

EXIM Thailand Foresees New Markets Penetration and Expansion of Investment in S-curve Industries as Keys to Alleviate Trade War Impact and Boost Competitiveness in New Trade Era

EXIM Thailand reported that global export value had contracted for the first time in three years. In the first half of 2019, global export shrank by 2.8% or 268 billion US dollars and Thai export by 2.9% or 3.6 billion US dollars, partly as a result of the US-China trade war which caused a slowdown in export of most of Thailand's trade partners mainly in Asia and Europe. Faced with sluggish domestic economy, Thai exporters should diversify their export destinations to new market countries or regions with continued economic growth and little dependence on export to the US and China. In addition, they should also put in place a long-term plan to invest in S-curve industries which would help add more values and boost competitiveness of Thai export of goods and services as well as relieving effects of the trade war that may be prolonged or implementation of new types of trade measures in the future.

Mr. Pisit Serewiwattana, President of Export-Import Bank of Thailand (EXIM Thailand), revealed that the extended US-China trade war resulted in global trade shrinkage for the first time in three years. According to the World Trade Organization's recent findings, in the first six months of 2019, overall global export shrank by 2.8% or 268 billion US dollars, representing 0.3% of global GDP. Meanwhile, Thailand, which hinges on export to the US and China in a proportion of 11% and 12% of total Thai export, respectively, also felt the impact with export contraction of 2.9% or more than 3.6 billion US dollars. In the first half of 2019, US imports from Thailand expanded to substitute for those from China due to higher prices of Chinese goods in the face of import duty hikes, resulting in an increase in Thai exports to the US by 17%. However, the overall Thai economy, which is driven principally by export representing more than 55% of GDP, was inevitably affected by the slowing economies of most of Thailand's trade partners, i.e. around 80% of Thailand's total export, following the trade war.

EXIM Thailand President said that the impact of the trade war was not felt as severely in Thailand as in many other countries that rely heavily on exports of goods in China's supply chain. In addition, countries that rely more on the US market than the Chinese market is less affected, such as Mexico, Canada, Vietnam, India and Philippines, while countries that depend heavily on the Chinese market, especially South Korea with 27% of total export going to China recorded an 8.6% or more than 25 billion US dollar contraction in export. A short-term solution for Thai entrepreneurs is to expedite diversification of export markets to new frontiers in Asia, Africa, Middle America and Latin America, particularly the CLMV (Cambodia, Lao PDR, Myanmar and Vietnam) where purchasing power has increased in line with their consistent economic growth.

Mr. Pisit further said that in the long run Thai entrepreneurs need to adjust themselves by expanding investment in S-curve industries, such as investment in Eastern Economic Corridor (EEC), or businesses using new innovations, which would enhance Thai entrepreneurs' competitive advantage on the global market, and enable them to survive and thrive amid global economic uncertainties, be it the prolonged trade war or new forms of trade measures. The 10 target or S-curve industries promoted by the government to drive the economy looking forward comprise next-generation automotive industry, intelligent electronics, health and wellness tourism, advance agriculture and biotechnology, food processing, robotics, and so on.

“The prevailing trade war represents only one aspect of international economic and political uncertainties, which can weigh on several countries including Thailand. There are certain ways for Thai entrepreneurs to weather these difficulties such as forward-looking product and market development, starting from production technology development, innovation, and increase in product and service value proposition to better respond to demand of new generation consumers, both at present and in future, as well as ongoing exploration and creation of new business opportunities even in new unfamiliar markets. EXIM Thailand is fully equipped to work with both the public and private sectors to create new trade and investment opportunities for Thai entrepreneurs who are ready to compete in the international trade arena,” added Mr. Pisit.

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