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The Impact of the ASEAN Free Trade Area (AFTA) on Market Entry Strategies in Thailand's Luxury Hotel Sector

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Abstract

This study seeks to analyse the impact of AFTA policies on market entry strategies in Thailand's hospitality sector. Despite the theoretical expectation that AFTA policies would facilitate market entry, there remain gaps in understanding the actual effect on the hotel sector. A survey involving 76 professionals was carried out, delivering a primary data source regarding individual's perception and description on the effects of AFTA policies. A likert scale survey will be utilised in this study, indicating the level of agreement with the statement. Data will be analysed using multiple regression to understand the statistical significance of different independent variables. The findings suggest a neutral relationship among various factors and approaches to market entry. A total of 14.5% variation in market entry strategies could be explained by the variables, indicating that there are other stronger factors beyond AFTA in shaping market entry decisions. Consequently, this indicates that AFTA has not had a significant effect on the hospitality sector. It concludes that AFTA policies have a positive influence on the hospitality sector; however, they are not significant enough to fundamentally reshape the market entry strategies of international hotel brands.

1. Introduction

1.1 Background information

Thailand's luxury hotel sector has grown rapidly in Southeast Asia markets, due to the booming tourism industry and their geographic location. This attracts hotel brands from both domestic and international developers to enter the market. However, entering a new market or expanding into another market comes with its own set of challenges and opportunities, which have been shaped by regional trade agreements like the ASEAN Free Trade Area (AFTA). AFTA, established in 1992, aimed to promote economic cooperation and integration among ASEAN members by reducing tariffs and non-tariff barriers, resulting in investment flows. For Thailand, international hotel chains and foreign investors are now in a position where an environment of market and competitiveness is more open, due to the ASEAN Free Trade Area (AFTA). The reduced barriers to trade and investment and streamline regulations.

This paper focuses on identifying the influence of the ASEAN Free Trade Area (AFTA) on market entry strategies, growth, and competitiveness within Thailand's luxury hotel sector. The core aim is to understand how AFTA has affected the decisions of international hotel brands entering Thailand, how the sector's competitiveness has changed according to the new AFTA's trade policies, and the opportunities that come along with the policies. By studying these factors, it provides insight into how AFTA's policies have shaped the dynamic of the hospitality sector especially in Thailand.

The research begins with an introduction of the ASEAN Free Trade Area (AFTA), a trade policy aimed to reduce the trade barriers and enhance the economic growth among the ASEAN member countries. Moreover, it aims to reduce the tariff in exchange for welcoming more investors to invest in the country's, as well as attracting more internal travellers. The study will first introduce the AFTA policies with additional background on ASEAN members and will continue developing into the impact of AFTA on different topics. Firstly, the market entry strategies. The paper will be focusing on how the reduction of trade barriers and tariff simplify the accelerated entry into the market and the ability of international chain hotels to establish in Thailand. Secondly, the opportunities that are created by AFTA. This includes several aspects but not limited to financial aspect, relationship aspect, brand image and so on. Lastly, the growth and competitiveness that are influenced by AFTA. Growth pertains to the expansion of the sector's capacity, market share, and revenue, while competitiveness involves how hotels differentiate themselves and adapt to the evolving market dynamics influenced by AFTA's policies.

1.2 Rationale of the study

AFTA's policies have been mentioned around the market since 1993, with the aim to reduce the trade barriers among the ASEAN members and others. Serval research has been conducted along the timeline, Dunning (1988) was one of the first who provide a foundational insight into international market entry strategies, focusing on the development of OLI framework. Enderwick (2007) and contractor and Kundu (1998) further studies international expansion strategies of international hotel chains and how AFTA alters competitive dynamics by attracting foreign direct investment (Fahy et al., 2000). However, there are only a few studies on specific influences on Thailand's luxury hotel industry.

While previous studies have provided an understanding of broader market entry strategies and its effect, it's still a lack of empirical evidence specifically on how AFTA reshape Thailand's hotel sector. This paper will narrow down to the luxury hotel sector in Thailand, offer a focus study specifically in relation to AFTA's impact on market strategies in Thailand. By focusing on quantitative analysis using multiple regression, proving empirical evidence on how AFTA has affected choice of entry of international hotel chains.

This research creates a bridge connecting the gap between theory and practice, offering insights that can help firms understand trade policies and optimise market entry strategies. Thailand, as one of the top tourist destinations and member of ASEAN, is important in continuing to shape Southeast Asia's economic landscape through AFTA. By understanding this area, Thailand's hotel industry will continue moving forward, boosting GDP and economic growth while creating a strong relationship with other countries.

This research is significant for both academic aspects and practical contributions. Academically, this study will contribute to the understanding of market entry tactics in the context of regional economics. As well as a theoretical contribution by applying frameworks such as the OLI paradigm. The insights acquired will help Thailand market itself as a competitive destination for high-end tourism, in line with ASEAN's goal of promoting regional economic growth and collaboration. Essentially, the finding will assist international hotel chains select the best path for entering Thailand's market.

1.3 Aim and objectives

This research paper aims to evaluate the influence of ASEAN Free Trade Area AFTA on market entry, growth, and competitiveness in Thailand's luxury hotel sector.

1. To analyse how AFTA has impacted the market entry strategies of international hotel brands in Thailand.
2. To assess the growth and competitiveness of Thailand's hotel sector in response to AFTA's trade policies.
3. To explore the opportunities created by these policies.

1.4 Summary of methodology

This study uses a deductive research approach to analyse the impact of AFTA policies on market entry strategies within Thailand's hotel sector. The primary focus of this study is on professionals within the hotel industry in Thailand, specifically targeting managers and executives. A total of 76 respondents took part in the survey, providing a sample that guarantees relevant industry experience. The survey was designed using a structured questionnaire to collect data, employing likert-scale questions assessing respondent's perceptions of AFTA's impact. The survey is conducted online to engage a wide audience. The gathered data underwent analysis through multiple regression techniques to clarify the connections among various factors influencing the decision to enter the market.

2. Literature review

2.1 The ASEAN Free Trade Area (AFTA)

ASEAN or The Association of Southeast Asian Nations is a regional organisation formed by Thailand, Malaysia, the Philippines and Singapore in 1967 to promote economic, regional peace and stability, as well as foster cultural development and cooperation among the members (Lee, 2023). During 1984 to 1999, five more members joined the team, including Brunei, Vietnam, Laos, Myanmar, and Cambodia (Davis et al., 2000). With the aim of improving its economy, they came up with the idea of an ASEAN Free trade Area known as AFTA's trade policies.

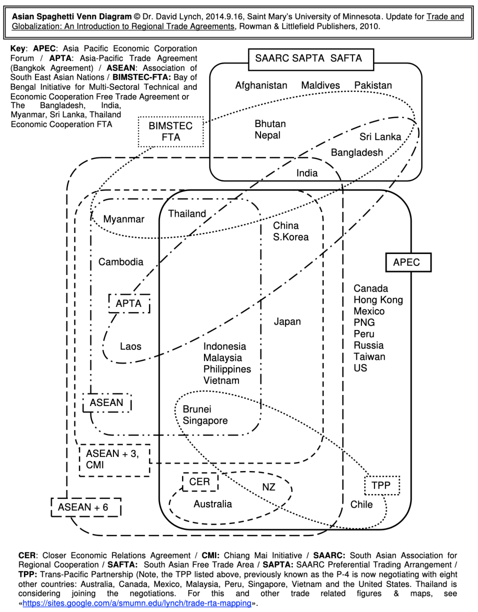

Figure 1. Asian Spaghetti Venn Diagram (Lynch, 2015)

AFTA is designed to decrease tariffs and take down trade barriers among ASEAN nations. However, based on figure 1, the focus extends beyond ASEAN including the alliance that surrounds it. For example, in 2020 Asean. Secretariat et al. (2021) mentioned that Thailand had ongoing FTA negotiations with the European Union. Its purpose is to create a single market, enhancing free flow of products and services within the region (Chongkittavorn, 2023). This promotes efficiency, reduces costs for businesses, and encourages intra-regional trade, making ASEAN more competitive in the global market. (Athukorala and Menon, 1996) mentioned that AFTA is more of an open and integrated creation of a market attracting foreign direct investment. Moreover, he discusses how different ASEAN countries adapt the use of AFTA depending on specific conditions. Several empirical studies have shown that AFTA has significantly attracted FDI into the region, the reduction of tariffs attracts foreign direct investment (FDI) into the region, as investors seek an advantageous trade environment and market potential (Jayant Menon, 1996). For instance, in 1997 it doubled it to approximately USD 19 billion compared to 1993 with USD 10 billion (Fujita, 2000). In Athukorala and Menon (2015) studies, they highlighted how free trade significantly enhances Foreign Direct Investment (FDI) inflows into ASEAN countries, especially from Japan and the US (Athukorala and Menon 2015, Ismail, Smith and Kugler, 2009). Moreover, in 2023, 17 percent of global FDI (USD 226 billion) were by ASEAN, surpassing global growth of FDI inflow in 3 consecutive years (Asean, 2024). ASEAN has always surpassed the average growth rate of the World since the end of pandemic 2020. As mentioned by Zhang, J. (2023), ASEAN has now become the fourth largest traders in the world, running after the EU, China, and the US. "ASEAN 's trade expanded over the past decade, with ASEAN's exports rising over US$80 billion, surpassing Japan's export growth" (Tan, 1996, p. 6). This not only benefits ASEAN member economies but also positions ASEAN as a vital market in worldwide trade. Additionally, non-member countries faced competitive pressure, forcing them to participate in trade agreements with ASEAN to avoid exclusion, due to AFTA policy.

According to the report on 2022, it indicates that the inflow of FDI has been increasing substantially after the establishment of AFTA. As for Thailand, according to a report from 2020 - 2021, there is a notable rise in trade volume, especially from China, Japan, and South Korea. Moreover, the increasing regional tourism flow and investment on hotel infrastructure are all affected by AFTA.

2.2 Market Entry Strategies: the concept and its application

Market entry is the critical gateway through which businesses expand their reach, transform potential into performance, and navigate the complexities of new markets to achieve sustainable growth (Martín et al., 2021). According to Markman et al., (2019) market entry serves as a strategy for expansion or a planned movement into a new market for goods and/or delivery of services. Additionally, it can be used to carry out production and marketing operations alone, "in collaboration with others (contractual modes, joint ventures, wholly owned operations), or just marketing operations" (i.e., via export modes) (Sharma and Erramilli, 2004, p. 2). With different choices of entry mode, businesses often decide based on various aspects such as market knowledge, control, risk, and resources availability (Kruesi et al., 2017).

Barriers to entry have been a hot theme in market entry research since the seminal work of Bain (1956), highlighting economic, regulatory, and strategic obstacles that shaped market dynamics. Porter (1980) further explains this concept by segmenting barriers into types such as economic scale, product differentiation, and access to distribution channels. Despite substantial study, only a few studies directly address the impact of barriers to entry (Marsh, 1998). One of the studies is from (Bonardi, 1999), mentioning the impact of

barriers to entry on product or market scope and product differentiation, whereas Pehrsson (2007), discovered that the breadth of the scope business's product and market had an impact on the barriers. Robinson and McDougall (2001) similarly focus on more specific to the economic scale, capital need, and product differentiation.
Market entry strategies are often selected to overcome the barriers. According to Hambrick, (1983) and Peteraf and Reed (2007), they mentioned that "In theoretical terms, a study of a relation between conditions external to the businesses and the strategy is needed. Therefore, an appropriate contingency perspective can be applied". These strategies allowed foreign businesses to enter and expand their network of local partners while minimising the risks associated with direct competition. For example, Dunning's OLI Paradigm by John Dunning (Year), also known as the "Eclectic paradigm", is a theoretical framework explaining why firms choose specific market entry modes. This includes some of the most well-known modes, such as exporting, liensing, joint ventures, or wholly owned subsidiaries.
The framework consists of three main aspects - Ownership (O), Location (L), and Internalisation (I).

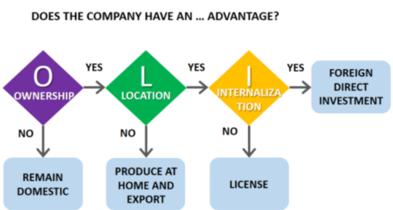

Figure 2. The OLI Paradigm (Bruin, 2016)

2.3 Competitive landscape and market dynamic

Market competition in the hospitality industry refers to the rivalry between businesses offering similar services (Alaa et al., 2023). The word competition, according to Cambridge (2024) dictionary, "a situation in which someone is trying to win something or be more successful than someone else. Competitive edge is vital not only for profitability but also to strengthen innovation, customer retention, and efficiency management (Moliner et al., 2021). As for today's world economy, tourism competitiveness has become an important topic for market research in the tourism industry due to the shifts of international competition and competition between the countries. Moreover, the level of competition and regulation directly impacts business performance and adaptation to new markets. The past decade, Asia pacific had shown major competitive threats to other regions.
In the context of market competition, maintaining and improving market position is crucial, especially when it comes to international hotel brand new market entry trade conditions, such as ASEAN Free Trade Area (AFTA) policies. One of the reasons for establishing The ASEAN Free Trade Area was to increase ASEAN's competitiveness in international trade, investment, and product capabilities. An openness created by lowering tariffs and non-tariff barriers across ASEAN, has attracted international hotel brands to enter the market. Due to its lower operational costs and easy access to the regional market. Therefore, the hospitality sector has become more competitive, bringing in global standards and forcing domestic companies to refine their value in order to maintain its market share.

2.4 Market entry model and hypotheses

The model demonstrates the connection between AFTA trade policies and market entry strategies. In particular, examining three distinct independent variables; tariff reduction, barriers to entry, and investment incentives, along with their impact on market entry. This model operates under the premise that the trade policies of AFTA significantly influence the entry strategies and competitive environment for international hotel chains in Thailand. Reducing tariffs, minimising trade barriers, and enhancing investment incentives may impede the growth of international hotel brands.

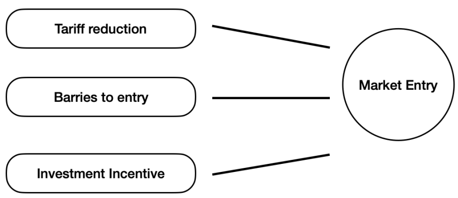

Figure 3. The influence on market entry model (The author,2025)

To empirically test the proposal relationship between independent variable and dependent variable, the following hypotheses were formulated.
H1: Impact of AFTA trade policies on market entry
H0: AFTA trade policies have no significantly impact on market entry of international hotel chain in Thailand
Ha: AFTA trade policies positively influence market entry of international hotel chain in Thailand

H2: Impact of tariff reduction on competitiveness landscape

H0: AFTA's tariff reduction does not significantly impact the competitiveness of international hotel brands over domestic hotel chains in Thailand.

Ha: AFTA's tariff reduction policy create a rise on competitive advantage of international hotel brands over domestic hotel chains in Thailand

H3: Influence on trade barriers reduction on foreign direct investment (FDI)

H0: The reduction of trade barriers does not create an impact on foreign direct investment in Thailand's luxury hotel sector.

Ha: The reduction of trade barriers drew more foreign direct investment into Thailand's luxury hotel sector.

3. Methodology

3.1 Research design

The deductive approach created a structured path where theory met reality, thoroughly testing hypotheses to either confirm or disprove existing understanding. The author adopted a deductive approach, as it aligned with the aim of testing the pre-existing theories on how ASEAN Free Trade Area (AFTA) affected the market entry and the competitiveness of the market. Deductive approach or theory-testing research, as explained by Bryman (2016), began with the formulation of hypotheses derived from existing theory, followed by the testing of the hypothesis with collected data. The main purpose of deductive research was not only to test a theory, but also to adapt, extend, and enhance it based on the results. Creswell and Plano Clark (2017) explained that deductive reasoning was a process where researchers followed a top-down strategy, starting from theory to hypotheses and then collecting data, focussing on supporting or challenging the base theory. Brayman (2016) added that the process typically began with the choice of existing theory, came up with testable hypotheses, then was tested out based on collected data.

In line with the deductive approach, Critical Realism was used as a philosophical framework due to the complex and multilayered nature of the research regarding the impact of the ASEAN Free Trade Area (AFTA) on market entry. Bhaskar (1975) explained that Critical Realism acted as a tool to examine both the observable phenomena and the hidden mechanisms. In fact, Warwick University simplified it by stating that "CR was a branch of philosophy that distinguished between the 'real' world and the 'observable' world." CR aimed to create an understanding of why and how certain events occurred, not what happened (Sayer, 2000). While reality existed independently, the way we received information was influenced by our own experience, social norm, and historical context; it created the gaps between objective reality and subjective understanding.

For instance, although empirical observation suggested that the reduction of tariffs and non-tariff barriers affected market entry, further research was needed to identify the real hidden causal mechanism - such as global competitiveness and rule of law alignment (Easton, 2010). By adopting this philosophical approach, it provided a framework to understand the bonds between organisation structure and external influences. Edwards et al. (2014) not only allowed for the identification of the surface-level impact of AFTA but also went in-depth into the parts that were less visible, such as changes in market competition and investment from foreign entities.

Correlational design was a non-experimental research method used to identify and understand the relationship between two or more variables, both dependent and independent variables. Moreover, by allowing the testing of hypotheses, it complemented the deductive approach. Explored relationships between variables without assuming casually was its key strength. Pearson's correlation coefficient (r), simple regression, or multiple regression were often used as statistical tools, depending on the complexity between each variable. For instance, understanding how multiple AFTA-related factors influenced the market entry and competitiveness. Moreover, correlational research was suitable for testing out hypotheses in the context of existing theoretical frameworks. Therefore, by enabling the testing of hypotheses and offering statistical basis as a support, it complemented the deductive approach.

3.2 Sample and data collection

A survey had been carried out to collect primary data (see appendix A and D), supporting quantitative analysis. Surveys served as a valuable tool in research, offering direct insight from participants and preserving views and opinions that might not have been visible through secondary data alone (enn, 2006). This benefited the studies involving market dynamics and strategies since it validated and enhanced quantitative findings (Rana, Dilshad and Ahsan, 2021).

This study focused on luxury hotel managers, policy analysts, and international strategies analysts, specifically those who were involved in decision-making related to expanding the hotel into a new market as the target population. To ensure that the sample was adequate and fair, stratified random sampling was employed. The population was divided into various subgroups, including international hotel chains and local hotel chains. It was based on key characteristics such as hotel ownership, location, and hotel size. This sample technique ensured that each segment of the population was equally represented, thereby looking into a varying impact of AFTA policies on different hotels.

The sample included managers and experts from luxury hotels who were responsible for planning and analysing the market entry strategies and trade policies that shifted. Hotels that were involved in the AFTA-related market were prioritised. Hotels that were classified as non-luxury or budget, as well as newly established hotels, were excluded. This exclusion ensured that the study focused on those most likely to be affected by AFTA, making the result more relevant to the research.

3.3 Measurement of variables

In this study, the correlational design aimed to examine the relationship between multiple independent variables and a single dependent variable. A primary survey data and secondary data were involved to represent the measurement of variables. The independent variables including but not limited to tariff reduction, barriers to entry, and investment incentives were assessed through a survey using Likert scale, from 1 (strongly disagree) to 5 (strongly agree).

Tariff reduction was mainly measured on the operational cost and the ease of entering the market. While growth was measured by a statement, whether the participant agreed with it or not. As for opportunities created by AFTA, it was measured by the rise of partnership and collaboration from other countries, not only ASEAN-member countries. Moreover, tax incentives and trade regulations influenced investment incentives as well. To understand barriers, the statement focused on liberalisation policies and limitations. Lastly, the overall impact of AFTA policies was measured through a statement. Whether people agreed that AFTA created a positive impact on the sector or not. Secondary data served as a support to the primary survey data. This included but was not limited to, past tariff rates, FDI inflow statistics, and public-private sector reports. Ensured that both subjective perception and data were aligned, fostering the validity and reliability of the result.

3.4 Data analysis

The study explored the impacts of AFTA policies by utilising secondary data from multiple resources, mainly from government trade data, reports, and financial records. Additionally, primary survey data was utilised to substantiate it. The dataset covered time before and after the implementation of AFTA, offering a solid indicator and a clear picture of how AFTA's policies had impacted market entry. Additionally, the study employed a deductive approach alongside correlational design to investigate how ASEAN Free Trade Area (AFTA) policies influenced market entry strategies, growth, and competitiveness within Thailand's luxury hotel industry. The measurement between each variable was determined by using multiple regression analysis and survey response. The results from the regression analysis were obtained using the Analysis ToolPak in Microsoft Excel. The dataset was cleaned by removing non-numeric entries to ensure a smooth valuation and to address any errors that occurred. The Analysis Toolpak offered various tools for calculations; in this study, linear regression was employed. This assisted in obtaining the R-squared, adjusted R-squared, coefficients, and P-value.

3.5 Ethical issues

In a research study, ethical principles were a critical aspect for researchers to consider. Given that human participants were involved in nearly all research studies, it was essential to prioritise their safety and safeguard their rights (Sánchez et al., 2023). Research ethics referred to principles and guidelines that researchers had to adhere to in order to safeguard the rights of individuals involved in their studies (National Institutes of Health, 2016).

Participants received comprehensive information regarding their role, the purpose of the research, the process and procedures involved, as well as the associated risks and benefits. This study ensured that personal data and survey responses were securely stored and remained anonymised to prevent the identification of individuals. Confidentiality and anonymity were essential for protecting the privacy of participants (Coffelt; 2017). Furthermore, the researcher remained transparent regarding any possible conflicts of interest, including biases or affiliations that could influence the research design, outcome, and overall credibility. The privacy and rights of participants were upheld consistently throughout the study. At any point of time, if the participant felt uneasy with the survey, they were free to withdraw without any consequences (See appendix B and C).

3.6 Limitations

As noted in Miles (2019), limitations signified the constraints inherent in the research methodology and design. It was an element that remained beyond our control. Furthermore, this was recognised as a design flaw or a possible vulnerability in the research. One of the limitations of scale survey was that participants could not express their viewpoint or provide additional explanation. Secondly, since it was an online survey. While disseminating information to a wide audience was straightforward, the rates of respondents invariably varied. A low response rate resulted in biassed or inaccurate findings. Thirdly, the survey sought to achieve a high response rate, which resulted in participants from various countries, leading to challenges related to language barriers, as English might not have been their first language. Finally there were responses that lacked accuracy. Given that this was a scale survey, participants were willing to provide random responses merely to complete the survey (Wolf and Denison, 2023). The outcome was influenced, impacting the reliability of the result.

4. Results

The objective of this research paper is to understand the relationship and impact from different variables on market entry strategies. The regression analysis provides an insightful look at the correlation between each variable. The dependent variable, market entry, was modeled using three independent variables; tariff reduction, barriers to entry and investment incentive. Each of the variables was based on the potential benefit that may affect Thailand's hotel sector.

Regression Statistics				
Multiple R	0.3801766451			
R Square	0.1445342815			
Adjusted R Square	0.04238912109			
Standard Error	1.309758561			
Observations	76			
ANOVA				
	df	SS	MS	F
Regression	8	19.41894143	2.427367678	1.41498903
Residual	67	114.9363217	1.715467489	
Total	75	134.3552632		
	Coefficients	Standard Error	t Stat	P-value
Intercept	2.829854123	0.7834216419	3.612172516	0.0005815646663
Tariff Reduction 1	0.02944314526	0.123218677	0.2389503441	0.8118734557
Tariff Reduction 2	-0.1163168859	0.1192412814	-0.9754749746	0.3328336373
Barriers Entry 1	0.05381948508	0.1375438594	0.3912896242	0.6968247918
Barriers Entry 2	0.1442214211	0.1310928492	1.100147124	0.2752051419
Barriers Entry 3	0.2423165464	0.1388338108	1.745371283	0.08550483525
Barriers Entry 4	-0.0962189674	0.1436790804	-0.6696797277	0.5053634225
Investment Incentives 1	0.1430227457	0.1244105337	1.149603184	0.2543944701
Investment Incentives 2	-0.2685001722	0.1631144992	-1.64608403	0.1044298674

Table 1: Multiple regression result

Based on the survey responses and analysing the data by using multiple regression, it can be said that AFTA does not impact the entry of international hotel chains in a significant way. The R-squared value comes out to 0.145, indicating that the independent variables collectively explain 14.5% of the variation in Market Entry. This indicates that while the three independent variables play a role in determining market entre, other factors were not captured in the model. While The Adjusted R-squared was 0.04, indicating that the model's explanatory power is modest. The overall model's F-statistic p-value was 0.207, which indicates that the combined effect of the predictors is not statistically significant at the 5% significance level.

The coefficient in the regression output represents the relationship between each independent variable and dependent variable. A positive coefficient indicates a direct relation, while a negative coefficient shows an inverse relationship (Schober et al., 2018). Moreover, the p-value, corresponding with coefficient, a predictor indicates the statistical significance (Kwak, 2023). If the value is less than 0.05, it represents that a variable is statistically significant. However, if it is more than 0.05, it indicates a low statistically significant. Based on data analysis, both direct and indirect tariff reduction does not show a significant impact on market entry. With a coefficient of 0.029 and p-value of 0.812. Despite the theoretical assumption that the reduction of tariff will promote an easier entrance for international hotel chains by lowering the operation cost. A p-value above 0.05 proves that there is insufficient evidence to support the hypothesis that tariff reduction enhances the market entry. Additionally, The elimination of non-tariff barriers, such as regulatory restrictions show a negative coefficient of -0.116 and 0.333 for p-value. Which again indicates a non statistically significant. As for barriers to entry, the removal of trade barriers has a positive impact but not statistically significant (Coefficient = 0.144, p-value = 0.275). In terms of resource accessibility, a p-value of 0.697 was presented, indicating that the reduction of trade barriers in this case does not play a major role in market entry decision. Even though a reduction of resources cost low down, theoretically providing an advantage, the statistics show the opposite. However, in terms of regulatory barriers, it shows a marginal significance with Coefficient = 0.242, p-value = 0.086. Therefore, regulatory barriers may moderately influence market decisions. Lastly, the result shows that investment incentive does indicate positively but insignificant. A variable that explains Thailand's reputation as an attractive destination shows a coefficient result of 0.143 and p-value of 0.254, indicating no significant impact on market entry. Although there are expectations of improving Thailand's attractiveness in terms of investment to encourage international chains entering the market, the p-value shows that there is no significant evidence to support it. This result could be affected by the presence of other factors, such as political situation, economic, and market condition, which more directly influence investment decisions. On top of that, foreign direct investment (FDI) shows a weak negative relationship between investment incentive and market entry, with -0.268 coefficient and 0.104 p-value. While coefficient is statistically marginally significant, the negative relationship raises a concern about effectiveness of the policies. It also may suggest that there is another factor that has a stronger influence than investment incentive alone. Overall, while it is not significant, this predictor shows a potential adverse effect that warrants further exploration. With the relatively low explanatory power, which suggest that other variables that are not included nor mentioned in the model are likely to be more important in driving international hotel chain's decisions. As the p-value for each predictors all exceed 0.005, meaning that none of the independent variables have a statistically significant impact on market entry at the standard of 5% significance level. This shows that other factors such as market condition, economic, and regulatory factors may play a more substantial role in determining market entry decision.

5. Discussion

5.1 AFTA trade policies' effect on international hotel chain's market entry.

According to the response of the survey, there are different major points that can be pointed out. Tariff reduction created by AFTA policies does not really impact the entry of new hotels in Thailand that much. However, the non-tariff barriers have a positive influence on the hotel's market entry decisions, the NTBs improve market accessibility by improving the investment approval, licence procedures and improving the overall thing related to foreign working and owning the hotel. The result indicates an R-squared value of 0.145 or 14.5%. However, due to the low adjusted R-squared value of 0.042 reflecting the low substantial contribution to the model's explanatory power. Among the predictors, barriers to entry exhibited a marginally significant impact on market entry. This poses that while AFTA policies aimed at reducing trade barriers, regulatory constraints continue to pose challenges. Other independent variables were not statistically significant, as the p-value exceeded 0.25. This includes tariff reduction and investment incentives. Therefore, the hypothesis that AFTA policies positively influence market entry is false, as there is no strong support of the result.

The analysis further examined whether the reduction of trade barriers contributed to increased foreign direct investment (FDI) in Thailand. The results show a weak and potentially adverse relationship with FDI attraction with a negative coefficient of -0.268 and a p-value of 0.104. While trade liberalisation and regional integration may create new investment opportunities, other factors such as regulatory complexities still pose a limit to which impact the boosts FDI in the hotel sector. Moreover, AFTA didn't mention the Board of Investment or known as BOI, foreign land ownership restriction in Thailand; therefore, there is no direct support to up weight the hypothesis. In terms of investment climate, there is a positive impact to mention. By promoting regional economic integration it creates a more attractive economic environment for investors. With Thailand's domestic policies it positions itself as a luxury tourism hub which attracts more FDI into the country. However, FDI in the luxury hotel sector is driven more directly under the ASEAN comprehensive investment agreement or ACIA and ASEAN Framework Agreement on Services or AFAS. Additionally, collaboration is one of the main benefits that respondents agree on, however, in ASEAN countries' context. GM Koh, Lee and Kwok (2023) mentioned that the collaboration helps strengthen economic integration with regional tourism flows, the rising demand of luxury stay from ASEAN travellers, as well as trade in goods. The collaboration and partnership within the ASEAN member countries are also influenced by the AFTA, especially with suppliers, travel agencies, tour operation, ASEAN-based hotel brand and campaigns that target intra-ASEAN tourism.

5.2. The impact of AFTA policies on investment environment in Thailand's hotel industry

With AFTA policies, it opened up untapped regions within the country, encouraging hotels to expand beyond traditional tourist hubs. Result in a more approachable investment environment. Although the model did not provide strong statistical evidence that trade barrier reductions significantly increase FDI, barriers to entry still showed a moderate effect (coefficient = 0.242, p = 0.086). The analysis further examined whether the reduction of trade barriers contributed to increased foreign direct investment (FDI) in Thailand. The results show a weak and potentially adverse relationship with FDI attraction with a negative coefficient of -0.268 and a p-value of 0.104. While trade liberalisation and regional integration may create new investment opportunities, other factors such as regulatory complexities still pose a limit to which impact the boosts FDI in the hotel sector. Moreover, AFTA didn't mention the Board of Investment or known as BOI, foreign land ownership restriction in Thailand; therefore, there is no direct support to up weight the hypothesis. In terms of investment climate, there is a positive impact to mention. By promoting regional economic integration it creates a more attractive economic environment for investors. With Thailand's domestic policies it positions itself as a luxury tourism hub which attracts more FDI into the country. However, FDI in the luxury hotel sector is driven more directly under the ASEAN comprehensive investment agreement or ACIA and ASEAN Framework Agreement on Services or AFAS. Additionally, collaboration is one of the main benefits that respondents agree on, however, in ASEAN countries' context. The collaboration helps strengthen economic integration with regional tourism flows, the rising demand of luxury stay from ASEAN travellers, as well as trade in goods. The collaboration and partnership within the ASEAN member countries are also influenced by the AFTA, especially with suppliers, travel agencies, tour operation, ASEAN-based hotel brand and campaigns that target intra-ASEAN tourism.

5.3. Competitiveness of Thailand's hotel sector in response to AFTA policies

Based on the result and secondary data, AFTA does not really pose an advantage in competitiveness. The coefficient for tariff reduction was 0.26 with p-value of 0.812, showing an insignificant impact on competitive advantage. Therefore, tariff reduction alone may not provide a significant edge for international hotel brands over domestic competitors. However, since AFTA is focusing more on goods not services, with the lowering of the cost of importing goods, regional economic, intra-ASEAN trade and tourism help with the sustainability in long-term business (Park, 2024). In terms of supply in the hospitality industry, AFTA does make a significant influence. For example, easier access to regional suppliers, from construction materials to luxury amenities sources. Conversely, barriers to entry and investment incentives had more substantial yet still statistically weak relationships with competitiveness.

5.4. Conclusion

The results of the multiple regression analysis suggest that AFTA trade policies have had a limited and statistically weak impact on market entry. In the end, AFTA does not entirely reshape the way hotels approach new markets. There are more factors and stronger factors that influence the approach strategies. Overall, AFTA has positively impacted the luxury hotel sector in Thailand. With a positive increase in regional tourism and among the ASEAN member countries, lower the cost of goods, enhance the investment and economic environment as well as access the regional market easier. However, AFTA is mainly on trade goods and might not cover everything that is related to the hospitality or services sector directly. In the end, even if AFTA poses a positive impact on the sectors, other policies or trade agreements must be further researched and looked into as well. Especially the ASEAN Framework Agreement on Service (AFAS). Despite the AFTA policies and their opportunities, one of the main challenges such as regulatory barriers still stay behind. AFTA primarily focuses on reducing the tariffs and trade barriers for goods, not addressing regulatory barriers.

6. Conclusions

This paper aims to investigate the impact of independent variables and market entry. AFTA policies are under ASEAN association, Thailand as a ASEAN member are particularly involved in this matter. Therefore, this study is beneficial for understanding the impact of both AFTA itself and on Thailand's hotel industry. Throughout the research, the author found out that AFTA are influencing the market entry position positively, but not statistically significant. Firstly, tariffs reduction and removal of non-trade barriers was the main highlight for AFTA policies. Even though it shows a positive influence, in the context of hotel's sector, it doesn't affect that much. As AFTA policies were invented to focus primarily on goods not service. Therefore, it can be discovered that, in terms of hotel's sector, AFAS and ACIA might be a better fit in the hospitality context. In terms of opportunities, AFTA did not play a significant role in creating new opportunities that may affect a significant change to the hotel's or country. As well as investment, although the policies make it easier for ASEAN member countries to collaborate, partnership, or invest. In the end, regulations are not included nor mentioned in AFTA creation. Therefore, laws like BOI in Thailand still pose more value to investor consideration. With the result provided, it can be said that none of the independent variables that author mention were statistically significant and other factors outside may pose a stronger impact on the market entry decision.

In terms of secondary data collection, it is visible that there is limited information on the internet regarding the impact of AFTA policies on the hospitality industry, especially Thailand's hotel sector. After collecting data from different sources, it can be concluded that AFTA is mainly focused on products. However, this also influences some aspects within the hospitality industry, as most of the international hotel chains require their own standard goods or amenities. Therefore, it poses a positive impact in terms of supplies and logistics within the ASEAN member. For instance, the reduction of import tax and regulation, supply diversification and construction materials. Moreover, mentioned that due to the positive on goods, resulting in a lower cost and boost regional economy.

To conclude, in theory, the reduction of tariffs, elimination of non-tariffs barriers and provision of investment incentive should have a noticeable effect on international hotel chains that are looking to enter Thailand's market. As reducing tariffs impact the cost, removing unnecessary trade barriers increase market attraction and encourage investment in Thailand to foster a competitive landscape. In this regard, AFTA show a potential of mostly positive impact to the hotel sector, this might be indirectly or directly. Which makes it easier for international hotel chains to operate in Thailand, while boosting Thailand's image as a business destination. However, as the result of regression analysis

shows, this positive impact is not sufficiently strong enough to account for a major change in market entry strategies. Despite the expected benefit and potential of tariff and barriers reduction and investment incentive, the regression results show lack of statistical significance for most variables. Specifically, p-value for each different independent variable are all above the commonly accepted 0.005 for statistical significance. This suggests that the data are not strong enough to support or identify as evidence that these independent variables, on their own, significantly impact the market entry strategies of international hotel brands. Key main factors that authors are able to collect are regulatory barriers, market conditions and competition. In the end, it can be mentioned that, in terms of the hospitality industry, AFTA policies do make a positive impact but are not significant enough to reshape the market entry strategies.
In the future research, it recommended that researchers should conduct an interview as it will allow them to collect more border information and understand more in detail both the positive and negative impact. Furthermore, the findings of this study show a neutral satisfaction with AFTA trade policies. Reflecting the suitability of AFTA on the hospitality industry. In the future, researchers looking into the same topic should be looking at different policies such as the ASEAN Framework Agreement on Service (AFAS) and so on.

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