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**Weekly Economic News**

**[31 October – 6 November 2016]**

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**Internal**

Tobacco law loophole under review

First step towards legal import of e-cigarettes, baraku

Bangkok Post: October [31,2016](http://www.bangkokpost.com/search/news-and-article?xDate=31-10-2016&xAdvanceSearch=true)

The Excise Department may ask the government to allow the legal import of electronic cigarettes and baraku, which would be taxed like cigarettes, says director-general Somchai Poolsavasdi. He said the department has noticed a loophole in the current tobacco law, which does not define these products as new types of tobacco-related goods intended to replace conventional cigarettes. "We are still uncertain whether we will allow them to be imported legally or not, but if we decide to allow it we will have to tax them for sure," said Mr Somchai. "We have decided to take the first step to treat them properly by adjusting the legal definition of tobacco to cover all of these items. It not only concerns electronic cigarettes and baraku, but everything that has been created to be consumed in place of cigarettes," he added. Under the Tobacco Act 1966, tobacco products are defined as those made from tobacco leaf only, hence, it cannot govern cigarettes in electronic form or water pipes, also known as baraku, which are also now available in electronic form. "Once we define these goods as taxable items, it will be easier for us to tax them later if we allow them to be imported legally," said Mr Somchai.

Study: Thais short on skills

Bangkok Post : November 1, 2016

Thailand faces a chronic and pervasive shortage of qualified technical and vocational workers across all industries, due to the challenges faced by both public and private tertiary education in keeping pace with industry demands, as well as a cultural bias towards a more academic education. These are among the key findings from a year-long study conducted by the Singapore Management University (SMU), in partnership with global financial services firm JP Morgan, on the skills challenges faced by the Asean economies of Singapore, Malaysia, Indonesia, the Philippines and Thailand. The shortage of skilled workers is especially pronounced in Thailand's key growth industries like the automotive, information communications and technology (ICT) and tourism sectors, the study shows. Addressing this shortfall is necessary if the country is to raise its productivity and realise its ambition of becoming a high income economy by 2027. Currently, about 35% of Thai students are enrolled in vocational institutions, and of this group, a large number of graduates are found not to be industry-ready, the study shows. This suggests a need to improve the Technical and Vocational Education and Training (TVET) education in the country, especially in the face of a cultural bias against the field. According to the study, the challenge is compounded by the fact curricula in both public and private tertiary education institutions do not reflect the progressive needs of industry, such as research and development work in the automotive industry or the fast-changing skills requirements of ICT.

Phuket's airport final upgrade starts

Bangkok Post: November [1, 2016](http://www.bangkokpost.com/search/news-and-article?xDate=%201-11-2016&xAdvanceSearch=true)

Phuket International Airport is moving on with the final stage of its 5.14-billion-baht upgrade with the renovation of its old passenger terminal. The upgrade of the old terminal is due to commence in earnest today for completion in 330 days, Monrudee Gettuphan, Phuket airport's general manager said. Mrs Monrudee said the renovation of the old terminal will be carried out in two stages entailing partial closure. The first phase calls for closure of levels 1, 2 and 3 in the domestic passenger section in the southern wing for structural improvements, architectural work and building systems, taking 236 days all together. The second stage involves renovation of levels 1, 2 and 3 in the international passenger section in the northern wing, requiring 150 days.

Makro seals B3bn deal

Bangkok Post : November [2, 2016](http://www.bangkokpost.com/search/news-and-article?xDate=%202-11-2016&xAdvanceSearch=true)

Siam Makro Plc, the operator of the Makro cash-and-carry store chain, has clinched a 3-billion-baht deal to acquire four food companies to strengthen its retail network. Makro, through its wholly-owned subsidiary Siam Food Services Ltd, entered into an agreement on Oct 31 to acquire an 80% stake in each of the four food companies: Indoguna (Singapore) Pte, a listed firm on the Singapore Exchange, Indoguna Dubai LLC, Lordly Co Ltd and Just Meat Co Ltd. The latter two are listed on the Hong Kong Stock Exchange. The combined acquisition costs of the four companies is S$118 million (3 billion baht). The source of funds will come from the company's cash flow and bank loans. Suchada Ithijarukul, chief executive of Siam Makro, was not available for comment on the acquisition. A research note from Capital Nomura Securities said investing in the four food companies would be a shortcut for Makro to expand its retail business abroad, especially in Cambodia. "The food business acquisition will not affect Makro's financial status. Its debt-to-equity ratio is very low at 0.6 times and will rise to 0.8 times after the investment," the note said. Capital Nomura Securities forecast that Makro's profitability would improve in the second half of this year as pricing competition from its rivals would be reduced. Its full-year net profit, however, is expected to fall by 6% from 5.37 billion baht last year. But 2016 revenue will rise to 167 billion baht from 153 billion last year.

**External**

Fast track to India

Bangkok Post: October 31, 2016

India has made significant strides under Prime Minister Narendra Modi to position itself as more friendly to foreign investment, but the actual process of getting a new business off the ground is still not as smooth as investors or authorities want it to be. Thai Union Plc (TU), the world's largest seafood processor, is a case in point. The company has invested close to one billion baht in the local food processors Avanti Feeds and Avanti Frozen Foods. The latter is building a new plant to expand shrimp production capacity by as much as 33%. If all goes according to schedule, TU expects to generate US$100 million from the joint venture in 2017, from an estimated $60-70 million this year. "According to our partner, there are local regulatory issues from time to time, mostly related to slow government approvals and the complicated and time-consuming process of land acquisition for new plants," Pantamas Krikul, head of the external communications with Thai Union, said in an email interview with Asia Focus. But such concerns may become less prevalent in the coming months as the Indian government is taking a more proactive approach. It is contacting around 200 potential foreign investors from around the world and has pledged to ensure that they obtain faster clearances from state governments and central and state regulatory bodies. Invest India, a non-profit FDI (foreign direct investment) facilitation body and one of its parent bodies, the Department of Industrial Policy & Promotion (DIPP), recently launched the contact exercise. It has already contacted Fiat Chrysler, the seventh largest automaker in the world, and Ferrero Spa, the world's third biggest chocolate producer, as part of the exercise in the past month. Chrysler chief operating officer Alfredo Altavilla met recently with a DIPP team led by Secretary Ramesh Abhishek in Italy. Invest India has already attracted commitments worth $40 billion from foreign companies including Dalian Wanda Group, China's largest property group and operator of the AMC and Hoyts cinema chains, and Lotte, the South Korean multinational. Wanda is expected to develop a large mixed-use (industrial and residential) township in Haryana state, while Lotte has expressed interest in developing railway stations and tourism in India.

India breathes new life into Buddhist circuit

Bangkok Post: October 31, 2016

India is scaling up its efforts through heavy investments in connectivity to attract Buddhist pilgrims from across South and Southeast Asia, according to Union Tourism Secretary Vinod Zutshi. In line with the government's Swadesh Darshan (auspicious sights of the homeland) programme, the country is preparing to develop a trans-border Buddhist circuit across South and Southeast Asia for people who want to trace Lord Buddha's life at various sacred sites in India. "India would like to see more people from Asean and SAARC (South Asian Association for Regional Cooperation) member countries visit India's Buddhist heritage sites," Mr. Zutshi told Asia Focus during the International Buddhist Conclave 2016. At the same time, India is seeking closer cooperation with Thailand, where Buddhists make up 95% of the population. "Buddhism in Thailand is much stronger (than in India). Together, we can promote Buddhist tourism in Asia, especially in terms of connectivity and people-to-people connections," he said.

Mr Zutshi made the comments at the conclave in Sarnath attended by 290 participants including Buddhist monks and nuns from different schools. Mahesh Sharma, Union Minister for Tourism, declared at the event that Sarnath in Uttar Pradesh state would be made the hub of Buddhist tourism in the country. Sarnath, where Buddha gave his first sermon to five ascetics, is about 10 kilometres away from one of the world's oldest cities, Varanasi. The two sacred sites are well connected by roads.

Haier eyeing Thailand as regional hub

Bangkok Post : November [4, 2016](http://www.bangkokpost.com/search/news-and-article?xDate=%204-11-2016&xAdvanceSearch=true)

Haier Group, the Chinese home appliance giant, is considering using Thailand as its manufacturing and export hub for Asia-Pacific, attracted by the country's logistics and production capability. "Thailand is one of the world's strongest production bases for Haier as it has supporting units such as research and development (R&D) centres, trading companies and industrial estates. I think Thailand will become our hub for Asia-Pacific very soon," said Du Jingguo, chief executive of Haier Asia. Thailand's importance in the Asia-Pacific region will increase in the future. Mr Du set two conditions to make Thailand the regional hub. First, Haier has to rank among the top-three home appliance brands in the country. Second, Thailand has to have an intelligent plant like the central air conditioning and interconnected plant in Qingdao, China. Haier now ranks between 6th and 8th places for different product categories in Thailand. Mr Du is confident that Haier will become a top-three home appliance player in Thailand in the coming years.

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*[Inputs for this Report have been garnered from various media reports, press releases and communications issued by various government and private agencies]*