

What Would Sun-Tzu Say About AEC?

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“If you know others as well as you know yourself, then out of a hundred battles you fight, you will win a hundred of them.” (Sun-Tzu, the Art of War)

Above is one of the classic quotes of all time by Sun-Tzu, a famous master strategist during the Three Kingdoms period in ancient China. Given that the ASEAN Economic Community (AEC), which allows free flows of goods, services, skilled labors, and investments, as well as freer flows of capital among ASEAN countries—will be established soon in 2015, what would Sun-Tzu recommend us to do if he were still alive today?

First, he would tell us to “know others” by understanding the current changes in the economic environment and their outcome. Globalization makes the world smaller and increases cross-border investment as well as international competition. The rise of China and India has shifted the world’s attention towards Asia, but at the same time these two countries also have attracted a large amount of foreign investment. If ASEAN countries remain isolated, we could easily be marginalized since our economies are comparatively small. Thus, the creation of AEC, integrating economies among ASEAN countries, will boost the visibility, efficiency, dynamic, and competitiveness of ASEAN markets in the region and make ASEAN an attractive investment destination for both foreign companies and investors.

What would be the implication of this integration in terms of capital market? As a result of the elimination of several economic barriers, customers will have easier access to other ASEAN capital markets; thus, more options to choose to invest and maximize their returns. Our neighboring countries will see these rising opportunities coming along with the AEC and try to upgrade and increase the variety of their products, services, and markets to attract more foreign investment. Hence, Thai businesses would be left out if they fail to “know others” by staying informed, as well as educating themselves on regional capital markets, and improve themselves to keep pace with these upcoming changes.

Other than “know others”, it is also important to “know yourself”. Before we go any further, we have to understand why we should pay attention to AEC. Speaking of capital market, this upcoming AEC will be beneficial to Thai securities issuers, investors, and other market players, as cross-border transactions will be conducted in a more efficient manner. Thai issuers will attract a greater variety of potential investors and have access to a larger pool of liquidity from other ASEAN markets at a more cost-efficient level. Moreover, since Thai investors will be able to trade on ASEAN Exchange Linkage – an electronic platform allowing players to have access to other ASEAN exchanges all at once, they will have better access to various types of financial products. This will allow them to diversify their risk exposures more efficiently, save their costs, and enhance their returns. In addition, the integrated market will be a good opportunity for local market players, such as securities companies and et cetera, to expand their businesses regionally and improve economies of scales by attracting more investors. Above all, they will be able to arrive at new viewpoints and gain valuable experience in the international capital market.

Since AEC will be beneficial to us all, how should we prepare ourselves for this integration? As there are a lot of great opportunities coming along with this imminent economic integration, every market sector has to be aware and get prepared to stay on track to be a part of the regional, as well as global capital markets.

However, we must not forget that there are challenges coming with AEC as well. On the monitoring side, the authorities have to be aware of risks associated with economic integration and fill all the regulatory gaps in order to maintain the stability of the financial system. At the same time, Thai businesses may easily lose market share to other ASEAN countries if they fail to adapt to new environment. Thus, they need to stay informed to be able to make right decision and keep up with global alterations.

We may be in a different time period, but Sun-Tzu’s quote still holds true even in the case of AEC. A readiness to understand and adjust to changes will allow Thai businesses and the country to conquer in all economic battlefields. Hence, stay ready and be prepared!

(The views expressed are the author’s own.)

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