
EXPERTS CALL FOR MORE TRADE WITHIN ASEAN TO OFFSET US-CHINA TRADE WAR

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The US has made it a key foreign policy to oppose Chinas growing influence – whether by obstructing the Belt and Road Initiative [BRI], cutting Chinese exports or suppressing technological progress, said Thitinan Pongsudhirak, director of the Institute of Security and International Studies (ISIS) Thailand.

Since the US-China conflict goes beyond just matters of trade, it is expected to be a prolonged one, he said.

Thitinan was speaking yesterday at Thai Exports Outlook 2019 held by the Commerce Ministrys Trade Policy and Strategy Office (TPSO).

The US-China war is an existential conflict, a conflict about the US trying to limit the growth of Chinas influence on the global stage, said Somjai Phagaphasvivat, an academic and former adviser of the United Nations Economic and Social Commission for Asia and the Pacific.

Thailand is deeply entrenched in the supply chain and affected by tariffs that the US has put on China – particularly tariffs targeting Chinese electronic goods. Thailand is a key supplier of electronic parts to China, hence since the US increased the tariff on these goods, Thai exports of automotive parts and electronic parts have fallen, Pimchanok Vonkorpon, director-general of the TPSO, explained.

Thai exports of automotive parts to China fell by 12 per cent and electronic parts by 18.4 per cent after the USs second round of tariff increases in September last year, TPSO figures showed.

The trade tensions are expected to continue, as US President Donald Trump is not just concerned about reducing the US trade deficit. The US has also accused China of technological theft and unfair currency manipulation. Hence, the US may ask for more concessions from China, leading the superpower trade conflict to drag on in 2019, said Somprawin Manprasert, chief economist and head of the research division at Bank of Ayudhya.

He also forecast that Thai exports will grow at a slower rate of 4.5 per cent, compared to last years 6.7 per cent.

However, despite the trade war dimming the outlook for Thai exports, the Commerce Ministrys Department of International Trade Promotion (DITP) insists on maintaining its export target for this year at 8 per cent, even though it failed to reach the very same target last year. Given that trade tensions are likely to continue, achieving a 3 to 4 per cent growth in export this year will be

impressive, Somjai argued.

Thailand's export outlook for 2019 is going to be difficult. As to whether the 8-per-cent target is achievable, we will have to wait and see if the private sector can rise to the occasion and adapt to the increasingly challenging export environment, concurred Prinn Panitchapakdi, a member of the Stock Exchange of Thailand (SET) board of governors. Prinn is also country head of CLSA Securities (Thailand).

Experts at the event also said that Thailand should capitalise on its position as Asean chair this year to boost the region's integration, in order to better cope with the impacts of the US-China conflict.

Asean is currently Thailand's biggest trading partner, with up to 25 per cent of Thai exports going to the region in the past year, according to the Commerce Ministry.

As current chair of Asean, Thailand aims to complete the Regional Comprehensive Economic Partnership (RCEP) negotiations by the end of this year.

If negotiations are successful, RCEP will become the world's largest trading bloc, incorporating the 10 Asean members, but also China, India, Japan, South Korea, Australia and New Zealand.

To offset the impacts of the trade war, Thailand as chair of Asean must push for the RCEP negotiations, which will realise the vision of an Asia-Pacific economic community, said Somjai on the sidelines of the event.

Thailand must set the agenda of economic integration and multilateralism in Asean in relation to China, India and the rest of Asia-Pacific. Though the positive benefits for the private sector may not be visible in the short term, further integration with the region will help boost economic stability in the long term as the trade war continues, Prinn said.

Both Prinn and Somjai also called on the government to negotiate a lower level of non-tariff measures within Asean. Apparently, progress has been made on this front, according to the Commerce Ministry's Department of Trade Negotiations (DTN).

At the Asean Trade Facilitation Joint Consultative Committee (AFT-JCC) meeting hosted by Thailand in January, one of the key issues discussed was the reduction of non-tariff measures between Asean members, Auramon Supthaweethum, director general of DTN, said.

This requires all non-tariff measures between Asean members to be transparent and to be implemented only when necessary.

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