
สงครามการค้าสหรัฐ-จีน และ ผลกระทบต่อไทย

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เกาพิจิตร

13 ส.ค. 2562

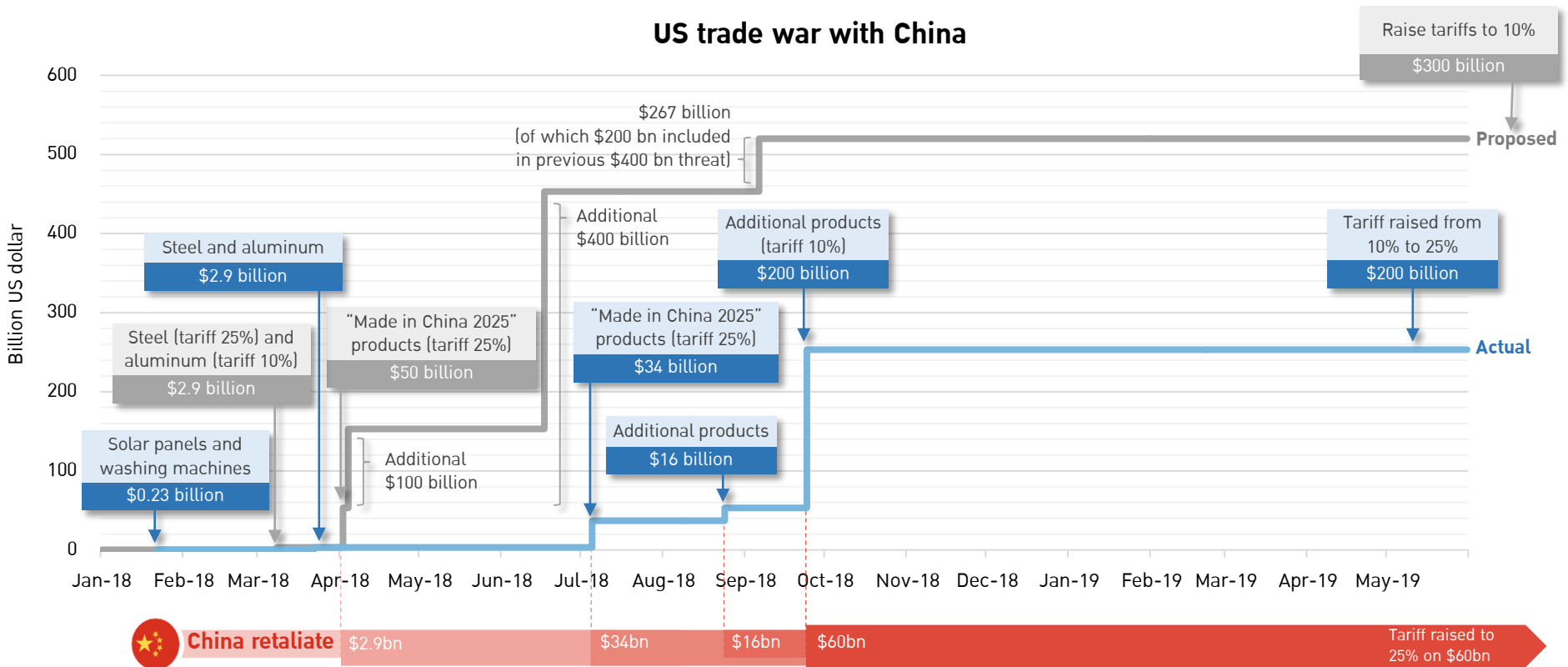
หนึ่งปีที่ผ่านมา

1. สงครามการค้า
2. สงครามเทคโนโลยี
3. สงครามค่าเงิน

ภาชีนำเข้าของสหรัฐและจีนพุ่งขึ้น

- US raised tariffs & expanded product list to keep pressure on China especially on intellectual property, forced technology transfers, non-tariff barriers, agriculture, services, purchases, and enforcement.
- China retaliated by a lesser degree and focused its tariffs on US agricultural products e.g. soy beans

US trade war with China



สงครามการค้าแพร์ขยาย(1)

ISSUE: Unfair trade practices, IP

UPDATE: US Trade war with China escalated

- US has finally increased the 10% tariff on \$200bil of imports from China to 25% on May 10, 2019, and threat to raise 25% tariff on another \$300bil, China retaliate by increase tariff rate (5-25%) on some of \$60bil on US products, effective on June 1, 2019

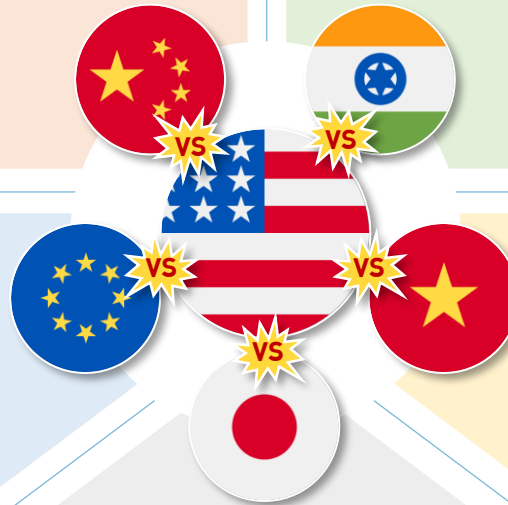
After meeting in G-20 summit, US-China is again on truce with no deadline

- US hold off proposed tariff imposition on \$325bil on Chinese imports.

ISSUE: Inequitable market access to India's market

UPDATE:

- US imposed tariffs on steel & aluminum worldwide, including from India.
- Due to failure to provide US with equitable and reasonable access to India's market, US terminated GSP for India, effective June 5, 2019 (which allow duty free worth of \$5.6 billion of nearly 2,000 Indian exports, which includes auto components and textiles)
 - India raised tariffs up to 120% for 28 US products including almonds, apples and walnuts, effective June 17, 2019.



ISSUE: Aircraft subsidies dispute

UPDATE: Both have threatened to impose billions of dollars of tit-for-tat tariffs.

- US released a list of EU products worth \$25billion could be hit with up to 100% tariffs. Products include cheeses, olive oil, whiskey, wines. Public hearing will be held in August
- EU has also prepared a retaliatory tariffs on US products worth \$22.6billion

ISSUE: Tariff evasion on steel products through Vietnam

- UPDATE:
- US has claimed some steel products produced in South Korea and Taiwan were shipped to Vietnam for minor processing before exporting to US to evade high levies
 - US will impose 456% duties for certain steel imports from Vietnam. No effective date yet.

ISSUE: Unfair trade balances with nearly 2/3 from auto exports.

UPDATE:

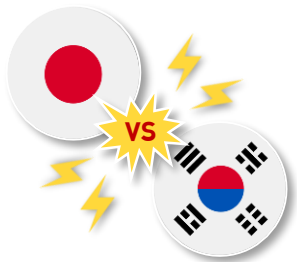
- US and Japan are working on trade deal involving Japan offering access to its agriculture market in exchange for the US not raising tariffs on Japanese auto parts.
- Expect some deal in September 2019 when they meet in New York



AUTOMOBILE & PARTS

ISSUE: Inequitable market access of automobile and parts

- May 23, 2018, Commerce Department announced the initiation of an investigation to determine the effect to national security or imports of automobile, including cars, SUVs, vans and light trucks – and automotive parts, using section 232,
- Feb 17, 2019. Commerce Department submits National Security Report to White House
- Auto tariff would target Japan, EU and South Korea
- Trump delay auto tariff decision. USTR has until November 13 to negotiate agreements with EU, Japan or other partners or else impose auto tariff



JAPAN-KOREA TRADE DISPUTE

ISSUE: Political dispute between Japan & Korea regarding compensation to individual Korean victims of forced labor during World War II

UPDATE:

- On 1 July, Japan imposed export quotas and required approval processes (which could take up to 90 days) of 3 materials to South Korea – hydrogen fluoride gas, fluorinated polyimide, and photoresist – which are used for making semiconductors, display screens and smartphone chipset.
- Japan accounts for 70%-90% of the production of the 3 materials, making it difficult for South Korea to find alternative sources of supply. With limited stocks, this would affect smartphones, televisions, tablets, and other production in near term and may cause their prices to rise.
- No clear countermeasure from South Korea officials but social media has called for boycott over Japan products such as cars, beer and cosmetics.

สงครามการค้าขยายสู่สงครามเทคโนโลยี

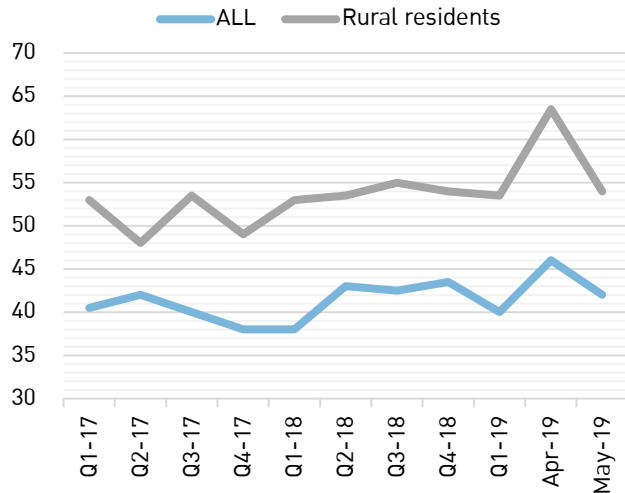


- Tech war is another tool that the US has started using to halt China's technological developments and growth which threatens the US's global power.
 - In May 2019, Trump signed an executive order to let the Treasury Department name Huawei as a national security threat. This required US companies to receive approval before doing business with Huawei.
 - During the G20 meeting, Trump announced that US companies can resume sales to Huawei as long as the products involved did not threaten national security. But the decision to take Huawei off the entity list will be decided later.
- China has started separation and retaliation
 - Huawei's mobile chief, Richard Yu Chengdong, was quoted as saying the new OS could be ready in the coming year, which will put an end to the dependency of Android OS. Also, some of China's largest hi-tech companies, including Huawei Technologies and Tencent Holdings, have teamed up to accelerate initiatives related to the industrial internet.
 - China is considering strengthening controls on its rare earth exports, including to the US; China produces 70.6% of the world's rare earth production which are used in production of consumer electronics, oil refining, medicine and military equipment.



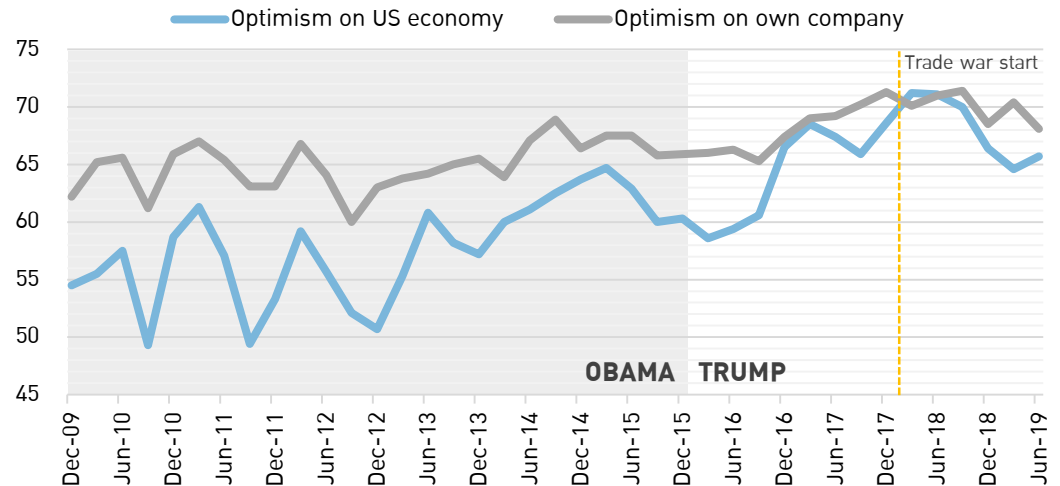
- Trade tensions will not end easily even after 2020 US election because
 - Trade war has boosted Trump’s popularity – Middle class, small business, and farmers are happy and optimistic about the economy through lower unemployment, rising wages, and low gas prices
 - Major president candidates for 2020 election, Joe Biden, Elizabeth Warren, and Bernie Sanders, also see China as a threat

Trump’s popularity among rural residents



Source: Gallup, calculation by Bloomberg

Survey on us firms’ opinion on US economy



Source: Duke CFO Global Business Outlook

สหรัฐอเมริกาเป็นคู่แข่งสำคัญ

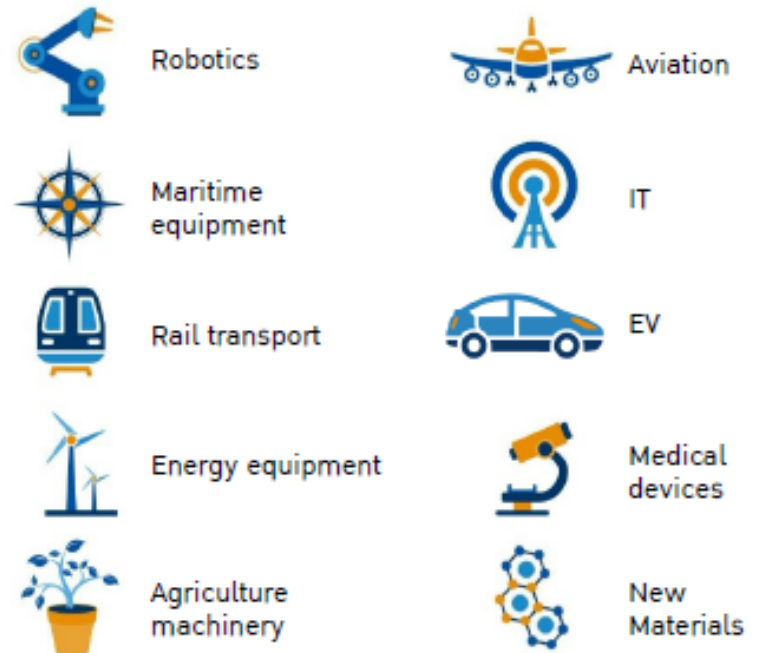
- As the US is withdrawing itself from the global affairs and alienating its allies, China is extending its influence through the Belt and Road Initiative.
- China also implements the “Made in China 2025” policy to be a leader in strategic industries.

Belt and Road Initiative



Source: Picture from HKTDC

Made in China 2025



จีนสามารถใช้มาตรการที่ไม่ใช่ภาษีกับสหรัฐ



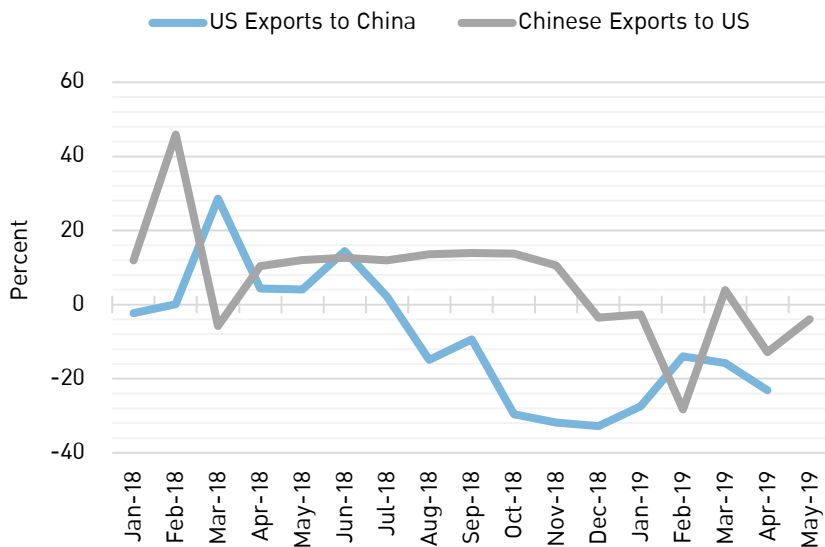
ผลกระทบ

1. การค้าและการท่องเที่ยว
2. ภาคอสังหาริมทรัพย์
3. การลงทุน
4. ราคาสินค้าโภคภัณฑ์
5. อัตราแลกเปลี่ยน

ทั้งสหรัฐและจีนได้รับผลกระทบ

- US exports to China has dropped right after Chinese retaliation in the last July, while China exports to US has dropped 4 months later
 - Chinese tariffs targeted on US agricultural products which can be easily sourced from other countries, while US tariffs targeted at industrial goods for special use cannot be easily substituted.

US's and China's export growths (YoY)



Source: Trade Map with TDRI calculation

Top 5 exports products with most decline

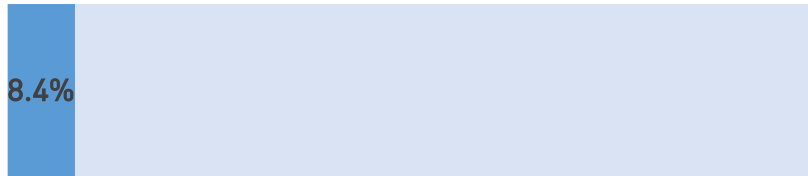
US TO CHINA	CHINA TO US
1. Soybeans	1. Toys
2. Petroleum	2. Aluminum plate
3. Motor vehicles	3. Motor vehicle
4. Grain sorghum	4. Solar cells
5. Aluminum scrap	5. Computer parts

สหรัฐและจีนพึ่งพาซึ่งกันและกัน



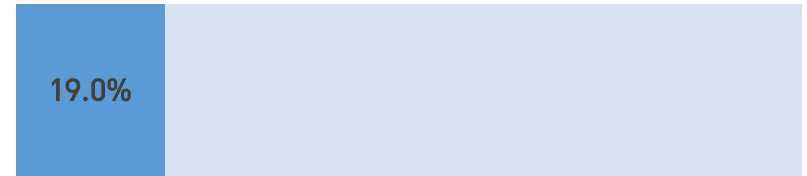
US

US **Exports** to China (~US\$150 billion)
in Total US Exports

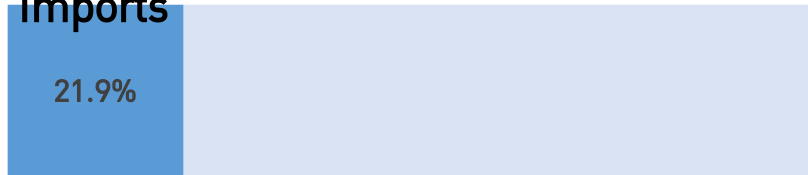


CHINA

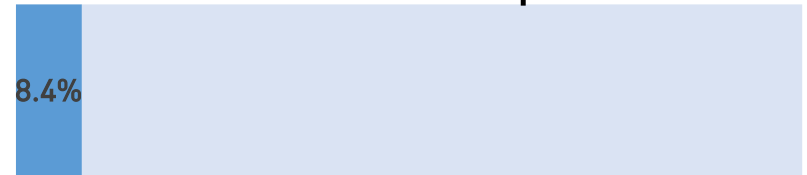
China's **Exports** to US (!US\$550 billion)
in Total Chinese Exports



US **Imports** from China in Total US
Imports

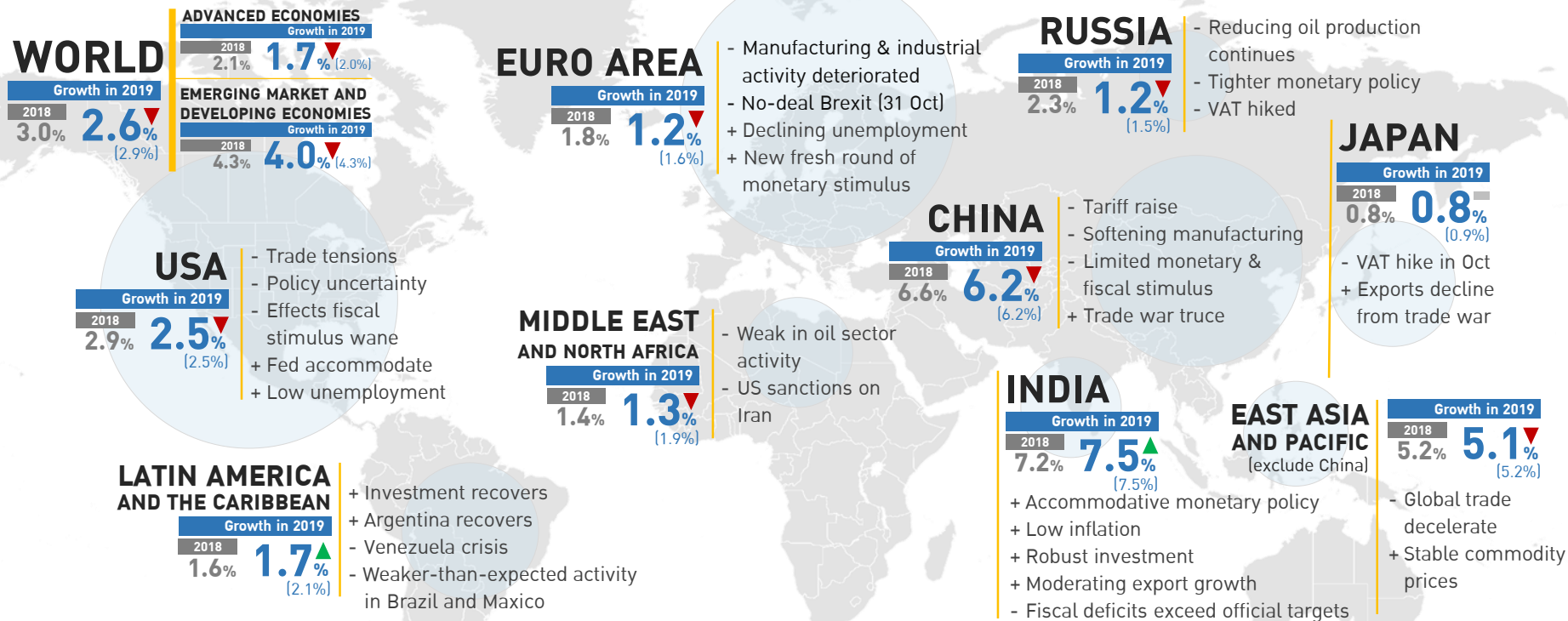


China's **Imports** from US in
total Chinese Imports



การขยายตัวของเศรษฐกิจโลกลดลง

- Global economic growth forecasts have been revised downwards from the beginning of the year in almost all regions by around 0.3-0.4 percentage point, reflecting weaker-than-expected growths of international trade and investment.
- As a result, global growth this year will be lower than those of last year's with those of large economies (US, China, and EU) slowing down.



Note: ▲▼ shows increase/decrease compared to 2018; Number in bracket is forecast in January 2018; Size of circle is the size of economy sign +/- shows positive/negative factors for growth in 2019

สงครามการค้ากระทบการส่งออกไทย

- Thai exports have contracted by 2.9% in 2019H1.
- Since 2018Q3 when the US-China trade war began, Thai exports to China has fallen as the Chinese economy slows down and the Yuan depreciates
- Contracting exports to EU and ASEAN are to a large extent from the slow down in these economies which have been directly (in the case of EU) & indirectly (in the case of ASEAN) affected by the trade war.





Thai export growth by destination

Destination	%YoY Growth									%Share 2019YTD	
	Q3-18	Q4-18	Q1-19	Q2-19	Apr-19	May-19	Jun-19*	2017	2018		2019YTD
Japan	8.6	8.2	-1.8	-2.3	0.0	-4.4	-1.9	7.7	13.0	-2.0	10.0
EU 28	3.1	-3.3	-6.0	-6.2	-3.7	-7.4	-7.3	8.0	5.2	-6.1	9.8
ASEAN	21.8	9.6	-4.5	-5.9	0.5	-11.1	-5.9	8.9	14.9	-5.2	25.5
ASEAN-5	20.2	9.3	-7.8	-8.7	-6.3	-15.7	-3.5	6.1	13.6	-8.2	14.3
CLMV	24.1	9.9	0.0	-2.0	9.8	-4.7	-9.3	12.9	16.7	-1.0	11.2
USA	0.1	6.8	32.1	3.3	4.7	7.6	-2.1	8.5	5.5	17.4	13.0
Middle East	1.2	-6.6	-0.3	-6.1	-4.8	-1.1	-11.9	-5.0	-0.1	-3.1	3.4
Australia	-5.7	-6.5	-12.3	-9.5	-2.9	-20.5	-1.9	1.9	2.6	-10.9	4.0
China	-2.3	-4.8	-10.4	-9.1	-5.3	-7.3	-14.9	24.0	2.7	-9.7	11.2
Total exports	3.0	2.0	-2.1	-3.8	-2.8	-6.2	-2.1	9.9	6.9	-2.9	100.0





Source: Bank of Thailand and CEIC with TDRI calculation





Note: *Primary data





− SUPPLY CHAIN DISRUPTION (4.2% of total export value)

-   US: Computers (-31%), Electronic and optical equipment (-15%)
-   China: Woods (-35%), Computers (-23%), Electronic and optical equipment (-14%), Rubbers and Plastics (-12%)

+ TRADE DIVERSION (8.5% of total export value)




-   Airplanes and parts (+291%), Air conditioning and freezer (+63%), Compressors (+29%), Motor vehicles & parts (+28%), TV & parts (+20%)
-   Radial tires (+20%), Chemical products (+9%), Printed circuit boards (+4%), Tunas (+3%)

-   Dried-frozen fruits and nuts (+133%), Milled rice and flours (+22%)
-   Petrochemical and plastics (+13%), Computer and electrical parts (+2%), Machine and other transportation parts (+2%),
 - Opportunity Cassava (ethanol) + (China's plan to expand the production and use of ethanol in gasoline (E10) nationwide by 2020)

-   Motor vehicles (+9.4%), Motorcycles (+28.9%), Electrical apparatus (telephonic) (+24.8%)
-   Milled rice (+12.0%), Jewelry (+1.5%)

Source: Trade map with TDRI calculation

Note: Data from July 2018-May 2019 (2018/19); Number in bracket are export growth:

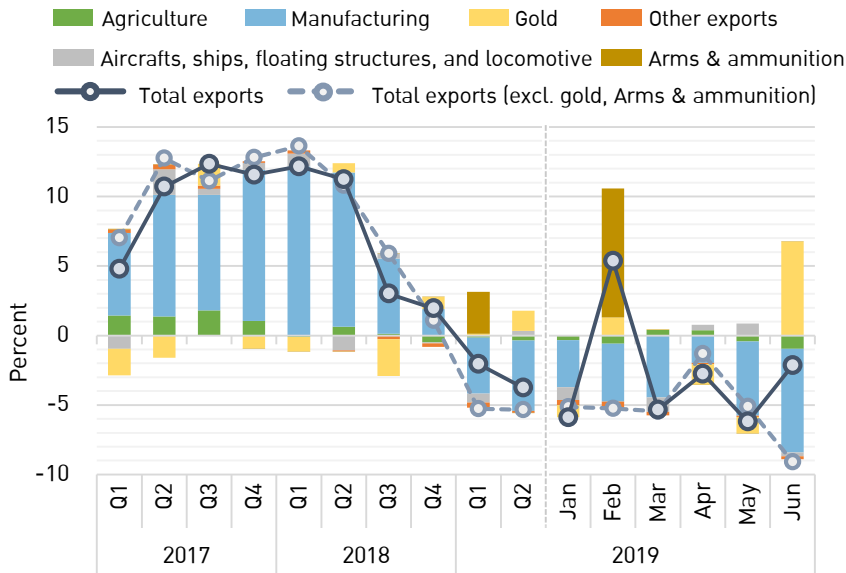
 positive growth & higher than in 2017/18  positive growth but lower than 2017/18  negative growth from 2017/18

การส่งออกและการท่องเที่ยวจะชะลอในปีนี้

- In 2019H1, exports in USD terms declined year-on-year (yoy) by 2.9%
 - Exports have declined yoy since January; in June, excluding gold, arms & ammunition, exports fell by 9.1% yoy.
- In the second half the year, exports may register a small growth given that the base in 2018H2 is much lower than in 2018H1.

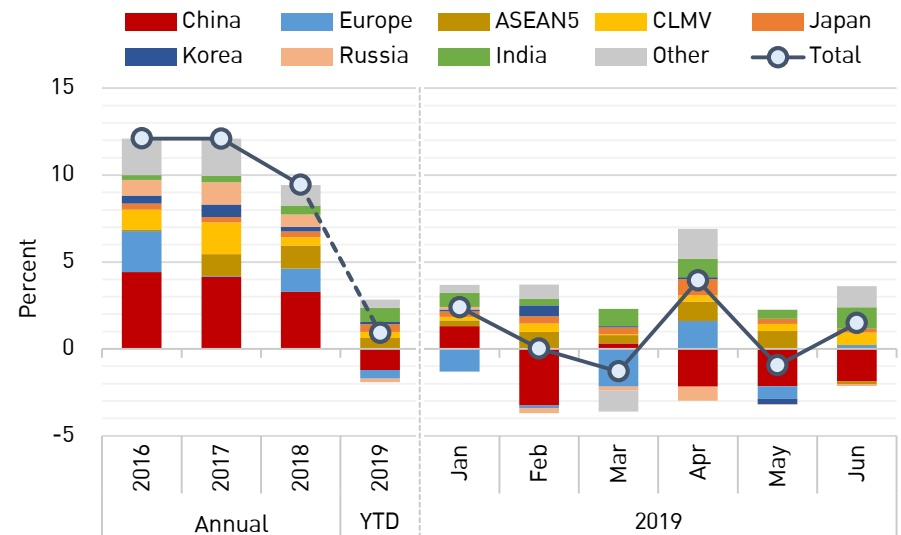
- Tourism receipts in 2019H1 grew by a mere 0.9% yoy supported by tourists from India and ASEAN, while Chinese tourists continued to decline yoy since April as the Chinese economy slows down and yuan depreciates against the baht
- In 2019H2, tourism receipts growth yoy could be slightly higher than in H1 as the base in 2018H2 is lower than that in 2018H1 from the Phuket boat accident incident.

Growth of Thai Export Value (US\$)



Source: Bank of Thailand, MOC with TDRI calculation

Contribution to growth of tourism receipts

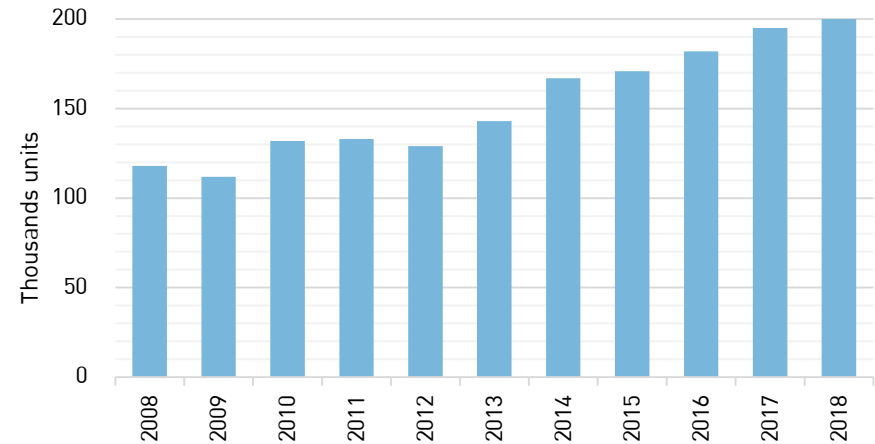


Source: Ministry of Tourism and Sports

ภาคอสังหาริมทรัพย์ได้รับผลกระทบ

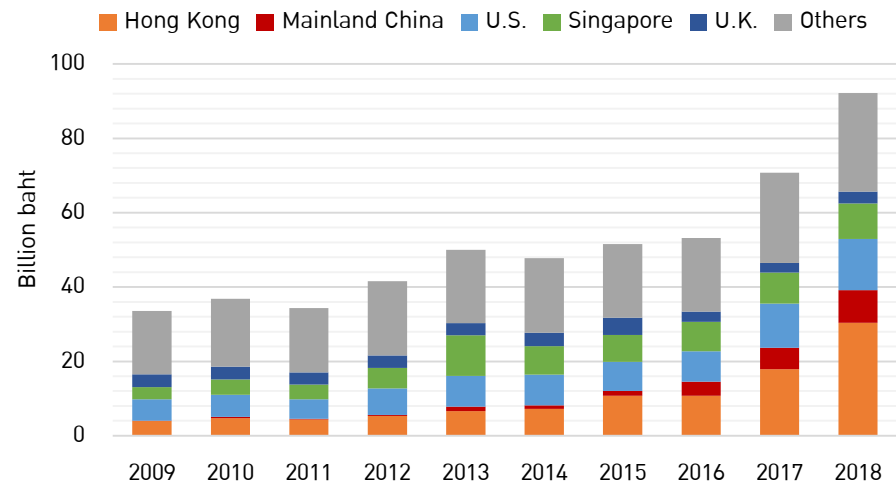
- Residential real estate sector continues to be negatively affected by
 - oversupply of residential property sector
 - lower demand from Chinese, particularly in the condominiums (44% of foreign condominium purchase value)
 - Bank of Thailand's stricter loan-to value (LTV) requirements (affects around 10% of loan contracts)
- Property sector may be marginally supported by
 - announced upcoming new measures to reduce property transfer fees and tax deductibles
 - social welfare measures
- Thailand Real Estate Information Center (REIC) forecasts that
 - residential property transfer rate in 2019 will drop 15% in value and 18% yoy in number of units
 - new projects launched this year will decline by 5.3% yoy because developers are expected to focus on clearing unsold inventory

Unsold residential property units



Source: EIC

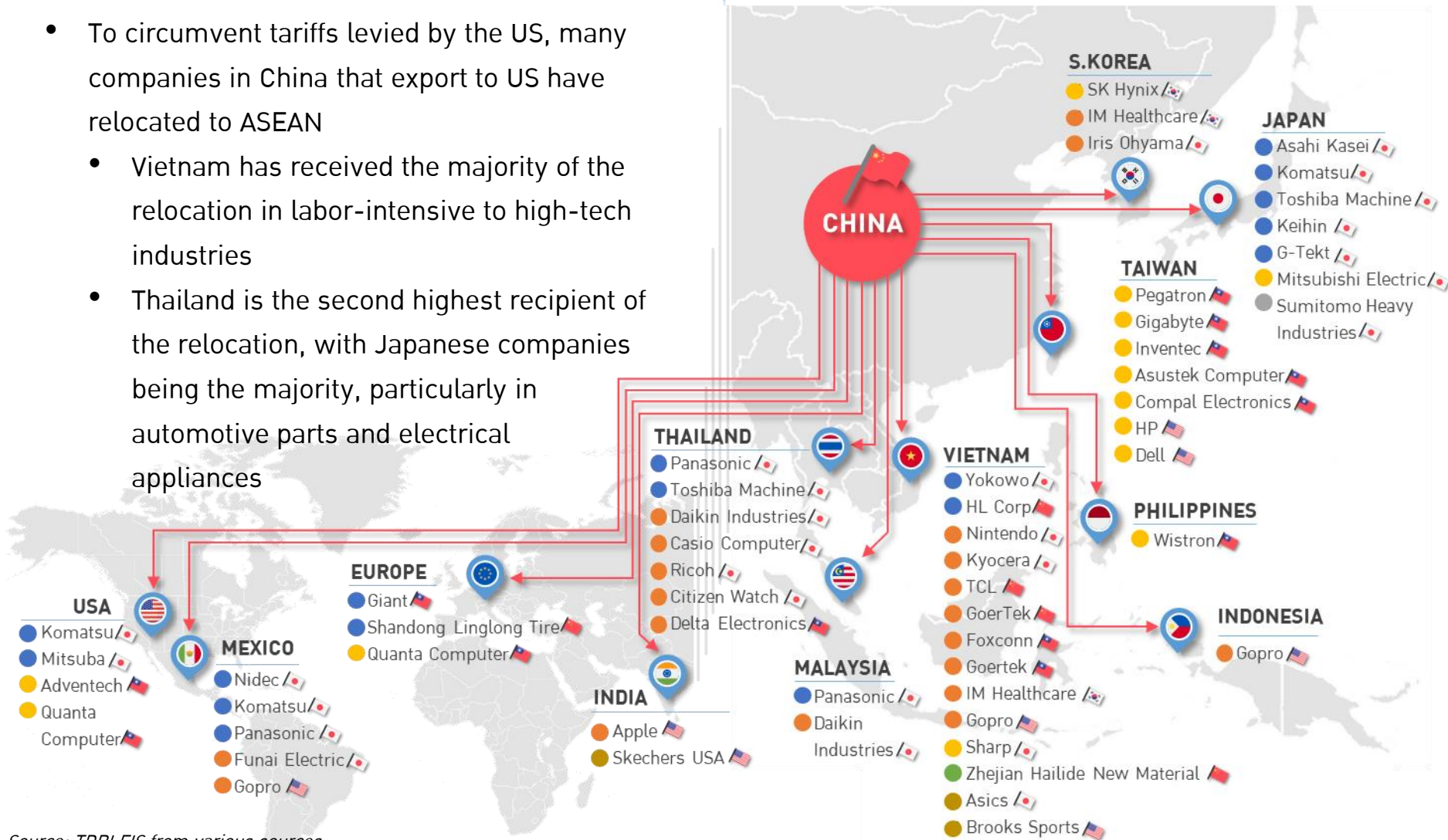
Foreign purchase of Thai condominiums



Source: Bank of Thailand (2019)

บริษัทจากจีนได้ย้ายมาสู่ประเทศไทย

- To circumvent tariffs levied by the US, many companies in China that export to US have relocated to ASEAN
- Vietnam has received the majority of the relocation in labor-intensive to high-tech industries
- Thailand is the second highest recipient of the relocation, with Japanese companies being the majority, particularly in automotive parts and electrical appliances



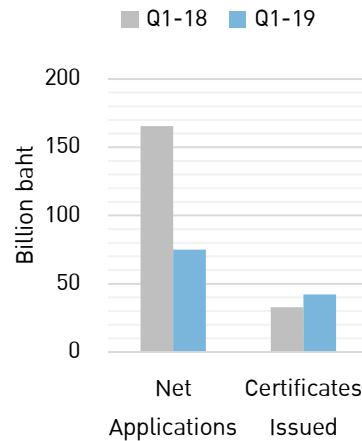
Source: TDRI EIS from various sources

Note: 🇺🇸 Automotive & Parts 🇺🇸 Computer & Parts 🇺🇸 Electrical Appliances 🇺🇸 Petro-chemical Products 🇺🇸 Footwear 🇺🇸 Machinery
 🇺🇸 🇺🇸 🇺🇸 🇺🇸 are Japanese, American, South Korean, Chinese and Taiwanese companies, respectively

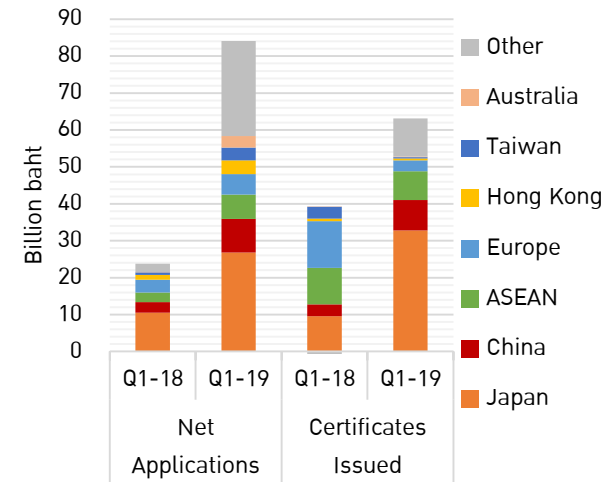
การลงทุนจากต่างประเทศมีแนวโน้มเพิ่มขึ้น

- BOI Certificates issued for foreign investments have increased for Japanese, Europeans, American & Chinese investments.
- A third of the BOI certificates issued are for the Eastern Economic Corridor (EEC), particularly in Rayong

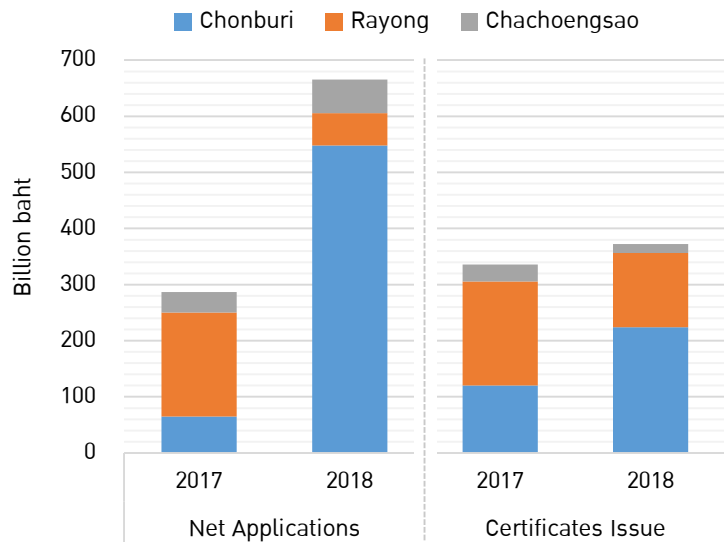
Investment in EEC under BOI (Q1)



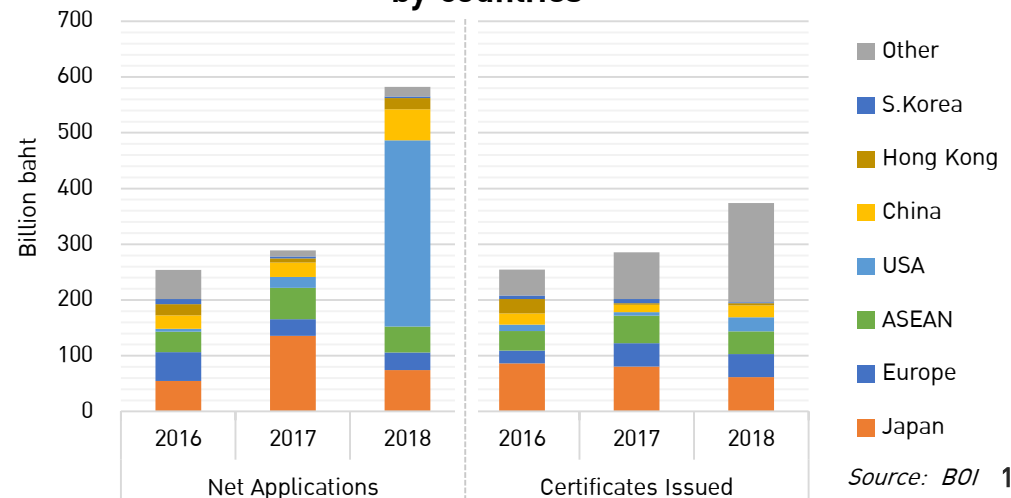
FDI value under BOI (Q1)



Investment value in EEC of BOI applications & certificates

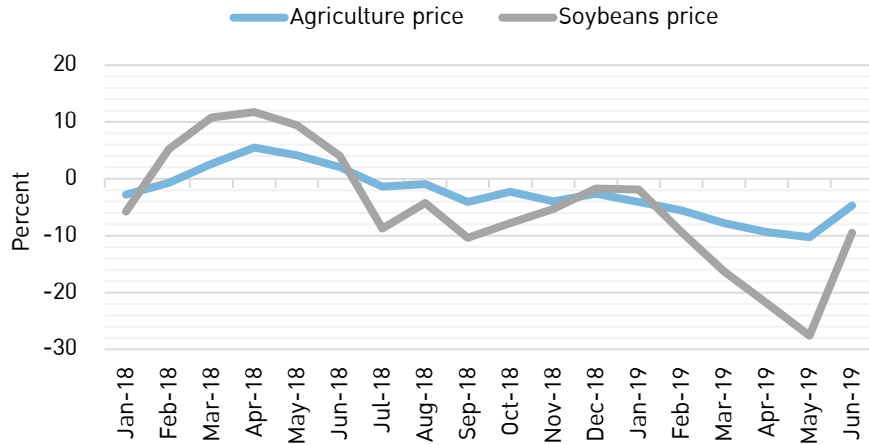


FDI value of BOI application and certificates by countries



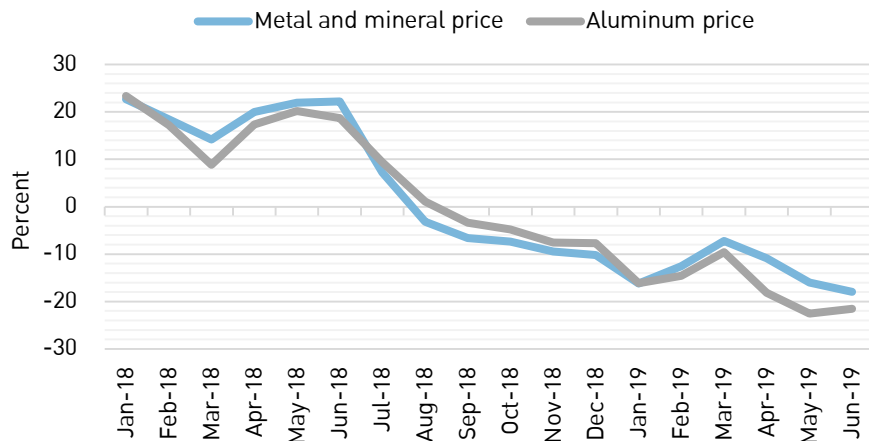
ราคาสินค้าโภคภัณฑ์บางตัวลดลง

Growth of Agriculture price (YoY)

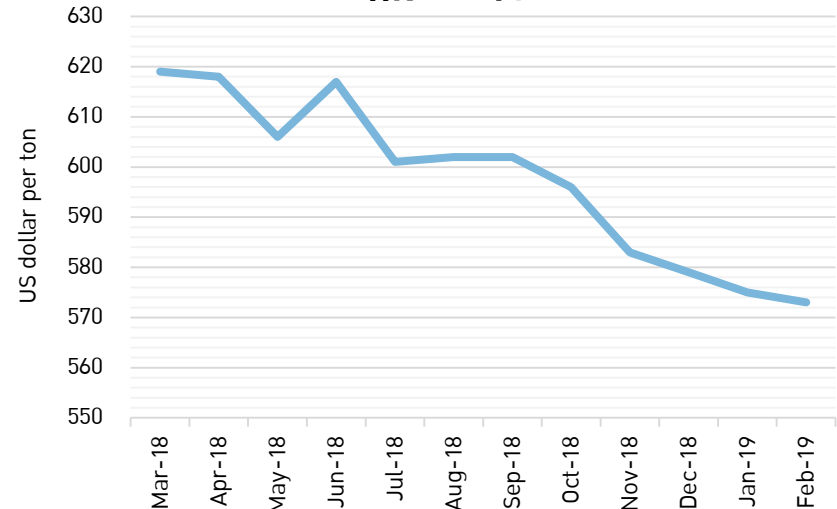


- Prices of commodities such as soy bean, steel and aluminum have declined since import tariffs have been imposed on them by the US and China, partly resulting in excess supply in the world market.
- These have benefited Thai produces as Thailand is a net importer of these commodities: soybean imports for animal feed and cooking oil and aluminum & steel for construction

Growth of Metal & Aluminum price (YoY)



HR Coil Price



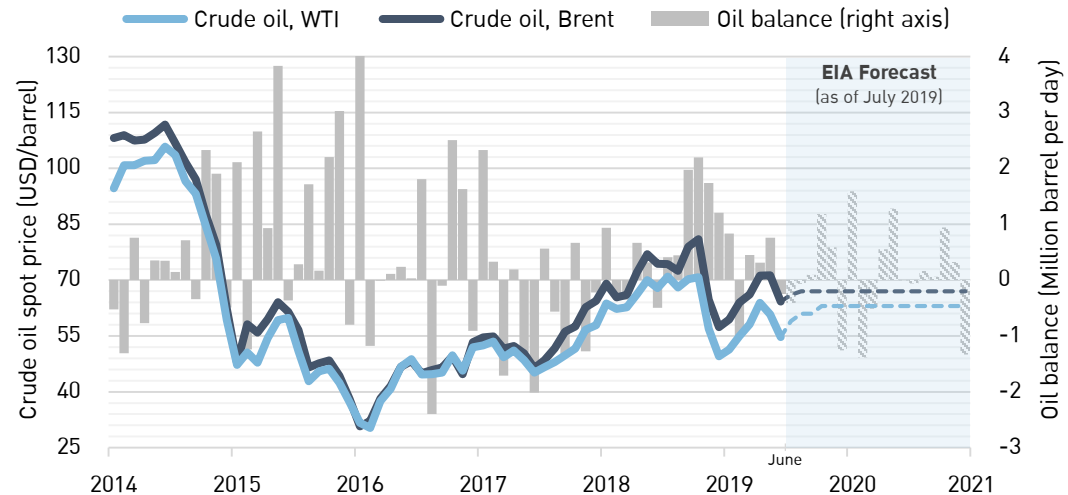
Source: World Bank Commodity

Source: World Steel Prices

ราคาน้ำมันลดลงจากปีที่แล้ว

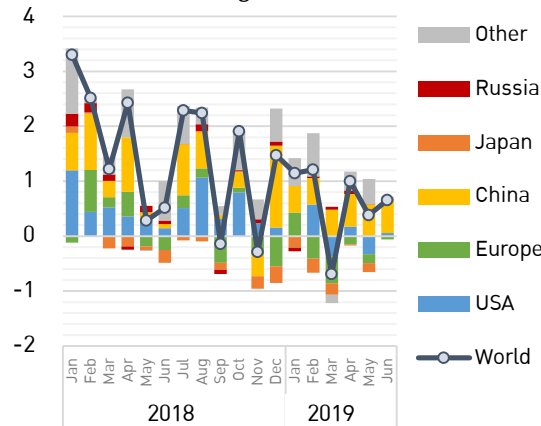
- In June 2019, Brent spot price decreased 10% from May 2019 (-14%yoy) as weakening oil demand, combined with high oil inventory in US
- Brent spot prices forecast to average US\$66/b in 2019 (-6.5% from 2018)
 - (+) OPEC and several non-OPEC producers extended oil production cuts agreement through Mar 2020
 - (+) Crude oil production continued to decline in Iran and Venezuela
 - (+) Conflict in Middle East: US sanction on Iranian exports, Oil tankers attacked
 - (-) Slowing global oil demand growth due to economic slowdown in many oil consuming countries
 - (-) Global oil inventories will remain high until 2020

Global crude oil spot prices & Oil balance

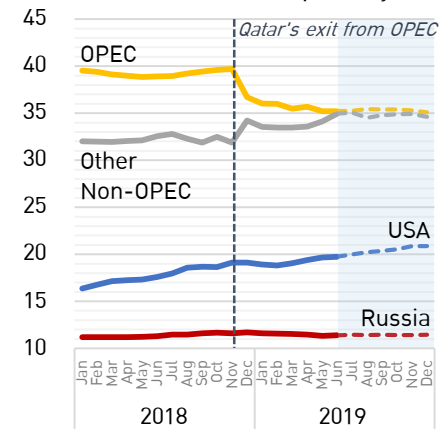


Note: Oil balance = Production - Consumption

Global oil consumption
(%YOY growth)



Global oil Supply
(Million barrels per day)



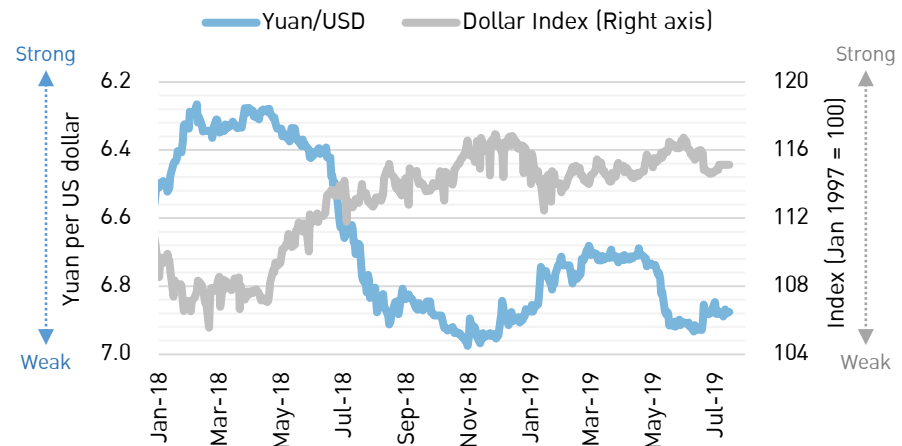
Source: EIA

Note: Global oil includes crude oil, petroleum and other liquids production

สงครามการค้าอาจนำไปสู่สงครามอัตราแลกเปลี่ยน

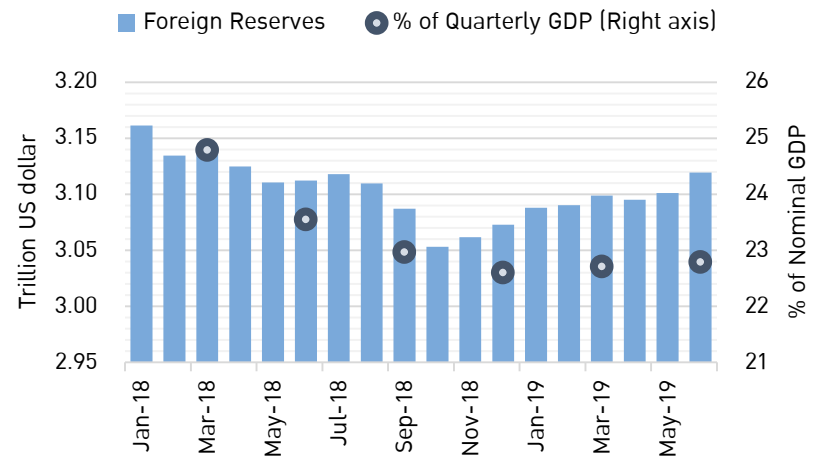
- The Yuan has weakened by more than 10% from 6.34 Yuan/USD from March 2018 when US started the trade war with China to more than 7 Yuan/USD on 5 Aug; on the other hand, the US dollar has strengthened by 8%.
- The Yuan'S depreciation could trigger a competitive devaluation from other countries wanting to maintain their trade competitiveness with China.
- However, the chance of a currency war may be limited by
 - China's ability to use its massive international reserves to support the Yuan's value
 - the threat on smaller countries such as those in ASEAN of being labelled a 'currency manipulator' and facing retaliatory measures by the US will limit some of the competitive devaluation or currency war.

US and China currencies



Source: Federal Reserve Board and Bank of China

China's International Reserve

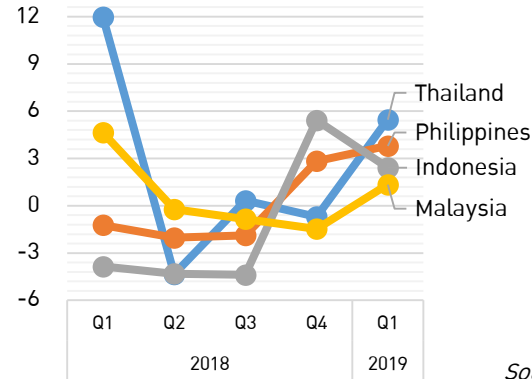


Source: Bank of China

สกุลเงินในอาเซียนส่วนใหญ่แข็งค่าขึ้นในปีนี้

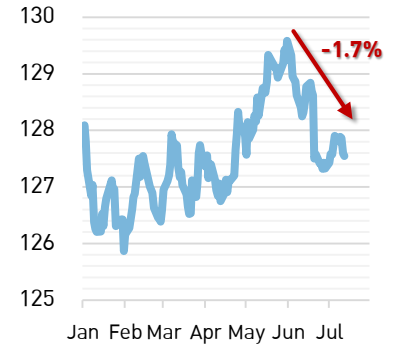
- Balance of payments surplus in ASEAN-5 countries coupled this year with a weaker USD have strengthened their currencies against the USD.
- Thai baht in June has so far strengthened the most among ASEAN-5 currencies compared to December last year as its balance of payments surplus is higher than others’.

Balance of Payment
(Billion US dollar)



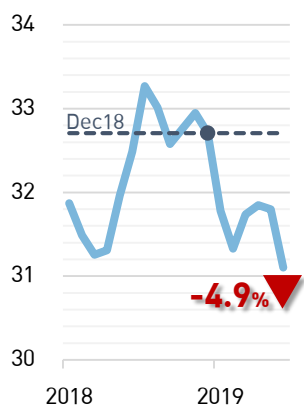
Source: CEIC

US dollar Index, 2019
(Jan 1997 = 100)

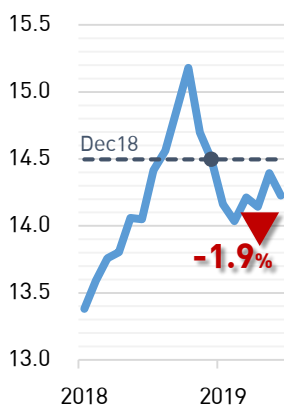


Source: Federal Reserve Board
Note: Increase = appreciation; decrease = depreciation against basket of its trading partners' currencies

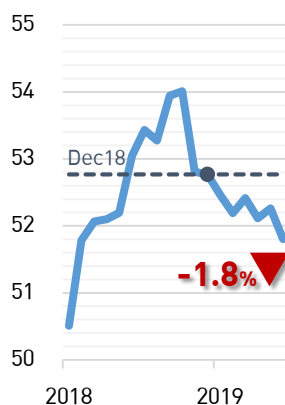
Thailand
(THB/USD)



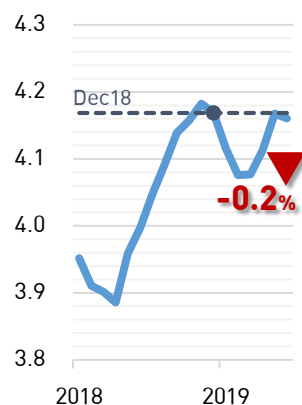
Indonesia
(Thousand IDR/USD)



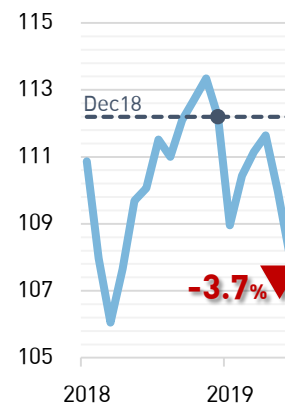
Philippines
(PHP/USD)



Malaysia
(MYR/USD)



Japan
(JPY/USD)



EU
(Euro/USD)

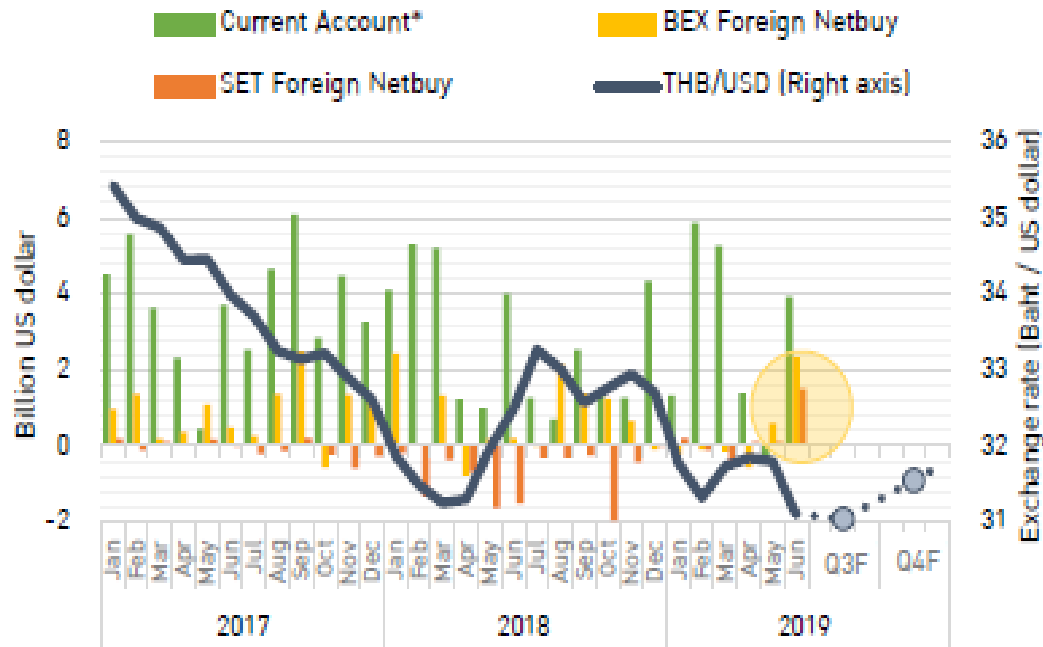


Source: CEIC with TDRI calculation

Note: Number is %change in exchange rate in Jun 2019 from Dec 2018; - = appreciate (strong), + = depreciate (weak)

เงินบาทน่าจะอ่อนลงในครึ่งหลังของปีนี้

Thai Baht Movement Drivers



- Thai baht has been moving in line with net capital inflows.
 - From January to April 2019, the current account surplus was the main source of capital inflows; in May and June, inflows into bonds and stocks dominate.
 - Baht strengthened by almost a 5% from December 2018 to June 2019 (Bt32.70/USD to Bt31.07/USD).

- The baht may weaken in 2019H2 from H1 due to
 - Bank of Thailand's (BOT) measures to reduce short term speculative inflows beginning in July
 - BOT reduced short-term bond issuances by Bt20 billion/week
 - BOT issued 2 measures to reduce and monitor short-term capital inflows by foreigners.

- Policy rate reduced by 0.25% in August
- Current account surplus in 2019H2 will be less than in 2019H1
- Baht has so far weakened by 0.4% from June and is forecasted to be around Bt31.55/USD by 2019Q4.

THANK YOU

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