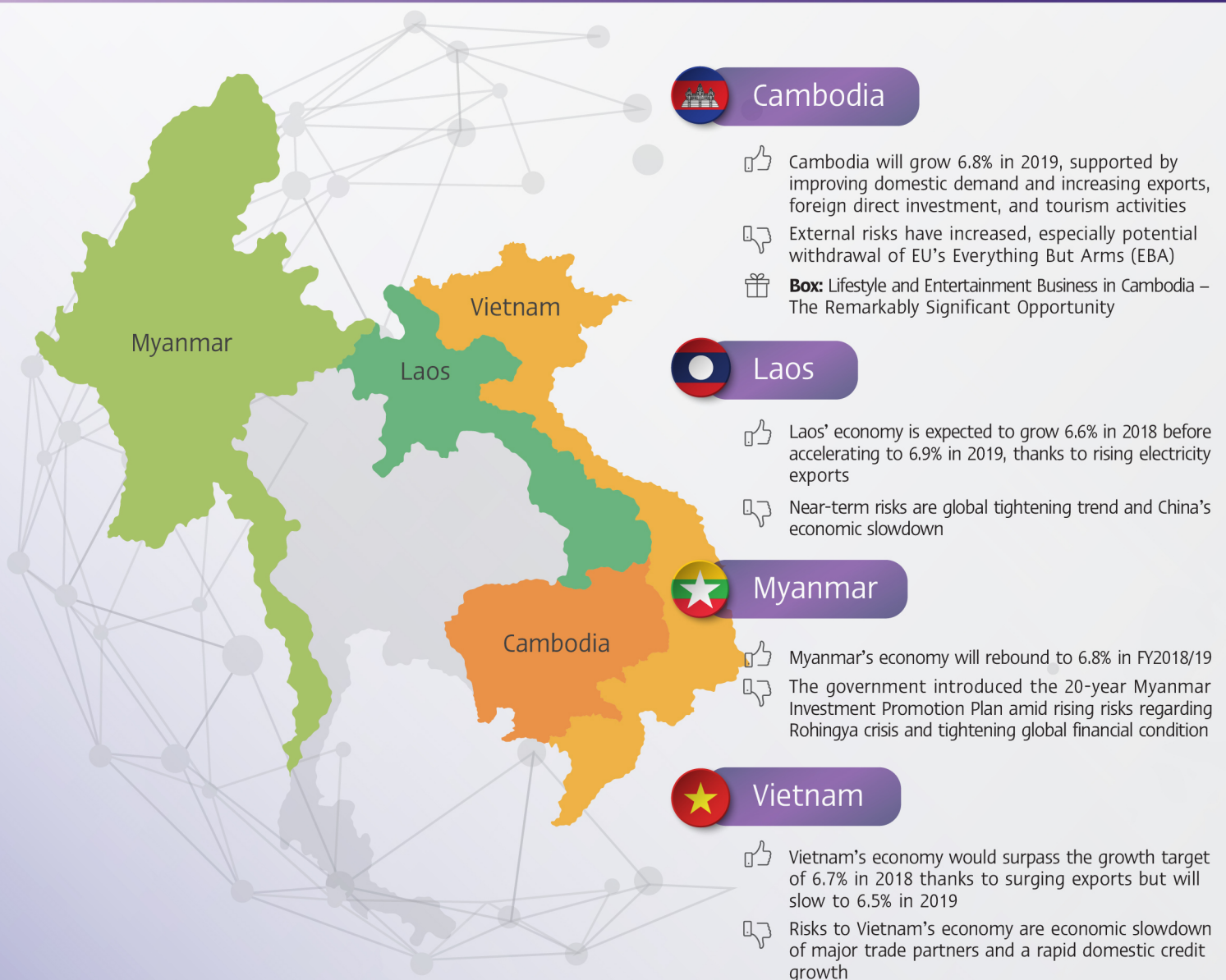


CLMV Monitor

Q4/2018

CLMV economic growth remains favorable around 6.5-7% in 2019, notably supported by external factors. CLMV economies would rather benefit from escalating US-China trade war as more foreign direct investments are expected to relocate to the region, especially Cambodia and Vietnam, to avoid the US's tariffs. Exports will accelerate following growing international demand for CLMV's labor-intensive products under preferential trade privileges. Tourism activities will continue to improve, thanks to ASEAN tourists. Meanwhile, Domestic demand will expand, following a rapid economic growth. However, risks to CLMV economic growth in 2019 have stemmed from country-specific issues and arise from tightening global financial conditions and China economic slowdown.



CLMV Highlight : Fantastic SEZs and where to find them



Facts and Figures

Population (2018)	16.45 million
Labor force (2017)	8.9 million
GDP (2017)	22.3 USD billion
GDP per capita (2017)	1,390 USD
GDP by sector (2017)	Agriculture: 25.3%, Industry: 32.8%, Services: 41.9%
Top exports (2017)	Textile 65%, Footwear 11%, Travel goods 3%

Things to watch in 2019



Potential loss of Everything But Arms (EBA) benefit with the EU



Investment relocation to avoid US-China trade war

Macroeconomic update



Economic Outlook

Supported by strong demand at home and abroad, Cambodia's economy will expand around 7.0% in 2018 and slightly slow to 6.8% in 2019. Domestic demand has been boosted by higher wages and larger public investment. The government approved 2019 national budget worth USD 6.7 billion, a 11.4% increase, with a number of fiscal stimulus. Small and medium enterprises (SMEs), one of the backbones of the Kingdom's economy, will be further promoted through tax incentives (3-5 years of tax exemption). Meanwhile, the government has push forward public infrastructure development projects, for example, the Phnom Penh-Sihanoukville and Phnom Penh-Svay Rieng expressways, to serve the rising need for better infrastructure from the business sector. Robust external demand has seen by growing demand for Cambodian-made products, continued inflow of foreign direct investment (FDI), and booming tourism activities in 2018. Exports in the first half of 2018 increased 16%YOY, mainly driven by a rapid export growth of key products, garment and footwear, which grew 16%YOY and a strong demand from the US, one of the Kingdom's major trading partners, which rose 26%YOY. Despite ongoing US-China trade war, growth in exports is expected to remain robust with preferential trade treatments under EU's Everything But Arms (EBA) and the US's Generalized System of Preferences (GSP). Emerging industrial products will also benefit from the trade war as some multinational corporations, including the US's bicycle manufacturers, Kent International Inc and Trek Bicycle Corporation, are considering Cambodia as the new production and export base. Moreover, the Kingdom welcomed 4.3 million foreign tourists in the first 9 months of 2018, increasing 12%YOY. Asian countries, led by China, are the sources of visitors to the Kingdom.

However, the Kingdom's exposure to external uncertainties has increased. In spite the fact that US-China trade war escalated and global economic slowdown, Cambodia's exports have been shielded throughout 2018 by preferential trade treatments. But the garment and footwear industry, which accounted 70% of total exports in 2017, will face challenges in the coming years, due to higher minimum wages, rising regional competition, and potential withdrawal of EBA with EU. As a result, there is a growing concern from the private sector, particularly EuroCham and the British Chamber of Commerce, that could dampen Cambodia's investment attractiveness. Tightening global financial condition could pose additional risk to the Kingdom's debt repayment. Though Cambodia's public external debt will remain manageable at around 30% of GDP in 2018, the need for public

infrastructure investment is growing, with some parts of the total funding will come from international borrowings.



Financial markets

The National Bank of Cambodia (NBC) has continued to promote the use of Khmer riel and develop local debt instrument. As the Kingdom is highly dollarized, the NCB has limited options for implementing monetary policy. The NBC has implemented measures to increase confidence in riel. The main tool is to stabilize the currency exchange rate by using Khmer Riel (KHR) to purchase the US dollar (USD). KHR has maintained its value at around 4,050 per USD so far in 2018. By injecting KHR into the system, 54% of additional KHR has been absorbed by commercial banks and the rest by money changers. The other measure is a new requirement for all banks and Micro financial institutions (MFIs) to hold a minimum 10% of their loans in KHR by the end of 2019. However, meeting the requirement will be a challenge to financial institutions as most clients exhibit a strong preference for depositing and lending in USD. Meanwhile, the government is preparing government securities that would provide a new debt instrument to raise local funding. The government securities will be necessary for the near future as the demand for financing, especially to support public infrastructure development, is growing fast.



EIC's view

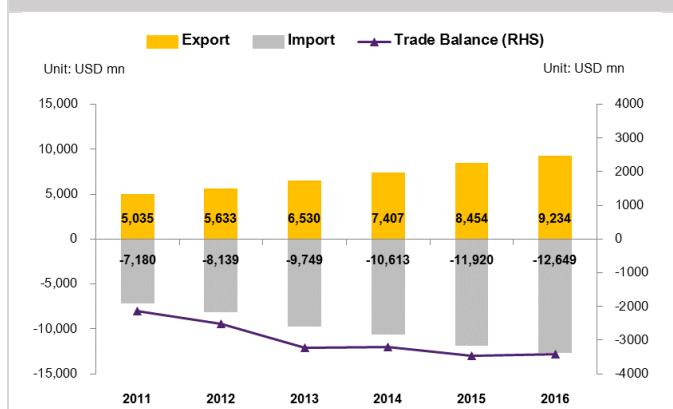
The withdrawal of EBA and investment relocation following US-China trade war could accelerate Cambodia's efforts to diversify its industrial sector and widen opportunities for Thai businesses as well. EU has been the Kingdom's biggest garment and footwear export market until today. But with the potential loss of EBA and rising challenges, the garment and footwear industry is expected to decelerate in the next few years. Meanwhile, higher value-added industrial products, such as, bicycles, packaging, and electronics, have gained significant share from 2% in 2008 to more than 20% in 2017, indicating rising opportunities in non-garment industries. Food processing and manufacturing of parts and equipment of other products are also attractive as they are priority industries under the government's 5-year tax incentives for SMEs. Regardless of size, Thai businesses have potential to expand their productions to Cambodia to serve both domestic and international demands for these higher value-added products. In addition, the tourism sector has been growing rapidly in recent years as the number of tourist arrivals and tourism receipts recorded a double-digit growth. The governments of Thailand and Cambodia plan to strengthen cooperation in the tourism sector to promote flow of tourist arrivals between the two countries and third countries. Tourism-related businesses will be even more lucrative when they finally receive tax holiday under the government incentive program for SMEs.

Cambodia's Key Indicators

Indicators	Unit	2013	2014	2015	2016	2017	2018F	2019F
Real GDP	% YOY	7.4	7.1	7.0	7.0	6.9	7.0	6.8
Consumer price index	%	4.7	1.0	2.8	3.9	2.2	3.5	3.2
Current account balance	% of GDP	-13.4	-10.1	-9.0	-8.6	-8.5	-10.8	-10.6
Policy rate (end of period)	%	1.3	1.4	1.4	1.4	1.4	-	-

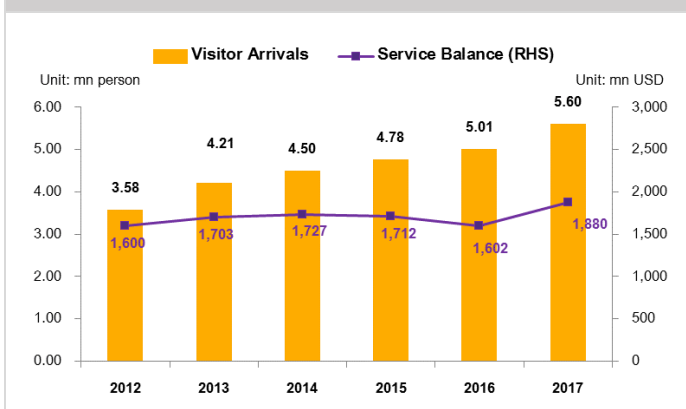
Sources: International Monetary Fund (IMF) and The National Bank of Cambodia

Trade deficits widened due to strong import demand



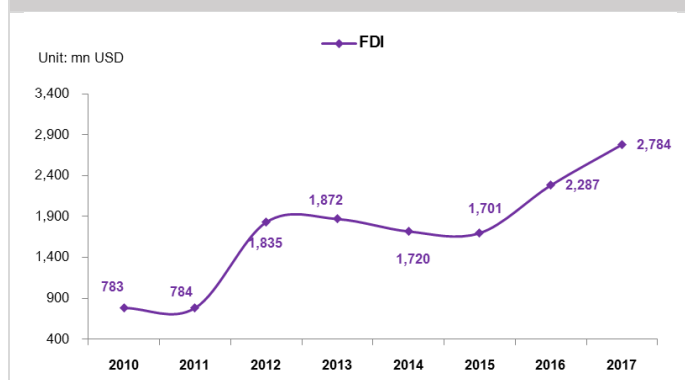
Sources: World Bank

Number of tourism visitors continued to rise



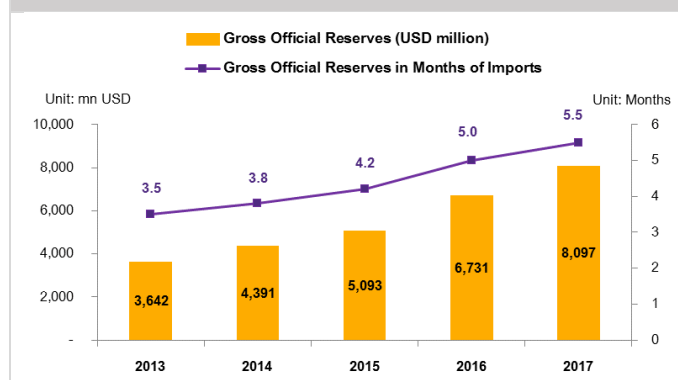
Sources: World Bank and CEIC

Cambodia is among investment-friendly economies



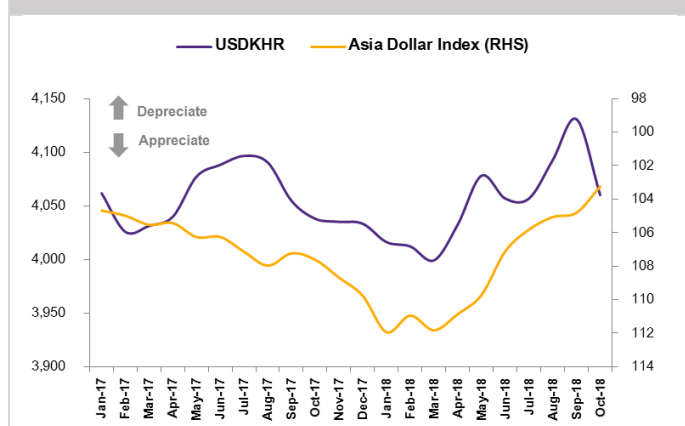
Sources: World Bank

Reserves buffers were higher than a 3-month standard



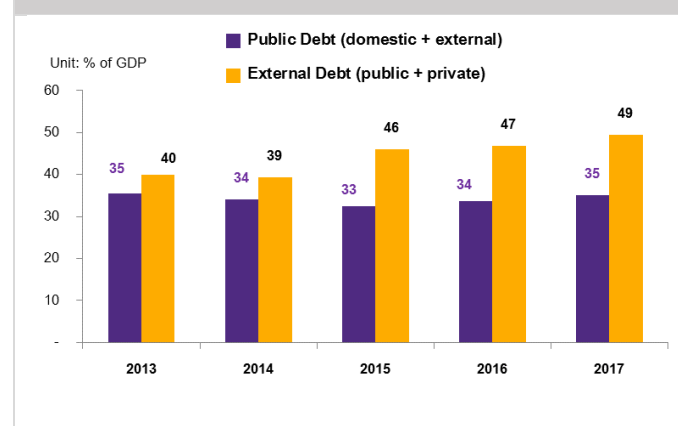
Sources: IMF

KHR has maintained its value around 4,050 per USD



Sources: Bloomberg

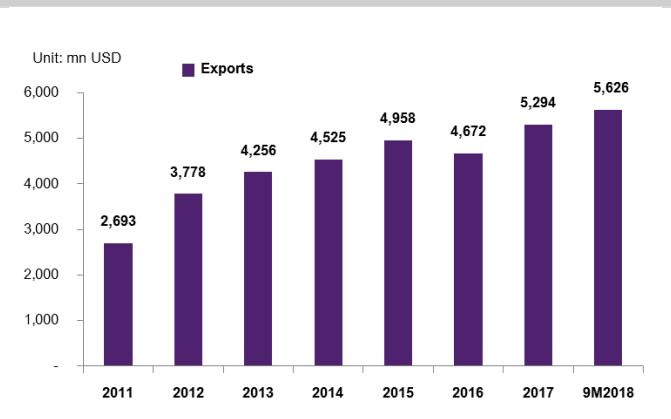
External debt was in manageable level



Sources: International Monetary Fund (IMF) and CEIC

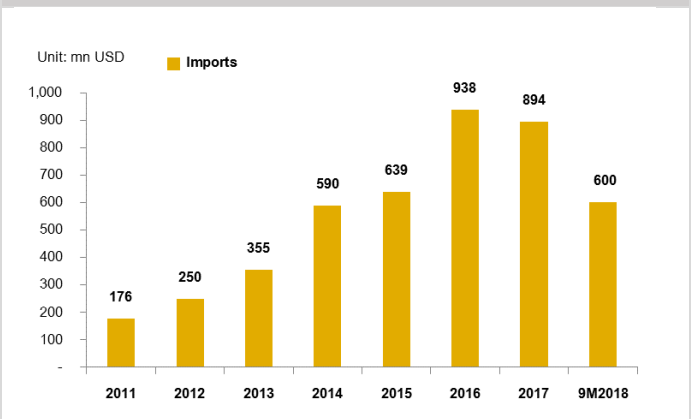
Links with Thai Economy

Exports to Cambodia



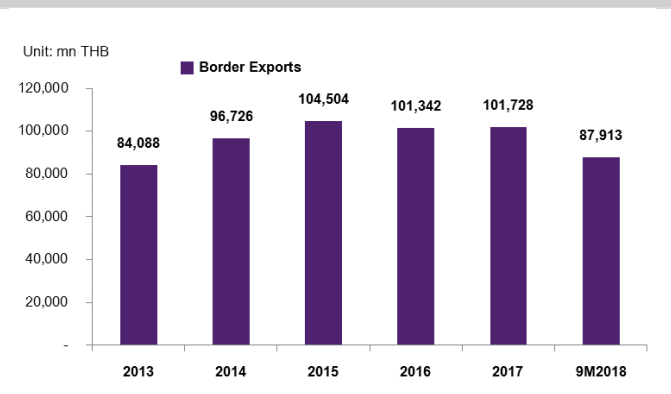
Sources: Thailand's Ministry of Commerce

Imports from Cambodia



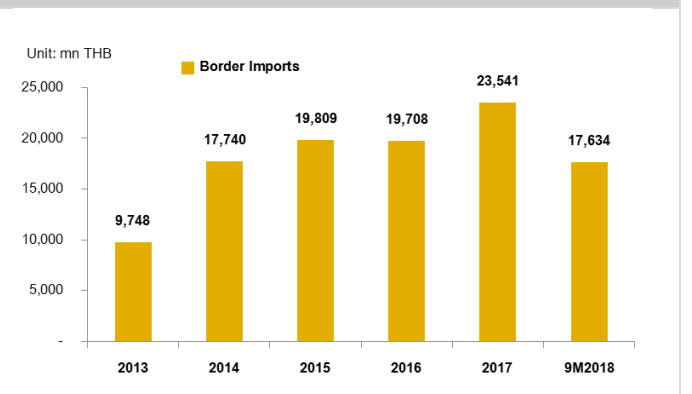
Sources: Thailand's Ministry of Commerce

Border exports to Cambodia



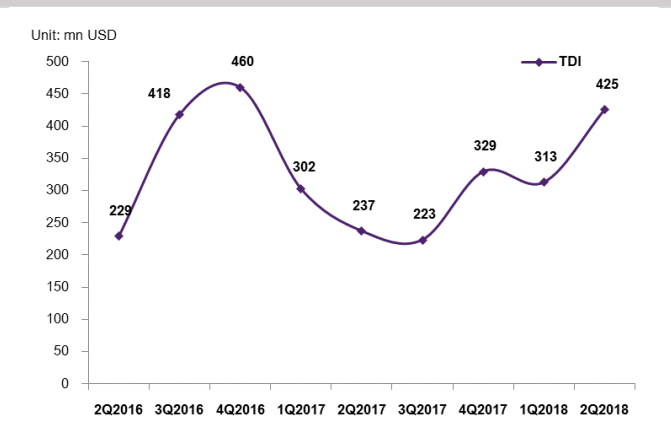
Sources: Thailand's Department of Foreign Trade

Border imports from Cambodia



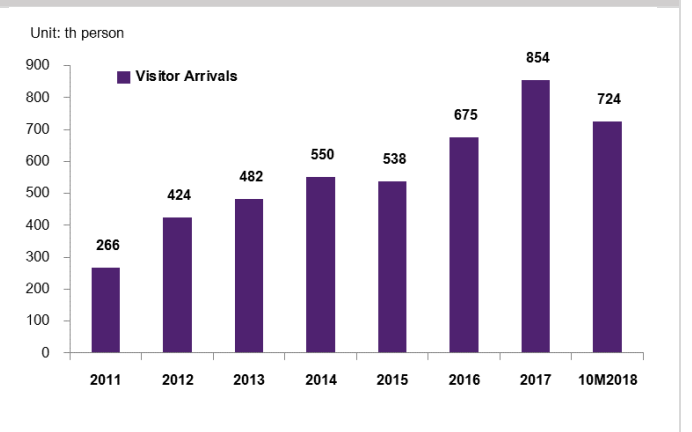
Sources: Thailand's Department of Foreign Trade

Thailand's Direct Investment in Cambodia



Sources: Bank of Thailand

Cambodia's tourist arrival in Thailand



Sources: Thailand's Department of Tourism

BOX



Lifestyle and Entertainment Business in Cambodia – The Remarkably Significant Opportunity

Recent economic growth in Cambodia has attracted interest of foreign investors despite some infrastructure constraints. When considering both internal and external supporting factors - right from foreign direct investment, tourism to the government efforts to improve labor productivity, foreign investors have agreed that Cambodia's economic outlook is moving toward the positive direction. According to IMF forecast, Cambodia's 2018 GDP is expected to grow approximately 7%, which is fairly high comparing to other countries in ASEAN.

Meanwhile, **another significant factor coming along with constantly high economic expansion is the increase of income and changes of lifestyle**, especially in metropolitan areas, in which the group of people who directly gain benefits from the economic growth live. The number of middle income class, with higher purchasing power, is growing as reflected by developments in the capital city Phnom Penh and improvements in several critical indicators. For instance, the official number of registered cars in 2015 reached 3.2 million, increasing 14% from the previous year.

The other indicator reflecting the expansion of urban areas is the increase of shopping malls. CBRE, the world leading real estate advisor, indicated that between 2018 – 2019, more than 10 shopping malls are gradually established in Phnom Penh. Consequently, the number of retail space in the capital city will double to 450,000 square meters. When observing the change of space usage in the city, it is found that there are several coffee shops, cafes and restaurants of which selling points focus on providing pleasant atmosphere for customers' relaxation or attractive corners for photography. In addition, there is a "specialty store" for wine shop to serve specific needs of high-end customers. All of these represent rising demand of Cambodian people with higher purchasing power.

One of the investors who see this attractive opportunity is Major Group, which has expanded the movie theater business to Cambodia since 2014. This expansion was the company's first international investment. Currently, Major has 4 branches with 24 theaters in Cambodia both in Phnom Penh and Siem Reap. Major Group not only operate movie theater, the company's main services, but also bowling alleys and karaoke rooms. Based on SCBS (SCB Securities) report, the company sold 1.3 million movie tickets in Cambodia in 2016, with average price of 175 Baht per ticket. Additionally, net profit per unit from selling beverages and popcorn in Cambodia is 10% higher than that in Thailand.

Another successful Thai entrepreneur capturing Cambodian lifestyle is Cafe Amazon, which has recently celebrated 100th branches. This indicates the significantly successful market entrance in merely 4 years, with 80% of the operations are franchising. Apart from Amazon, there are more than 10 Thai café brands entering into Cambodia market such as Coffee Today, Inthanin, and True Coffee. Phnom Penh Post reported that nowadays Thai coffee brands are ranked number 1st in terms of market share, accounting 45% of all coffee shops in Cambodia.

Based on the National Institute of Statistics of Cambodia, **the expansion of services sector which has grown more than 10% each year during the past 7 years** makes the services sector reach 42% of the Kingdom's Gross Domestic Product, surpassing the shares of industrial and agricultural sectors. **This reflects the rapid urbanization rate of the new Cambodian generations, a large number of population that possesses purchasing power and is willing to spend.** The increase of income causes them to seek for new activities, either going shopping to meet their needs or expressing their social statuses as well as looking for places to hang out with friends.

This is a case study revealing that **lifestyle and entertainment businesses in Cambodia are currently in the period of promising investment opportunity.** Thai entrepreneurs in this industry are recommended to take advantages from the successful business and then apply to use in Cambodia. The similarity of cultures and the close border of both countries will benefit Thai businesspersons. While other foreign investors are also interested in seeking the opportunities in Cambodia, **the ability to meet the new Cambodian generation needs is the key to success.**



LAOS

OVERALL ECONOMY

Facts and Figures

Population (2017)	7.13 million
Labor force (2017)	3.6 million
GDP (2017)	17.15 USD billion
GDP per capita (2017)	2,568 USD
GDP by sector (2017)	Agriculture: 20.9%, Industry: 33.2%, Services: 39.1%
Top exports (2017)	Electricity 24%, Copper 20%, Electrical product 12%

Things to watch in 2019



Government's
public and external
debt management



China's
economic
slowdown

Macroeconomic update



Economic
Outlook

The Laos economy will see moderate growth of 6.6% in 2018, before accelerating slightly to 6.9% in 2019. Based on Asian Development Outlook 2018, the construction and service sectors will help cushion adverse effects from floods and a dam collapse which severely hurt farm areas. Meanwhile, the tourism industry may not achieve its 5-million-visitor target this year since a boost from Visit Laos Year 2018 campaign was disrupted by natural disasters. Nonetheless, the Lao economy will return to its expansion trend in 2019 thanks to rising electricity exports, foreign investment in the construction sector, and good tourism prospects.

Near-term risks to Laos are a global tightening trend and China's economic slowdown. Considering its weak external vulnerability, the US policy rate hike is pressuring the value of the Lao Kip and the country's debt repayment. According to the IMF, the Lao Kip was overvalued by 44-49% as of end-year 2016, while external debt reached 114% of GDP in 2017 – the highest among its regional peers. Meanwhile, China's economic downturn is a headwind for exports and investment in Laos. China has been the main source of FDI and the top export destination for Laos. In 2017, FDI from China accounted for 77% of total FDI to Laos and the share of exports to China climbed to 34%.



Financial
markets

The Lao government plans to issue bonds in the China market. At present, Laos mainly issues bonds in the Thai bond market to finance government projects, and it is now seeking a wider source of funds, with China as a capable target. Laos is still in need of overseas financial support since the domestic capital market remains small. There are only seven listed companies on the Lao Securities Exchange (LSX), including the EDL-Generation Public Company, a subsidiary of Electricite du Laos, which also issued bonds in Thailand. Issuing bonds in the Chinese market would provide Laos with a new source of funds, but it would heighten the country's debt burden in foreign currency. At the end of 2017, Laos' public external debt was about half of GDP. China is already a major lender, accounting for 42% of total debt in foreign currency.



EIC's view

Despite a decline in tourism arrivals in recent years, the tourism sector remains a bright spot for Laos. Based on Lao Statistics Bureau figures, the overall number of tourists to Laos dropped by 9%YOY in 2017, but arrivals from China surged 17%YOY (Figure 1). The rising number of travelers to ASEAN also gives Laos a bright prospect, as the land-locked country will become land-linked in the near future, with the China-Laos railway set to be completed by 2021. According to the Travel & Tourism Competitiveness report 2017 by the World Economic Forum (WEF), Laos' performance slightly improved from 2015. The country's rank was high in price competitiveness, meaning that tourism service fees such as airport charges and ticket taxes were relatively low compared to other countries. The index on prioritization of travel & tourism was also ranked high, affirming that tourism is one of the spearhead industries backed by the government. In Laos, government spending on the tourism sector was 8.1% of total budget, compared to Thailand's 2.8%.

Nevertheless, lack of tourism and transport infrastructure was a key challenge. Roads are the main transport channel in Laos but most of them are in poor condition. This results in difficulty in accessing many tourism sites, especially ones outside the Vientiane capital. With a large gap to be filled, the **tourism sector provides a huge potential for foreign investment, not only in infrastructure construction but also the service and hospitality sectors.** Based on Laos' Law on Investment Promotion 2016, tourism development is among nine promoted sectors. **Development of natural tourist attractions, cultural and historical sites, sustainable eco-tourism are the fields that receive investment incentives** from the government, including profit tax and land rental fee exemption for up to 10 years (Figure 2). Investors in Special Economic Zones (SEZs) are also entitled to further incentives, such as VAT exemption and longer tax holidays [Read more in Special Topic: Fantastic SEZs and where to find them]

Figure 1: Tourism arrivals to Laos have been declining since 2015, but arrivals from China continued to rise

Number of tourism arrivals to Laos

Unit: million people

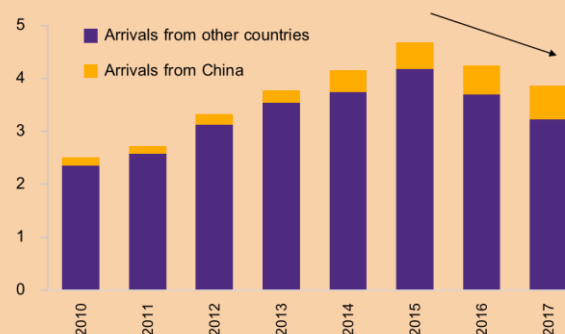


Figure 2: Investment in tourism sector is entitled to receive incentives depending on zones.

Tax incentives for tourism investment

Zone	Tax holiday	Land rental fee exemption
Zone 1 Poor or remoted zone with socio-economic infrastructure unfavorable to investment	10 years	10 years
	15 years	15 years
Zone 2 Zone with socio-economic infrastructure favorable to investment	4 years	5 years
	7 years	8 years
Zone 3 Special Economic Zones	Specific incentives for each SEZs	

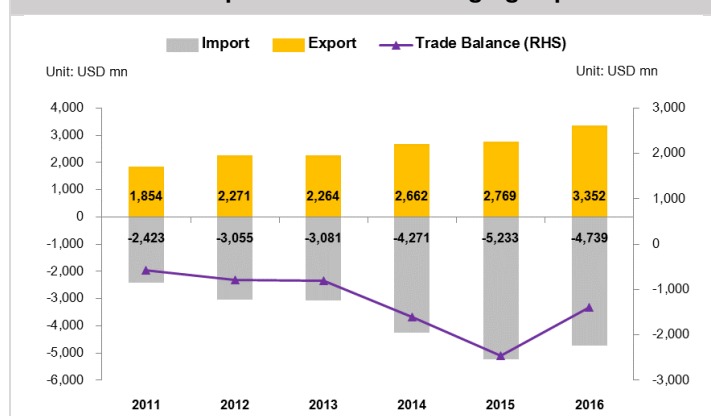
Source: EIC analysis based on data from Lao Statistics Bureau, Laos' Ministry of Planning and Investment, and TDRI

Laos' Key Indicators

Domestic Demand	Unit	2013	2014	2015	2016	2017	2018F	2019F
Real GDP	% YOY	8.0	7.6	7.3	7.0	6.9	6.8	7.0
Consumer price index	%	6.7	2.4	0.9	2.5	0.1	2.6	2.9
Current account balance	% of GDP	-28.4	-20.0	-18.0	-13.0	-12.1	-13.9	-12.3
Policy rate (end of period)	%	5.0	5.0	4.5	4.3	4.0	-	-

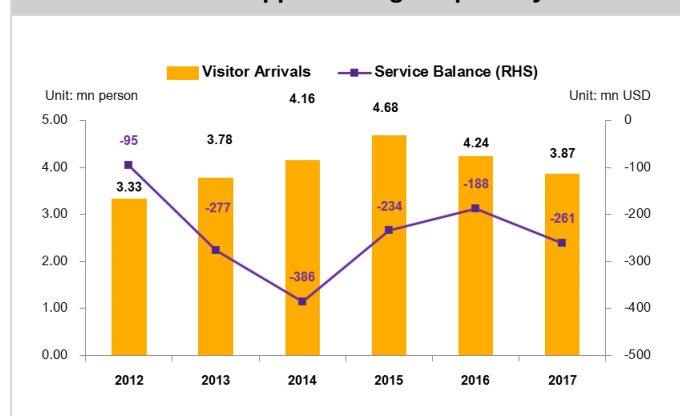
Sources: International Monetary Fund (IMF) and Bank of the Lao PDR

Trade balance improved thanks to surging exports



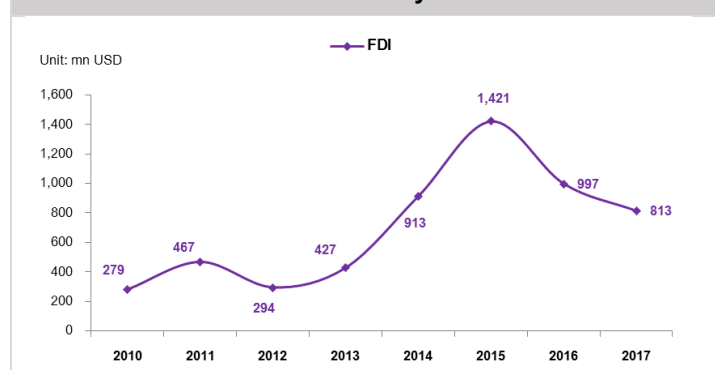
Sources: World Bank

Tourism visitors dropped during the past 2 years



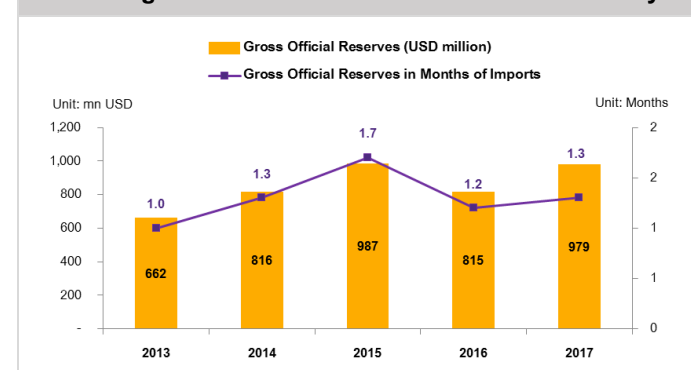
Sources: World Bank and CEIC

FDI fell but remained robust led by Chinese investment



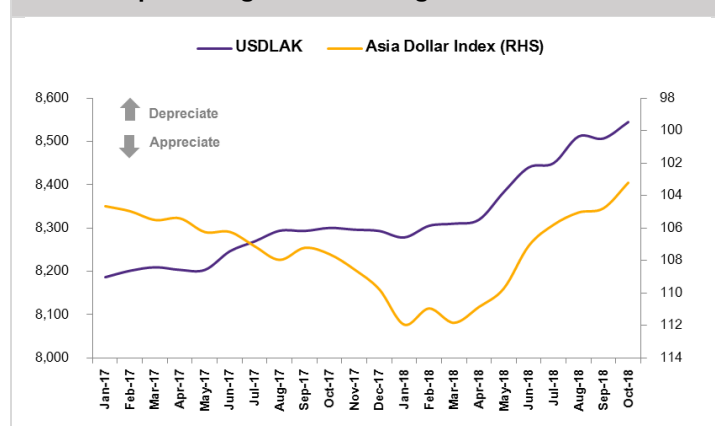
Sources: World Bank

Low foreign reserves intensified external vulnerability



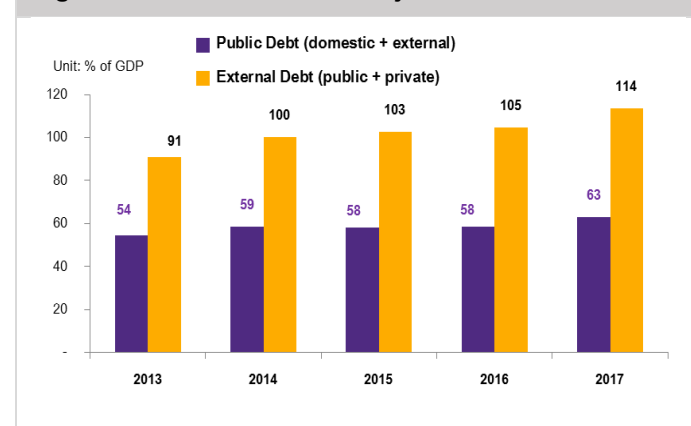
Sources: IMF

LAK is depreciating as USD strengthens



Sources: Bloomberg

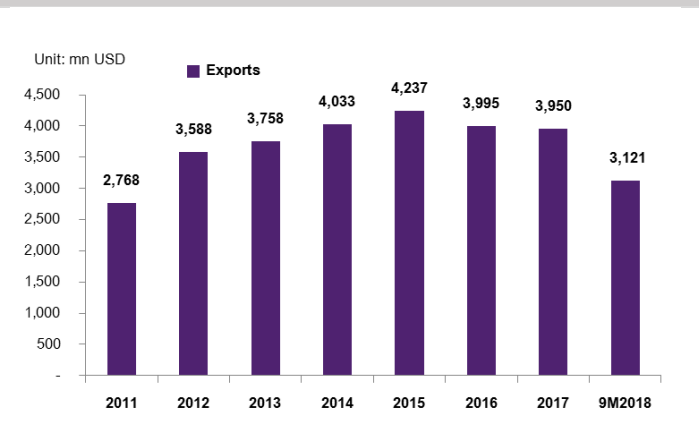
High external debt level is a major risk to Laos



Sources: International Monetary Fund (IMF) and CEIC

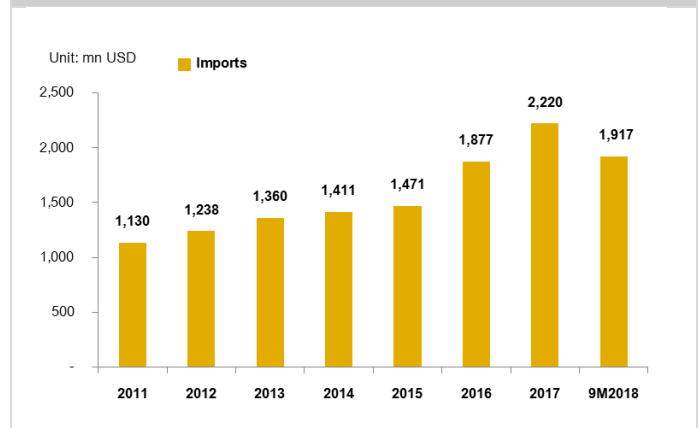
Links with Thai Economy

Exports to Laos



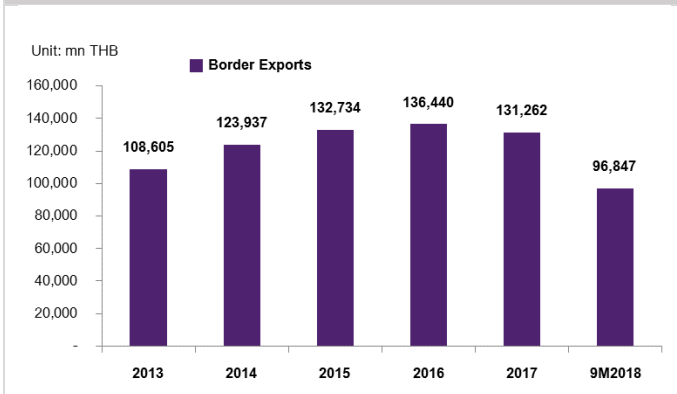
Sources: Thailand's Ministry of Commerce

Imports from Laos



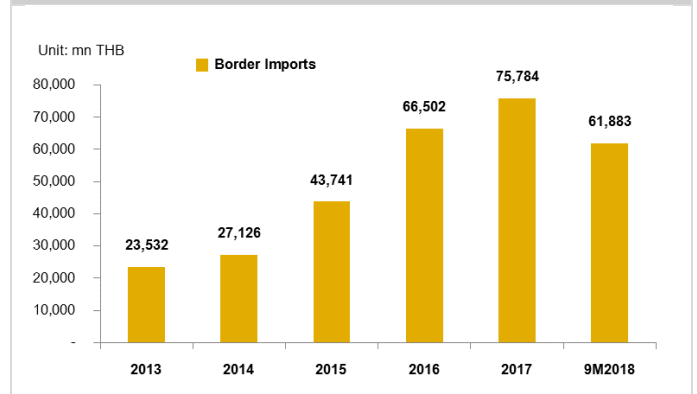
Sources: Thailand's Ministry of Commerce

Border exports to Laos



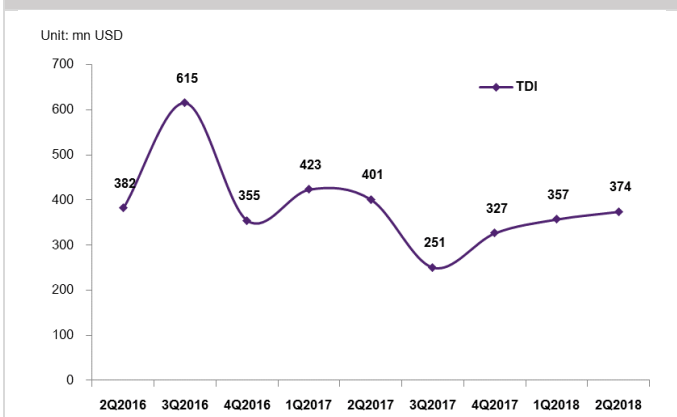
Sources: Thailand's Department of Foreign Trade

Border imports from Laos



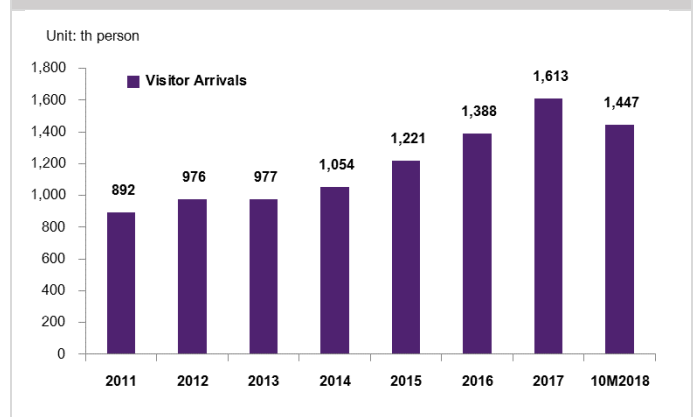
Sources: Thailand's Department of Foreign Trade

Thailand's Direct Investment in Laos



Sources: Bank of Thailand

Laos' tourist arrival in Thailand



Sources: Thailand's Department of Tourism



Facts and Figures

Population (2017)	55.12 million
Labor force (2017)	22.3 million
GDP (2017)	66.96 USD billion
GDP per capita (2017)	1,272 USD
GDP by sector (2017)	Agriculture: 24.8%, Industry: 35.4%, Services: 39.9%
Top exports (2017)	Oil & Gas 27%, Textile 14%, Cereal 10%

Things to watch in 2019



Effects of Rohingya crisis on foreign direct investment and tourism



Further liberalization of banking sector

Macroeconomic update



Economic Outlook

Myanmar's economic performance disappointed during the interim period². From April to September 2018, total approved foreign direct investment (FDI) inflow was USD 1.765 billion, much less than USD 3 billion forecast by the Directorate of Investment and Company Administration (DICA). At the same time, the number of foreign tourists increased just 2%YOY, dragged down by fewer visitors from Western countries, including a 28% decline from France, a 22% drop from the UK, a 32% drop from Germany, and a 15% decrease from North America. The shortfall in FDI and stagnant tourist arrivals were mainly due to the ongoing Rohingya human rights issue in Rakhine State, which has discouraged potential investments and tourist receipts from Western countries. However, during the 6-month interim period, exports grew significantly 22%YOY, reaching USD 8.8 billion. Strong international demand for Myanmar's garment, agricultural products and minerals contributed to higher export revenue. Imports, meanwhile, increased at a slower pace of 8.5%YOY to USD 9.8 billion, led by raw material, capital goods, and consumer products. As a result, trade deficit narrowed to USD 1 billion or 1.44% of GDP.

The economic outlook remains favorable, with growth around 6.8% in FY2018/19 amid rising challenges and risks. A sizable domestic market and rising external demand will be key growth drivers in FY2018/19 and in the medium term. Nevertheless, the government has set up the new Ministry of Investment and Foreign Economic Relation and introduced Myanmar Investment Promotion Plan (MIPP) to promote investments. The 20-year plan aims to attract FDI in new 4 growth engines, including export-oriented, market-oriented, resource-based and knowledge-based industries. The DICA expects that the country will receive USD 5.8 billion of FDI per year for the next 5 years and reach USD 220 billion over the next 20 years under MIPP. However, according to a survey by the Union of Myanmar Federation Chamber of Commerce and Industry, investor confidence dropped 25%YOY due to such challenges as difficulty in doing business, poor investment infrastructure, limited financial access, and lack of intellectual property protection. Thus, there is an urgent need for Myanmar to improve these requirements to achieve the FDI target.

² Myanmar's interim period was during April to September 2018



Risks to Myanmar's economy involve the persistent Rohingya crisis in Rakhine State and tightening global financial condition. The export-oriented garment manufacturing industry has played an important role in driving the economy with more than 50% share of total exports in 2017. Currently, 65% of the industry is dominated by foreign investors, aiming to export to EU under the Everything But Arms (EBA) scheme. The ongoing Rohingya crisis has made the EU reconsider removing the trade privilege. Future investments, not only from the EU but also from other countries trying to get access to the EU market through Myanmar, will be discouraged. Meanwhile, tightening global financial condition, particularly rising interest rates in the US, has put pressure on capital outflow and led to a significant depreciation of Myanmar Kyat (MMK). Despite continuous efforts of the Central Bank of Myanmar (CBM) to stabilize the exchange rate, MMK has sharply depreciated 19%YOY, standing at 1,564.85 against the US Dollar as of December 3, 2018. As demand for imported consumer goods, raw materials and capital goods remains strong, the depreciation of MMK could worsen trade deficit. Rising prices of imported goods will further accelerate an already high inflation at 8.2% in August 2018.



Financial markets

The Central Bank of Myanmar (CBM) opened the banking sector to foreign players to deepen development. Starting November 8, 2018, all branches of foreign banks have been given the rights to provide financing and other banking services to local businesses. The extension of financial services includes loan in MMK not exceed the maximum lending rate of 13% and full trade financing services at market interest rates. However, foreign banks are still not allowed to offer retail banking services, such as personal saving accounts and money transfers, and accept immovable property as collateral. Moreover, 9 foreign banks will finally receive licenses to operate in 2019. These further steps to liberalize the banking sector will spur more competition among domestic and foreign players that could directly benefit rising demand for credit and help promote development in the coming years.



EIC's view

Myanmar presents plenty of untapped investment opportunities for serving the domestic market and exporting to international markets, which is in line with the MIPP's target of moving the country toward market-oriented and export-oriented industries. Therefore, potential businesses range from food & beverage, consumer products, construction materials, education, to garment and machineries and automobile parts.

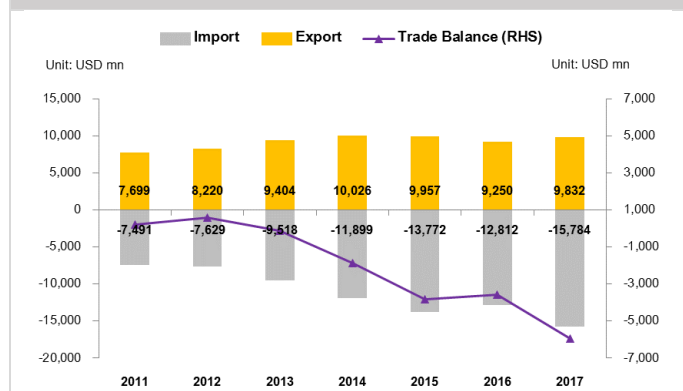
1. Food & beverage businesses will benefit from Myanmar's abundant agricultural resources and large population.
2. Consumer products are poised for strong potential growth since Myanmar recently liberalized the wholesale and retail business. In addition, consumer goods, produced domestically, will be substitutes for imported goods as import prices have risen due to a sharp MMK depreciation.
3. Construction materials, such as cement and metal, will be highly demanded following public and private infrastructure development projects, real estate boom, and expanding city areas.
4. Schools, providing basic to vocational & training and higher education, was opened to 100% foreign investment in early 2018 as the country is in need of human capital development to increase the supply of skilled labor.
5. Garment, a key export product, is lucrative for businesses to manufacture and export to US and EU under preferential trade treatments, GSP and EBA.
6. Machinery and automobile parts are considered emerging industries for Myanmar but with a bright outlook.

Myanmar's Key Indicators

Domestic Demand	Unit	2013	2014	2015	2016	2017	2018F	2019F
Real GDP	% YOY	8.4	8.0	7.0	5.9	6.8	6.4	6.8
Consumer price index	%	6.4	6.1	8.4	7.0	5.4	6.3	5.9
Current account balance	% of GDP	-4.9	-2.2	-5.1	-3.9	-4.3	-5.3	-5.7
Policy rate (end of period)	%	10	10	10	10	10	-	-

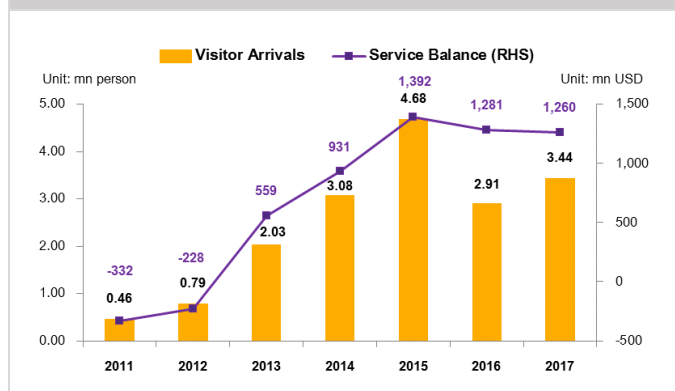
Sources: International Monetary Fund (IMF) and The Central Bank of Myanmar

Trade deficits deepened as imports continued to rise



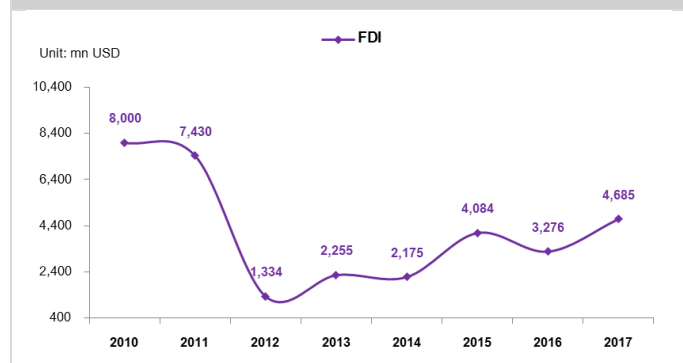
Sources: World Bank

Tourist arrivals fell especially from the western regions



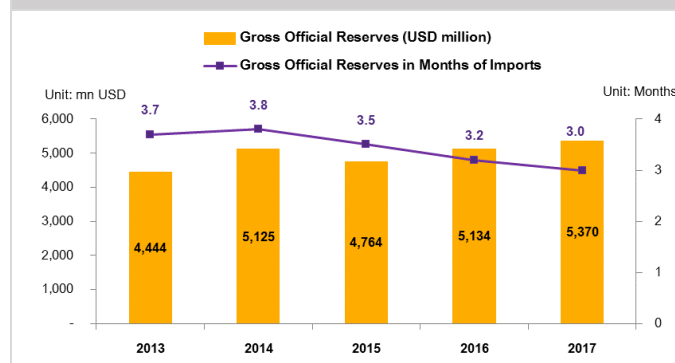
Sources: World Bank and CEIC

Stagnant FDI inflow due to Rohingya crisis



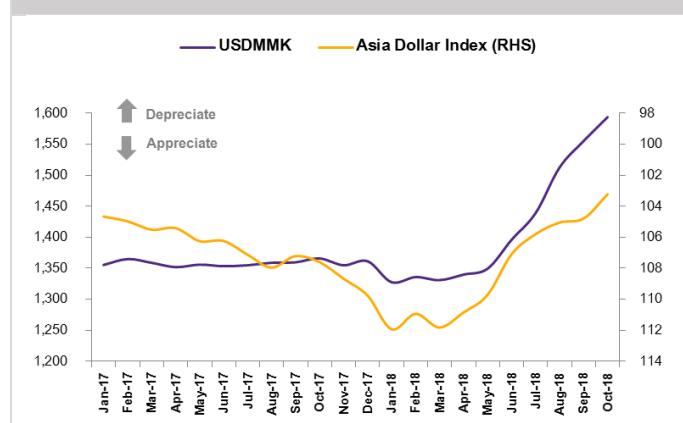
Sources: World Bank

Foreign reserves provided sufficient economic buffers



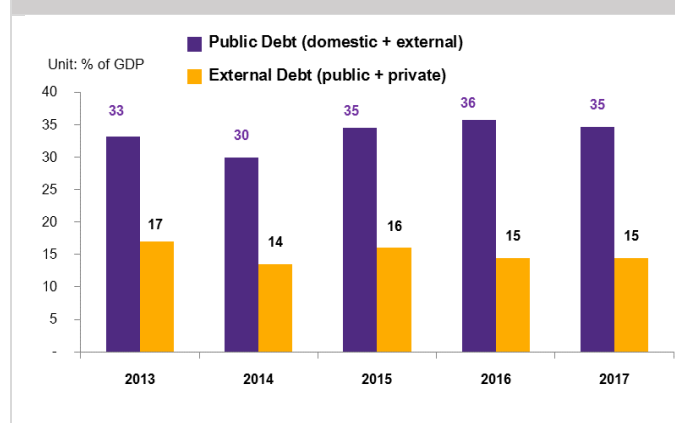
Sources: IMF

Sharp decline of MMK intensified economic vulnerability



Sources: Bloomberg

External debt remained low



Sources: International Monetary Fund (IMF) and CEIC

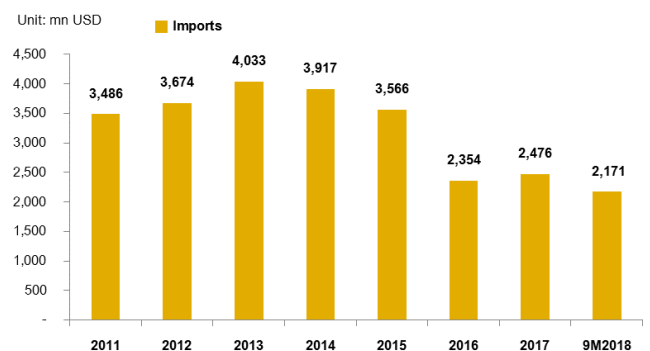
Links with Thai Economy

Exports to Myanmar



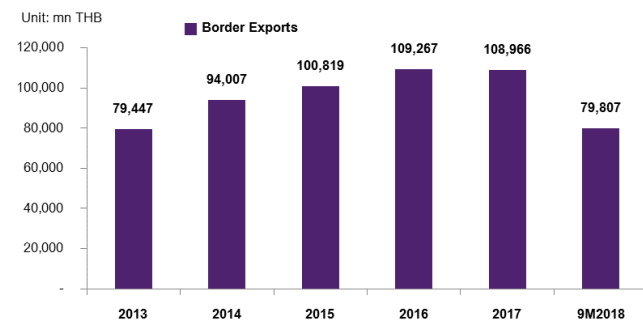
Sources: Thailand's Ministry of Commerce

Imports from Myanmar



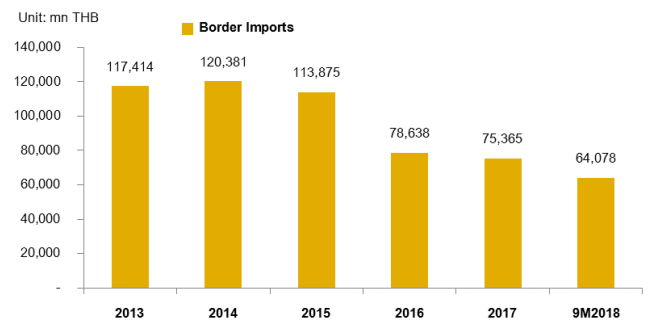
Sources: Thailand's Ministry of Commerce

Border exports to Myanmar



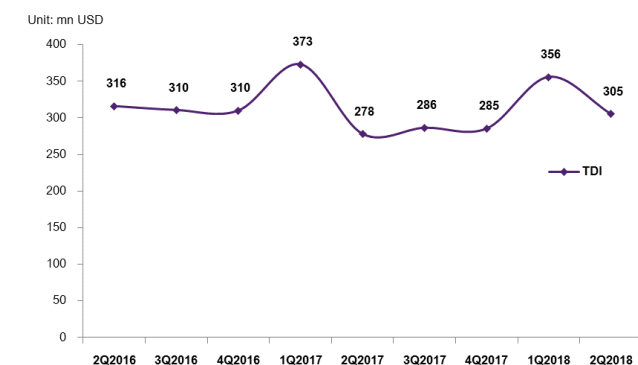
Sources: Thailand's Department of Foreign Trade

Border imports from Myanmar



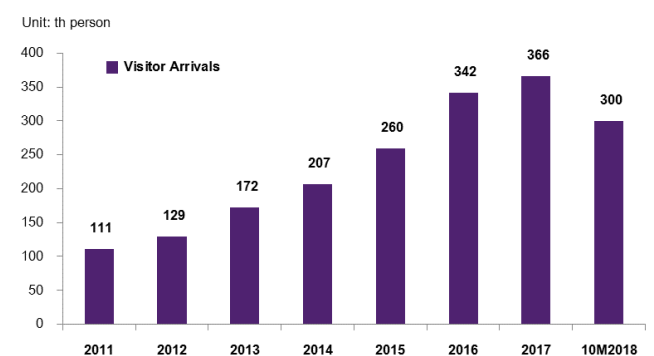
Sources: Thailand's Department of Foreign Trade

Thailand's Direct Investment in Myanmar



Sources: Bank of Thailand

Thai tourist arrivals in Myanmar



Sources: Thailand's Department of Tourism



VIETNAM

OVERALL ECONOMY

Facts and Figures

Population (2017)	96.16 million
Labor force (2017)	56.46 million
GDP (2017)	215.93 USD billion
GDP per capita (2017)	2,306 USD
GDP by sector (2017)	Agriculture: 16%, Industry: 33%, Services: 41%
Top exports (2017)	Electronic products 39%, Garments and footwears 19%

Things to watch in 2019



Effects from the US and China's economic slowdown



High credit growth may fuel financial system instability

Macroeconomic update



Economic Outlook

Vietnam's robust growth continued in 2018, led by exports. In the first nine months this year, Vietnam's economy expanded by 6.98%YOY, the highest since 2011. Exports surged 15.3%YOY and more than two-thirds of the value came from the foreign-invested segment. With this high figure, Vietnam's economy would surpass the growth target of 6.7% in 2018, but is set to slow to 6.5% through 2023 based on IMF estimations. For 2019, Vietnam will maintain its high growth momentum, but headwinds from the trade war and economic slowdown of its major trade partners -- particularly the US and China -- may pressure economic success. Domestic risks such as high credit growth and low reserve buffers also pose key challenges to Vietnam's growth next year.

The CPTPP is ready to kick-off from December 30, 2018. Vietnam was the 7th member ratifying the trade pact in November, following Japan, Mexico, Singapore, Canada, New Zealand and Australia. Once in effect, the Comprehensive and Progressive Agreement of Trans-Pacific Partnership (CPTPP) will discard import tariffs on 98% of goods traded among the 11 member countries. The trade pact is expected to boost Vietnamese exports and attract foreign direct investment, especially projects seeking a production base for exports to CPTPP members. In 2016, CPTPP countries accounted for about 16% of total Vietnam's exports. Additionally, the trade deal will push Vietnam towards domestic reforms and enhance the country's competitiveness in the long term.



Financial markets

Vietnam is preparing to remove foreign ownership limits on listed companies.

Expected to be enforced by 2020, this draft decree will lift a 49% foreign stake cap on public company in general sectors. For some conditional businesses, such as banking and aviation, the cap may also extend from the current 30% but still ban full foreign ownership. This is a crucial step for Vietnam to open for more foreign investment and speed up SOE privatization -- one of the country's institutional reforms. Once enforced, the decree will allow major foreign ownership in some listed companies and hence increase their participation in Vietnam's stock market. As of September 2018, overseas investors held about 23.3% of Vietnamese stocks, up from a 21.6% share in 2017.





Law & Regulation

Vietnam issued a decree requiring foreign workers to join a compulsory social insurance scheme. Under decree 143/2018, foreign workers in Vietnam will be subject to social insurance starting from 1 December 2018. The insurance regimes offer sickness, maternity, workplace accident, and career-related disease. These will need a 3.5% insurance premium collected from monthly salaries. Foreign workers are also required to enroll in retirement and survivorship insurance from 1 January 2022 onward, which will cost them 8% in earnings each month. This move will assure fair practice between foreign and local employees, and may help attract high-skilled foreign workers into Vietnam thanks to assured health benefits.



EIC's view

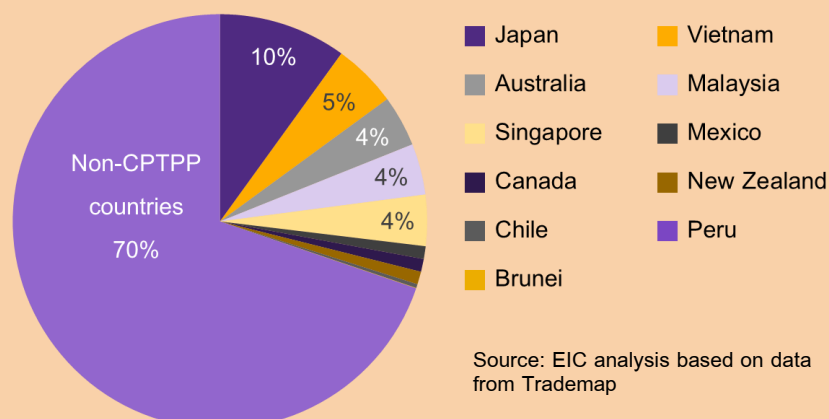
Vietnam joining the CPTPP may divert FDI from Thailand, particularly investment in an export production base. Considering its low wages and low tariffs, Vietnam is becoming more attractive to foreign investors targeting exporting to CPTPP nations and European markets. Vietnam currently receives GSP (Generalized System of Preferences) benefits from the European Commission and is expected to enter a free trade agreement with the EU (EVFTA) by 2019. Vietnam's engagement in both CPTPP and EVFTA would diminish Thailand's position as an export production base in the long run. **The Thai government also plans to join the CPTPP and is currently studying the costs and benefits of entering the trade bloc.** CPTPP's economic size is as high as 13% of the world's total GDP. In 2017, the value of Thai exports to CPTPP members accounted for 30% of total Thai exports (Figure 3). The trade pact will welcome new members after the first round is enforced.

Nonetheless, Thailand still enjoys competitiveness when it comes to skilled labors. In Vietnam, a lack of an experienced workforce has been a primary business concern and many companies in the country choose to hire foreign workers. Based on data from the Ministry of Labor, Invalids and Social Affairs (MoLISA), the number of foreign employees rose by 5.5% on average during 2011-2016. 73% of them are from Asian countries, led by China, South Korea and Japan – all of whom are top foreign investors in Vietnam. The trend is seen to continue backed by the decree on compulsory social insurance for foreign workers.

Figure 3: After CPTPP is enforced, Thailand may lose some export market to Vietnam

Thailand's exports to CPTPP countries, 2017

Unit: % of total Thai exports

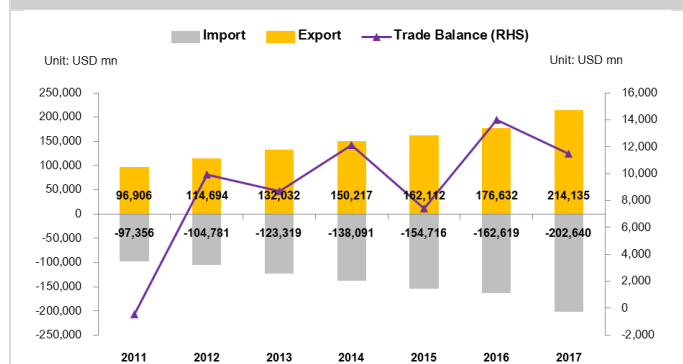


Vietnam's Key Indicators

Domestic Demand	Unit	2013	2014	2015	2016	2017	2018F	2019F
Real GDP	% YOY	5.4	6.0	6.7	6.2	6.8	6.6	6.5
Consumer price index	%	6.0	1.8	0.6	4.7	2.6	4	4
Current account balance	% of GDP	4.5	4.9	-0.1	2.9	2.5	2.2	2.0
Policy rate (end of period)	%	7.0	6.5	6.5	6.5	6.25	-	-

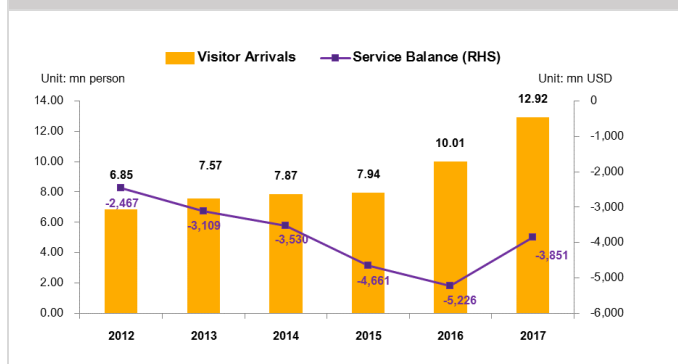
Sources: International Monetary Fund (IMF) and The State Bank of Vietnam

Trade surplus continued with rising export demand



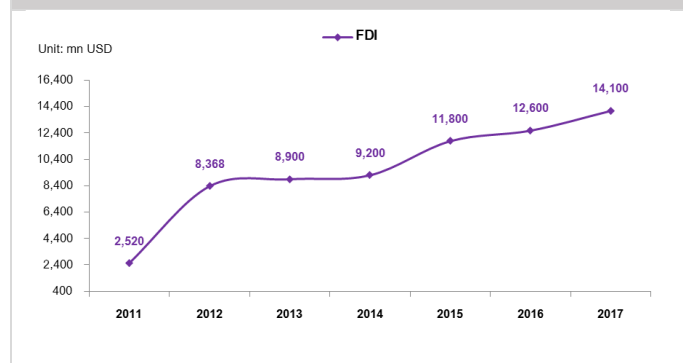
Sources: World Bank

Tourism helped lifting service balance



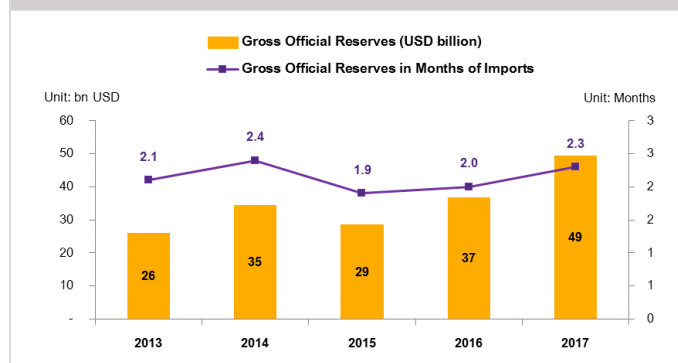
Sources: World Bank and CEIC

FDI is on the rise, concentrated in manufacturing



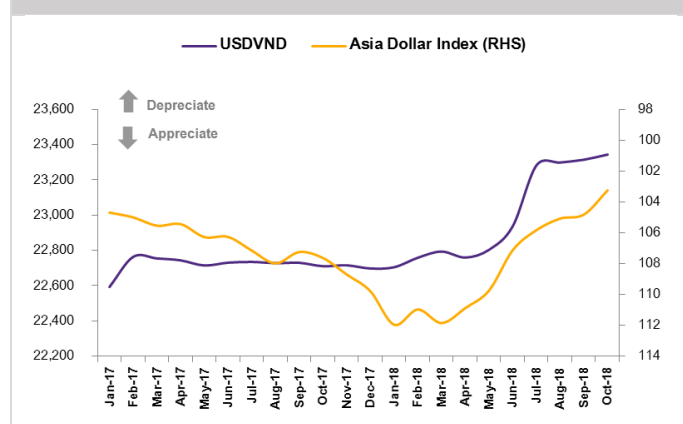
Sources: World Bank

Reserves buffers are lower than a 3-month standard



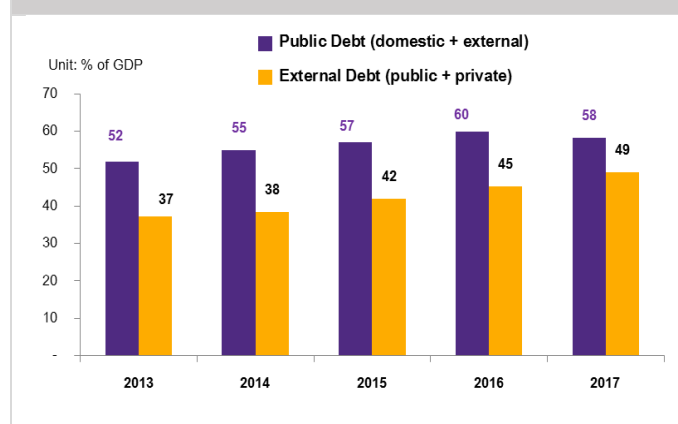
Sources: IMF

VND is currently in a depreciation trend against USD



Sources: Bloomberg

Country debt are relatively high, comparing to peers



Sources: International Monetary Fund (IMF) and CEIC

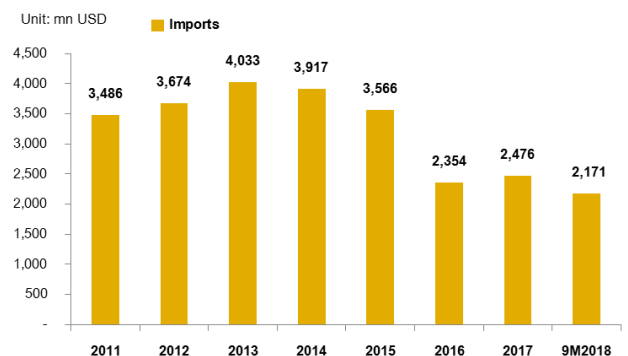
Links with Thai Economy

Exports to Vietnam



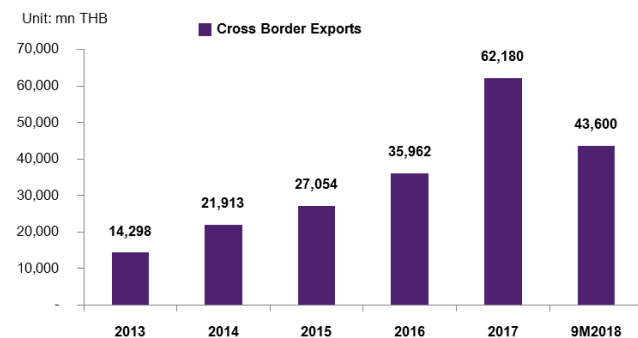
Sources: Thailand's Ministry of Commerce

Imports from Vietnam



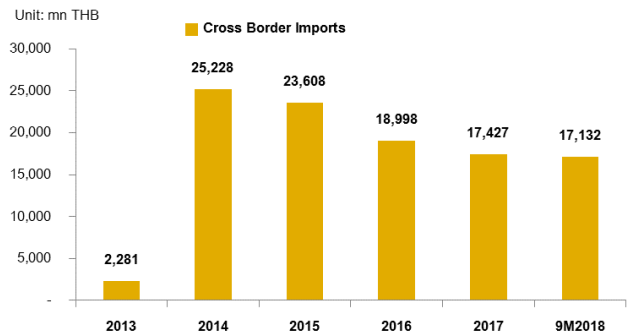
Sources: Thailand's Ministry of Commerce

Cross Border Exports to Vietnam



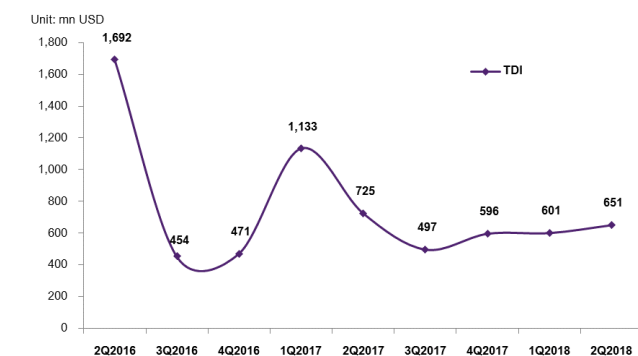
Sources: Thailand's Department of Foreign Trade

Cross Border Imports from Vietnam



Sources: Thailand's Department of Foreign Trade

Thailand's Direct Investment in Vietnam



Sources: Bank of Thailand

Thai tourist arrivals in Vietnam



Sources: Thailand's Department of Tourism

CLMV Highlight

Fantastic SEZs and where to find them

1. Why SEZs?

Investment in CLMV countries normally comes with perks such as lower labor costs and a wide range of business incentives, but these also come with pains both lagging basic infrastructure and longish business processes. That is why Special Economic Zones (SEZs) turn up as a remedy. Similar to Thailand, the CLMV government brings in SEZs to promote economic activities in targeted sectors and attract foreign investment, which has been the main driver for CLMV economies. Compared to other areas, investing in SEZs is better in three ways;



1. Better investment incentives - CLMV government often provide generous incentives to investment in many areas, but investors in SEZs are entitled to get even excellent privileges. These include longer tax holidays, special tax rates, and extended land leases. In Myanmar, investors in SEZs can apply for land rent up to 75 years – 5 years longer than in other zones.



2. Better infrastructure – As we all know, development of basic infrastructure in CLMV countries is mainly concentrated in the capital and key cities. Even so, the quality of roads, ports, and electricity supply remain low, particularly in Laos and Myanmar where about 60% of the roads are unpaved. Lagging infrastructure has been a big pain point for businesses, but investing in SEZs can ensure this concern is minimized. Most SEZs in CLMV countries are well-equipped with paved roads, waterworks systems, accommodations, and other facilities. In Cambodia, the Phnom Penh SEZ has its own power plant and dry port directly connected to Phnom Penh river port.



3. Better business environment – Many SEZs in CLMV offer a one-stop service (OSS) which facilitates business procedures such as company registration, investment license inquiries, and custom processes. In Laos' Savan-Seno SEZ, investors can directly apply for investment licenses or enterprise certificates through the OSS and it takes only 5 days to complete. Meanwhile, the OSS point in Myanmar's Thilawa SEZ gathers all investment-related offices including immigration, customs, revenue, and the central bank office. This helps shorten the business process, which normally takes around two weeks for Myanmar.

2. Get to know the SEZs in CLMV

Investing in SEZs is surely a top pick when doing business in the CLMV. But before rushing to invest there, you'd better know where to find an SEZ you can fit in. In this section, we will look into the overall landscape of SEZs in each CLMV country, finding their target businesses and what investment incentives they offer.

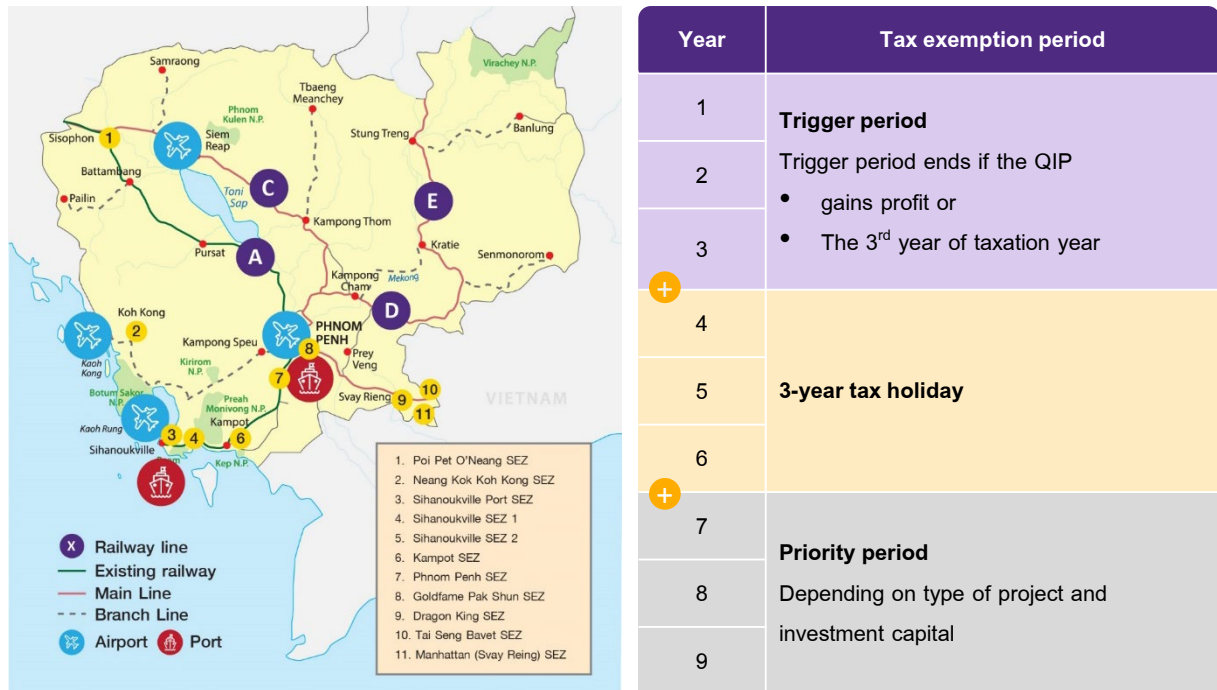


Cambodia

Cambodia has 38 SEZs across the country. Investment projects mainly concentrate on labor-intensive and light manufacturing industries, such as garments and footwear, leather products, electronics and auto parts, food processing, and packaging. Among the SEZs currently in operation, the Phnom Penh SEZ (PPSEZ) and Sihanoukville SEZ (SSEZ) zones are the two most renowned. The Phnom Penh SEZ is located near Phnom Penh International Airport and connected to National Road No. 4, the main highway to the only deep-sea port in Sihanoukville, in which the other major SEZ is located. The Sihanoukville SEZ is the largest SEZ in the country, five times the size of PPSEZ. The SSEZ is well situated in the center of key transport links, including Sihanoukville Airport and Sihanoukville Autonomous Port. As of 2016, Asian countries have been major investors in Cambodia SEZs led by Japan, China, and Taiwan, while Thailand was number six investor. Existing Thai companies investing in Cambodia include Betagro, Thai President Food and SVI Public Company (CCTV manufacturing factory) – all settled in the Phnom Penh SEZ.

Investments in Cambodian SEZs earn incentives similar to a Qualified Investment Project (QIP). These cover a profit tax holiday for up to 9 years, import duty exemption, and free remittance of foreign currency. Investors in SEZs also receive VAT exemption on construction and raw materials used in export production or imported for domestic-oriented manufacture. However, foreign investors are restricted from owning land but able to obtain a long-term lease for a maximum period of 50 years with another 50-year extension. SEZ developers can seize land concessions from the government and lease them to zone investors. Regarding foreign employment, the Immigration Law only allows foreign investors to hire foreign workers up to 10% of total labors, while zone developers are also required to arrange vocational training for local employees.

Figure 1: Major SEZs in Cambodia and tax incentives



Source: The Council for the Development of Cambodia and HKTDC Research (April 2017)



Laos

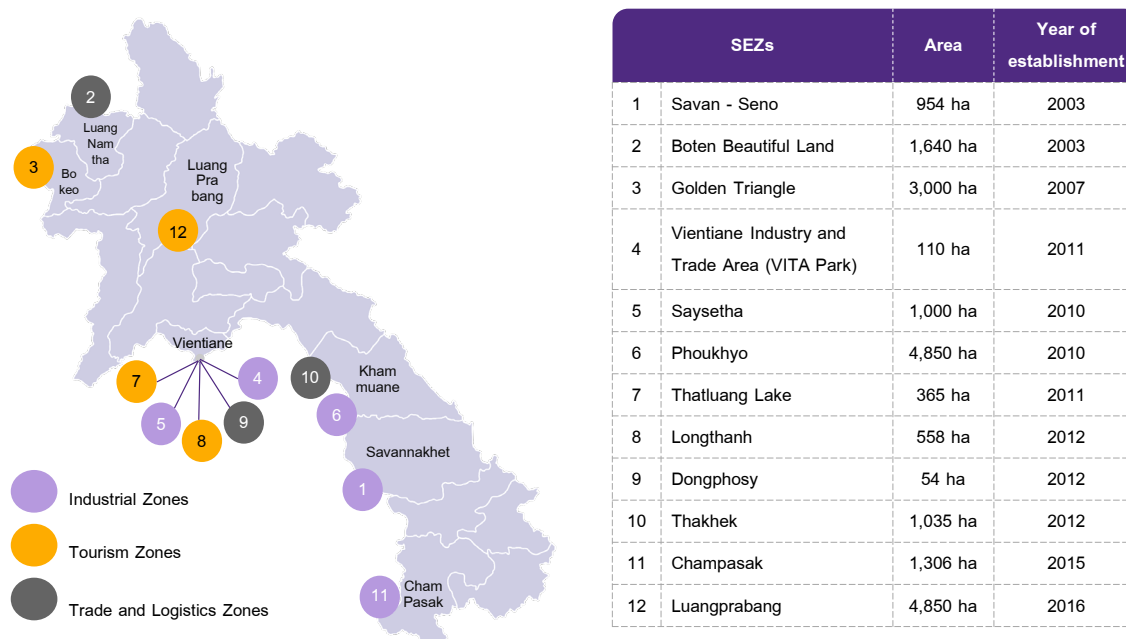
Laos currently has 12 SEZs that are parted into 3 categories; industrial zone, tourism and metropolitan zone, and trade and logistics zone. Though small in number, SEZs in Laos are all located in strategic areas -- in key cities like Vientiane and Savannakhet, or in provinces along borders with Thailand. In 2017, 71 companies invested in Lao SEZs, with a registered capital of over USD 92 million. 58 of them are foreign enterprises led by China, Thailand, and Japan.

2 major SEZs in Laos are the Vientiane Industry and Trade Area (VITA Park) and the Savan-Seno SEZ in Savannakhet province. Investment projects in VITA Park are mostly light manufacturing, such as textiles, electronics parts manufacturing and assembly, wooden furniture, and food processing. Meanwhile, the Industrial zone in Savan-Seno SEZ targets labor-intensive industries, including garments, footwear, toys, and parts assembly.

Each SEZ in Laos has its own investment incentives. Most of all, tax holiday periods range from 2 to 7 years based on business category. After the exemption period, profit tax will be collected at a rate of around 8-20% -- lower than the normal rate of 24%. The personal income tax rate will also be reduced to 5-10% from a regular 0-24% progressive rate. For the Phoukhyo SEZ, investors are allowed to bring in foreign employees if not higher than 10% of the workforce. The restriction is more relaxed in the Savan-Seno SEZ, where the maximum share is extended to 30%. Lastly, foreign investors can agree on long-term land leases of up to 30 years from private entities or 50 years from public authorities, with potential extension if approved by the government.

In July 2018, the Lao government announced an additional tax break for investors in SEZs. Under this new decree, firms that invest in specific sectors will receive profit tax exemption of up to 8-16 years depending on the zone. These sectors include industrial production, tourism, services, healthcare, education, and real estate. After the tax holiday period, investors will pay only 35% in profit tax rate as stipulated by law for 5 years before being subject to the normal rate. In addition, VAT exemption will be granted to zone developers related to road construction, electricity, and waterworks systems. This is good news to all investors eyeing opportunities in the Lao SEZs. Nonetheless, there have not been any public details on when the decree will be enforced or which SEZs are required to join the scheme.

Figure 2: Major SEZs in Cambodia and tax incentives



Source: The Council for the Development of Cambodia and HKTDC Research (April 2017)

Figure 3: Investment incentives in Laos' SEZs

Incentives	VITA Park	Savan-Seno SEZ	Phoukhyo SEZ
Profit tax holiday	2-10 years	2-10 years	2-7 years
Profit tax after holiday period	10%	8-10%	10%, 15%, 20%
Personal income tax	7%	5%	10%
Foreign employment limit	NA	Up to 30%	Up to 10%
Target industry	<ul style="list-style-type: none"> Manufacturing Wooden furniture Food processing Textile 	<ul style="list-style-type: none"> Garment Footwear Toys Part assembly 	<ul style="list-style-type: none"> Industrial plant Trading Education Tourism Hospital
Land lease	Maximum 30 years if leasing from the local Maximum 50 years if leasing from the government		

Source: TDRI (October 2017) and each SEZ websites



Myanmar

There are 3 SEZs in Myanmar, but only the Thilawa SEZ has made it to commercial operation. the other 2 SEZs are the Kyaukphyu SEZ and the Dawei SEZ, the latter currently resumes project construction with cooperation from Thailand and Japan. All SEZs are located on the west coast of Myanmar where there are planned developments of deep-sea ports to facilitate maritime transportation via the Andaman sea.

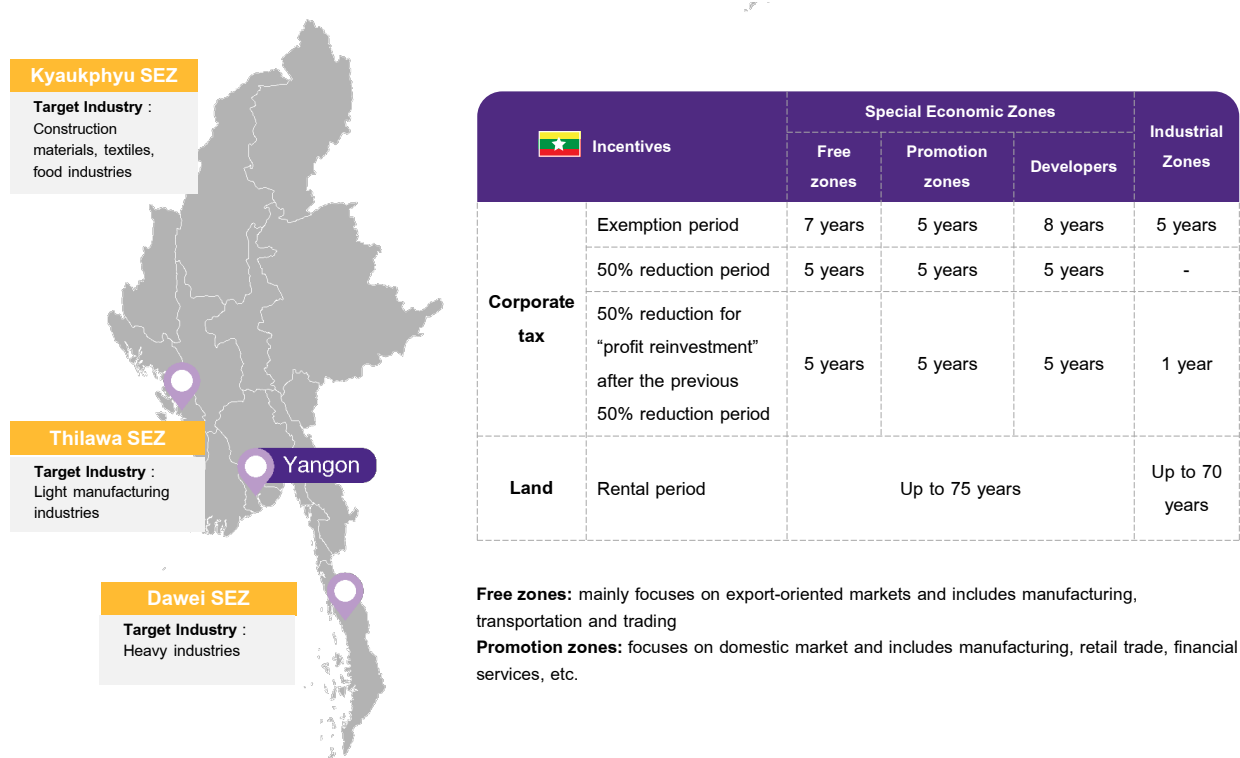
In the Thilawa SEZ, targeted investment includes light industry, labor-intensive industry, an export-oriented sector, and consumer product manufacturing. Sited near the Thilawa deep-sea port and Yangon city, the zone's key advantages are logistics channels, a large workforce pool, and a sizable consumer market. These could benefit both businesses targeting export markets and the domestic retail market. The zone is also equipped with well-established infrastructure thanks to Japanese assistance. There are about 82 approved projects in the Thilawa SEZ, most of them manufacturing businesses from foreign investors led by Asian countries.

Investment incentives in Myanmar SEZs are divided into 3 categories based on target markets. Corporate tax holiday span from 5-8 years – 5 for sectors targeting the domestic market, 7 for export-oriented businesses, and 8 for zone developers. After the exemption period, investors will be taxed at a half-rate for another 5 years or longer if the company reinvests its profits. The land lease period for foreign entities is 50 years with a maximum 25-year extension. Additionally, the new Myanmar Investment Law 2016 removed a limit on foreign employment, but investors are encouraged to hire local candidates and only allowed to hire local employees for unskilled work.

Investing in industrial estates is another option for investors in Myanmar. Most industrial zones (IZs) are in Yangon and other key cities such as Mandalay and Bagan. Similar to SEZs, key advantages to investment in an industrial zone are better infrastructure, logistics support, and investment incentives, though slightly lower than that provided in SEZs. The corporate tax holiday is 5 years and land rental period for overseas entities is up to 70 years.

For investors, particularly in manufacturing industries, potential industrial estates are **Mingaladon IZ in Yangon** and **Myotha IZ in Mandalay**. Mingaladon IZ officially opened in 1998 and has become a manufacturing base for exported products. Current projects in the zone are manufacturing businesses such as food processing, textiles and footwear, leather goods, beauty products, electronics parts, and packaging. All are foreign-invested projects led by Japan and Hong Kong. Meanwhile, Myotha IZ is an ongoing project featuring a mixed use industrial park in Mandalay new township. Targeted sectors in the zone are labor-intensive industries, capital-intensive industries such as machinery and electronics parts manufacturing, and services including logistics, warehouse, and financial services.

Figure 4: SEZs in Myanmar and investment incentives



Source: EIC analysis based on data from PWC, Myanmar Legal Services, each SEZ websites, and press search



Vietnam

In Vietnam, investors may choose to invest in 3 specific areas -- Industrial Park (IP), Economic Zone (EZ) and Hi-Tech Park (HTP). As of September 2018, there are 17 EZs and 328 IPs across the country. All EZs are in coastal areas, some equipped with their own deep-sea ports. Meanwhile, most IPs are located in the southern and northern regions, particularly around key cities like Hanoi and Ho Chi Minh city. Some IPs are parts of EZs and each of them targets different key industries. Until June 2017, IZs and EZs in Vietnam have attracted a total of 437 foreign-invested projects and 139 Vietnamese projects.

Investment in EZs receives higher incentives than in IPs. These include longer tax holiday and special tax rates. In EZs, investors are granted an incentive tax rate – 10% for corporate income tax and a 50% reduction for personal income tax. But other than EZs, investors need to pay normal rates 20% and 5-35% progressive rate, respectively. The exemption period is also longer for investment inside the EZs. Meanwhile, Vietnam has no foreign employment limit, but the company is expected to recruit overseas workers only for positions which cannot be filled by locals.

Furthermore, Vietnam has 3 High-Tech Parks (HTPs) focusing on smart technology and high-tech industries. The parks have been developed as hubs for research and development in line with the country's aim toward innovation and value-based growth. The 3 parks are Hanoi Hoa Lac HTP in the northern region, Danang HTP in the central region, and Saigon HTP in the southern region. All target high technology sectors, including bio-technology, nano-technology, automation, robotics, micro-electronics, ICT and, telecoms. Investment incentives in HTPs are similar to those offered in EZs. But in the Hanoi Hoa Lac HTP, projects with over VND 4 trillion in investment capital will get to pay corporate tax at an incentive rate of 10% for up to 30 years – double the general 15 years.

The government of Vietnam proposed the 3 special economic zones, but these were turned down by the public. Based on the draft plan, 3 special economic zones were to be located in Hai Phong province, Khanh Hoa province, and Phu Quoc island. Each targeted different investments, ranging from hi-tech to tourism and hospitality. To attract overseas investors, the government planned to offer higher investment privileges, such as land leases for up to 99 years. These incentives caused protests from local people. For this reason, the government decided to conduct further study and approval of the law was postponed until the next legislative meeting in May 2019.

Figure 5: Major investment zones in Vietnam



Industrial zones		Province	Industry
1	Nomura-Haiphong Industrial Zone	Haiphong	High-tech industry, electrical appliance
2	Thuy Van Industrial Zone	Phu Tho	Agriculture and forestry, textile
3	Noi Bai Industrial Zone	Ha Noi	Machinery, IT, light industry
4	Thang Long Industrial Zone	Ha Noi	Machinery, electrical appliance, plastics
5	Loa Bao Special Trade Economic zone	Quang Tri	Tourism, services, textile, auto parts
6	Danang Aquatic Product Industrial Park	Da Nang	Seafood processing, fishery logistics
7	Amata City Bien Hoa	Dong Nai	Auto & parts, textile, electronics

Hi-tech park		Province	Target industry
8	Hanoi Hoa Lac Hi-Tech Park (HHTP)	Ha Noi	IT, biotechnology, new material and automation
9	Da Nang Hi-Tech Park (DHTP)	Da Nang	micro-electronics, mechatronics, optoelectronics, bio-tech, ICT, automation, nano-tech, new technology
10	Saigon Hi-Tech Park (SHTP)	Ho Chi Minh City	micro-electronics, ICT, telecom, automation, bio-tech, nano-tech

Source: CLMV Data Center by The Thai Chamber of Commerce and Board of Trade of Thailand, TDRI (October 2017), and each HTP websites

Figure 6: Vietnam's investment incentives

Incentives		Economic zones (EZs)	Industrial parks outside EZs
Corporate income tax	Exemption period	4 years after commercial operation	2 years after commercial operation
	50% reduction period	9 years	4 years
	Tax rate after holiday period	<ul style="list-style-type: none"> 10% - incentive rate for 2 years 20% - after that 	20%
Personal income tax		50% reduction for both foreign and local workers	Normal rate 5-35% (progressive rate)

Source: TDRI (October 2017)

3. Finding your fantastic SEZs

The CLMV nations offer appealing business opportunities with abundant resources and expanding domestic markets. Yet, conducting business in these frontier markets still faces a number of hurdles. Investing in an SEZ is therefore a favorable solution. On top of that, finding the right SEZ for your business is like the icing on the cake. So, the questions are which fantastic SEZ to choose from and where to find them.



In Cambodia, export-oriented light manufacturing will be key industries. Garments and footwear has been the backbone of the economy, accounting for 72% of total exports in 2017. However, under the Industrial Development Policy (2015), the government aims to improve diversification of the industrial sector beyond footwear and garments. Business opportunities arise in light manufacturing, such as electronics, electrical parts, auto parts, bicycle, traveling goods, food processing, and packaging, which have enjoyed rapid growth in recent years. Investments in these emerging industries not only serve domestic demand but also international markets, particularly the EU, US, and Japan, which offer exemption of import tariffs under the Generalized System of Preference (GSP). The **Phnom Penh SEZ and Sihanoukville SEZs, located in strategic locations with access to key transport systems, will provide better business infrastructures and export facilitation.**



For Laos, potential industries are light manufacturing and tourism. With its small population and labor force, the domestic market in Laos may not be an appealing target. But the country receives an EBA (Everything But Arms) privilege from the European Commission – meaning that almost every export from Laos is granted full duty-free access to the EU single market. This makes Laos a potential base for export-oriented businesses, especially EU-targeted shipping. **Capable SEZs as production bases in Laos are located in Savannakhet, Vientiane, and Champasak.** These are the 3 major provinces with top population numbers accounting for about 40% of the total population in 2017. Vientiane, in particular, has 2 industrial SEZs and 1 trade and logistics SEZ. The capital also offers logistics advantages such as an airport connection and rail link to China within the next 3 years. In addition, the tourism business presents another lucrative opportunity, with support from the government and the bright prospect of tourism arrivals. Laos currently has **4 tourism-focused SEZs; 2 are located in the capital Vientiane and the other 2 in Bokeo and Luang Prabang provinces.**







In Myanmar, consumer goods, light manufacturing products, and industrial raw materials have high potential growth as the government promotes import-substitution industries. Myanmar's rapid economic development and sizable domestic market has opened the door for investments in a wide range of consumer products, particularly when the wholesale and retail business sectors are finally liberalized. Light manufacturing of such products as garments and footwear, industrial raw materials, and other labor-intensive goods benefit from an abundant young labor force. These products have also gained higher international demand under preferential trade treatment from major trade partners. Nevertheless, Myanmar has the poorest infrastructure and business environment in the region. **Investing in SEZs or IZs, especially in the most developed zones possible, will ensure basic business facilities and improve efficiency.** There is also an opportunity for SEZ or IZ development as it is among Myanmar's promoted sectors and the numbers are relatively small.



For Vietnam, investment opportunity is in manufacturing and high technology sectors. Among ASEAN countries, Vietnam has emerged as a new factory base thanks to its large labor force pool, competitive cost of doing business, and trade privileges. Vietnam now receives GSP from the European Commission and will join a series of tariff cut under CPTPP and EVFTA in 2019. This puts Vietnam into the front row of high-potential export production bases. Investors may choose among 328 industrial parks and 17 economic zones based on target sectors in each location. The zones located along the coastal areas will present advantages in maritime logistics. Some industrial zones with access to sea ports include Dihn Vu IZ in the north, Hao Khanh IZ in the central area, and Vietnam-Singapore IZ in the south. Meanwhile, hi-tech industry has been under the spotlight in Vietnam, with massive support from the government. For hi-tech businesses investing in Vietnam's hi-tech parks is a better option as they are specifically built to serve hi-tech investment. The parks also join hand with universities and training centers to develop technological skills for local workers. The 3 current hi-tech parks are all located in key cities -- Hanoi, Ho Chi Minh City, and Danang.

Figure 7: CLMV's Investment incentives in comparison

Incentives	 Cambodia	 Laos	 Myanmar	 Vietnam
Corporate income tax	20%	24% (8-10% in some SEZs)	25%	20%
Tax holiday	3-9 years	2-10 years	5-8 years and 50% reduction up to 10 years	4 years and 50% reduction up to 9 years
Top Personal income tax	0-20%	24% (5% in some SEZs)	0-25% (17% in SEZs)	5-35%
DTA with Thailand	✓	✓	✓	✓
Trade Privilege	US: GSP EU: EBA	EU: EBA	US: GSP EU: EBA	EU: GSP
Land lease (max + extension)	50 + 50	30-50 years	50 + 25	70
Target industry	Labor-intensive and light manufacturing	Labor-intensive and light manufacturing	Labor-intensive, light manufacturing	Manufacturing and hi-tech industry

Note:

DTA = Double Tax Agreement

GSP = Generalized Scheme of Preferences

EBA = Everything But Arms

Last but not least, there are some concerns that investors should also take into consideration when they are on the verge of starting businesses in CLMV. Investors might face with high rental fees to acquire spaces in high-potential SEZs as they are mostly located in more developed areas and equipped with better facilities. Skilled labor shortage is another big problem. Although having abundant young labor force, CLMV economies are still lack of technicians and mid-level management to supply the rising needs from business sector. Plus, business-related law and regulations in CLMV are either outdated or constantly amended which increase uncertainties for businesses to make investment decisions. Even worse, these law and regulations may not be applied nationwide as enforcement in CLMV is quite ineffective. As such, it is crucial for investors to always keep up with business challenges in CLMV. EIC recommends investors to partner with local specialists or work with consulting firms, which would help facilitate operation and increase success rates of investment not only in SEZs but also throughout CLMV countries.

Main author



YUNYONG THAICHAROEN, PH.D.

Chief Economist and
First Executive Vice President
Economic Intelligence Center

Yunyong Thaicharoen is a First Executive Vice President of the Economic Intelligence Centre (EIC), a strategic unit of Siam Commercial Bank Public Company Limited (SCB). Prior to joining SCB, Yunyong was a Director at the Monetary Policy Department, Monetary Policy Group, Bank of Thailand which oversees overall monetary policy analyses and recommendations on interest rate, exchange rate, and capital flow policies. He also held the position of Director of the Capital Market Research Institute at the Stock Exchange of Thailand.

Yunyong is an expert on macroeconomics, monetary policy, and capital market. He frequently gives lectures to public seminars, as well as to organisations both domestically and abroad. Yunyong is also a special instructor at various academic institutions.

Yunyong holds a doctorate in economics, specialising in monetary policy and international economics, and a bachelor's degree in economics from Massachusetts Institute of Technology (MIT) under a scholarship from the Bank of Thailand.



THANAPOL SRITHANPONG, PH.D.

Senior Economist

Contact :

thanapol.srithanpong@scb.co.th



JIRAMON SUTHEERACHART

Analyst

Contact :

jiramon.sutheerachart@scb.co.th



KUNYARUK NAIYARAKSAREE

Analyst

Contact :

kunyarak.naiyaraksa@scb.co.th



NITHI KAVEEVIVITCHA

Analyst

Contact :

nithi.kaveevivitcha@scb.co.th

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