

Thai air-con manufacturers feel the heat of China FTA

Local air-conditioner manufacturers foresee fiercer competition from Chinese imports under the Asean-China Free-Trade Agreement, which will put pressure on local products despite eliminating excise tax.

"For a particular category, a Chinese air-conditioner retails for Bt8,000, against Bt20,000 for a Thai unit. This FTA will cause difficulties for domestic sales and exports to neighbouring countries," said Phairat Uechooyos, chairman of the Federation of Thai Industries' Air-Conditioning and Refrigeration Club.

Phairat said other Asean members would experience similar pressure, a result of China's huge production capacity.

China can produce 34 million air-conditioners a year, against 17 million for Thailand, Japan and South Korea combined.

The Asean-China FTA eliminated tariffs on 3,906 products in 2006 and will do so for another 2,660 items, including air-conditioners, next January.

To protect consumers and local companies, the government should impose standard requirements on Chinese products, Phairat said.

He said local companies were already suffering from lower sales, due to the global economic downturn. Exports of air-conditioners and refrigerators are expected to decline 20 per cent to Bt300 billion this year. Domestic sales of the units have remained flat, because local consumers are awaiting cheaper prices following waiving of the 17-per-cent excise tax. The Finance Ministry expects local prices to drop up to 10 per cent.

Phairat said despite abolishing the tax, it would be at least four months before retail prices could be cut, because 100,000 units on which Bt500 million in excise tax had already been paid must be sold first.

Manufacturers have asked the Excise Department if retailers can receive tax rebates immediately after cutting the retail price on old inventory.

"We're caught in a vacuum. Consumers want cheaper products and so delay buying. Eventually, retailers may need to cut prices to boost sales. We're awaiting the Excise Department's answer," he said.

In a bid to increase sales, Thai air-conditioners will be showcased at Bangkok Refrigeration, Heating, Ventilation and Air-Conditioning 2009, to be held at Muang Thong Thani's Impact Arena from October 7-11 and which is expected to draw more than 150,000 visitors. This year's products will highlight green qualities.

Department of Export Promotion director-general Rachane Potjanasuntorn said the value of electrical and electronics exports this year would at best show flat growth of Bt1.7 trillion, thanks to an expected economic recovery later this year. The sector witnessed a 23-per-cent year-on-year drop in the first seven months.

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