

Unresolved U.S. Trade Negotiations Ahead of the August 1 Deadline: Implications for Thailand

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KEY SUMMARY

SCB EIC highlights that U.S. retaliatory tariffs on Thai exports, which might be higher than those on key competitors, pose an additional risk to the Thai economy in five critical areas.

- 1. Key Thai export products may face the risk of losing market share in the U.S. to competitors, as nearly all of Thailand's main competitors are subject to lower U.S. retaliatory tariff rates (based on the latest rates).**

In particular, Thai products in the electronics and electrical appliances segments may lose market share to key competitors in ASEAN, Japan, and South Korea. In addition, Thailand may also face the risk of being subjected to circumvention tariffs, similar to Vietnam, which would further increase trade costs and could lead to more stringent origin verification measures.

- 2. If Thailand agrees to unconditionally open its market to U.S. products (worst-case scenario), the agricultural and livestock industries, particularly pork, broiler chicken, and corn, would be highly vulnerable.** This is because Thailand's production costs are considerably higher than those in the U.S., even after factoring in shipping costs. Furthermore, the country relies primarily on domestic agricultural produce, with most producers being small-scale farmers. Should the government choose to open the market for these product groups in exchange for retaliatory tariff reductions, domestic consumers may benefit from lower prices. However, this could also increase the risk to food security. Additionally, producers and stakeholders along the domestic supply chain may be broadly affected, especially small-scale farmers who face relatively higher production costs.

- 3. Domestic demand will weaken further in the second half of the year, with potential contraction in private investment and a sharper slowdown in consumption, particularly in Q4.** Investment plans may be postponed due to policy uncertainties, including U.S. import tariffs and retaliatory tariffs that the U.S. may impose on Thai goods, possibly at higher rates than on competitors, especially if key competing countries face lower U.S. tariff barriers. As a result, foreign investment could be diverted to those competing countries instead. Additionally, the recent U.S.-China agreement to impose significantly lower reciprocal tariffs, down from rates previously exceeding 100% just 1–2 months ago, may reduce the incentives for manufacturers to relocate production

from China to Thailand, as was previously the case. Private consumption will continue to soften and is expected to slow more markedly in Q4, a period when the Thai economy will fully absorb the impact of U.S. import tariffs. This could lead to declining employment and a further weakening of domestic spending, amid already subdued consumer confidence.

4. **There is a growing likelihood that the MPC will cut the policy rate two more times this year** to align with the worsening economic outlook, which is now expected to be weaker than the MPC's earlier assessment. However, if negotiations with the U.S. fail, downside risks to the Thai economy will intensify further, potentially prompting the MPC to deliver more than two policy rate cuts this year.
5. **The government should thoroughly assess both the benefits and drawbacks of opening the market to U.S. products. Negotiations on tariff reductions must prioritize balance**—considering the potential gains from lower retaliatory tariffs alongside the adverse impacts on Thai businesses from increased competition with imported goods. One option may be to open the market for certain products under specific conditions, rather than through full liberalization. **At the same time, support measures should be prepared for affected businesses, including short-term liquidity assistance, market diversification efforts, and accelerated efforts to enhance the competitiveness of domestic producers.**

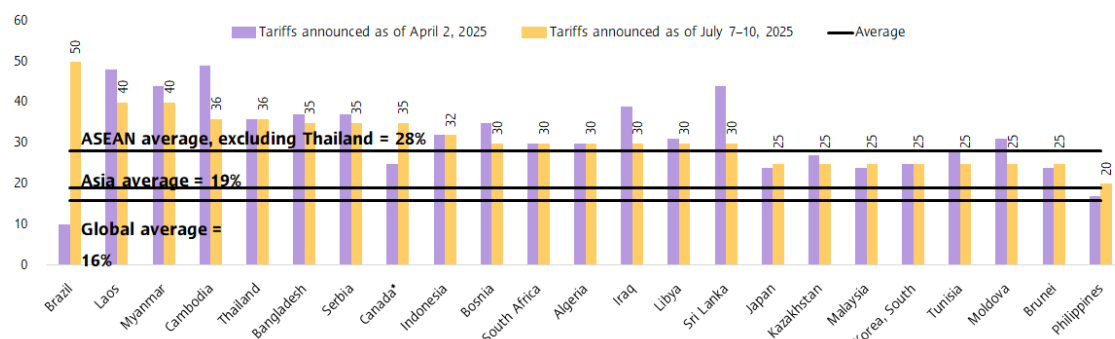
Progress on U.S. Reciprocal Tariffs as New Deadline Extended to August 1

Since July 7, 2025, the White House has begun issuing official notifications to 23 trading partners regarding the latest reciprocal tariff rates, while postponing the effective date for all countries to **August 1** (previously July 9). The U.S. sent the first round of notifications to 14 countries on July 7, with Thailand included in this group. The U.S. stated that it will impose a 36% import tariff on Thai products, the same rate announced on April 2 (Figure 1). SCB EIC views the countries in this first group as major trading partners with significant trade surpluses with the U.S. Moreover, the U.S. may perceive itself as having stronger bargaining power and is likely aiming to accelerate the long-standing negotiations toward more favorable outcomes for the U.S. In the second round, the U.S. sent notifications to an additional nine countries during July 9–10. For over a hundred remaining trading partners, the U.S. has indicated that similar notifications may be issued in subsequent rounds, warning that if negotiations do not progress, the maximum retaliatory tariffs as announced on April 2 will be imposed.

Figure 1: The U.S. Issued Tariff Notifications to 23 Countries Before the Original July 9 Deadline; Thailand Still Subject to 36% Rate

Tariff Barriers Announced by the U.S. on 23 Economies During July 7–10, 2025 Compared to the Global Average

Unit: % (Including the combined impact of Reciprocal Tariffs, Universal Tariffs, and Country-Specific Tariffs)



Note: For Canada, it remains unclear whether the U.S. will grant exemptions for products under the USMCA agreement and energy-related goods.

Source: SCB EIC analysis based on data from The White House

The U.S. notifications are intended to pressure trading partners to accelerate negotiations by submitting improved offers. The letters sent to each country are highly similar in content, particularly toward the end, where the U.S. explicitly states that retaliatory tariffs may be reduced if better offers are submitted before the newly extended deadline of August 1. Therefore, during the remainder of July, the U.S. import tariff rates applied to these 14 countries, and potentially to other trading partners, will remain at the minimum rate of 10% (Universal Tariffs).

In this round, the U.S. maintained the retaliatory tariff on Thai goods at 36% but reduced the rates for some of Thailand's competitors, which is an alarming signal. SCB EIC notes that: (1) Thailand faces a retaliatory tariff rate higher than the ASEAN average (28%, excluding Thailand), the Asian average (19%), and the global average (16%); (2) Thailand has made relatively slower progress in negotiations with the U.S. compared to ASEAN competitors, particularly Vietnam, which held multiple rounds of negotiations and successfully reached a deal with the U.S. on July 3. Vietnam was able to negotiate a reduction in retaliatory tariffs from 46% to only 20% for domestically produced goods, and 40% for goods re-exported through Vietnam (Transshipping tariff); and (3) Thailand may lose price competitiveness in the U.S. market if subjected to the 36% retaliatory tariff, which is higher than the latest tariff rates on Chinese goods (30%) and Vietnamese goods (20%)—both of which are Thailand's main competitors in the U.S. market. This also includes other ASEAN competitors that have yet to finalize deals with the U.S. but are now accelerating negotiations to secure lower retaliatory tariff rates than their current levels, or at least lower than those imposed on Chinese or Vietnamese goods, in order to minimize price competitiveness disadvantages in the U.S. market.

Thailand's trade negotiation team reaffirms its commitment to pursuing tariff reduction talks with the U.S. The Finance Minister, who leads the Thai negotiation team, stated in an interview that Thailand had submitted a revised proposal to the U.S. on July 6, following the official negotiation trip to the U.S. during July 1–3. This indicates that the U.S. had not yet reviewed Thailand's new proposal before issuing the official notification on July 7, thereby maintaining the previous tariff rate on Thai goods. In the revised proposal, Thailand commits to reducing its trade surplus with the U.S. by 70% within five years and achieving a balanced trade position within 7-8 years, sooner than under the previous proposal. Additionally, Thailand offered to open its market further to U.S. agricultural and industrial products by cutting import tariffs on approximately 90% of all U.S. product categories to 0%, easing non-tariff trade barriers, and increasing purchases of energy and aircraft from U.S. companies.

Implications for the Thai Economy

1. Impact on Export Products

The competitiveness of many key categories of Thai industrial products is facing increasing pressure in the U.S. market, as the U.S. imposes higher retaliatory tariffs on Thai goods compared to major competitors in ASEAN and Asia, such as Indonesia, Malaysia, Vietnam, South Korea, Japan, and China.

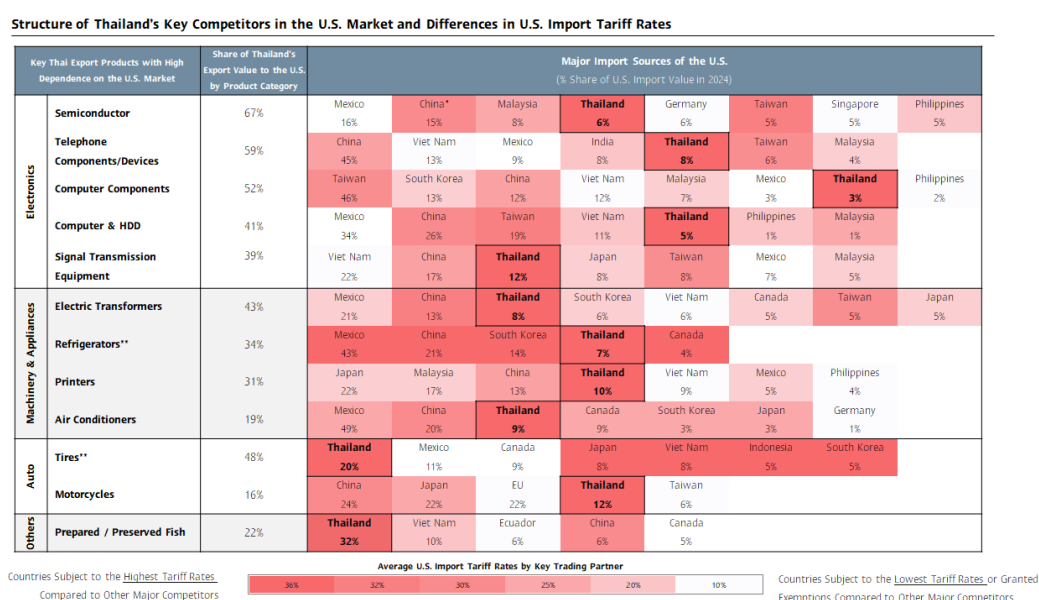
SCB EIC's preliminary assessment of export risks suggests that if Thailand fails to reach an agreement with the U.S. on tariff reductions—or succeeds only partially—Thailand is still likely to face higher tariff rates than its competitors. This would weaken the competitiveness of Thai products in the U.S. market due to higher trade-related costs compared to key regional peers. In particular, electronic product categories such as mobile phone and computer components may lose market share to Malaysia and the Philippines. Meanwhile, products from China, Vietnam, and Mexico are likely substitute Thai products such as semiconductors, computers, hard disk drives, and signal transmission equipment. Furthermore, the electrical appliances (other products under HS codes 84 and 85 not yet subject to specific tariffs) may face intensified competition from South Korea and Japan, both of which are currently subject to a lower retaliatory tariff rate of 25%, compared to Thailand.

For tire products, Thailand faces a disadvantage due to U.S. tariff exemption measures granted to USMCA member countries—namely Mexico and Canada—posing a risk that Thailand may lose its position as the U.S.'s top trading partner in this category in the future. In addition, for processed seafood products, particularly canned tuna, Thailand's advantage in the U.S. market may decline due to significantly higher tariff rates compared to key competitors such as Vietnam. Although Thailand is currently the U.S.'s number one trading partner in this category, holding nearly half of the U.S. canned tuna import market share, the higher retaliatory tariff imposed on Thai products presents a risk of Thailand losing market share in the U.S. going forward (Figure 2).

Nonetheless, any assessment of the impact and competitiveness of Thai export products must also take into account the relative production capabilities of competing countries. This is because certain Thai industries possess considerably stronger production advantages, particularly in the short term. For example, in the tire product segment, Thailand benefits from having domestic access to key raw materials such as natural rubber, along with a well-established and integrated infrastructure and supply chain. Similarly, for certain electronic products such as hard disk drives, Thailand continues to serve as a major global manufacturing base.

To maintain the competitiveness of Thailand's industrial sector amid increasing global trade volatility, businesses must accelerate efforts to improve production processes and product quality, foster innovation, and upgrade standards to align with evolving international trade regulations. At the same time, the government must implement support measures to facilitate the adjustment of affected entrepreneurs and stakeholders across the supply chain. It is also essential to urgently expand into new export markets to diversify risks and reduce dependence on the U.S. market, which is likely to slow. In parallel, authorities must tighten monitoring of rules-of-origin circumvention activities, which may place Thai products under increased scrutiny by the U.S. and potentially lead to further tariff hikes in the future.

Figure 2: Thailand Risks Losing Export Market Share in the U.S. Due to Higher Import Tariffs Compared to Key Competitors



Note: (*) Refers only to the 30% U.S. import tariff on Chinese goods imposed under Trump 2.0 (excluding prior tariff measures previously imposed on China).

(**) Products subject to U.S. Specific Product Tariffs, under which nearly all countries are charged the same rate—for example, certain types of refrigerators are taxed at 50% of the value of steel used in production, while certain types of tires are taxed at 25% of the product value.

Source: SCB EIC analysis based on data from Trade Map and The White House

In addition to the issue of U.S. reciprocal tariffs, another key development to monitor is the potential imposition of additional U.S. tariff measures on products that involve rules-of-origin circumvention or have a high proportion of imported raw materials and production inputs (high-import content). A notable case is Vietnam, which, despite reaching a trade agreement with the U.S. that resulted in a 20% retaliatory tariff rate, still faces tariffs as high as 40% on products deemed to fall under circumvention practices.

SCB EIC assesses that the U.S. will impose circumvention-related tariffs in a sector-specific manner, which may result in some Thai businesses being broadly categorized and subject to similar measures, even if they operate under normal business practices. Industries with high import content, such as printed circuit boards, electronic components, and solar panels, as well as sectors previously monitored for rules-of-origin circumvention—such as tires, auto parts, aluminum, and electrical appliances—are likely to face higher trade-related costs. These costs would arise from both tariff measures and increasingly stringent scrutiny of rules of origin, which could, in turn, affect future investment trends and related industries.

2. Impact from Pressure to Open the Market to U.S. Products

The progress of Thailand's trade negotiations with the U.S. is a key issue to monitor closely going forward. A successful outcome may lead to a relaxation of tariff measures and help ease cost burdens for Thai exporters. However, the potential impact on Thai businesses in certain industries must also be considered, particularly if Thailand is pressured to unconditionally liberalize its market for U.S. products, especially in the agricultural and livestock sectors.

The livestock and animal feed raw material markets are among the most sensitive Thai sectors in negotiations with the U.S., as these product groups are seen by the U.S. as being treated unfairly by Thailand due to high tariff and non-tariff barriers. For example, pork imports are subject to a 40% tariff in Thailand, and U.S. pork is banned due to the use of ractopamine, a feed additive. The U.S. has consistently pressured Thailand to open its market for such products. One notable example occurred in 2020, during President Trump's first term, when the U.S. suspended Generalized System of Preferences (GSP) benefits for 232 Thai products because Thailand refused to open its market for U.S. pork and offal. As such, a response to these longstanding demands could become a key condition in exchange for a reduction in the retaliatory tariff rate imposed on Thai goods, potentially affecting Thailand's agricultural sector and related industries on a broad scale.

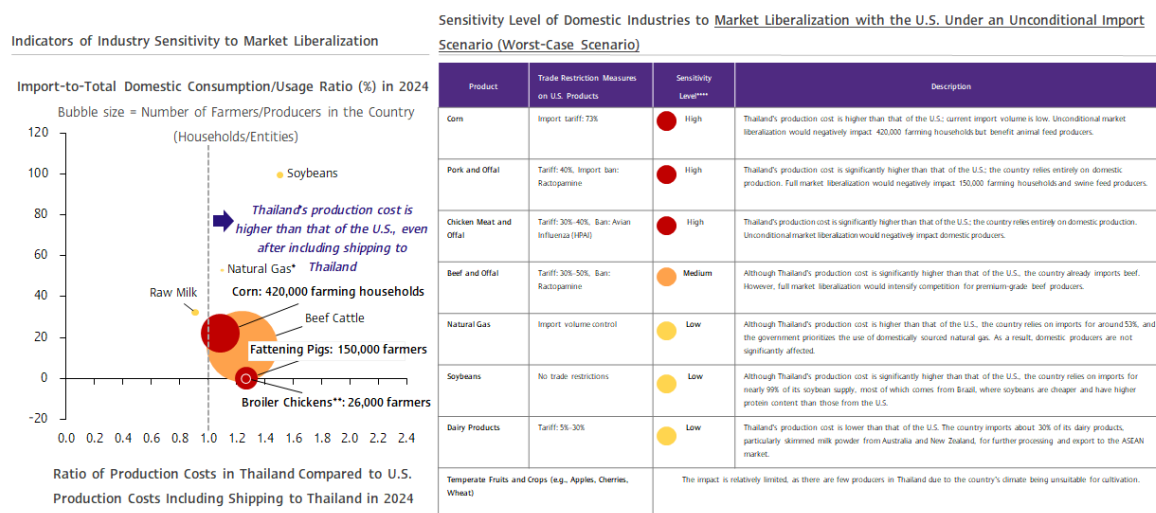
According to SCB EIC's assessment, Thailand's swine, broiler chicken, and corn industries are highly vulnerable if the government is compelled to unconditionally liberalize the market for U.S. products (worst-case scenario). This is due to Thailand's significantly higher production costs compared to the

U.S., combined with the country's reliance on domestic production and the predominance of small-scale farmers (Figure 3). For example, in 2024, the cost of raising pigs and chickens in Thailand—including shipping costs—was approximately 27% higher than in the U.S., while the production cost of corn was about 9% higher. In the same year, Thailand imported only 22% of its domestic corn consumption and did not import any pork or chicken. Therefore, if the government agrees to open the market for these product groups in exchange for a reduction in retaliatory tariffs, domestic producers and stakeholders across the supply chain would face an unprecedented level of impact—particularly small-scale farmers, who have higher production costs and account for the majority of producers in Thailand—due to competition from lower-cost U.S. imports.

In other words, opening the market to the U.S. would lead to a decline in domestic product prices due to an increase in the volume of low-priced imports—for instance, the prices of pork and corn may fall as more low-cost pork and corn from the U.S. enter the market. While this would benefit Thai consumers and animal feed producers by lowering product and raw material costs, it would also increase risks to Thailand's food and raw material security, given the rising dependence on foreign imports. Moreover, falling prices could reduce overall farm incomes and pressure high-cost producers to cease operations due to their inability to compete. This may also have a knock-on effect on the income of animal feed manufacturers and raw material producers, due to weakening domestic demand for animal feed.

Beef is considered a moderately sensitive product group, as Thailand's production costs are significantly higher than those in the U.S. However, Thailand already imports beef and offal from abroad under existing Free Trade Agreements (FTAs) with partners such as Australia and New Zealand, as well as the Japan-Thailand Economic Partnership Agreement (JTEPA). If Thailand were to further open its market to U.S. products, domestic producers would face intensified competition in certain product segments, particularly premium-grade beef. **On the other hand, product groups with low sensitivity such as soybeans, natural gas, and dairy products, are items that Thailand already heavily relies on imports for, and therefore the impact would be relatively limited in both scale and scope.**

Figure 3: Thailand's Swine, Broiler Chicken, and Corn Industries Are Highly Vulnerable if the Government Is Compelled to Unconditionally Liberalize the Market to the U.S. (Worst-Case Scenario)



Note: *The production cost ratio for natural gas is calculated based on the gas price announced by the ERC compared with U.S. gas export prices including 2024 shipping costs. **U.S. chicken production cost is estimated using the ratio of chicken-to-swine production costs in Thailand multiplied by U.S. swine production costs, as the U.S. does not disclose chicken production cost data. ***Sensitivity levels are assessed based on: 1) the ratio of Thailand's production cost to that of the U.S., including shipping to Thailand; 2) the import-to-domestic consumption ratio; 3) the number of domestic farmers; and 4) other relevant factors.

Source: SCB EIC analysis based on data from USDA, Trade Map, OAE, and CEIC

In the short term, the government should thoroughly assess the pros and cons of opening the market to U.S. products from all angles. Negotiations for tariff reductions must prioritize balance: considering both the benefits from reduced tariffs and the potential impact on domestic businesses from increased competition with imported goods. Domestic market liberalization could involve conditional market access for certain product categories, rather than full liberalization, alongside preparation of support measures for affected businesses. These may include short-term liquidity assistance and market diversification, financed through the remaining budget from the THB 157 billion economic stimulus package. SCB EIC assesses that, if necessary, the government may provide further economic support through: (1) allocating part of the central budget's emergency reserve to mitigate impacts; (2) revising parts of the FY2026 budget to align with the current situation; or, in a case of severe emergency, (3) issuing an Emergency Decree authorizing the Ministry of Finance to borrow funds to address the crisis similar to measures adopted during the COVID-19 pandemic. However, this latter approach may pose risks to the public debt outlook.

In the long term, the government should accelerate efforts to enhance the competitiveness of domestic producers. This includes promoting farm and factory standards, adjusting production processes to align with ESG trends, and reducing production costs through the adoption of advanced technologies

and innovative manufacturing methods. At the same time, Thailand should clearly define a "Red Line" for highly sensitive product groups in order to safeguard long-term economic stability and national food security.

3. Impact on the Thai Economy from U.S. Import Tariff Hikes

Although the latest notification from the White House sets the U.S. import tariff on Thai goods at 36%, SCB EIC assesses that Thailand will likely be able to negotiate a partial reduction in this retaliatory tariff going forward. However, the rate will likely remain higher than that imposed on key competitors in ASEAN-5—namely Vietnam, Indonesia, Malaysia, the Philippines, and Singapore due to two main reasons:

1. **The U.S. has recently announced a retaliatory tariff rate on Thai goods that is higher than those imposed on ASEAN-5 countries**, based on relative positioning. Thailand faces a 36% tariff, while Indonesia, Malaysia, Vietnam, the Philippines, and Singapore are subject to rates of 32%, 25%, 20%, 20%, and 10%, respectively, all of which are already lower than Thailand's. The average U.S. retaliatory tariff rate for the ASEAN-5 group stands at just 21%. Moreover, these countries may continue to pursue further tariff reductions during the remaining negotiation window, which could widen the gap unless Thailand's offer proves to be significantly more favorable to the U.S., enough to justify a substantial downward revision of the current rate.
2. **Market access and investment liberalization benefiting the U.S.:** Vietnam agreed to fully liberalize its market for the U.S. and reduced import tariffs to zero. In contrast, although Thailand submitted a revised proposal offering greater market access for several product categories, it still seeks to protect certain items that could impact domestic producers. **In terms of attracting U.S. investment**, ASEAN-5 countries have offered market access to U.S. investors. For instance, Vietnam allowed U.S.-based Starlink to invest in its digital infrastructure to provide internet services, while Indonesia permitted U.S. joint ventures in the rare earth minerals sector helping the U.S. reduce its reliance on Chinese rare earths in the future. Thailand, however, has yet to disclose clear details regarding investment liberalization plans in key industries that would strategically benefit the U.S.

For the Thai economy overall, SCB EIC views the possibility of the U.S. imposing a higher retaliatory tariff on Thailand compared to its competitors as an additional risk to the Thai economy, primarily through the following key channels:

1. **Merchandise export** is expected to lose momentum in the second half of the year, with merchandise export value growth likely to turn negative toward the end of Q3 and contract more sharply in Q4. This will be driven by the dissipation of the front-loaded import surge prior to the implementation of retaliatory tariffs, as well as the impact of Thailand's own higher tariff rates compared to

competitors. This will place Thailand at a disadvantage—particularly against Vietnam, whose exports are highly likely to be subject to lower retaliatory tariffs than those imposed on Thai goods.

2. **Private investment** is expected to contract again in the second half of the year due to delays by foreign investors with plans to invest in Thailand, as they await clarity on the outcome of trade negotiations—especially in comparison with key competitors like Vietnam, which has already secured significant tariff reductions from the U.S. In addition, the recent interim agreement between the U.S. and China to lower U.S. tariffs on Chinese goods—previously above 100%—adds further pressure. Domestic purchasing power, which is expected to weaken further, will be another factor weighing on private investment in the latter half of the year. Thailand's ability to conclude trade negotiations with the U.S. swiftly will be a key indicator of its competitiveness. A timely and successful agreement would help restore investor confidence—both foreign and domestic—reflect the government's effectiveness, and strengthen trade relations between the U.S. and Thailand, thereby supporting sustained long-term investment in the country.
3. **Private consumption** will continue to soften and is expected to slow more markedly toward year-end, when the Thai economy will increasingly be affected by the impact of U.S. import tariffs. This may lead to a decline in employment, further dampening domestic spending amid consumer confidence that has yet to recover.

On monetary policy, SCB EIC maintains its view that the policy rate will be cut by another 0.25% in August and once more in Q4, bringing it down to 1.25% by year-end. Although the MPC sees only a limited probability that Thailand's economy will expand by less than 2% this year, this view is primarily based on better-than-expected growth in the first half of the year. For the second half, the MPC expects momentum to deteriorate (close to 0% QOQsa). The recent development regarding U.S. import tariffs may prompt the MPC to further revise down its economic forecast for H2, as its previous assumption was that Thailand would only be subject to an 18% U.S. tariff.

SCB EIC therefore assesses that there is an increasing likelihood the MPC will cut the policy rate two more times this year to align with the deteriorating economic outlook, which is now expected to be weaker than previously estimated by the MPC. However, downside risks to the Thai economy will intensify further if trade negotiations fail and Thailand remains subject to the 36% U.S. tariff. In that case, the MPC may cut the policy rate more than twice this year.

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