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Role of a Government in Managing International Market Risk for SMEs

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Old Fashion/Basic Factors in Business Competitiveness

- specialization
- diversification
- economy of scale
- value added
- competitive advantage in products and services

Modern Factors for Competitiveness in Globalization

- innovation
- economy of speed
- increasing value chain
- Joining global supply chain
and/or global/regional production network

Trend in Business Strategy for SMEs

- finding niche market
- opportunities in developing markets (for both parts of supply chain and export destinations)
- growing global trend whereby businesses generate income not only by export and import, but also by investing abroad/attracting FDI inflow

Problems/Obstacles for SMEs

- limited capital/credit
- no solid financial foundation
- no economy of scale
- lack of high-quality personnel
- lack of knowledge of market intelligence/strategic foreign partners

Categories of International Market Risks

In General

- non-payment
- breach of contractual obligations
- exchange rate
- commodity supply
- market access

Unusual Risks (in developing markets)

- political uncertainty (domestic and international)
- security issue (terrorism, social unrest)
- vulnerable economies
- disaster (by nature or human)
- cultural differences/clash of civilization

International Good Practices

- social responsibility
- environmental concern
- anti-corruption policies
- disclosure policies

Contributing Factors to Successful Business

- high-quality personnel
- respectful of client's culture
- local strategic partners
- local intelligence of market opportunities and risks
- knowledge of international trade/investment, legal framework, culture, language, regulatory practices
- close collaboration between private and public sectors with strong and productive relationship

What SMEs Need from a Government

Basic Requirements

- concrete and prudent policy to promote overseas investment for SMEs
- public and private partnership
- funding
 - promoting venture capital for overseas projects
 - 3 – pillars approach (operator + management + funding) and franchising

Prevention Measures

- strengthening relationship/good understanding between countries and peoples
- supportive instruments :
 - Investment Protection and Promotion Agreement
 - Exemption of Double Taxation
 - Technical and Development Cooperation Agreement
- intellegence
- finding good partners

Effective and Capacity Building Measures

- insurance program
- risk sharing mechanism

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Good Models

- Export Development Canada
(www.edc.ca/smallbusiness)
- Singapore Trade and Development Board
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- Chinese Models