a leading position among developing countries and ranked among the thirty highest income countries is a marvelous achievement. The per capita income of US\$ 10,000 in 1994 demonstrated that Taiwan has a fruitful economic development. Aside from high economic growth, Taiwan has maintained low inflation and employment rates since 1951.

Today, Taiwan rank 21st in the world in terms of per capita income and Taiwan is the 16th largest economy in the world (bigger than Argentina, Switzerland, Belgium, the Russian Federation, and Sweden). Taiwan also has been the 14th largest trading economy while the United States' eighth largest trading partner. Apart from, Taiwan has been the world's fourth producer of IT producers. Taiwan has become an open, free, and democratic country.

The behind of all economic success in Taiwan are Small and Medium Enterprises (SMEs). SMEs have been one of the major growing sources in Taiwan Economic Development. Taiwan's rapid economic advancement has naturally led to a tremendous increase in the standard of living. SMEs contribution toward Taiwan's current GDP is an essential element in Taiwan's economic success.

Starting from Taiwan's success, we have to consider why Thai's SMEs could learn and serve as a role model from it. We point out to some private opinion

of Dr. Naris Chaisoot who is the dean of Thammasat University offer about the role of Thai SMEs as the developing country. He considers SMEs by comparability from the experience and mistake of near countries to be our case study. He said that “Thailand should considers Taiwan SMEs system to be the formula because Thailand is the initial development from small and medium industries to propel economy by using low in-out capital and produce only the skillful products that have the capability of sale to the market. They use the fund of themselves so they will be careful with the decision. These are all different type from Japan and Korea that are more supporting to the large enterprises.

The idea for these were to take a look at challenges of Thai government to take the step of assist and propel the competitive potential of Thai SMEs export that are seemingly extendible in the future. So we want to study SMEs and compare them to other countries in the region such as Taiwan that are the successful countries and come up with recommendations for government policy and other factors with respect to Thai SMEs. So this paper gives an overview of the contributions of the SMEs to Taiwan’s successful development and examine why the SMEs were able to flourish on Taiwan’s experiences against to Thailand.

1.2 Objectives and Scope of the Study

In this study attempts to find out the literature review how Taiwan’s SMEs has managed to develop its industry so successfully and what are the successful factors. From the factors of these, they will be used to investigate the potential of Thai SMEs and find out the conclusion that Thai SMEs can success by any way of its export potential or Taiwan could be the model of it. We hope to identify the critical success factors that Thai may strive to build and enhance in order to sustain future competitiveness and will subsequently make our strategic recommendation for Thailand. So the main purpose of this study can distribute on :

1. To review literature and find out what are Taiwan’s SMEs success factors.
2. To study definition, evolution, general structure, development and the success of Taiwan’s SMEs together with Thai SMEs profile.

3. To investigate the potential of Thai SMEs by using Taiwan success factors to be hypothesis in comparison between Thai and Taiwanese SMEs.
4. To find out the conclusion and suggestion by adaptation the SWOT method. The inspection will be known how good and successful for Thai SMEs by learning Taiwan's success model or it could take the part of suitable formulation with more effective model for Thai's export potential and world competition.

1.3 Methodology

This report will investigate the potential of Thai SMEs by using comparative description and SWOT method. Taiwan's SMEs success factors from our literature review will be used to study and compare between Thailand and Taiwan's SMEs. The investigation factors can separate to be four of main points, which are relation support of government factors, economic environment factors, social factors, and political factors. This thesis use the type of methodology as:

- **Comparative description** is analyzed by using literary detail of Taiwan's success factors to be the determinants and compare to Thailand.
- **The SWOT analysis** involves the identification and analysis of the internal environments that are strengths and weaknesses. The external environments are opportunities and threats. We will conclude Thailand's SMEs potential in this study from SWOT method.

All of these we have to apply for our facility and classify as the following table:

Table 1.1
Opportunities and Threats

Issues	Opportunity	Threat
Political <ul style="list-style-type: none"> ➤ Foreign Assistance and Support ➤ Strong Leadership 		

Table 1.2
Strengths / Weaknesses

Issues	Strength	Weakness
Relation Support by Government <ul style="list-style-type: none"> ➤ Investment Promotion and encouragement FDI ➤ Emphasis on market mechanisms ➤ Support industrial advancement ➤ Robust systems and effective institutions Economic Environments <ul style="list-style-type: none"> ➤ Well-train labor force ➤ Sound infrastructure ➤ Loss government control Social Factors <ul style="list-style-type: none"> ➤ Education background ➤ Social and cultural aspirations 		

- **Determinant Issue** : All of internal and external factors have the sequential outline of the study in this thesis by using the literary determinants of:
1. Wu, Rong-I (1999) ;
 2. Chow, Peter C.Y. (2002) ;
 3. Small and Medium Enterprise Administration (SMEA), Ministry of Economic Affairs of Taiwan ;
 4. Hagiwara, Yoko. The bank of Tokyo-Mitsubishi (December 1998 / revise 2003)
 5. Chen, C. J. Taipei Economic and Cultural Representative Office in the United State (2002)

1.4 Data

In preparation for this thesis, the secondary data were used to be our material for investigation and research the development of Thai SMEs, which come from related institutions such as Taiwan Consulate, Department Industrial Promotion, The Ministry of Industry, The Department of Export Promotion and The Department of Industrial Development. The support information is based on textbooks, articles, thesis, working paper, internet-web side, journal, and magazines to serve in it.