

Turning Crisis into Opportunity When Baht Surges

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In recent months, the Thai baht appreciation has, once again, become the topic which received much attention from the public. The baht has already strengthened by approximately 8 percent against the US dollar, from Bt 33.23 per USD in January to Bt 30.72 per USD on September 28th. The on-going appreciation of the baht has raised a serious concern over price competitiveness of Thai exports, which account for roughly 60 percent of GDP.

However, every cloud has a silver lining. Although the rise of the baht may pose some short-run negative impacts on Thai exports, a strong baht could mean a good opportunity for Thai businesses to adapt and adjust their business plans to move up to a better and more stable position. This adjustment process may be painful and take some time, but sooner or later it will pay off and help promote the long-term sustainable competitiveness of the Thai export sector.

As Charles Darwin once said, "it is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change".

Japan, Taiwan, Germany, and many other countries could serve as a good example for Thailand since these countries have developed their international brands during surges of their national currencies. As a result of the continued rise of their currencies, business enterprises in these countries were striving to survive by improving quality and adding value to their products. These enterprises were strongly encouraged by their governments to be innovative by upgrading their manufactured goods and improving their production capability, which subsequently led to the invention of several world-renowned brands.

How could a baht surge be beneficial to Thai businesses? Baht appreciation increases Thailand's purchasing power and allows producers to have access to cheaper imported goods, particularly high-tech products, and raw materials. This is a good opportunity for Thai companies to accelerate the introduction of new technology and machinery to improve production efficiency and add more value to their goods in order to gain wider margins.

That is to say, Thai industries could take advantage of the strong baht to shift their strategy up the ladder, from producing lower-end to higher-end products, by incorporating the use of advance technology and offering higher quality service. With high quality goods and after-sale service, Thai exporters would still be able to retain customers even if prices are not the cheapest.

In addition, the Bank of Thailand has recently relaxed its foreign exchange regulation regarding investment overseas. Coupled with the current baht strength, which implies that Thai firms now have more money in their pockets to invest abroad, this relaxation provides a good opportunity for firms to expand their scopes of businesses, form overseas strategic alliances, expand markets and improve efficiency. Ultimately, this will indeed help enhance the competitiveness of Thai export industries.

Now it is the time to turn crisis into opportunity. As the old saying goes, "Necessity is the mother of invention". Perhaps, the current baht appreciation can be viewed as "the mother of invention" for Thai enterprises.

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

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