

Thai News Update: 19 June 2018

1. Free Trade On Agenda As Gen Prayut Visits Europe

Source: Bangkok Post ([Link](#))

Thailand is set to address a bilateral Thailand-Britain free trade agreement (FTA) during a six-day European trade mission led by Prime Minister Prayut Chan-o-cha, starting June 20. The global economic recovery has prompted some Asean central banks to synchronise their monetary policy with the Fed. The Malaysian central bank emerged as the first in Southeast Asia to begin a normalization process in January, while the Monetary Authority of Singapore tightened its monetary policy in April. The Philippines and Indonesia lifted their policy rates last month. After other regional peers have shifted away from accommodative monetary policies, all eyes are focused on when the Bank of Thailand's Monetary Policy Committee (MPC) will follow suit. If the Thai economy manages to keep its growth momentum until year-end, the MPC is likely to reverse its monetary policy stance, it said. Bank of Thailand governor Veerathai Santiprabhob has said an accommodative monetary policy is necessary as the economic recovery remains uneven and subdued inflation offers policy space.

2. Bt40 Bn Readied For Pilot Smart City

Source: The Nation ([Link](#))

The government will spend Bt40 billion to develop a smart city in the Phahon Yothin district of Bangkok that will serve as a pilot project for 76 other such cities to be established across the country within five years. In support of this programme, the government has joined with JETRO Thailand on a seminar entitled Towards Asean Smart City Network Development. The seminar is the product of collaboration between Thailand and Japan and envisages the development of smart cities in Thailand and elsewhere in the Asean region. Deputy Prime Minister Prajin Juntong said that the government this year would develop seven smart cities in Bangkok, Phuket, Chon Buri, Chiang Mai, Rayong, Chachoengsao and Khon Kaen provinces. For the smart city in Phahon Yothin, the project would be completed within three years. The government has appointed the Project Management Committee (ICT) and the National Smart City Committee to drive the smart city initiatives, which it says, must correspond to local contexts. The projects will incorporate

smart living as part of smart communities, smart environment, smart mobility, smart energy, smart economy and smart governance in order to enhance the efficiency of city management and services. The projects will also help to enable cost savings and the better use of resources. The smart city in Bangkok will focus on smart mobility. For Chiang Mai and Phuket, the focus will be on smart tourism, smart safety, smart environment and smart economy. The project in Khon Kaen province will focus on smart health as part of a plan to set up a medical hub designed for the needs of the elderly.

3. Jack Ma launches South-East Asia's first Alibaba office in Malaysia

Source: The Nation ([Link](#))

Alibaba Group executive chairman Jack Ma has launched the group's first office in South-East Asia here at the UOA corporate building in Bangsar South. The official launch took place after Ma arrived at the building accompanied by Chinese ambassador Bai Tian. Ma was greeted by a crowd of office staff from the same building. "We are not from Alibaba. We saw the news that he will be in Kuala Lumpur on June 18. So we are here to see Jack Ma during our lunch break," said an excited person from a nearby office. Finance Minister Lim Guan Eng will also be here for the opening ceremony of Alibaba KL office. Ma met Prime Minister Tun Dr Mahathir Mohamad earlier on June 18 in Putrajaya and said he was surprised at the Prime Minister's knowledge about technology. He said that during the one-hour meeting, they shared a lot of ideas and discussed how to lift more Malaysians out of poverty and support more young people and small businesses. Ma was in Malaysia last November to attend the groundbreaking launch of DFTZ with former prime minister Datuk Seri Najib Tun Razak.

4. Apisak Backs Rate Leeway

Source: Bangkok Post ([Link](#))

The Bank of Thailand's rate-setting panel does not need to follow in the footsteps of the US Federal Reserve by raising its policy rate, while the exodus of foreign investors is not worrisome, says Finance Minister Apisak Tantivorawong. Thailand has high foreign reserves and can cushion the impact of persistent capital outflows, he said. The slightly hawkish view of the US central bank, lifting its policy rate an expected four times this year, up from an earlier estimate of three, and the

European Central Bank's decision to end its asset buying by year-end, have triggered a foreign investor sell-off in emerging markets including Thailand, where the policy rate has been kept unchanged for more than three years. The global economic recovery has prompted some Asean central banks to synchronise their monetary policy with the Fed. The Malaysian central bank emerged as the first in Southeast Asia to begin a normalization process in January, while the Monetary Authority of Singapore tightened its monetary policy in April. The Philippines and Indonesia lifted their policy rates last month.

5. Thailand, Malaysia Among Emerging Asian Economies Comfortable With Fed Hike

Source: Business Standard ([Link](#))

Higher U.S. rates are rattling many emerging markets in much the same way past tightening cycles did, but the Federal Reserve's hawkishness could also bring cheer for a small group of Asian economies that wouldn't mind seeing their currencies weaken. Fed rate hikes this year and the prospect of more to come have lifted Treasury yields, prompting investors to switch out of riskier emerging market debt and triggering sharp falls in their currencies. Markets in Argentina, Brazil and Turkey took the biggest hits and in Asia, the central banks of India, Indonesia and the Philippines have raised rates and intervened to defend their currencies. However, unlike those countries, which run current account deficits, central banks in external surplus countries and territories such as Thailand, South Korea, Taiwan and, to a lesser extent, Malaysia won't feel compelled to keep up with the Fed's rate hikes, analysts say. Weaker currencies from portfolio outflows could help lift below-target inflation and give exporters a shot in the arm at a time of heightened uncertainty over global trade and signs that the Chinese economy may be losing steam.

6. IAG Offloads Asian Businesses For \$525m

Source: Brisbane Times ([Link](#))

Insurance Australia Group is set to be left with surplus capital that it may return to shareholders after selling three of its Asian businesses for more than half a billion dollars. The insurer on June 19 said it would sell its businesses in Vietnam, Thailand and Indonesia to two different overseas buyers, which will deliver an after-tax profit of \$200 million in its full-year results next year. Tokio

Marine & Nichido Fire Insurance, part of Japan's largest property and casualty insurance group, would purchase IAG's Thai and Indonesian businesses for \$525 million, IAG said. "We believe Tokio Marine is an ideal owner given its experience in the region, and that this is a good outcome for the associated employees, customers and other stakeholders," IAG chief executive Peter Harmer said. IAG is also selling its dominant stake in AAA Assurance Corp, based in Vietnam. It did not disclose the sale price for this deal. The sales come after IAG earlier this year launched a strategic review of its Asian operations, citing "limited" expansion opportunities in the region.

7. Thailand To Launch Measures Against Indonesia's Fruit Ban

Source: Vietnam Plus ([Link](#))

Thailand is mulling retaliatory measures against Indonesia after the Southeast Asian neighbour banned imports of some Thai fresh agricultural products like longan and durian. Indonesia's ban on imports of horticultural crops, especially fruits, was made during Thailand's annual harvest season, which could lead to overproduction due to lack of consumption market. Thai Commerce Minister Sontirat Sontijirawong told reporters that they are studying the impact and proper retaliatory measures against Indonesia. Imposing such trade barriers during the harvest season are considered unfair, especially on products with short post-harvest preservation time like fresh fruits, Sontirat stressed. Director-General of the Trade Negotiations Department of Thailand Auramon Supthaweethum said the department is consulting related agencies on proper measures against the fruit ban. However, she insisted that the measures scheduled to be disclosed this month will do nothing to contravene established international trade agreements. Last year, Thailand exported 97,000 tonnes of longan to Indonesia worth 83.7 million USD, with shipments of durian amounting to 760 tonnes worth 1.2 million USD.