

Thai News Update: 27 June 2018

1. US-China Trade War May Benefit Thailand Long Term

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

As a small, open economy, Thailand stands to be affected by global economic developments. The recovery of the US economy, with higher interest rates and bond yield rates, has an impact on capital flows and the Thai baht exchange rate. The rise in global oil prices from geopolitical tensions pushes our petrol prices and other prices up, while the looming US-China trade war will have a definite effect on our performance while the changes in global farm prices are having an impact on Thai farmers' incomes. With rising interest rates in the US and inflation at home, Thailand's interest rates are also on an upward trend. The policy rate and government bond yields in the US have been rising, resulting in capital outflows from emerging markets to the US. Countries with high foreign debt, low international reserves, and current account deficits such as Argentina, are badly hurt by the outflows. At its latest meeting this month, the Fed raised its policy rate to 1.75-2.00%, surpassing Thailand's policy rate of 1.50%. Moreover, the Fed is likely to raise rates two more times this year, each time by 25 basis points.

2. Private Investors' Help Sought For B1.3-Trillion Rail Upgrade

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

The government is seeking private investors' help for a 1.3-trillion-baht upgrade of its rail network aimed at reducing logistics costs and boosting trade, Transport Minister Arkhom Termpittayapaisith told Reuters on June 26. Lowering transport costs is crucial because exports account for two-thirds of the economy. The transport system will "place greater emphasis on rail," Mr Arkhom said in an interview, adding the country had "overly depended on roads and trucks". "We are looking for more active participation of private investment [in rail]," he said, while ruling out the privatisation of operator State Railway of Thailand. The projects include upgrading the network to dual-track rails. The government has already approved 123 billion baht of such upgrades, with nine more worth 407 billion baht to be approved this year, Mr Arkhom said. In addition, bidding for a 229-billion baht, 220km high-speed rail project linking three airports, including the country's main Suvarnabhumi airport, will take place in November.

3. Trump Threatens Harley Over Move To Thailand

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

President Donald Trump renewed his attacks on Harley-Davidson on June 27, threatening to tax the company for offshoring manufacturing and saying the iconic American motorcycles should "never" be built outside the United States. One day after the Wisconsin-based company said it was planning to shift some manufacturing overseas due to the European Union's tariffs in retaliation for US duties, Trump accused Harley-Davidson of appropriating the trade war as an "excuse" for the move. EU officials, meanwhile, suggested Trump had only himself to blame for the falling-out with a company he had previously hailed as "a true American icon." The EU responded to US tariffs on steel and aluminium, but hitting a series of American products with import taxes, including motorcycles, bourbon and blue jeans. "Early this year Harley-Davidson said they would move much of their plant operations in Kansas City to Thailand. That was long before Tariffs were announced. Hence, they were just using Tariffs/Trade War as an excuse," he said. The Thailand plant will assemble motorcycles for Asia that were previously imported from India or the United States.

4. PM's EU Visit 'Spurs Investor Interest'

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

Enthusiasm for investment in Thailand from Britain and France is high after the leaders of the two countries that hosted a visit by Prime Minister Prayut Chan-o-cha expressed their interest in the government's Thailand 4.0 policy and the Eastern Economic Corridor (EEC), Deputy Prime Minister Somkid Jatusripitak said. Somkid said Prayut's British and French hosts acknowledged that the Thai economy has undergone a recovery over the past four years. They see that it has become the main country in the Asean region and within the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) grouping, he said, referring to the political, economic, and cultural organisation that connects Thailand, Laos, Vietnam, Cambodia and Myanmar. Prayut visited the UK and France from June 21-25. Both countries need to deepen economic connection with countries in the region, Thai officials said. For Britain, this is especially so with the country's impending withdrawal from the European Union (EU) and is in line with its outward-looking Global Britain Policy.

5. Businesses Step Up Pace Of Overseas Investments

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

Thai businesses have been ploughing investments into Asean countries as part of a broader overseas push to reduce production costs, the Board of Investment said. Chokedee Kaewsang, deputy secretary-general of the BOI, said that of the total overseas investment by Thai business operators, about 50 per cent have been in the ASEAN region. Vietnam is the top choice, followed by Myanmar and Cambodia. Outside the region, Bangladesh is a popular investment destination for Thai companies, which are drawn to its large market, low wages and its gateway role for South Asia. In Africa, Thai investors like Kenya, Nigeria, South Africa and Sudan. “Among Asean countries, Thailand comes third in overseas investment after Singapore and Malaysia,” Chokedee said. The main reason for Thai investment overseas was to reduce production costs in wages and raw materials, while expanding markets. Thai investors, mostly large companies, have invested in the Europe and the United States to secure technologies. Of 104 Thai business overseas, 25 are in the food and processed agriculture sector, 14 are in the construction, decorative items and furniture sector, and 12 are in textiles and garments. Most of the investment has been directed to Asean countries including Vietnam, Myanmar, Cambodia, Indonesia and Laos, followed by South Asian countries including India, Bangladesh, and China.