

Trade Digest

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The Implications for Thailand of US-China Trade War

The US-China trade war was under the spotlight at a recent panel discussion held by the Foreign Correspondents' Club of Thailand on 11 September 2018. The current situation and the implications for Thailand were actively discussed by a variety of experts in business, government, international organizations and the academic community. China's upcoming response to the US tariff hike on a wide range of Chinese goods in April could affect Thailand in one of two ways. The country could be hit by global market disruption or it could stand to gain from the diversion of trade and supply chains which has been fueled by inward investment and export industries.

It is well known that the main reason behind the US-China trade war is that the US wants to reduce its trade deficit with China. However, the trade deficit is not the only concern that the US has with the Asian powerhouse. As China lays out its Made in China 2025 strategic plan with the aim of becoming a world leader in advanced industries such as semiconductors and in the next generation of chip materials, robotics, aviation equipment and satellites by 2025, the US wants to hamper China's progress toward becoming a high-tech superpower, which the US sees as the real existential threat to its own technological leadership. The US aims to counter this threat by imposing higher tariffs on Chinese goods, mainly focusing on the products included in the Made in China 2025 plan, including IT and robotics-related products.

Assessing whether Thailand will be affected by the trade war and how it could damage the economy, Dr. Pavinda Pananond, an Associate Professor of International Business at Thammasat Business School, Thammasat University, opined that those who are likely to suffer the most from further tariff escalation between the US and China will be the smaller export-dependent countries. One consequence of this is that Thailand could be seen as an interesting location for businesses willing to relocate from China. Adding to the sense of optimism, Dr. Kirida Bhaopichitr, Director of the Economic Intelligence Service (EIS) at the Thailand Development Research Institute (TDRI), expressed her opinion that the positive effects of trade diversion caused by a full-blown US-China trade war could be more significant than the negative consequences in the long run.

More precisely, Thailand could be considered a viable alternative in South East Asia to replace China in the supply chain in order for China-based multinationals to avoid stiff retaliatory tariffs, especially in the robotics, automotive, aviation parts, computer parts and electronics industries. Consequently, it is recommended that the Thai government and the Board of Investment of Thailand (BOI), an investment promotion agency of Thailand, prepare a package of measures to take full advantage of the opportunity by improving the investment climate and offering an excellent opportunity for businesses seeking an alternative production base in South East Asia.

Thailand to Host Routes Asia 2020

Having previously hosted Routes Asia once before in 2006, the Airports of Thailand Plc. (AOT) has announced that Thailand will be the host country for Routes Asia 2020. The world-renowned airline and airport networking event brings top professionals from the international aviation industry together to discuss and plan regional aviation connectivity. Set to take place in Chiang Mai, Routes Asia 2020 will feature more than 2,000 meetings attended by senior decision makers from Asia's aviation route development community.

The AOT sees Routes Asia 2020 as a major opportunity to show participants from around the world Thailand's strong capacity for becoming the leading regional aviation hub. Coinciding with the launch of the Thai government's plans to link U-Tapao, Suvarnabhumi and Don Mueang airports together under its 'Aerotropolis' concept as part of the Eastern Economic Corridor (EEC) initiative, the timing of Routes Asia 2020 provides the perfect opportunity for Thailand to showcase the development of its aviation industry.

Currently, Thailand accommodates Maintenance Repair and Overhaul (MRO) facilities for Thai Airways, Bangkok Airways, and Thai Lion Air. The country hopes to become the regional leader for MRO by investing USD 7 over the next 5 years, while the Air Asia Group has already announced its plan to invest USD 150 million in the MRO facility at U-tapao airport with the aim of building a maintenance center there for its 200 aircrafts in the region.



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Originally established as a military airbase, U-Tapao airport is in the process of being renovated into a civil airport. It currently accommodates 300,000 passengers per year, most of whom are transit passengers from China and Russia. U-tapao is expected to accommodate up to 60 million passengers a year after its transformation is completed within the next 20 years. With an estimated cost of USD 6.45 billion, the expansion of U-Tapao is being carried out under a Public-Private-Partnership program which includes development of the runway, air-cargo facilities, aviation training center, and aircraft maintenance center.

The capacity of Suvarnabhumi and Don Mueang airports will also be expanded. Suvarnabhumi is planned to take up to 90 million passengers while Don Mueang airport will reach an annual capacity of 40 million. All three airports will be linked by a transportation network. According to this development plan, the three airports will be able to accommodate a combined total up to 190 million passengers annually, exceeding the capacity of Singapore's Changi Airport, which is expected to reach approximately 150 million per year in 2030.

With the development plan in place, Thailand's aviation industry is already undergoing significant development and is attracting major international investment. Hosting Routes Asia 2020 will provide Thailand with the ideal opportunity to showcase its role as a fast-emerging leader of the regional aviation industry.

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If you have any comments or questions regarding Trade Digest or any matters discussed herein, or if you are interested in finding out more about Bolliger & Company (Thailand) services, please contact any of the persons below:

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