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COMMENT

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 THE NATION

The re-election of Barack Obama as president of the United States is expected to have a positive impact on the global and Thai economies, but the "fiscal cliff" poses the biggest threat to the US recovery if he cannot make a compromise with the Republicans, who retain a majority in the House of Representatives, economists and business leaders said.

"The recovery of the US economy is expected to continue, as President Obama resuming a second term will lead to a continuation of [current] economic policies," Boonchai Charassangsomboon, executive director of the Finance Ministry's Macroeconomic Bureau, said yesterday.

Fear of a trade confrontation between the US and China has also subsided with the defeat of Mitt Romney, Obama's Republican challenger, Boonchai said. Romney had promised during the campaign to take aggressive action against China for manipulating the exchange rate of the yuan.

"The impact on the Thai economy will be positive, but not much, since it will take time before the US fully recovers from the severe 2008 [financial] crisis," Boonchai said.

The "fiscal cliff" is the most worrisome issue, regarding whether the Democrats and Republicans can compromise on budget cuts, he said.

The cuts will start automatically in January as the US plans to reduce spending by US\$1.2 trillion (Bt37 trillion) over the next 10 years in an attempt to get its massive debt under control. A continuation of the loose monetary policy known as quantitative easing (QE) will also shore up the US economy, he said.

Recovery of the US economy will be good for Thai exports but as Europe is still suffering from a sovereign debt crisis, full recovery of the global economy will take time, Boonchai said.

While QE will encourage further capital flows into the Kingdom and the rest of Asia, the Stock Exchange of Thailand and the baht could be subject to high volatility, he added.

Kosit Panpiemras, executive chairman of Bangkok Bank, expects a resumption of robust growth of the US economy to depend on Congress.

Even though Obama has a clear framework for reform as well as a plan to deal with the fiscal cliff, there are worries about whether Republicans will support the president's solutions.

Obama's re-election means QE3 remains, which results in funds flowing into emerging markets including those in Asia. However, Kosit noted that volatility was normal and each country had its own tools to cope with it.

For Thailand, further interest-rate cuts are not a solution for dealing with these fund flows, and the Bank of Thailand is expected to have other solutions.

"If the central bank believes rate cuts are the way to tackle fund flows, the policy rate will end up being zero, which in my view it will not do, because monetary policy is not linked with the fund flows driven by QE," he said.

Kasikorn Research Centre agreed that Obama's victory would benefit Thailand, but that the fiscal cliff was a worry. If Congress and the White House are able to agree to increase the debt ceiling, the US economy should be maintained over the next few years, which will be a positive factor for Thai exports and those of other Asia countries.

Chatchai Boonyarat, vice chairman of the Thai Chamber of Commerce (TCC), said Obama's victory had created more confidence in the continuation of poli-

cies to drive the US economy, as well as clearer direction on international trade policies.

"Before the election, the business sector was concerned about uncertainty and changes in policy. However, after the election, the policies that have been in place during the past four years should be maintained," he said.

TCC vice chairman Somkiat Anuras said this continuity should help promote the global economy as well as ensure stronger export from Thailand, as the US economy should grow gradually.

Sira Intarakum-thornchai, chief executive officer of PricewaterhouseCoopers in Thailand, said in a statement: "You must admit that it was a very close and exciting race from the two camps. In any case, I still believe that the US will continue to engage Asean as an organisation and all of its member states at very high levels.

"To date, the Asean region has become one of the largest trading partners with the US.

"If we look at the statistics of Thai exports, you'll see that the US remains among the top three trading partners with an export value worth more than Bt530 billion (January-September) after China

and Japan. "I do believe that we can expect an even stronger partnership between the US and Asean as the region continues its economic growth and increased political clout along with trade and investment.

"Next year marks a special event, the 180th anniversary of US-Thai relations," Sira said. "I think it'll give us a chance to look back at the things we've accomplished together, and also provide a time to look forward to the future of both countries, particularly how we can work better together to deepen our existing friendship whether it's trade, investment or export.

"Thailand and Asean have increasingly played crucial roles on a global stage, similar to developed markets like the US. I believe that the friendship will continue to grow even tighter and stronger in the years to come.

"Does the US election really affect Thailand? Certainly, but the long-term impact is hard to predict.

I do believe that the leaders of the two nations stand firm on devoting attention to their citizens' economic success, diplomatic efforts and security, in addition to shoring up relations each other and their traditional allies.

"The US and Thailand will

remain close. Both nations share massively overlapping economic and security interests," Sira noted. "I don't think the election results will change much in terms of the current global outlook they share.

"Global economic uncertainties and continuing debt woes in Europe will continue to be a long-lived risk.

"Ongoing regional inflows spurred by recent QE3 measures should continue the trend, but that comes with the fact that businesses and investors have to stay risk-averse and be cautious of possible profit-taking."

Adirek Sripratak, president and CEO of Charoen Pokphand Foods, said the re-election of Obama had not affected Thailand's and the company's exports, as its economic policy had not changed. Thailand's export now relies mainly on Asia, while the share of the US and the European Union of the Kingdom's total export value is about 10 per cent each.

In addition, the company's export value to the US market averages Bt2 billion per year, compared with its targeted annual sales revenue of Bt330 billion to Bt350 billion this year.

However, Thailand should closely monitor any changes in the Obama administration's economic policies, he said.