

Keynote: JFCCT Chairman's Address

Event: "Social Market Economy and Industry 4.0; Learning from Experience the German Mittelstand (SMEs)".

30 June 2017

Welcome to

- Konrad Adenauer Foundation, Thailand Office
- Mrs. Salinee Wangtal, Director General of OSMEP
- Mr. Chen Namchaisiri, the Chairman of the FTI
- Mr Rolf-Dieter Daniel, President of EABC
- Directors and Members of foreign chambers of commerce & business associations
- Representatives of industry organizations
- Ladies and gentlemen

SMEs are the life-blood of our economy. But in many economies, unlike MNCs or large corporates, they are in positions where they do not have resources (money or people) to deal with the many aspects of regulatory requirements, or for training, or in some cases for carrying out compliance procedures, and often they lack access to finance. But we should marvel at the resourcefulness which so many smaller enterprises show, through their people being hands'-on and committed to their success.

SMEs are also the source of innovation. They may have the means to change quickly, to re-focus and to learn new ways. We hear much about entrepreneurship and start-ups. To be sure those activities are very important in terms of bringing innovation to the economy, but for the tens of thousands of already existing SMESs, we have to be support change for greater efficiency, being lower cost, in doing things in more value-adding ways and pushing the boundaries of goods and services.

This is where we need to understand Industry 4.0 and embrace and what can be done to support and enhance the SME development effort.

I am no expert on the German “Mittelstand” or the German Social Market Economy, and will leave the learning and insights from this to the speakers for today who are better equipped than I am to tell you about it. My remarks are about what we might be able to do here in Thailand about using Industry 4.0 to support SMEs and how we get to Industry 4.0.

We are fortunate that the current government has recognized a move to Industry 4.0 as an important way forward for our economy. What does it mean?

I believe it *includes*:

- 1) Understanding technologies and related processes not only to be more efficient and effective but also to enable greater innovation and productivity. Big data and how to apply it profitably;
- 2) Skills – we are in short supply of relevant skills. A combination of education and training, and the ability to deploy skills from
- 3) General reduction in regulatory overhead; not only ‘doing business’ enhancements but also in other day to day operational activities.
- 4) Willingness to change
- 5) Use of R&D

SME transformation – to be effective this needs to occur at an industry level and a company (or enterprise) level. This is the key to enhancing innovation. Often called digitization or digitalization.

What does this mean at a **policy** level?

We will hear later about Social Market Economy ideas. However called, there is no doubt that support for development and transformation of SMEs is needed. As stated, many cannot do it by themselves.

What more can be done:

- a. Reducing the regulatory burden. Use of fast track means (eg. S44, Guillotine or well-considered Decrees should not be ruled out).
- b. Making work permit and visa easier and more effective. The changes over the past week or so which have heightened penalties and made other restrictions need review so that they can be more supportive for availability of skills.
- c. Applied R&D
- d. Evolutionary change (and some other quick changes) to education to encourage critical thinking and enquiring minds.
- e. More support for skills
- f. Use of tax breaks and other measures to enhance this.
- g. eGov – we need a ‘whole of government’ strategy and plan. Too often a piecemeal approach is taken.
- h. Real fundamental reform in some sectors so that information highways and connectivity are safe, secure and efficient. A digital economy is not just about applications but about an eco-system.
- i. Private sector encouragement and support for collaboration and sharing of resources.

What is it to be **competitive** and why is it important? It means that Thailand is an attractive investment destination, it means that doing business is

based on more and more efficient and easy ways to carry out administrative and daily tasks, it means that skills and education levels are enhanced (capacity is strengthened), it means that there is more innovation and it means that national wealth, quality of life and happiness are all enhanced.

It does not simply mean that we can do the same thing faster and more cheaply, although that is part of it.

Thailand has achieved upper middle income status in development terms. What about the next stage?

To achieve this requires us to focus on all of the various elements – including investing in hard and soft infrastructure and skills, taking the tough decisions to reform and restructure certain sectors, liberalizing services, and generally supporting the '4.0' vision.

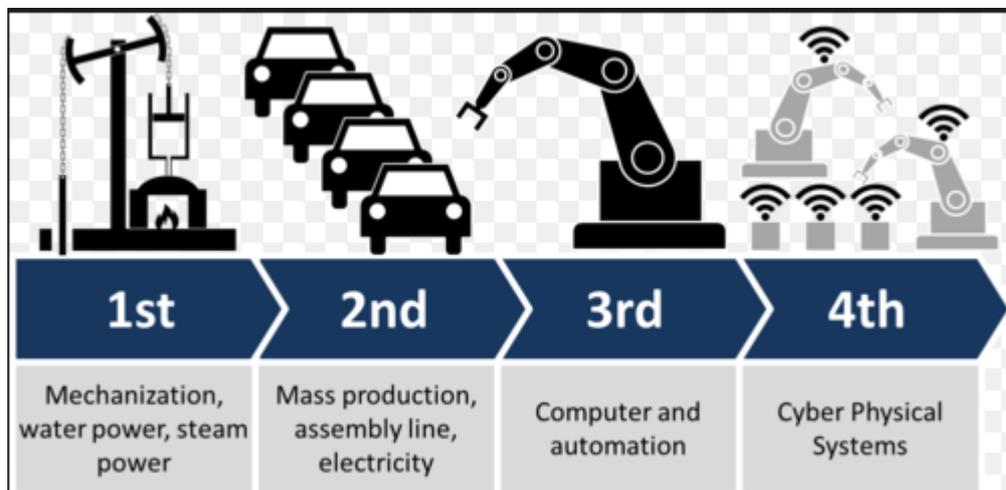
This all requires some tough decisions, in many instances not only being well co-ordinated at government level but also collaborating with the private sector, both Thai and foreign, through consultation and engagement, to drive through the right policies (working with different views and even opposition to some policies) for success.

We in the JFCCT aim to contribute to innovation and enhancement in the economy and the transfer of skills in a positive way. JFCCT has some 32 chamber members with scope of some 9,000 end member companies. We welcome collaboration with other organisations with similar purposes.

I will now hand back to the MC and wish all an excellent and useful conference.

BACKGROUND NOTES FOR SPEAKER

Industry 4.0



Industrie 4.0 is the current trend of [automation](#) and data exchange in manufacturing technologies. It includes [cyber-physical systems](#), the [Internet of things](#) and [cloud computing](#).^{[1][2][3][4]}

Industry 4.0 creates what has been called a "smart factory". Within the modular structured smart factories, cyber-physical systems monitor physical processes, create a virtual copy of the physical world and make decentralized decisions. Over the Internet of Things, cyber-physical systems communicate and cooperate with each other and with humans in real time, and via the [Internet of Services](#), both internal and cross-organizational services are offered and used by participants of the [value chain](#).^[1]

https://en.wikipedia.org/wiki/Industry_4.0

Industry 4.0 implies higher skills in the economy, the use of big data, analytical skills

Mittelstand

From Wikipedia, the free encyclopedia

Mittelstand commonly refers to [small and medium-sized enterprises](#) in German-speaking countries, especially in [Germany](#), [Austria](#) and [Switzerland](#), however [Britain](#) also has its own.^{[1][2][3]} The term Mittelstand proves difficult to translate and causes a lot of confusion. The majority of definitions define the Mittelstand as a statistical category and most commonly suggest that Mittelstand firms are [small and medium-sized enterprises](#) (SMEs; German, *kleine und mittlere Unternehmen* or *KMU*) with annual revenues up to 50 million Euro and a maximum of 499 employees.^{[4][5]}

The term is not officially defined or self-explanatory hence, in English linguistic terms SMEs are not necessarily equivalent to the Mittelstand. In fact, even larger, and often family-owned, firms claim to be part of the Mittelstand, such as [Robert Bosch](#)^[6] based on the Mittelstand's positive connotations.^[7] The term Mittelstand mainly applies to mid-sized firms as opposed to larger listed companies and most importantly Mittelstand companies are characterized by a common set of values and management practices.^[8]

<https://en.wikipedia.org/wiki/Mittelstand>

Social Market Economy

From Wikipedia, the free encyclopedia

The **Social Market Economy** – **SOME** (**German**: *Soziale Marktwirtschaft*), also called **Rhine capitalism**, is a socioeconomic model combining a [free market capitalist](#) economic system alongside [social policies](#) which establish both fair competition within the market and a [welfare state](#).^{[1][2]} It is sometimes classified as a [coordinated market economy](#).^[3] The social market economy was originally promoted and implemented in [West Germany](#) by the [Christian Democratic Union](#) (CDU) under [Chancellor Konrad Adenauer](#) in 1949.^[4] Its origins can be traced to the interwar [Freiburg school](#) of economic thought.^[5]

The social market economy was designed to be a [third way](#) between [laissez-faire economic liberalism](#) and [socialist economics](#).^[6] It was strongly inspired by [ordoliberalism](#),^[7] [social democratic ideas](#), and the tradition of [Catholic social teaching](#) or, more generally, [Christian ethics](#).^[6] The social market economy refrains from attempts to plan and guide production, the workforce, or sales, but it does support planned efforts to influence the economy through the organic means of a comprehensive economic policy coupled with flexible adaptation to market studies. Effectively combining monetary, credit, trade, tax, customs, investment, and social policies, as well as other measures, this type of economic policy creates an economy that serves the welfare and needs of the entire population, thereby fulfilling its ultimate goal.^[8]

https://en.wikipedia.org/wiki/Social_market_economy