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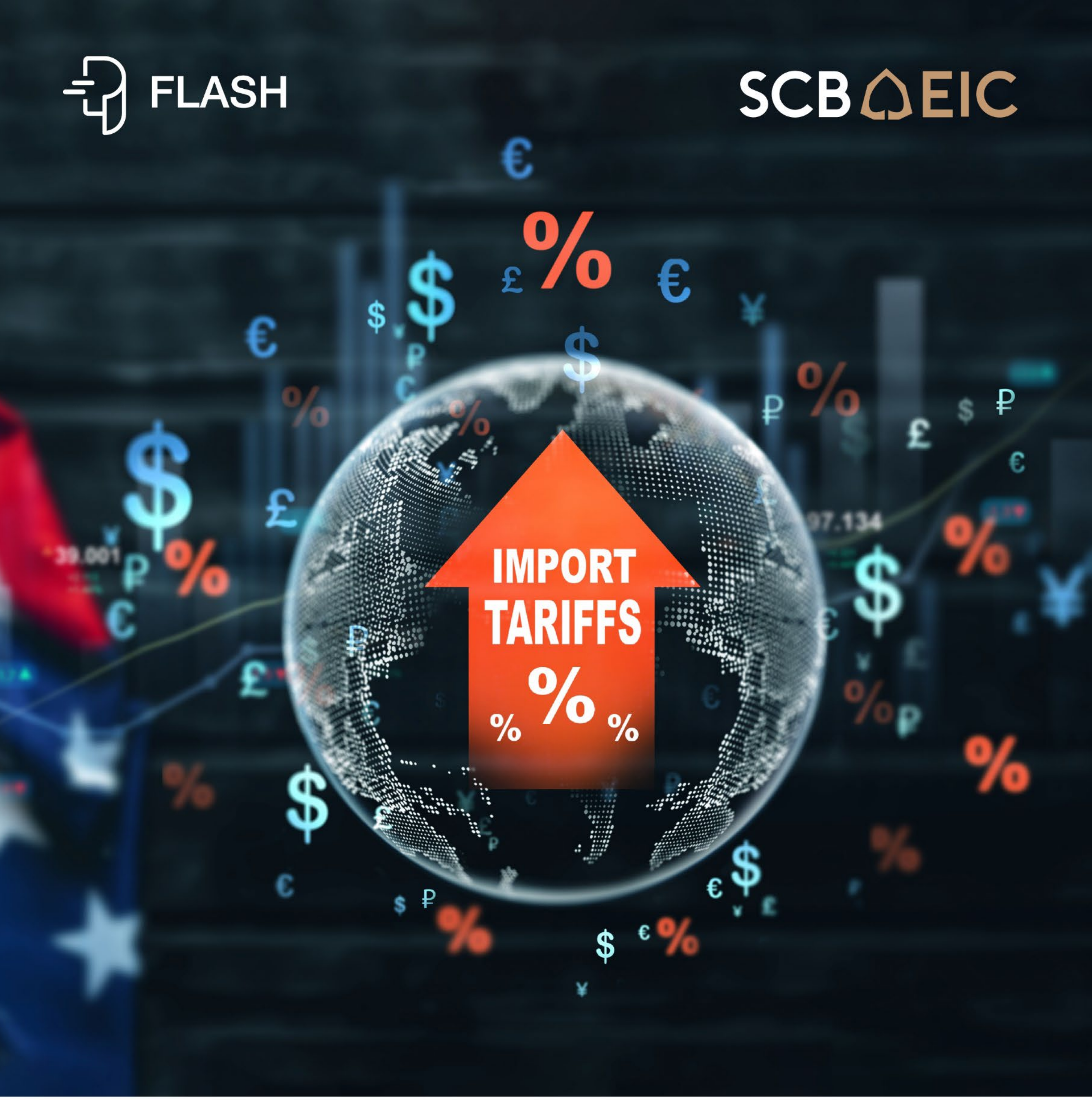

Trump Announces Major U.S. Import Tariff Hike — Thailand Hit with 36% Rate, Faces Severe Risks from Global Trade Contraction

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Trump Announces Major U.S. Import Tariff Hike — Thailand Hit with 36% Rate, Faces Severe Risks from Global Trade Contraction

- SCB EIC views that Trump's sweeping import tariff announcement on April 2 could raise the United States' effective tariff rate by as much as 18–22%, exerting significant pressure on the U.S. economy and global trade while intensify global trade competition.
- Thailand is among the countries most affected by the tariff hike, facing an import tariff of 36%—ranking 20th out of 185 U.S. trading partners globally, and 10th in Asia. This rate is significantly higher than the global average U.S. tariff increase of 16% and the Asian average of 21%. The primary reason is the large trade deficit the U.S. runs with Thailand.
- SCB EIC estimates that the Thai economy will be considerably affected, particularly through exports. The impact will stem both directly—from Thailand's high export exposure to the U.S., its largest single-country export market—and indirectly, through the economic slowdown of key trading partners such as China. In addition, global trade competition is expected to intensify both domestically and internationally, as countries worldwide scramble to find new markets. This environment may also lead to a "wait-and-see" stance among investors interested to invest in Thailand.
- The Thai government should urgently engage in negotiations to mitigate the impact of this sweeping tariff package by focusing on issues prioritized by the United States—particularly those highlighted in the March 2025 National Trade Estimate Report by the United States Trade Representative (USTR). These include three key areas: reducing the trade surplus with the U.S., lowering non-tariff trade barriers, and addressing critical issues such as intellectual property violations and labor rights. Any negotiation strategy should consider Thailand's overall national interest and include mechanisms to appropriately manage sector-specific impacts.

On April 2, 2025, President Trump announced a major import tariff hike, introducing a minimum 10% universal tariff on all imported goods from all countries, effective April 5. In addition, he announced the implementation of Reciprocal Tariffs targeting 60 countries or economic blocs with significant trade surpluses with the U.S., effective April 9. These additional tariffs will vary by country, based on the size of the U.S. trade deficit with each, with rates reaching as high as 50%.

White House's Reciprocal Tariff Calculations:

$$\text{Discounted Reciprocal Tariffs on Economy } A = 0.5 * \frac{US\ trade\ deficit\ with\ economy\ A}{US\ imports\ from\ economy\ A}$$

The Reciprocal Tariffs imposed on various countries are calculated using a formula designed to measure the extent of U.S. trade disadvantage, accounting for all forms of trade barriers. Overall, this measure is expected to raise the United States' effective tariff rate to as much as 18–22%—significantly higher than SCB EIC's previous estimate of 11.3%. SCB EIC views this escalation as likely to further intensify the negative impact on both the U.S. and global economies.

In this latest round of sweeping U.S. tariff hikes, Asian countries are facing higher average tariffs than the global norm. When accounting for Reciprocal Tariffs, Universal Tariffs, and Specific Tariffs—such as the two consecutive 10% tariff increases on Chinese goods earlier this year, totaling 20%—the average U.S. tariff increase on Asian countries rises by 21%, compared to a global average of 16%.

The primary reason is that most Asian countries run significant trade surpluses with the U.S., particularly ASEAN nations, which face an average tariff increase of as much as 33% (Figure 1, left). As a result, Asia is more heavily affected by the U.S.'s protectionist trade policies.

In contrast, Mexico and Canada—while considered high-risk due to their heavy trade reliance on the U.S. and prior imposition of specific tariffs as high as 25%—have so far seen limited impact from the latest measures. This is because most of their exports remain covered under the USMCA agreement, which currently still exempts them from these new tariffs.

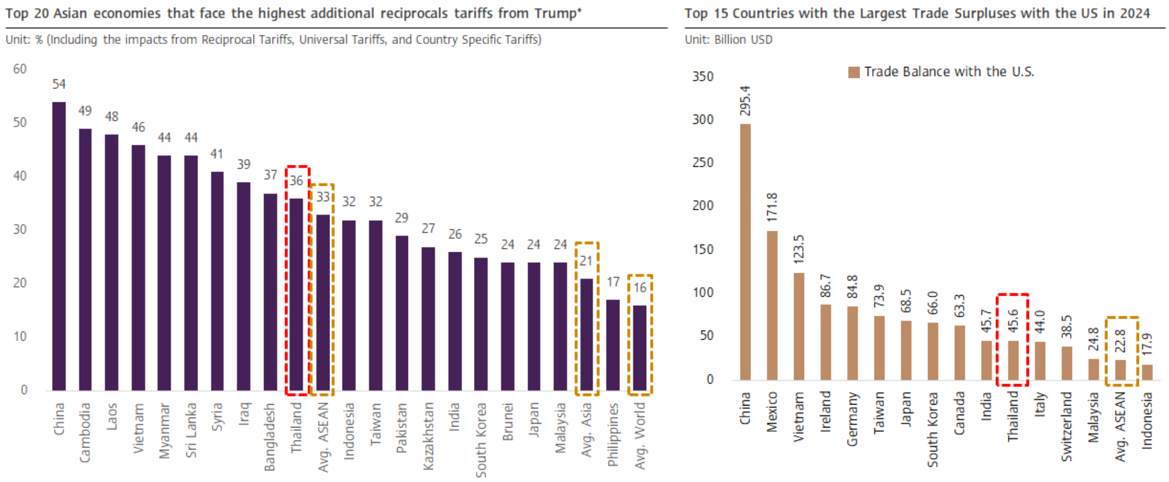
Why Is Thailand Among the Countries Facing High Tariffs?

The U.S. has imposed significantly higher tariff barriers on Asian countries compared to the global average. When considering both Reciprocal Tariffs and Universal Tariffs, the average tariff hike on Asian nations reaches 21%, versus a global average of 16%. This disparity stems from how the U.S. calculates its retaliatory tariffs—based on the size of its trade deficit with each country. Since the U.S. runs substantial trade deficits with many Asian countries, they have been disproportionately targeted in this round of tariff increases.

The U.S. has imposed a relatively high tariff rate on Thailand—at 36%—ranking it 20th out of 185[1] U.S. trading partners and 10th in Asia, behind countries such as China, CLMV nations, Sri Lanka, Syria, Iraq, and Bangladesh (Figure 1, left). Moreover, the tariff rate applied to Thailand exceeds the global average, the Asian average, and even the ASEAN average (Figure 1, left). This is largely due to the substantial trade deficit that the U.S. runs with Thailand (Figure 1, right), particularly when compared to the value of U.S. imports from Thailand.

The U.S. attributes its substantial trade deficit with Thailand to several key factors. These include Thailand's relatively high average import tariff on U.S. goods—estimated at 9.8%—compared to the U.S. average tariff on Thai goods, which stands at just 3.3%. The disparity is especially pronounced in agricultural products, where Thailand imposes an average tariff of 27% on U.S. exports. In addition, Thailand employs various non-tariff barriers, particularly in the agricultural sector. The U.S. also considers issues such as intellectual property rights violations, trade barriers in the services sector, and concerns over labor rights and freedoms.

Figure 1: Trump Announces Global Tariff Hike Averaging 16% — Asia and ASEAN Hit Harder, with Thailand Facing a 36% Rate.



Note: China's 54% tariff rate comprises 34% from the April 2, 2025 announcement and two consecutive 10% hikes on February 4 and March 4, 2025, respectively.

Source: SCB EIC analysis based on data from The White House and U.S. Census Bureau.

[1] The total of 185 economies does not include Mexico and Canada, as both countries are currently exempt under the USMCA agreement. However, products that do not comply with the agreement are subject to an additional 25% tariff. Energy and potash imports from Canada are taxed at a preferential rate of 10%.

Thailand to Face Heavy Impact from U.S. Tariff Policy, Both Direct and Indirect

SCB EIC estimates that the Thai economy will be highly affected by Trump 2.0's tariff policy, through both direct and indirect channels—particularly in the export sector. This is due to the following reasons:

1. **Direct Impact: Thailand's High Export Dependence on the U.S. at 18%**

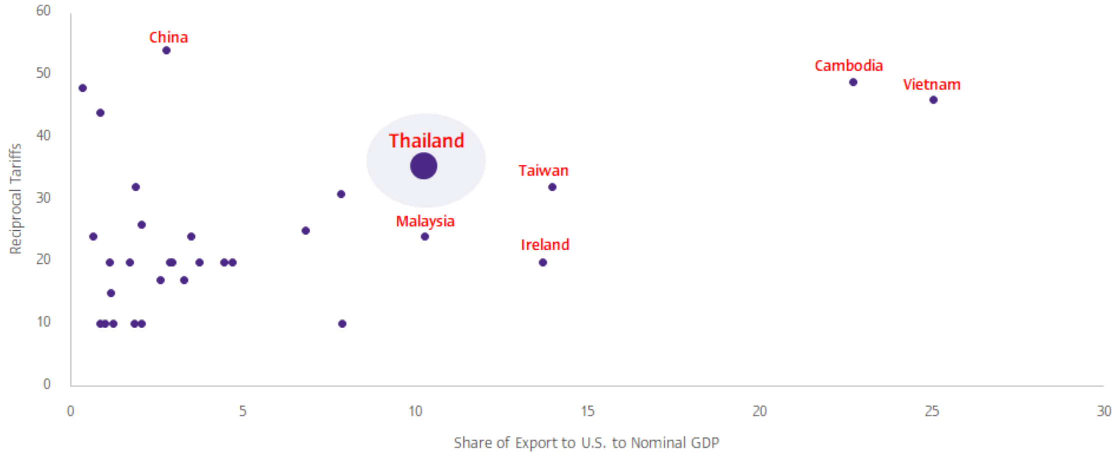
   The United States is Thailand's largest export market, accounting for 18.3% of total exports in 2024—up significantly from 12.7% in 2019. Among the world's 30 largest economies and ASEAN countries, Thailand shows a relatively high ratio of exports to the U.S. as a share of GDP, at around 10%. Thailand also faces a comparatively high Reciprocal Tariff Rate (Figure 2), suggesting it is particularly vulnerable to the impact through two main channels:

   1) Substitution Effect: The U.S. imposes a retaliatory tariff of 36% on Thai goods, while many other countries face much lower rates (typically only 10%). This could prompt U.S. importers to switch to alternative suppliers offering more competitive pricing.
   2) Income Effect: The U.S. may reduce overall imports from Thailand and other trade partners as its own economy slows down, due to the contractionary effects of its protectionist tariff policies.

Figure 2: Thailand to Be Heavily Affected by Trump 2.0 Tariff Policy Due to High Export Dependence on the U.S. and Relatively High U.S. Import Tariffs.

Share of Export Value to the United States to Nominal GDP and Reciprocal Tariffs (Top-30 GDP Countries in the World and ASEAN)*

Units: % Export Value to the US as a percentage of Nominal GDP (X-axis); % Reciprocal Tariffs from the US (Y-axis)



Note: Mexico and Canada are excluded, as most of their exports currently fall under the USMCA agreement and are exempt from these tariffs. For China, the impact includes a 20% specific tariff.

Source: SCB EIC analysis based on data from CEIC, Trade Maps, U.S. Census Bureau, and The White House.

Figure 3: The U.S. Is a Key Export Market for Thailand's Top 10 Export Products.

Thailand's major export products and Top 5 export markets for each product in 2024

Unit: Rank (Share to total export value of product)

Products	Share	1st	2nd	3rd	4th	5th
Motor cars, parts and accessories	10.3	Australia (20.9)	Philippines (8.1)	Japan (6.3)	U.S. (6.1)	Saudi Arabia (5.2)
Computer and Parts	8.2	U.S. (42.9)	China (12.0)	Netherlands (6.6)	Hong Kong (5.9)	Germany (4.6)
Jewellery	6.10	Switzerland (18.0)	Cambodia (16.6)	Hong Kong (15.5)	U.S. (10.7)	Singapore (10.6)
Rubber Products	4.7	U.S. (31.6)	China (21.8)	Japan (3.8)	South Korea (3.0)	Malaysia (2.9)
Machinery and Parts	3.4	U.S. (19.6)	Japan (10.6)	India (7.3)	China (6.0)	Indonesia (4.1)
Polymers of ethylene and Propylene	2.9	China (25.5)	India (12.2)	Indonesia (10.6)	Japan (9.2)	Vietnam (8.5)
Telephone and parts	2.7	U.S. (58.5)	Hong Kong (10.9)	Japan (4.8)	Netherlands (3.9)	Singapore (2.8)
Air Conditioners	2.3	U.S. (18.6)	Australia (9.8)	Vietnam (8.6)	India (5.3)	Japan (4.8)
Rice	2.1	U.S. (12.5)	Indonesia (12.2)	Iraq (9.4)	South Africa (7.4)	Philippines (5.2)
Rubber	1.7	China (30.0)	Japan (11.3)	U.S. (10.7)	Malaysia (10.0)	South Korea (4.7)

Source: SCB EIC analysis based on data from the Ministry of Commerce.

2. **Indirect Impact: Thai Exports Concentrated in Countries Facing High U.S. Tariffs**

   In addition to Thailand's high export exposure to the U.S., a large share of Thai exports also goes to China, ASEAN, Japan, and the European Union. These trading partners are among the economies targeted with elevated U.S. tariff rates—54% for China, 33% for ASEAN, 24% for Japan, and 20% for the EU—compared to the global average tariff increase of 16%. As a result, an economic slowdown in these key export markets will indirectly affect demand for Thai exports through several channels, including:

   1) **Decline in Demand for Thai Final Goods: For example**, China—Thailand's second-largest export market—is expected to experience an economic slowdown due to the latest round of U.S. trade protectionism. This will likely reduce China's demand for Thai imports, particularly consumer goods such as fruits and vegetables, food, and beverages, where China is a major importer. In 2024, for instance, as much as 97.4% of Thailand's durian export value went to China.
   2) **Reduced Demand for Thai Primary and Intermediate Goods in Global Supply Chains**: Products such as rubberwood, natural rubber, synthetic rubber, plastic pellets (particularly styrene and ethylene groups), and rolled aluminum (used in packaging or beverage cans) are heavily exported to China. These goods may face declining demand if China's exports to the U.S. decrease, disrupting production and supply chain flows that involve Thai intermediate inputs.
   3) **Heightened Competition in Global Export Markets**: Some countries may face reduced access to the U.S. market due to the new tariffs, while still maintaining high domestic production capacity. As a result, they may redirect excess supply to other

markets, intensifying competition in global export destinations—including those where Thailand is active.

4) **Some Trading Partners May Increase Imports from the U.S. to Reduce Their Trade Surplus**: In an effort to ease trade tensions and avoid further tariff penalties, certain countries may boost imports from the U.S., which could result in reduced demand for Thai exports.

3. **Indirect Impact: Investment Slowdown in Thailand Amid Uncertainty Over U.S. Tariff Policy.** Rising uncertainty surrounding U.S. trade policy may lead to a "wait-and-see" approach in investment decisions in Thailand. This includes both foreign direct investment—particularly from China, where past investments have often targeted Thailand as a manufacturing base for exporting to the U.S. to bypass direct trade barriers on Chinese goods—and domestic investment. Local businesses, especially those exporting to the U.S., may also delay investment decisions while awaiting clearer outcomes from the Thai government's trade negotiations aimed at mitigating the impact of this latest tariff policy.

Outlook on the Reciprocal Tariff Remains Uncertain and Depends on Negotiations

SCB EIC expects that the actual import tariff rates imposed by the U.S. on Thailand and other global trading partners may ultimately be lower than those announced by the White House on April 2, 2025. The announcement explicitly states that President Trump may reduce Reciprocal Tariffs for countries that are able to resolve what the U.S. deems unfair trade practices—such as by working to reduce their trade surplus with the United States.

This could allow for a partial easing of reciprocal tariffs. However, negotiating reductions in Universal Tariffs and Specific Tariffs on certain goods will likely prove more difficult, as these measures were introduced by the U.S. to serve as a baseline minimum tariff increase and to protect specific domestic industries.

Even if the actual tariff rates imposed by the U.S. on Thailand are lowered following negotiations aimed at mitigating severe impacts, SCB EIC assesses that **this round of U.S. trade war declarations represents a major downside risk to the Thai economy. It is expected to exert significant downward pressure on Thailand's economic growth in 2025, likely causing it to fall well below the previous forecast of 2.4%.**

Thailand should prioritize negotiations to mitigate the impact of the current situation, focusing on three key issues identified in the March 2025 National Trade Estimate Report published by the United States Trade Representative (USTR). These include:

1) **Reducing the trade surplus with the U.S.** — This could be achieved by increasing imports of selected U.S. products or lowering import tariffs on certain U.S. goods.
2) **Easing non-tariff trade barriers** — For example, reviewing import bans and adjusting agricultural product standards that may act as trade restrictions.
3) **Addressing other structural issues that would benefit both countries**— Such as improving intellectual property rights enforcement, enhancing labor rights protections, and considering additional Thai investments in the United States.

However, any negotiation must be approached with a balanced consideration of the country's overall interests. Beyond addressing the concerns raised by the USTR, Thailand should also establish mechanisms to manage the potential impacts on domestic producers and businesses across various sectors. This includes preparing to deal with a possible influx of foreign goods by enforcing product quality regulations, implementing anti-dumping and fair competition measures, and expanding regional cooperation to open new markets, attract investment, and strengthen the development of resilient and integrated supply chains.

SCB EIC will continue to monitor the Thai government's response strategy, the evolving stance of the United States, and the countermeasures taken by other countries. These developments will be closely assessed to evaluate their detailed implications for the Thai economy moving forward.

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