

EXIM Thailand Alerts Exporters to International Trade Risks amid Russia-Ukraine Tensions

Dr. Rak Vorrakitpokatorn, President of Export-Import Bank of Thailand (EXIM Thailand), revealed that the Russia-Ukraine conflicts have intensified in the aftermath of Russia's attempted invasion of Kyiv, the capital city of Ukraine. Countries across the world, particularly members of the North Atlantic Treaty Organization (NATO) and Western nations, have announced economic sanctions against Russia to the extent of isolation of Russia from the global financial system. They have sought to remove Russia from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) which is a highly accurate and secure messaging network used by more than 11,000 financial institutions to send and receive financial information covering over 200 countries around the world, thus disrupting smooth financial transactions through such network of around 300 financial institutions and companies in Russia.

Dr. Rak said that Thailand might not directly be affected under the current circumstances as Thai exports to Russia and Ukraine account for only 0.4% and 0.05% of total export value respectively. Major export goods from Thailand to the two countries are automobiles, auto parts and accessories, rubber products, canned and processed fruits, canned and processed seafoods, plastic resins, and so forth. However, indirectly, Thai exporters could face higher production costs due to the fact that Russia is a world energy superpower, being a source of natural gas, crude oil and ores, which are subject to Russian sanction, hence hindrance to exports of such goods. The same is as the case for agricultural products like wheat, barley and various grains of which Russia and Ukraine are among world top producers. The persistent tensions have pushed up prices of commodities, energy and raw materials, and subsequently production and logistics costs, thus inevitably and eventually biting into entrepreneurs' profits.

EXIM Thailand President further said that Thai exporters should manage international trade risks along with production and transportation costs in order to cope with international trade and political uncertainties as well as foreign exchange fluctuations. As the Russian ruble has weakened by approximately 30% since early 2022, Thai entrepreneurs should manage such risk and adjust methods of payment for goods, etc., and for whom appropriate risk hedging tools have been recommended by the Bank.

"EXIM Thailand has kept abreast of the Russia-Ukraine conflict to work out guidelines for assisting Thai entrepreneurs in international trade and investment in Russia, Ukraine and European countries as a whole. Thai exports to Europe represent 10% of total export value. Although the impact at present is still limited, if the situation intensifies, the overall international trade and investment could be hurt, and recovery of Thai tourism and economy be slower than expected given that tourists from those countries may put off their trips. All these factors could hinder revival of Thai export and economy amid the prevailing COVID-19 pandemic," added Dr. Rak.

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Corporate Branding and Communication Department