

The Belt and Road Initiative in ASEAN



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Thailand

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Research Methodology

The study aims to provide insights into the political, institutional, and environmental factors that affect the design and implementation of Belt and Road Initiative (BRI) projects in Thailand, the potential for BRI investments to spur private investment and other foreign direct investment (FDI) opportunities, and any potential role for the Hong Kong SAR.

The key research questions that drove the study were:

- What changes has the BRI brought to Thailand?
- What are the key sectors or areas experiencing growth and what are the key BRI projects?
- What factors seem to be affecting the success of the projects?
- What are the key opportunities and challenges in Thailand?

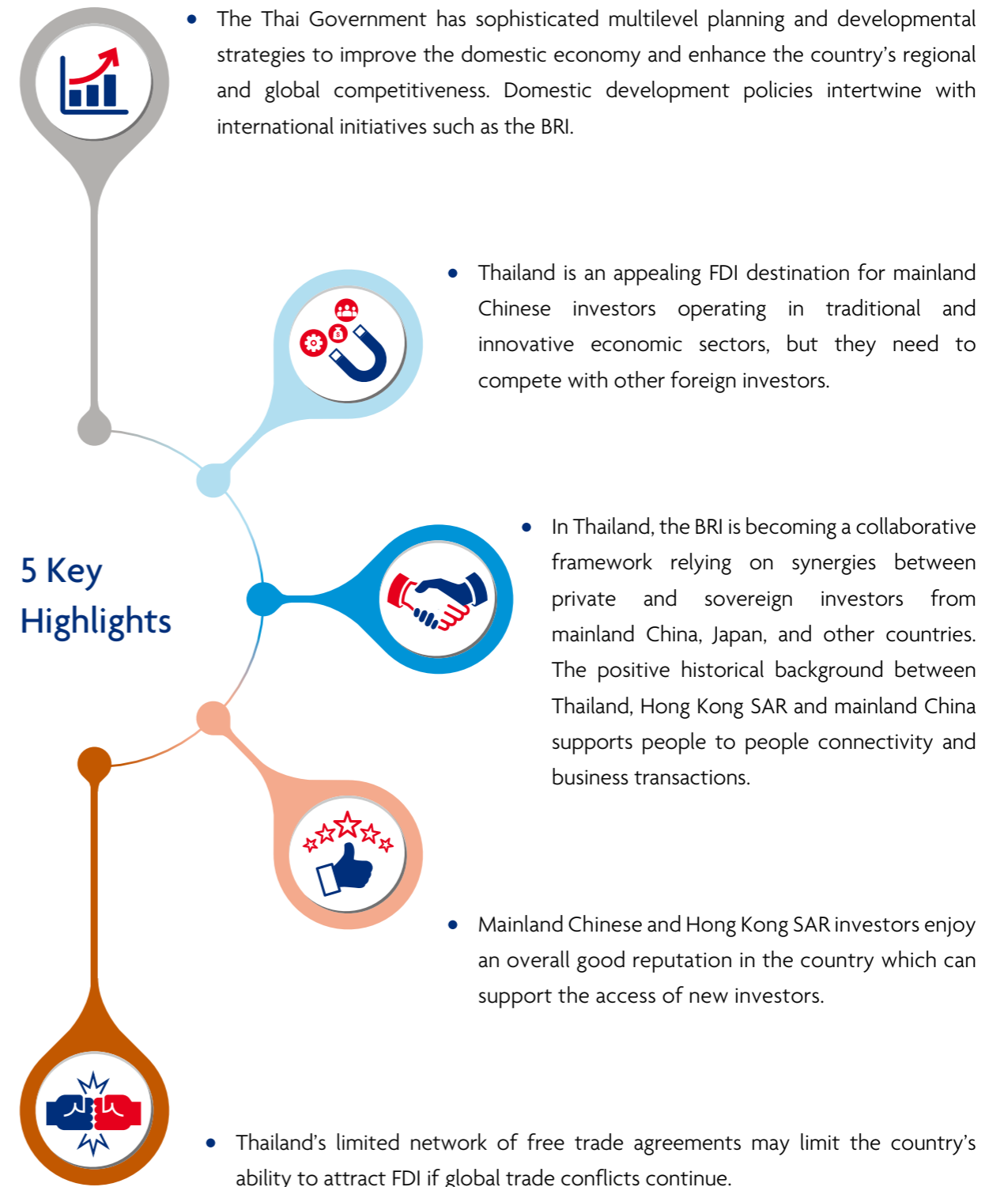
The case study employed a mix of quantitative and qualitative data. The primary data were mostly qualitative and included a combination of in-depth interviews, informal interviews, and field notes based on observation. The primary data also included datasets and documentary evidence exclusively obtained from informants. Other quantitative data consisted of datasets

describing Thailand's economic, environmental, and social dimensions which were used to support the analysis as well as the selection of specific projects or sectors.

Interviewees included a wide range of stakeholders such as government officials, representatives of business associations, entrepreneurs, members of civil society groups, academics and consultants both in Thailand and in the Hong Kong SAR.

The research process involved three phases: 1) preparation, 2) fieldwork and data gathering, and then 3) data analysis and write-up. In the preparation phase researchers examined the background of the case through desktop research and identified key issues and projects. Afterwards, key topics to be explored were selected in consultation with UOB staff in the Hong Kong SAR and Thailand. Before the fieldwork, both UOB and the researchers contacted potential interviewees to brief them on the research and inquire about their availability and willingness to partake in the project as informants. Subsequently, phase 2 consisted of three visits to Thailand for a total of thirty days during which the researchers carried out interviews and site visits. The last stage focused on gathering the data into themes, analysing it and writing up this case report.

Highlights



Country Profile

Thailand has a population of 69.9 million (as of 2019) and they are relatively young: 70.8% are between 15 years old and 64 years old, and only 12.4% are over 65. Thailand is a multi-ethnic state in which Thai Chinese account for around 14% of the total population.

Thailand is a constitutional monarchy, but since 2014 a military government has ruled the country. It published the Twenty-Year National Strategy Plan 2017-2036 through which Thailand aims to attain developed country status. The plan underpins policies for the improvement of physical and digital infrastructure and widespread development in advanced and innovative industries. The military government has also issued sector-specific initiatives, including the

Transport Infrastructure Development Strategy, the Thailand Power Development Plan 2015-2036, and the Eastern Economic Corridor (EEC) Development Plan.

In 2017 the military government also introduced a new constitution that paved the way to the democratic elections held in March 2019. The elections had no clear winner, but since June 2019, Prayuth Chan-Ocha is the Prime Minister of a democratically-elected coalition government.

A political crisis in 2014 interrupted Thailand's economic growth, but since then it has recovered, with GDP growth above 4% in 2017 and 2018 before falling to 2.4% in 2019.

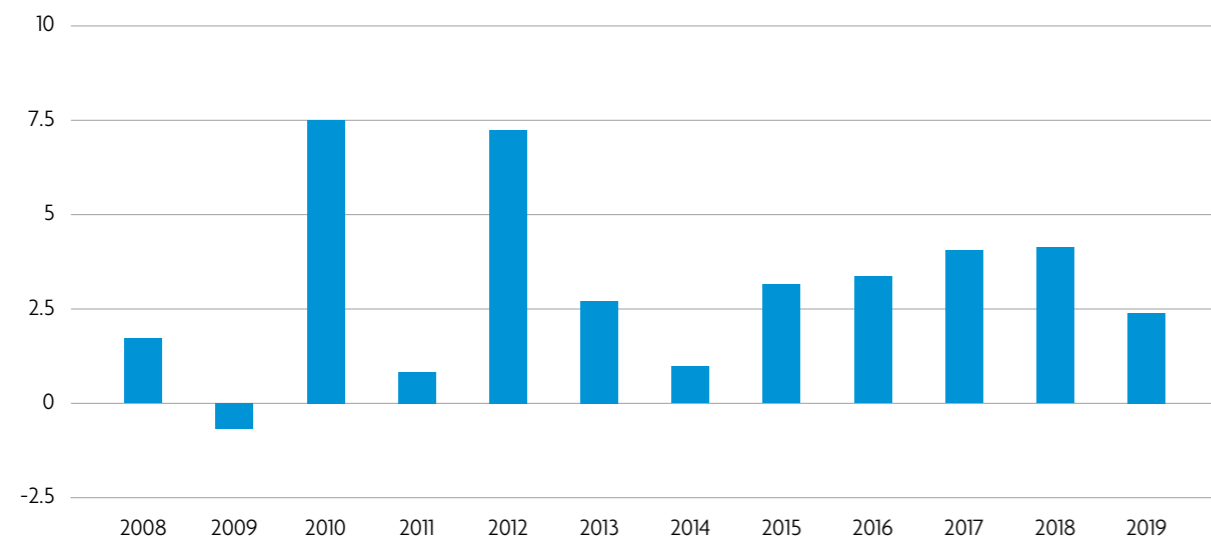


Figure 1. Thailand GDP Growth 2008-2019. Source: World Bank Data.

FDI in Thailand

Thailand receives FDI from regional and global partners. The companies investing operate in different economic sectors including manufacturing, finance, and insurance activities, and real estate.

A significant portion of the FDI approved by the Board of Investments (BOI) is in agriculture and

agricultural products, mining, ceramics and basic metals, light industry, metal products, machinery and transport equipment, electronics, electrical appliances, chemicals, papers and plastics, and also in services and public utilities and in innovation and technology development.¹ BOI approval gives investors access to incentives including tax breaks that can last up to 13 years.

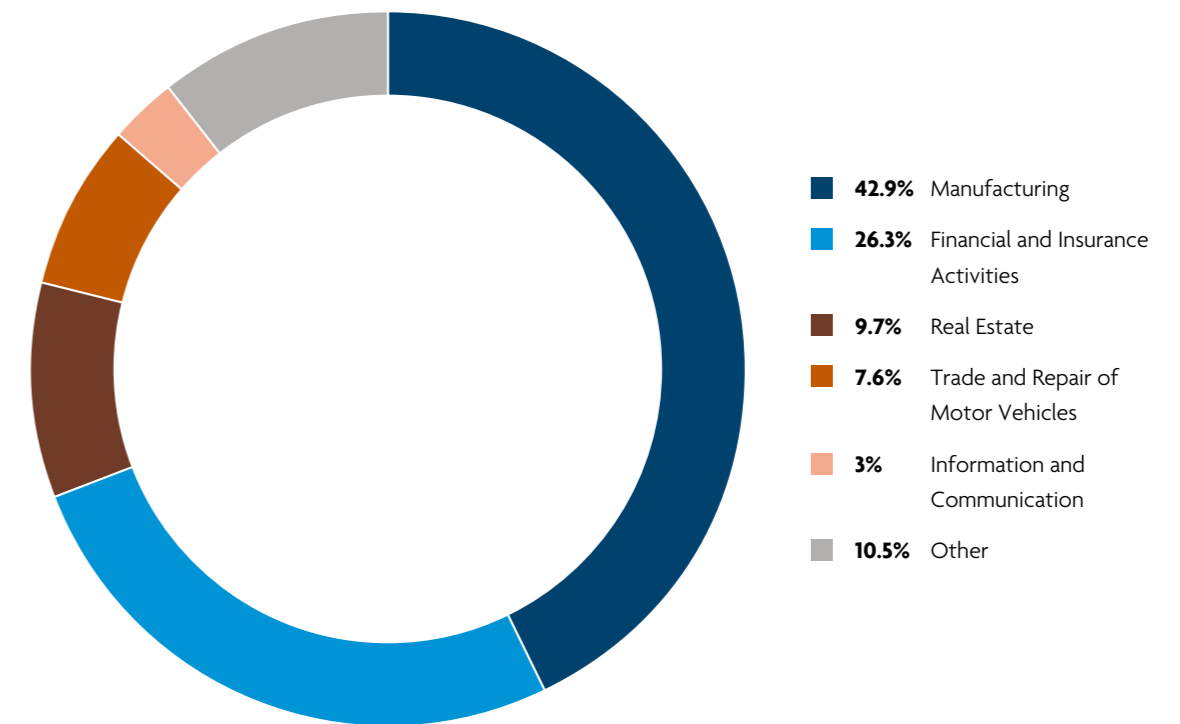


Figure 2. FDI Stocks by Industry, 2019 (%). Source: Bank of Thailand, reported by santandertrade.com

¹ Board of Investment, eligible activities for promotion by business categories, available at https://www.boi.go.th/index.php?page=eligible_activities.

Mainland Chinese Trade and Investments in Thailand

Investors from Japan lead in the number and value of applications approved by the BOI, but significant shares also come from the USA,

mainland China, Hong Kong, member states of the European Union, and countries in the region.

Rank	2017			2018			2019 (Jan - Jun)		
	Country	N. Projects	Investment Mil Baht	Country	N. Projects	Investment Mil Baht	Country	N. Projects	Investment Mil Baht
1	Japan	311	136,020	USA	37	333,948	Japan	114	42,454
2	Singapore	96	40,132	Japan	319	69,507	Mainland China	81	24,278
3	Mainland China	83	25,762	Mainland China	126	50,086	Switzerland	10	11,443
4	USA	31	19,804	Singapore	97	21,652	Hong Kong SAR	32	7,615
5	Netherlands	29	15,983	Hong Kong SAR	42	18,817	Singapore	57	7,534
6	Malaysia	23	10,035	Malaysia	34	16,559	Netherlands	25	5,485
7	Taiwan	58	9,918	Netherlands	69	8,411	Taiwan	27	4,826
8	Hong Kong SAR	42	7,484	France	23	7,908	Australia	8	3,220
9	Indonesia	5	6,210	Indonesia	3	7,104	Sweden	4	2,374
10	Australia	15	4,550	Taiwan	45	5,437	Malta	1	1,942
Total		888	288,878		993	547,431		468	147,168

Figure 3. Top 10 Countries for FDI Project Applications 2017-2019. Source: Board of Investment.

Thailand and China have had good economic relations, thanks to their geographical proximity and the significant Chinese minority in the country, Thailand has been an attractive destination for Chinese investments. The Go Global strategy implemented during the first years of the century supported the first massive wave of Chinese investments in Thailand.

The establishment of the Thai-Chinese Rayong Industrial Zone in 2005 as a collaboration between the Chinese privately-owned Holley Group and Thailand's Amata Group was a milestone for Chinese investments in the country. The zone is in the Rayong region, about 100km from Bangkok, close to the Laem Chabang Port. Today it hosts more than 100 Chinese companies in economic sectors including photovoltaic panels, rubber products, tires and auto parts, and new technologies. The Rayong Industrial Zone has had a significant impact on the local economy, creating more than 30,000 local jobs. At full capacity, the zone has the potential to accommodate around 300 companies, so additional investors from China and other countries can still take advantage of the zone's infrastructure and the existing value chains. New potential investments can create additional local jobs.

During a state visit to Beijing in December 2014, Prime Minister Prayut Chan-o-cha and Premier Li Keqiang issued a joint press communique in which

the Thai government indicated its support for the Silk Road Economic Belt and Maritime Silk Road and for a leading role for China in promoting regional connectivity through infrastructure development, including the establishment of the Asian Infrastructure Investment Bank.

In recent years the role of mainland China has become significant in FDI flows. In 2018, mainland Chinese companies applied for 126 BOI investment projects for a value of US\$1.55 billion (THB 50.1 billion) making mainland China the third most important source of FDI. In the first half of 2019, mainland Chinese companies represented the second most important source of FDI projects with 81 BOI applications for a total value of US\$816 million (THB 24.3 billion). If we consider that several mainland Chinese companies invest through subsidiaries based in Hong Kong SAR, the role appears to be even more significant. In 2018, Hong Kong SAR investors applied for 42 BOI projects for a total value of US\$582 million (THB 18.8 billion), and in the first half of 2019, Hong Kong SAR companies applied for 32 BOI projects for an amount of US\$256 million (THB 7.6 billion). The growth in FDI flows has also increased trade flows between the two countries. The Chinese Ministry of Commerce estimates that in 2018, bilateral trade volume between mainland China and Thailand was US\$80.1 billion, up 8.7% compared to the previous year.

Current and Future Opportunities for Mainland Chinese FDI

China and Thailand do not have any historical or border issues, which is reflected in positive local sentiment among Thais towards Chinese investors. Generally speaking, Chinese companies have been able to invest successfully in the country without facing significant criticisms. However, some interviewees expressed concerns about mainland Chinese workers displacing local workers.

Thailand welcomes Chinese investment in all economic sectors, including some such as energy, telecommunications, artificial intelligence, the internet of things (IoT) and big data that are perceived as problematic in some other BRI countries. In the energy sector, Thailand has enthusiastically applied advanced Chinese technology in manufacturing photovoltaic panels for Chinese companies such as Trina Solar and Canadian Solar. Thailand also relies on Chinese

energy companies for the construction of solar power plants and the development of the national grid system.

Thailand's geographical position makes the country a critical part in one of the most important railway connectivity projects of the BRI: the Pan-Asia Railway Network. The Thai sections include the 450km Bangkok to Nong Khai line which has long been proposed by Thai railway planners and has now been integrated into the BRI. Mainland Chinese engineers have recently conducted a feasibility study. However, the contracts for the high-speed railway line between Bangkok and Nakhon Ratchasima are still being negotiated. The railway line will be part of a major railway infrastructure that connects the Chinese city of Kunming with Laos, Thailand, Singapore, and Malaysia.

The National Strategy Plan 2017-2036 includes a Thailand 4.0 policy. Thailand 4.0 aims to unlock the country's potential to create a developed economy with investments in five S-curve industries²: next-generation automotive, intelligent electronics, advanced agriculture and biotechnology, food processing and tourism. The policy also aims to increase the nation's competitiveness through technology innovation in five new S-curve industries: digital information processing, robotics and automation, aviation and logistics, biofuels and biochemicals, and medical services. Thailand 4.0 is designed to help the country to meet the United Nations Sustainable Development Goals.

Thailand 4.0 aims to increase investment in research and development to 4% of GDP. At the same time, the stated goal in 2017 was to increase that GDP from US\$7,274 per capita in 2018 to \$15,000 by 2032. A second objective of the policy is to create an inclusive society with fewer social disparities. The third objective is to improve the education system and Thai universities so that they become globally competitive over the next

20 years. The fourth objective is to protect the environment and enhance the quality of life in Thai cities by reducing carbon emissions.

The Thai government introduced a new "Smart Visa" in February 2018 to encourage highly-skilled professionals and talents to work or invest in the government-promoted S-curve industries. The Smart Visa is valid for up to 4 years and does not require a work permit.

The Eastern Economic Corridor

The development of the EEC initiated in 2018 aims to boost economic growth and further develop the provinces of Chachoengsao, Chonburi, and Rayong. The EEC Act enunciates a comprehensive, multilevel development plan to develop different economic sectors in the region in order to increase its international competitiveness. The EEC plan also redresses the economic imbalance between the Bangkok area and other areas of the country. The EEC includes the expansion of transport infrastructure (highways, railways, ports,

² S-curve refers to the sigmoidal curve that captures initially rapid growth of new industries followed by slowdown.



and airports), digital infrastructure and related new economic sectors, and the creation of smart cities and smart industrial parks. The industrial parks aim to create new jobs in the digital infrastructure, manufacturing and services sectors in the Thailand 4.0 framework. The intention is to bring new technology to the agriculture and tourism sectors.

The EEC offers many opportunities for Chinese and Hong Kong investors. The EEC Office and the Thai government have signed multiple memoranda of understanding (MOUs) with Chinese government departments and agencies to create a positive framework for private and state-owned investors in the EEC area. The Guangdong provincial government and Hong Kong government are also collaborating with the EEC Office in planning the Greater Bay Area project.

“ The signing of the MOUs has a symbolic significance to formalise the commitment of the parties to work together. In some cases, MOUs serve as an official moment of recognition of existing collaborations between Thai, Chinese, and third party investors; in other cases, MOUs anticipate new opportunities for mainland Chinese and Hong Kong SAR investors in the EEC. ” said a Thai official during an interview.

The MOUs help to create synergies and collaboration between the Greater Bay Area and the EEC in areas of common interest such as the digital economy, automation, research and development, and innovation.

The EEC could play a significant role in shaping the participation of actors and investors in the BRI framework. In May 2018 the EEC Office and the Chinese and Japanese embassies in Bangkok organised a seminar entitled “China-Japan Cooperation on the Eastern Economic Corridor of Thailand”. The seminar represented a first step towards the implementation of the “MOU on Japan-China Private Economic Cooperation in Third Countries” and the promotion of Japan-China private business activities to third countries.

The EEC area should be of particular interest for investors in the digital economy and other economic sectors relating to technology development because the EEC will serve as a regulatory sandbox.

“ The EEC Act gives legal authority to the EEC Office to override existing laws that are not updated to support the emerging nature of new economic sectors, creating the ideal framework for investors that are testing new products and services in the EEC area. ” said a Thai official who was interviewed.

Manufacturing

The Thai-Chinese Rayong Industrial Zone is being promoted as “a paradise for Chinese companies investing in Southeast Asia” in that it provides a somewhat familiar working environment as well as good infrastructure and tax incentives. Indeed, Chinese and other foreign investors can benefit from favourable tax treatment if they invest in special economic development zones in any of the following ten provinces: Tak, Mukdahan, Sa Kaeo, Trat, Songkhla, Chiang Rai, Nong Khai, Nakhon Phanom, Kanchanaburi, and Narathiwat. Investors in those zones also benefit from favourable regulation in the employment of foreign labour. The zones operate a one-stop service to help investors gain access to appropriate infrastructure, public utilities and (leased) property.

“ Investors who decide to establish their manufacturing plants in Thailand can enjoy access to raw materials particularly in the case of the rubber industry, but more importantly, can benefit from trained workers, and existing global value chains. ” said a manager of an industrial park.

The BOI provides incentives for manufacturers to apply advanced technology. Moreover, investors that hire highly-skilled labour in the areas of

science, technology or advanced engineering can record wages as deductible expenses . In some cases, the BOI may also approve skills training endorsed by the Ministry of Higher Education, Science, Research and Innovation as a deductible expense in order to promote the re-skilling and up-skilling of the workforce.³

Enhancing Physical Infrastructure

The Twenty-Year National Strategy Plan 2017-2036 and the EEC Plan create a framework for major infrastructure projects to improve local and regional connectivity. Railways and highways are a particular target, along with port expansion and the construction of a new international airport.

RAILWAYS

Thailand has an extensive railway network, but it needs revamping. Proposed upgrades include the construction of a 250km/h high-speed network of four main lines: Bangkok-Chiang Mai, Bangkok-Nong Khai, Bangkok-Rayong, and Bangkok-Padang Besar. The Bangkok-Nong Khai line is a section of the Pan Asia Railway Network that will link Kunming with ASEAN capitals, a paramount BRI connectivity project. The construction of this network is expected to greatly improve the transportation of both goods and people. However, some remain skeptical about the

³ Board of Investment No. 136/ 2562 (O.78) 9 September 2019 Thailand announces new promotion package to attract investment.



Eastern Economic Corridor Projects and Initiatives

Infrastructure

- 1 High Speed Rail Linking 3 Airports**
HSR Eastern Route | Aerotropolis: U-Tapao International Airport | Seamless Operation System
- 2 Double-track Rail Linking 3 Seaports**
Laem Chabang Port Phase 3 | Map Ta Phut Port Phase 3 Sattahip Commercial Port
- 3 Highways & Motorways**
- 4 Digital Infrastructure**

Targeted Industries

- | First S-Curve | Second S-Curve |
|-------------------------------|------------------------------|
| • Automobiles for the Future | • Robotics & Automations |
| • Smart Electronics | • Aviation & Logistics |
| • Agriculture & Biotechnology | • Bioenergy and Biochemicals |
| • Food for the Future | • Medical & Health Industry |
| • World Class Tourism | • Digital Industries |

Tourism

Technology & Innovation

- EEC of Innovation (EECi)
- Digital Park Thailand (EECd)

Human Resource Development & Education

network's potential for goods transport and say they prefer the existing shipping routes. Other specialists emphasise the new railways' potential positive effects on tourism and in enhancing people-to-people connectivity.

It is proposed that a double-tracked high-speed rail line will link Bangkok's Suvarnabhumi and Don Muang airports with the U-Tapao airport near Pattaya. A consortium led by the Thai conglomerate CP Group, China's Railway Construction Corporation, Japan's Bank for International Cooperation, China Development Bank, and Italian companies have signed a private-public partnership agreement worth US\$7.4 billion to build the line. The Chinese company will play a key role in providing technology and equipment.

PORTS

Laem Chabang is the largest port in Thailand. Hutchison Ports Thailand, a subsidiary of Hutchison Ports Group, manages the majority of the port and has recently invested heavily in expanding and upgrading its operational capacity. In 2016 Hutchison initiated the construction of Terminal D which upon completion will be capable of handling the largest vessels. It will have 17 quay cranes and 43 rubber-tyred gantry cranes that will use remote control technology. Hutchison claims that using remote control technology will not only increase the efficiency of the processing

and thus time in port, but also improve safety by reducing the risk of accidents.

Laem Chabang today is not operating at full capacity, but the EEC plan aims to expand its capacity from 7.7 million to 18.1 million containers per year by 2025, and the number of cars shipped from 2 million to 3 million per year. The authorities have started international tendering for companies to join private investment partnerships which will build the port's Phase 3 and maintain it for an expected period of 30 to 50 years.

The Map Ta Phut Industrial Deep Seaport is a petrochemical port located in the EEC area. Since 2016 the port has seen the shipment of 43 million tons per year, with gas and oil accounting for 57%, coal 18%, chemicals 16%, and other substances 9% of the shipments. Map Ta Phut Phase 3 will increase the capacity for natural gas and raw fluids shipments for the petrochemical industry. Upon completion, the seaport will be able to process 19 million additional tons of cargo per year (mostly petrochemicals and natural gas) within 20 years.

Sattahip is a commercial seaport, and its recent transformation has allowed it to accommodate world-class modern cruise ships. The new project for the expansion of the port is also expected to have a positive effect on the shipbuilding industry.

AIRPORT

U-Tapao airport is an existing international airport near Pattaya. Its expansion plan involves the construction of a third terminal building, as well as a commercial gateway, greater air cargo capacity, maintenance, repair and overhaul services, an aviation training centre, and a free trade zone.

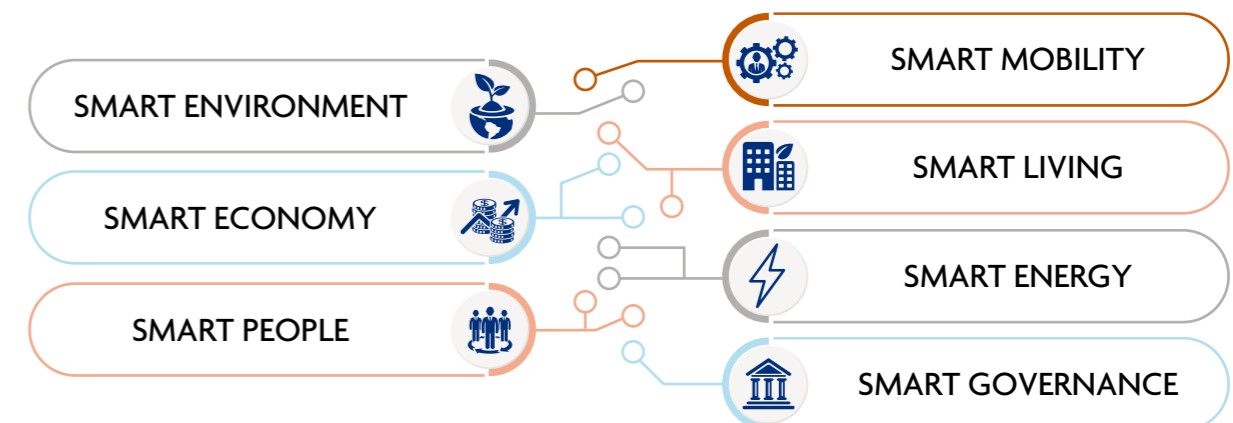
The Thai government has proposed international bids for selecting the companies that will implement the airport expansion. They will invest under private-public partnership agreements. The selection of the investors is currently under review by Thai authorities.

Meanwhile, the EEC Office has signed a memorandum of understanding with the Zhengzhou Airport Economy Zone to enable strategic cooperation between the two entities. The MOU envisions the establishment of new cargo routes that will link U-Tapao Airport to Zhengzhou Airport to better serve goods trade between Thailand and China.

Digital Infrastructure and Smart Cities

Thailand is relying on Huawei Technologies to develop its 5G network and enable digital connectivity nationwide. Huawei has already begun installing 5G service in pilot areas in the EEC and is expected to expand it to the rest of the country in the near future. The 5G network is seen as essential for the development of smart cities, smart industries, and the digitalisation of industrial processes.

In 2017 the Thai government established its Digital Economy Promotion Agency to promote innovation and the digitisation of industry. The agency oversees the implementation of the Thailand Smart City Master Plan and the creation of bodies that will oversee the development of smart cities in Thailand. The Smart City Master Plan aims to transform existing cities to become 'smarter' and more liveable, and also to build new smart cities. The development of smart cities has seven dimensions:





Issues for Mainland Chinese FDI in Thailand

Implementation of the very ambitious smart city development plan began this year. Currently in the pilot stage, it aims eventually to transform Phuket, Khon Kaen, Chiang Mai, Chon Buri, Rayong, Chachoengsao and even Bangkok into smart cities. The plan also contemplates the development of two new smart cities on government-owned land.

The plan aims to eventually develop more than 100 smart cities, with three smart cities receiving global recognition. The transformation of existing cities and the establishment of new cities will create opportunities for Chinese and other investors that can provide appropriate technologies such as CCTV analytics, traffic control systems, internet of things sensors for water management and air quality, smarter waste management, smart emergency ambulance control, etc. The plan is also an excellent opportunity for real estate developers to create new city areas. Investors in the smart city projects are promised tax exemptions for eight years if they propose projects that target all seven smart dimensions or five years in other cases.

The EEC will also host new smart industrial parks that will be especially attractive for investors in supported S-curve industries. Investors in those sectors will benefit from an exceptional regulatory environment the EEC Office proposes to create.

Among the big mainland Chinese companies benefiting from opportunities to invest in new economic sectors under the new regulatory framework are Alibaba which is establishing a new warehouse on an industrial estate in Chachoengsao. Alibaba subsidiaries Alipay, Alimama and Alibaba Cloud are also considering trying to profit from the new opportunities. The entrance of mainland Chinese investors in the e-commerce sector in Thailand has had a positive impact leading to the establishment of local logistics companies and greater interest from Western and other Chinese companies.

Mainland Chinese companies have benefited from Thai domestic policies and the many MOUs related to the BRI. They have been careful to comply with regulations, and there so far have not been many cases of environmental protests or corruption scandals that might jeopardise the reputation of mainland Chinese companies. On the other hand, the Thai government has also been careful in negotiating agreements for the construction of major infrastructure. While slow negotiations have delayed the implementation of major projects such as the Bangkok Nong Khai railway, the delay can be viewed as providing sufficient time for proper assessment of the financial sustainability of the project to minimize the financial risks. Careful assessment of the environmental impact of the projects also are beneficial for reducing risks and to create more opportunities for local businesses and workers.

There are no major barriers to mainland Chinese FDI in Thailand. Thai people are accustomed to dealing with mainland Chinese investors, but sometimes the language barrier hinders effective

and prompt business communication. The openness and welcoming environment is not only reflected in the traditional economic sectors but more importantly, in economic sectors that in many countries have restrictions such as high-tech, artificial intelligence, 5G, and the defence sector.

“ Thailand aims to be an open space for the development of the 5G sector without favouring any particular investor. ”

said a Thai official during an interview.

The Thai government is committed to maintaining an open investment environment in the telecommunications and tech sectors without favouritism or hostility towards particular investors. At the same time, the government takes the consensus about national security implications seriously. After an appropriate technical assessment, the Thai government decided that Huawei would be the first company to deploy 5G telecommunications in the country.

The Role of Hong Kong

Hong Kong can be an ideal partner for furthering Thailand's goals of upgrading its industrial structure to include more advanced industries and to promoting a more innovative, creative economy. Apart from its own technology leadership, Hong Kong will have close ties to the Greater Bay Area which will include many of mainland China's most innovative firms. Hong Kong's Chief Executive has made several visits to Thailand and Hong Kong's Trade and Development Council has led multiple trade missions to Thailand to support Hong Kong companies in finding profitable business opportunities there.

In November 2020 the Federation of Hong Kong Industries signed a Memorandum of Understanding with the EEC Office of Thailand to promote industrial investment by Hong Kong companies and business exchanges to share market intelligence. Hong Kong's Cyberport is working with Thailand's Ministry of Industry to help develop a start-up ecosystem in the country. A Hong Kong architecture firm which helped design a smart city in The Philippines is now helping develop a master plan for a carbon-positive smart city in Thailand's EEC. All of these initiatives support the Thai government's strategic development goals.

Investment Climate and Free Trade Agreements

Thailand's 21st position in the World Bank's Doing Business Index (up from the 27th in 2019) suggests that Thailand has an attractive business environment. Numerous reforms are supporting the development of different economic sectors. The Thai authorities are also attracting foreign investors through tax breaks and other incentives. The one-stop service centres are streamlining administrative procedures within the industrial parks and special economic zones.

The Thailand Arbitration Center commenced operations in 2015. It provides arbitration and mediation services for international disputes. Foreign companies operating in Thailand have found arbitration preferable in solving disputes with their local business partners.

Thailand is a member of ASEAN, and in this way benefits from the treaties negotiated between the ASEAN and other countries and regions. Within the ASEAN framework, Thailand signed a free trade agreement with China in 2009 which includes a chapter on the protection of investments. In 2018 ASEAN member states signed a free trade agreement with Hong Kong which

entered into force in 2019. The two treaties grant full treaty protections to Chinese and Hong Kong investors and provide for preferential tariffs. Thailand also has free trade agreements with South Korea, Australia, New Zealand, and Japan. Currently, Thailand is among the 15 countries that signed the Regional Comprehensive Economic Partnership (RCEP) agreement in November 2020.

Thailand has not, however, joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and does not have a free trade agreement with the European Union. Thailand and the EU initiated the negotiations for one in 2013, but once the military government took control in 2014 the negotiations stalled. They have now resumed, and the current Thai government is also considering joining the CPTPP.

The lack of an FTA with the EU and with CPTPP countries is affecting Thailand's ability to take full advantage of the opportunities arising from the US-China trade conflict and to exploit its skilled labour, good infrastructure, and sophisticated development planning in international trade.



Special Section on COVID-19



Thailand was the first country outside China to report a case of COVID-19, on 13 January 2020. The Thai government imposed stringent measures to curb the spread of the virus. When cases spiked upward in mid-March, the government responded by imposing a lockdown starting on 26 March. Daily new cases declined to below

10 by early May, and the government began easing lockdown measures. One million health volunteers contributed to establishing a highly effective contact tracing system which has so far enabled Thailand to avoid a large resurgence of cases. By mid-October the number of total cases remained below 4,000 with 59 total deaths.

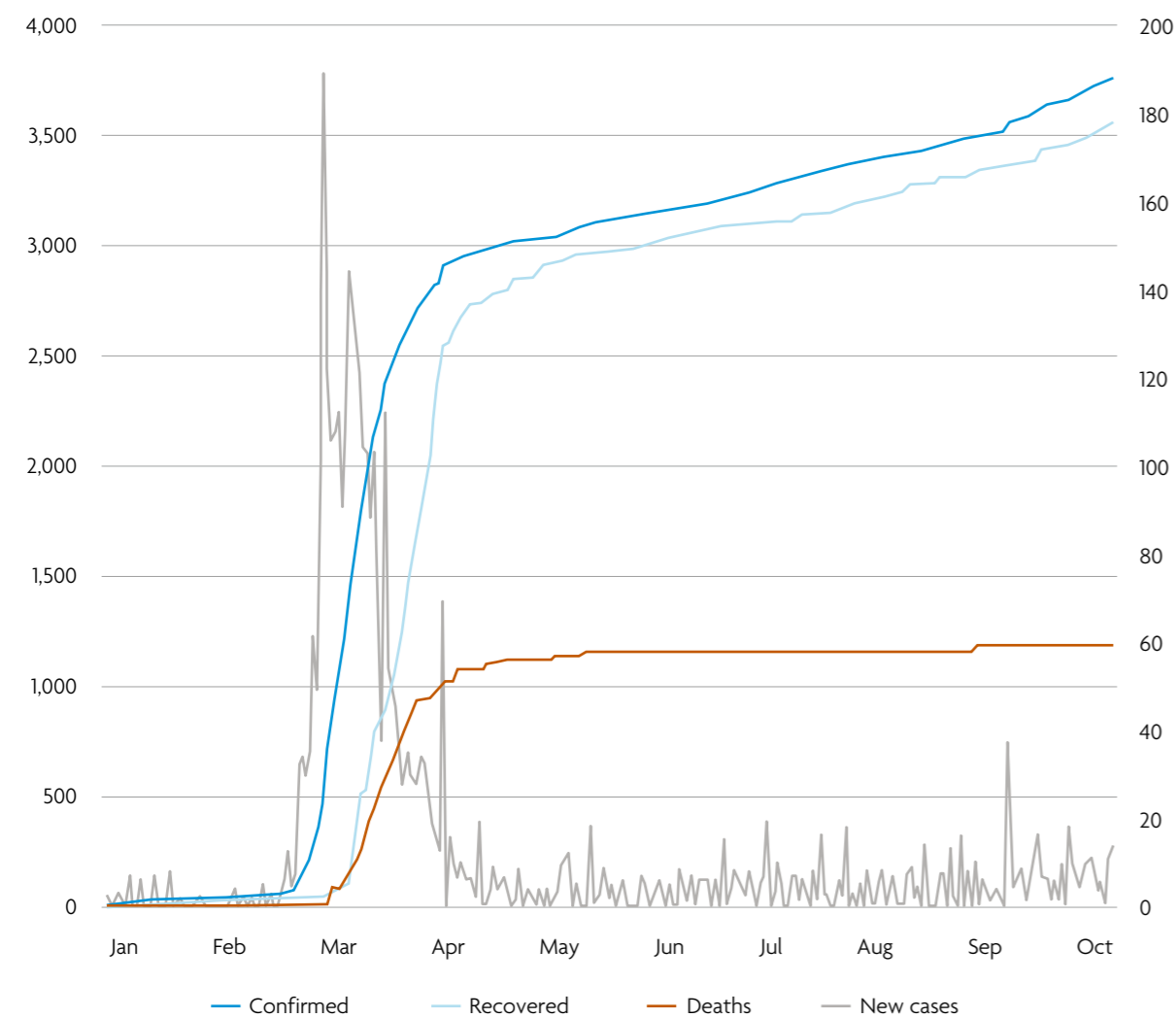


Figure 4. Thailand COVID-19 Cases

Despite being a model country in terms of controlling the COVID-19 outbreak, the economy was hit hard by the crisis, mainly because it is so dependent on exports and tourism, both of which were severely affected. Exports declined by 7% in the first half of 2020 compared to 2019 as international demand for machinery, electronics, autos and auto parts, rubber products, and petroleum products fell significantly. Tourist visits fell by 66% during the same period. These negative shocks led to a spike in unemployment and reduced incomes for many families. Overall, the Asian Development Bank has projected that GDP will fall by 8.0% in 2020, compared with growth of 2.4% in 2019. This is the largest projected economic contraction in all of ASEAN. GDP is expected to grow by 4.5% in 2021. Experts working in Thailand expect that it will take 2 to 3 years for the economy to fully recover.

The government has created three stimulus packages to assist households and businesses coping with the crisis. Funding for the three packages amounted to 12% of GDP. The first phase allocated US\$3.2 billion on 4 March, 2020; the second phase allocated US\$3.56 billion on 24 March; the third stage allocated US\$58 billion on 7 April. Financing for some of the COVID-19 response was provided by the Asian Infrastructure Investment Bank. The stimulus measures provided cash transfers to vulnerable households with

informal workers, the elderly, farmers, and young children as well as soft loans and tax relief to small- and medium-sized enterprises. The programmes reached a large share of the population and undoubtedly helped reduce the human costs of the crisis. Funds also supported economic and social rehabilitation through projects aimed at creating jobs, strengthening communities, and building community infrastructure. The Central Bank reduced the policy interest rate from 0.75% to 0.5%, the lowest rate ever, which provided greater liquidity for businesses trying to recover from the crisis.

The impact of the pandemic on the progress of large infrastructure projects that are part of the Belt and Road Initiative, such as those in the Eastern Economic Corridor remains uncertain. Construction was disrupted by the lockdown measures as well as travel restrictions which cut off the flow of migrant workers from Myanmar and Cambodia. The government's increased budget expenditures have prioritised health care and COVID-19 assistance programmes. However, sound macroeconomic management has enabled the government to finance these expenditures by increasing public debt, and many BRI infrastructure projects enjoy external financing arrangements. Many government departments are preoccupied with dealing with the pandemic. Overall, it is likely that large infrastructure projects

under the BRI may be delayed by at least three to six months. For example, the EEC high-speed rail line for which China Railway Construction Company is expected to be the main contractor will probably be delayed because the epidemic has slowed land acquisition. Progress on the

Sino-Thai high-speed rail remains slow, although the part which connects Yunnan with Laos has resumed construction and should be operational in 2021. Foreign direct investment projects may also be affected by travel restrictions and hardships endured by local partners during the

pandemic. Although the pandemic may delay BRI infrastructure and investment projects, these are likely to be temporary setbacks as the Thai and Chinese governments remain committed to completing the projects.

The pandemic has provided opportunities for the two governments to work together. The Chinese government donated personal protective equipment to Thailand and provided assistance to Chinese citizens stranded there during the lockdown.



About UOB

United Overseas Bank (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world's top banks: Aa1 by Moody's Investors Service and AA- by both S&P Global Ratings and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

About the Authors and HKUST IEMS

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HKUST Institute for Emerging Market Studies (IEMS) provides thought leadership on issues facing businesses and policymakers in emerging markets. Building on the research strengths of the faculty at the Hong Kong University of Science and Technology, the Institute focuses its research and activities on the themes of human capital, employment, and structural change; innovation and entrepreneurship; global economic integration; financial development; strategy, firms, and markets; and organisational and consumer behaviour. Find out more at <http://iems.ust.hk>

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