

Country Risk Update

Country Risk Spotlight



Thailand

Thai political situation shows signs of easing

The political situation in Thailand appears to be stabilising following the military coup of 22 May. Fears that supporters of the ousted government (the 'red-shirt' movement) might take to the streets and challenge the security forces have not, so far, been realised. On the contrary, with relative calm on the streets of Bangkok and other major cities, the junta has been able to steadily pare back its nightly curfew rules, culminating with the complete lifting of all restrictions on 13 June.

While clamping down hard on any efforts towards organised dissent, the self-styled National Council for Peace and Order (NCPO) has also sought to shore up the economy through a range of supportive actions. Perhaps the most notable example of this has been making good on the previous government's subsidy payment commitments to tens of thousands of Thai rice farmers. This is an important step because it significantly improves the economic position of a constituency that (for the large part) would not have been sympathetic to the military takeover.

In addition to this, the NCPO has taken a range of additional measures to support the economy, such as rolling over tax cuts and restarting government spending, including efforts to expedite long-delayed public investment programmes.

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ASEAN Regional Country Risk Headline News

The Country Risk Headline News is designed to help draw your attention to potential business risk associated with trading in overseas countries. The headlines below highlight some of the recent changes that have impacted the risk environment.

- **Cambodia** - The short-term economic outlook is favourable.
- **Indonesia** - Tension mounts ahead of the upcoming presidential election.
- **Malaysia** - The central bank raises interest rates to prevent the economy from overheating.
- **Philippines** - A supreme court decision threatens to derail government spending plans.
- **Singapore** - External demand and net exports should help to push forward strong growth momentum.
- **Vietnam** - D&B upgrades Vietnam's country risk rating as domestic stability is restored.

For more analysis on the specific factors affecting these countries (or any of the 130 countries covered worldwide) – [Go Online](#) if you already have an IRPR Subscription.



ASEAN manufacturing base spread across value chain

Manufacturing is not a monolithic sector in the Association of Southeast Asian Nations (ASEAN) - the ten-nation bloc including Singapore, Malaysia, Thailand, Vietnam, and Indonesia. The region features a diverse array of economic structures, operational expenses, and states of infrastructure development, from free-market champions like Singapore to planned economies such as Vietnam; from hotbeds of political turbulence like Thailand to bastions of stability such as Indonesia.

According to Matthew Zito and Kezia Hardingham from Dezan Shira & Associates, the mid- and high-tech manufacturing front is typified by higher minimum wages and highly skilled workforces, as exemplified by Singapore whose manufacturing wages are well above those of its regional neighbors. Those which are concentrated in low- or no-tech assembly, for time being, describe states such as Vietnam and Indonesia, where strides are currently being made in education and infrastructure investment as a means of avoiding the specter of low-value added manufacturing. Both countries face their own respective challenges however; in Vietnam, this consists of mitigating the influence of state-owned enterprises on the economy and shoring up its now-fragmented manufacturing sector, while in Indonesia, a comprehensive upgrade of national infrastructure is well overdue.

Thailand and Malaysia straddle a fine balance between mid- and high-tech manufacturing capabilities and competitive labor environments. “Both countries have done remarkably well to situate themselves in this

Goldilocks zone, with Malaysia slightly preferable if only for its lack of the environmental and political risk occasionally threatening Thailand,” states Zito and Hardingham.

Although the implementation of the ASEAN Economic Community (AEC) in 2015 will obscure these differences, it is facing delays as liberalization and reforms require more time than expected to take shape, with different countries on varying levels of readiness. The proposed AEC will transform the entire region into a single market with almost 600 million people, a “demographic dividend” rivalling India and China. It will also be a single production base with free-flowing skilled labor, capital and abundant

FORECAST FOR ASEAN (ANNUAL PERCENTAGE CHANGES UNLESS SPECIFIED)						
	2010	2011	2012	2013	2014	2015
Real GDP growth						
Brunei	2.6	2.8	2.1	2.0	3.6	2.6
Cambodia	5.9	5.3	6.3	7.3	7.6	7.6
Indonesia	6.2	6.5	6.2	6.7	5.9	5.7
Laos	8.2	8.1	6.8	6.4	6.1	6.1
Malaysia	7.2	5.1	4.8	5.1	4.8	4.6
Burma	10.4	5.4	5.8	5.1	5.0	5.0
Philippines	7.6	3.7	4.1	5.2	5.7	5.6
Singapore	14.8	4.9	3.0	5.4	5.2	4.8
Thailand	7.8	0.1	4.9	7.3	5.7	5.5
Vietnam	6.8	5.9	5.3	6.9	7.2	6.9
ASEAN Countries	8.0	4.5	5.0	6.2	5.7	5.4

Source: Oxford Economics

commodities between member nations. High skilled labor can move freely and access cheap labor base to unlock the region’s true manufacturing potential. Different manufacturing hubs will likely spring across the region, such as electronics and machinery (Singapore, Malaysia), automobiles (Thailand), agribusiness and apparel (Vietnam, Indonesia), and offshoring services (Philippines) etc.

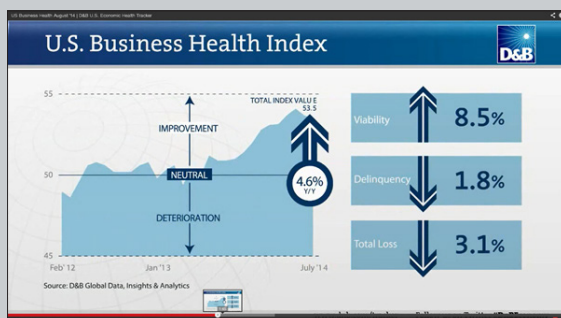
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Featured Video

US Business Health August '14 | D&B U.S. Economic Health Tracker

D&B's August 2014 U.S. Economic Health Tracker indicates that an uneven pattern of growth is likely to persist in the U.S. economy making it critical for businesses to understand the sectors where growth is accelerating and decelerating. The Small Business Health Index was down a point; 235,000 new nonfarm jobs were added to U.S. payrolls and the U.S. Business Health Index strengthened in during the previous month, July 2014.



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Laos

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15 July 14 *World News Report* [Laos moves to readjust import taxes](#)



Malaysia

23 July 14 *The Star* [Mier sees 5.2% growth for 2nd half driven by domestic demand](#)

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Myanmar

28 July 14 *Myanmar Times* [Door to open for foreign-owned petrol stations](#)

17 Jun 14 *The Nation* [Myanmar pharma sector expected to grow 10-15%](#)



Philippines

1 Aug 14 *GMA News* [SMEs in AEC 2015 will spur PHL economic growth - PCCI](#)

30 July 14 *Business World* [Gov't target 2022 for auto export revival](#)



Singapore

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28 July 14 *Singapore Business Review* [Singapore's industrial production faces sharp slowdown in 2H14](#)



Thailand

30 July 14 *Bangkok Post* [FDI surge driven by banking](#)

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Vietnam

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Cambodia

25 July 14 *The Phnom Penh Post* [New IT body to unite industry](#)
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Indonesia

24 July 14 *The Jakarta Globe* [Indonesia's FDI Rises 16.9% in Second Quarter](#)
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Vietnam

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