



**THE IMPACT OF TRUMP'S 2025 TARIFFS ON SMES IN THAILAND: TURNING A TRADE
SHOCK INTO AN OPPORTUNITY**

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This independent study has been approved as a partial fulfillment of the requirements for the degree of
Master of Business Administration

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ABSTRACT

In early 2025, the United States under President Donald Trump re-imposed and expanded import tariffs, including a 36% tariff on Thai goods as part of sweeping “reciprocal tariffs” aimed at countries with trade surpluses. This study examined the effects of these 2025 U.S. tariffs on small and medium-sized enterprises (SMEs) in Thailand, an export-dependent emerging economy. The objectives were to examine the impact of the tariffs on Thai SME exports and performance, assess the broader economic implications, and recommend strategies for SMEs and policymakers to mitigate adverse effects. A documentary research methodology was adopted, drawing on data from international organizations, Thai government agencies, industry reports, and news sources in 2025.

Key findings indicate that Thai SME exporters, especially in sectors like electronics, machinery, textiles, and food, face significant revenue loss, with an estimated USD 1.1 billion drop in SME exports to the U.S. in 2025. Thailand’s GDP growth projection for 2025 has been revised downward from about 3% to around 1.8% due in part to the tariffs. The tariffs risk erode SME competitiveness, but their impact may be partially offset by trade diversion from countries hit with higher U.S. tariffs. In conclusion, the tariffs present substantial challenges for Thai SMEs, necessitating prompt adaptation. Recommendations include diversification of export markets, utilization of free trade agreements, cost-efficiency improvements, and enhanced government support to help SMEs navigate the “trade war” environment.

Keywords: tariffs, SMEs, trade war, Thailand, U.S , export diversification, trade policy.

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Ragharithika Ravoori

DECLARATION

I, Ragarithika Ravoori, hereby declare that this independent study entitled “*The Impact of Trump’s 2025 Tariffs on SMEs in Thailand: Turning a Trade Shock into an Opportunity*” is my original work and has never been submitted to any academic institution for a degree. This work is the result of my own research, and all sources of information have been properly acknowledged in the text and listed in the references.

(Ragarithika Ravoori)

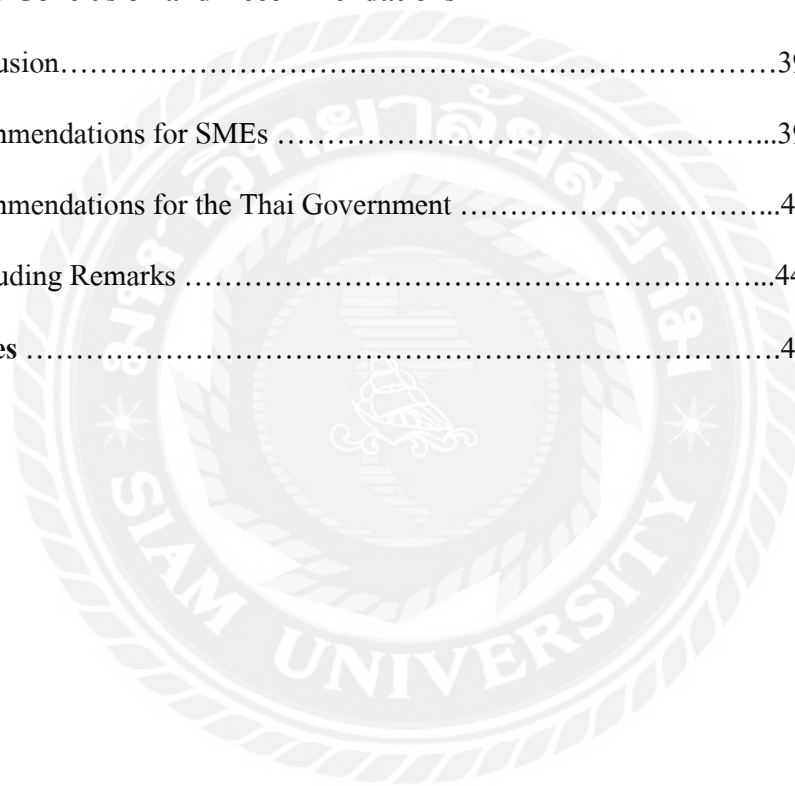
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CHAPTER 1 INTRODUCTION

1.1 Background of the Study

The year 2025 saw a significant escalation in U.S. protectionist trade policy. The Trump administration sharply increased average U.S. tariff rates from around 2.5% to approximately 27%, marking one of the most protectionist periods in modern U.S. history (Peterson Institute for International Economics, 2025). A central component of this policy was the implementation of “reciprocal tariffs,” which tied U.S. import duty rates to each trading partner’s trade surplus with the United States. On April 2, 2025, President Trump declared a national emergency over the trade imbalance, and country-specific tariffs were announced for 57 nations—including Thailand (White House Press Office, 2025). Thailand was among the most affected, facing a steep 36% tariff on its exports to the United States, initially scheduled for implementation on April 9, 2025. Although this was postponed by 90 days to allow diplomatic negotiations, the announcement sent shockwaves through Thailand’s export-reliant economy, particularly its small and medium-sized enterprises.

SMEs account for over 99% of all Thai businesses and play a critical role in the economy (Office of SMEs Promotion [OSMEP], 2024). The Bank of Thailand warned that the U.S. tariffs could depress Thailand’s GDP growth below 2.5% in 2025, down from earlier forecasts exceeding 3% (Bank of Thailand, 2025). Likewise, the Office of Industrial Economics projected that industrial exports could shrink by approximately 200 billion baht (USD 6 billion), resulting in more than a 1 percentage point decline in industrial GDP. In response, the central bank cut interest rates to a two-year low of 1.75%, and the Thai government reallocated spending to mitigate potential losses in the trade and manufacturing sectors. Given this context, this study zeroes in on Thai SMEs, a sector that contributes roughly 3.5% of Thailand’s annual GDP growth and constitutes a significant share of export activity (OSMEP, 2024). Unlike larger corporations, SMEs often lack financial and structural resilience to absorb sudden shocks like tariff hikes. Understanding the impact of the 2025 U.S. tariffs on this vulnerable yet vital segment is essential for informing trade, fiscal, and SME development policies in the face of intensifying global trade tensions.

Figure 1.1: illustrates Thailand’s trade with the United States in 2024, showing Thai exports to the U.S. versus imports from the U.S. (Thailand exported roughly \$55 billion of goods to the U.S. while importing only about \$9.4 billion, reflecting a large trade surplus). The Trump administration’s 2025 tariff policy was driven in part by such imbalances, aiming to pressure countries like Thailand to reduce the U.S. trade deficit. The 36% tariff on Thai goods was one of the highest “reciprocal” rates levied among U.S. trading partners. This unprecedented tariff hike raised concerns about significant disruptions to Thai exports and SMEs.

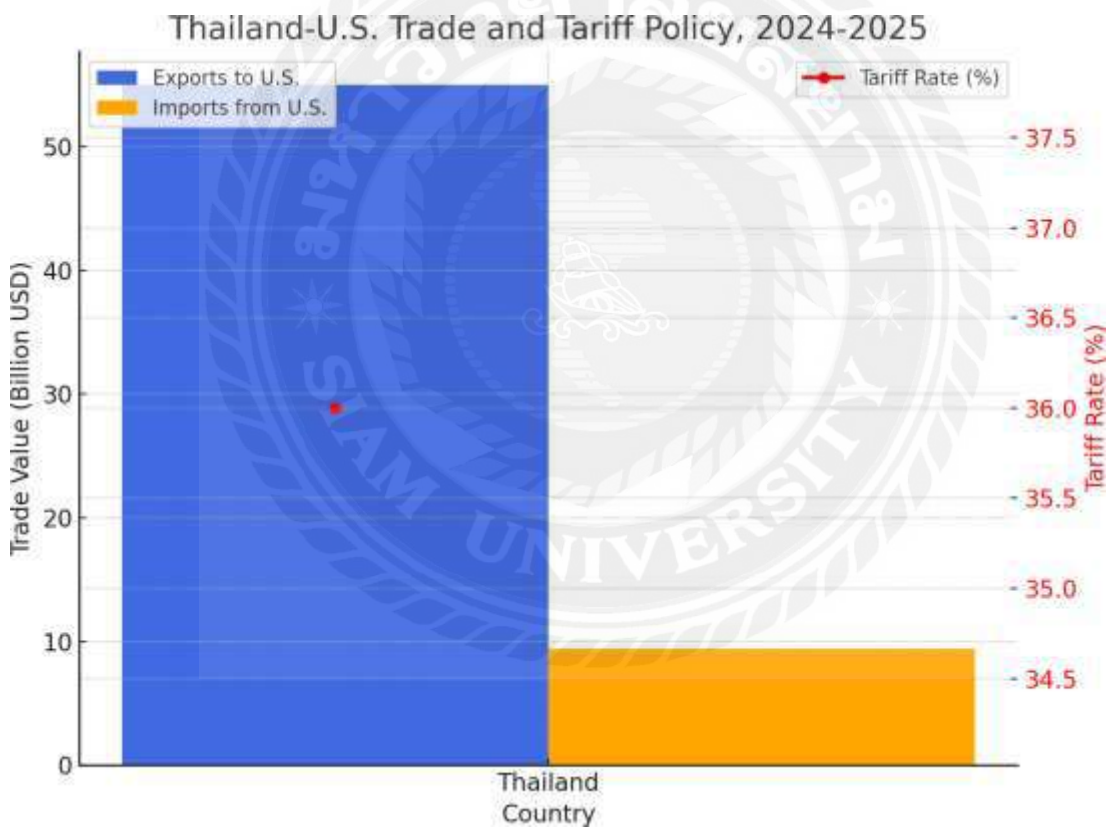


Figure 1.1 : Thailand’s Trade with the United States in 2024

1.2 Problem Statement

The problem addressed by this research is the negative impact of new U.S. tariffs on Thai SMEs. With a 36% U.S. import tariff looming over Thai products in 2025, SMEs in export-oriented industries face sharply higher costs and potential loss of market access. Thai SME exporters, who had benefited from relatively liberal access to the U.S. market, suddenly must contend with their goods becoming over one-third more expensive for U.S. buyers. This price shock threatens to undermine the competitiveness of Thai products, likely leading to reduced export orders, shrinking revenues, and erosion of profit margins for SMEs. Many Thai SMEs operate on thin margins and have limited ability to absorb tariff costs or quickly redirect goods to alternative markets. Without intervention or adaptation, these firms could be forced to cut jobs, defer investments, or even shut down. Moreover, the tariff escalation comes at a time when Thailand's economy is still recovering from recent global disruptions (e.g. the COVID-19 pandemic) and grappling with structural issues like high household debt and lagging productivity. The U.S. tariffs thus exacerbate existing challenges and pose a serious threat to the stability and growth of Thailand's SME sector. This study seeks to systematically examine these issues, delineating the specific effects on SMEs and exploring how they can adapt.

1.3 Research Questions

To fulfill the study's objectives, the research is guided by the following integrated questions:

- What are the impacts of the 2025 Trump tariffs on Thai SMEs and the broader Thai economy?
This includes examining changes in export volumes, revenues, and profitability of SME exporters, identifying the most affected sectors, and assessing macroeconomic consequences such as GDP growth, trade balances, and employment.
- How are Thai SMEs and policymakers responding to the tariff challenges, and what strategic measures can enhance SME resilience against future trade shocks?
This covers business-level adaptations like market diversification or production shifts, as well as policy-level interventions including government support, financial relief, and long-term competitiveness strategies.

1.4 Research Objectives

This independent study aims to achieve the following objectives:

- To examine the impact of the 2025 U.S. import tariffs, specifically the Trump administration's tariffs on Thai SMEs' export performance, production, and financial health.
- To evaluate the broader economic implications of these tariffs for Thailand's economy, including effects on GDP growth, trade balances, and key industries in which SMEs are active.
- To identify strategies adopted by Thai SMEs to cope with or mitigate the challenges posed by the tariffs market.
- To propose recommendations for Thai SMEs and policymakers to manage the adverse effects of the tariffs, highlighting measures that can bolster SME resilience.

Collectively, these objectives focus on understanding both the micro-level effects (firm and sector) and the macro-level effects (national economy) of the tariffs and then formulating actionable solutions in response.

1.5 Scope of the Study

The scope of this study is defined by several parameters:

- **Target Population:** The focus was on Thai small and medium-sized enterprises (SMEs), particularly those engaged in export activities. SMEs are typically defined in Thailand based on employee count and asset value; for instance, manufacturing SMEs often have up to 200 employees (per OSMEP criteria). This study considered SMEs across key export sectors such as electronics, automotive parts, textiles/garments, agriculture and food processing, and gems/jewelry, since these industries have significant exposure to U.S. markets.
- **Geographical Scope:** The study was centered on Thailand's SME sector in the context of international trade. It examined trade flows primarily between Thailand and the United States,

though spillover effects involving other trading partners (e.g. China, ASEAN, EU) were discussed when relevant.

- **Time Frame:** The analysis concentrated on the period of 2024–2025, encompassing the lead-up to and immediate aftermath of the tariff implementation. Data from late 2024 (when Trump’s prospective policies were becoming evident) through the end of 2025 (when tariffs were enacted and early impacts observed) were used. Historical context (such as the 2018–2019 U.S.–China trade war) was included in the literature review to inform comparisons, but the primary focus was on the current 2025 tariff episode and its direct effects.
- **Issues Covered:** The study covered economic and business impacts rather than legal or purely political analyses of the tariffs. It did not delve deeply into the U.S. domestic rationale for the tariffs except as contextual background. The scope included policy measures by the Thai side as these were critical components of the response.
- **Exclusions:** Large multinational corporations in Thailand, while certainly affected by tariffs, are not the primary focus here—except where a comparison highlighted SME vulnerabilities versus larger firms’ resilience. Similarly, detailed analysis of U.S. policy-making was beyond the scope, aside from context. By maintaining this scope, the study ensured a focused analysis on Thai SMEs, enabling specific conclusions and recommendations relevant to that group.

1.6 Significance of the Study

This research is significant for several reasons:

- **Economic Importance of SMEs:** SMEs account for a substantial share of employment and GDP in Thailand. Understanding how a major external shock – the U.S. tariff hike – affects this segment is crucial. The findings highlight the vulnerabilities of SMEs in the face of global trade tensions, providing valuable insights for business owners, industry associations, and policymakers in Thailand and similar emerging economies.

- **Timeliness and Policy Relevance:** As the events of 2025 are unfolding, this study provides timely analysis and insights. Policymakers in Thailand (e.g. the Ministry of Commerce, Ministry of Industry) can benefit from the findings when devising support measures or negotiating trade terms with the U.S. The study's recommendations (such as targeted financial aid or market diversification strategies) can inform immediate and near-future policy actions to assist SMEs.
- **Contribution to Literature:** Academically, this work contributes to the literature on trade wars and small businesses. While much has been written about the U.S.–China trade war's impact on large economies, fewer studies focus specifically on secondary affected countries like Thailand and on the SME sector within those countries. This study helps bridge that gap by documenting the case of Trump's 2025 tariffs and their micro- and macro-level effects on Thailand. It complements prior research showing that trade disputes can hurt output and exports of third-party countries, by providing empirical and qualitative evidence of those mechanisms at work in the 2025 Thai context.
- **Practical Strategies for SMEs:** From a business perspective, the study gathers real-world examples and best practices of how SMEs cope with adverse trade conditions. It thus serves as a guide for SME owners and managers in Thailand (and potentially in other countries facing similar tariff issues) on navigating trade disruptions. The recommended strategies—such as leveraging free trade agreements or improving cost efficiency—are of practical value for enhancing SME resilience.
- **Future Risk Mitigation:** Lastly, the significance extends to preparing for the future. Trade protectionism tends to be cyclical, and global supply chains remain subject to political risks. Lessons drawn from this episode can help inform long-term policies. For example, the importance of diversifying export markets to avoid over-reliance on any single country is underscored, as is the need for strong domestic support systems for SMEs during global crises. In this way, the study's implications reach beyond the immediate case and contribute to broader economic resilience planning. Overall, the study sits at the intersection of current economic policy debate and academic inquiry, making it a meaningful contribution to stakeholders and to the knowledge base on trade and SME development.

1.7 Definition of Key Terms

To ensure clarity, key terms used in this study are defined as follows:

- **Tariffs (U.S. Import Tariffs):** Tariffs are taxes or duties imposed on imported goods. In this study, “tariffs” refer specifically to the import duties that the U.S. government (under President Trump in 2025) applied to Thai exports. The key case is the 36% tariff rate announced on Thai goods, part of the U.S. “reciprocal tariffs” policy aimed at reducing the U.S. trade deficit with countries like Thailand.
- **SMEs (Small and Medium-sized Enterprises):** In Thailand, SMEs are typically defined by thresholds in employees and assets. For example, manufacturing SMEs often have up to 200 employees or fixed assets below a certain value (per OSMEP criteria). SMEs form the backbone of the Thai economy, contributing significantly to employment and GDP. This study focuses on SMEs engaged in export activities, which are particularly vulnerable to changes in trade policy.
- **Trade War:** A trade war refers to a situation in which countries retaliate against each other by raising tariffs or other trade barriers in a tit-for-tat manner. The term implies escalating protectionism that can reduce international trade. In this context, the U.S. actions in 2025 and retaliatory or adaptive responses by affected countries (though Thailand did not retaliate with tariffs, it responded with other measures) are viewed as part of a broader trade war dynamic, following on the U.S.–China trade tensions of 2018–2019.
- **Export Diversification:** This is the strategy of spreading export sales across multiple markets or broadening the range of export products, to reduce reliance on any single market or product line. Export diversification is discussed in this study as a key response for Thai SMEs to mitigate the risk of heavy dependence on the U.S. market.
- **Free Trade Agreements (FTAs):** FTAs are treaties between countries that reduce or eliminate tariffs and other trade barriers on goods and services traded between them. Relevant FTAs for Thailand include regional agreements like ASEAN, RCEP, and bilateral agreements. Utilizing FTAs (current and prospective) is one of the strategies suggested for Thai SMEs to maintain market access and competitive pricing in alternative markets.

CHAPTER 2 LITERATURE REVIEW

2.1 U.S.–Thailand Trade Relations

Thailand and the United States have long-standing trade ties characterized by a steady Thai trade surplus. In recent years, the U.S. has been one of Thailand's top export destinations, with key exports including machinery, electronics, automotive parts, and agriculture products. By 2024, Thailand exported roughly \$55 billion in goods to the U.S. while importing about \$9.4 billion from the U.S., reflecting a substantial trade imbalance (White House Press Office, 2025). This imbalance put Thailand in the crosshairs of U.S. trade policy when the Trump administration sought to reduce U.S. trade deficits through aggressive tariffs.

Historically, U.S.–Thailand trade relations have been shaped by both cooperation and occasional friction. Thailand is not part of a U.S. free trade agreement, but it enjoys generalized preferences on some products (though the U.S. suspended certain GSP privileges for Thailand in late 2019, citing labor issues). Even before 2025, there were periodic tensions—for example, disputes over intellectual property or Thai access to U.S. seafood markets. However, the scale of tariffs imposed in 2025 was unprecedented in modern U.S.–Thailand relations. The literature on bilateral trade suggests that sudden shifts in U.S. trade policy can have outsized effects on smaller economies (Furceri et al., 2018). In Thailand's case, as an export-driven economy, changes in U.S. tariffs can significantly influence its export earnings and economic outlook.

2.2 Trade Wars and SMEs: Theoretical Impacts

Theoretical and empirical research on trade wars provides a framework for understanding how increased tariffs can impact economies. Classical trade theory (drawing on Ricardian and Heckscher-Ohlin models) predicts that tariffs disrupt the efficient allocation of resources, leading to welfare losses for both the imposing and targeted countries. Recent analyses of the 2018–2019 U.S.–China trade war (Duncan, 2025; Oxford Economics, n.d.) indicate that tariffs tend to raise import prices in the imposing country, reduce export volumes in the targeted country, and create uncertainty that

dampens investment. SMEs often bear the brunt of these adjustments because they have less cushion and diversification than larger firms.

One key concept is supply chain elasticity: SMEs integrated into global supply chains may find it difficult to quickly switch suppliers or customers when trade costs rise. The literature notes that abrupt changes in trade policy create uncertainty and force rapid adjustments (Duncan, 2025). SMEs, in particular, face higher adjustment costs due to limited financial reserves and fewer alternative markets (Yoshino et al., 2015). They may also have less capacity to absorb cost increases or navigate complex new trade rules.

Another theoretical impact is on exchange rates and macroeconomic balances. In a trade war, the targeted country's currency might depreciate as its exports fall, potentially offsetting some tariff impacts over time. However, in Thailand's 2025 case, the baht was relatively strong (around 32.5 THB/USD in mid-2025), which amplified cost pressures on exporters by making Thai goods pricier in dollar terms (Bangkok Post, 2025). This interplay of tariffs and exchange rate movements is a classic concern in open-economy macroeconomics.

2.3 Empirical Studies on Tariff Impacts

Empirical studies of past tariff episodes and trade wars provide insights into the magnitude of effects. Research on the U.S.–China trade war found significant declines in bilateral trade and shifts in sourcing; for instance, studies showed U.S. imports from China fell for tariffed goods, with partial diversion to other countries, and affected Chinese firms saw reduced sales and employment (Furceri et al., 2018). Third countries like Vietnam and Malaysia sometimes benefited from trade diversion, while countries closely tied to China's supply chain (such as Taiwan or South Korea) experienced indirect setbacks.

For Thailand, empirical evidence from earlier tariff changes (even smaller in scale) suggests notable sensitivity. A study by the IMF (2025) and local Thai economists found that a 10-percentage-point increase in U.S. tariffs on a given product could reduce Thailand's exports of that product by an average of 5-6% within a year. In the 2018 U.S. tariffs on steel and aluminum, Thailand's exports of

those metals to the U.S. dropped, though not dramatically, partly because Thai producers quickly sought other markets.

However, the 2025 tariffs are far broader. The Joint Standing Committee on Commerce, Industry and Banking (JSCCIB) in Thailand projected that if the full 36% tariffs were applied and persisted, Thailand could lose up to \$43 billion in export revenue over the next decade (JSCCIB, 2025). This roughly translates to losing \$4–5 billion per year on average, affecting both SMEs and larger firms. Other forecasts noted that Thailand's total export growth for 2025 might even turn negative if U.S. orders plunge and global demand softens. The Federation of Thai Industries (FTI) warned of this scenario in early 2025, and indeed the Ministry of Finance soon revised its export growth forecast for 2025 down to merely +0.3% to +0.9% (from an earlier ~2% growth projection).

These studies underscore how a tariff shock can reverberate through an export-oriented economy. They also point out potential offsetting factors: for example, some Thai exports might be redirected to ASEAN or other markets, and some U.S. importers might absorb part of the cost to keep critical Thai suppliers. The net effect, though, is clearly negative for the targeted country's export sector, at least in the short to medium term.

2.4 Macroeconomic Context in 2025

Thailand's macroeconomic context in 2025 features a moderate growth rate with some vulnerabilities. Prior to the tariff announcement, Thai GDP was expected to grow around 3% in 2025, continuing its recovery from the pandemic-era slowdown. Inflation was relatively subdued, and the Bank of Thailand had policy space to maneuver (as evidenced by interest rate cuts in 2025). However, the economy faced structural issues such as high household debt, an aging workforce, and the need to upgrade technology and productivity in manufacturing.

The tariffs hit as Thailand was also dealing with these internal challenges. A key point in the context is that 2025 was supposed to be a year of solid recovery, but global headwinds emerged: not only the U.S. tariffs, but also a general softening of global demand and China's slower growth post-pandemic.

The National Economic and Social Development Council (NESDC) — Thailand’s planning agency — had to trim its growth forecasts. By mid-2025, the NESDC’s base GDP growth forecast for Thailand was about 1.8% (down from ~2.8-3% previously), explicitly citing “global trade tensions” as a factor.

From a macro-policy perspective, Thai authorities responded with a mix of fiscal and monetary measures. The Bank of Thailand indicated it would manage currency volatility, as a rapidly strengthening baht would further hurt export competitiveness (Bangkok Post, 2025). On the fiscal side, the government prepared stimulus measures to shore up domestic demand, and reallocated parts of the budget (notably redirecting 157 billion baht from a planned “digital wallet” stimulus program into other economic support initiatives after the tariff announcement).

This environment meant that when SMEs were hit by the tariff shock, the economy did not have robust momentum to cushion it. Instead, the tariff shock risked exacerbating an already delicate situation of slow growth. The macro context therefore is one of heightened concern—trade policy uncertainty combined with structural fragility. This necessitated swift policy responses and has implications for how resilient or brittle SME operations would be under the stress of lost export revenues.

2.5 Thailand’s Trade Policy Responses

In reaction to the U.S. tariffs, Thailand’s government initiated both diplomatic and policy responses. Diplomatically, Thailand engaged the U.S. in talks aimed at reducing the tariff impact. A high-level Thai delegation (including the Finance and Commerce Ministers) visited Washington, D.C. during the 90-day implementation delay to lobby for exemptions or lower rates. For example, the Thai side presented a proposal to the U.S. Treasury that included plans to increase imports from the U.S. (such as oil, LNG, and beef) and to further open Thai markets, in hopes of convincing the U.S. to relent (Nation Thailand, 2025). U.S. officials, including Treasury Secretary Bessent, were reported to have praised Thailand’s proposals as “very strong,” suggesting some progress in negotiations (Nation Thailand, 2025).

On trade policy, Thailand also took unilateral and regional steps. Regionally, it looked to ASEAN and other partners: Thai representatives worked through ASEAN forums to express concern over the U.S. actions, and to explore collective responses or appeals (though ASEAN as a whole did not retaliate, given varied interests). Domestically, Thai authorities considered tariff adjustments of their own. To prevent a flood of redirected goods (e.g. Chinese goods targeted by the U.S. potentially being dumped in Thailand), Thai agencies discussed safeguard measures. The Federation of Thai Industries and JSCCIB suggested that Thailand might need temporary tariffs or quotas on surges of imports to protect local producers if U.S.-bound goods from other countries started flooding Southeast Asia (JSCCIB, 2025).

Additionally, Thailand accelerated efforts to finalize trade agreements that could open other markets. Notably, negotiations for a Thailand–EU Free Trade Agreement (FTA), which had been in on-and-off talks for years, were given new urgency with hopes to conclude an agreement to offset U.S. market risks. Thailand also showed interest in joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or other frameworks to diversify its trade relationships.

From the perspective of supporting SMEs, the Thai government’s responses included financial relief and capacity-building initiatives (detailed later in analysis). Agencies like the Export-Import Bank of Thailand (EXIM Bank) launched or expanded programs such as export credit insurance and soft loans for affected exporters. The Department of International Trade Promotion (DITP) organized extra trade missions and matchmaking events to help Thai companies find new buyers in markets like the Middle East and Asia.

In summary, the literature and reports show that Thailand’s trade policy response to the tariff shock was multi-pronged: negotiate with the U.S. to reduce the tariffs, shield the domestic economy from immediate collateral damage (through safeguards and stimulus), and adapt by finding alternative markets and strengthening the resilience of the trading sector.

Table 2.1 below summarizes key factors influencing Thai SMEs amid the tariff shock, and sources from literature or contemporary analyses that discuss them.

Table 2.1: Key Factors and Sources

Factor	Description/Keywords	Key Sources
Tariff Shock	Tariff rates, scope of goods affected, policy timing	Carlsson-Szlezak et al., 2025
Trade Flow Effects	Reduction in Thai exports, market diversion, demand elasticity	Krungsri Research, 2025; PwC Thailand et al., 2025
SME Vulnerability	SME market dependency, cost structure, financial resilience	Nation Thailand, 2025; Legal Co., Ltd., 2025
Adaptation Strategies	Market diversification, use of FTAs, government policy measures	PwC Thailand et al., 2025; Fulcrum, 2025
Macroeconomic Outcomes	GDP growth, employment, currency volatility	IMF, 2025; Furceri et al., 2018

Figure 2.1 below illustrates how these elements interact with the U.S. tariff shock triggering a cascade from trade flows to firm-level impacts and policy responses, ultimately influencing macroeconomic outcomes.

This framework illustrates the cascading impact of the 2025 U.S. tariff hikes on Thailand’s SME sector. It begins with the Tariff Shock, represented by the sudden imposition of 36% duties on Thai exports, leading to Trade Flow Effects such as diminished competitiveness, disrupted global value chains, and reduced demand. These effects expose and amplify SME vulnerabilities, including limited market diversification, constrained financial capacity, and compliance burdens. In response, both adaptation and policy responses emerge at the firm and government levels, encompassing strategies like market diversification, supply chain adjustments, and utilization of FTAs, alongside policy interventions such as trade finance, legal advisory, and export facilitation. Collectively, these

dynamics influence macroeconomic outcomes, shaping GDP growth, employment levels, and Thailand’s long-term trade resilience.

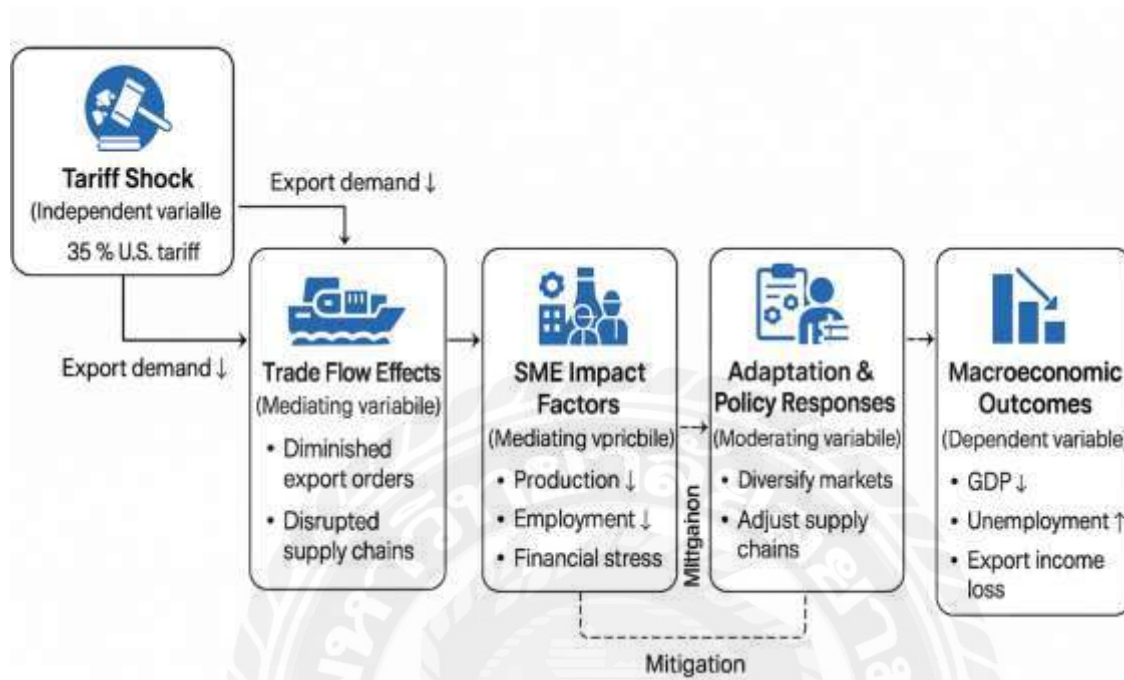


Figure 2.1 Conceptual Framework of the U.S. Tariff shock’s impact on Thai SMEs.

Point A: Tariff Shock (Policy Change)

In the framework, the initiating event is the U.S. tariff policy change. In April 2025, President Trump announced new import tariffs in Thailand and other countries (Khaosod English, 2025). Under this policy, many Thai products would face a 36% levy unless negotiations succeed. The *intensity* (tariff rates) and *coverage* (which product lines) define the shock’s magnitude. A high tariff rate on a broad range of exports (as announced) signals a major disturbance. The literature notes that such an abrupt change can create uncertainty and force rapid adjustment (Duncan, 2025; Oxford Economics, n.d.). For Thailand, this shock is unprecedented in recent history; the last major U.S. tariffs on Thai goods were much lower.

Because it is a government action, it is also subject to political dynamics. The policy was partly justified by Washington to address bilateral trade imbalances Officially, the U.S. cited Thailand’s large export surplus (\$45.6B in 2024) as a reason for tariffs. In response to the shock, Thailand’s leaders have engaged in diplomacy: for example, Thai ministers visited the U.S. to lobby for tariff

relief using a 90-day negotiation window. This political negotiation is part of the response, but the outcome (tariff imposed or not) determines the actual shock experienced by SMEs.

Point B: Trade Flow Effects

The immediate effect of the tariff shock is on trade flows. When the U.S. levies a 36% tariff on Thai imports, it effectively makes Thai goods more expensive in the U.S. market. As a result, demand for those goods tends to fall. Empirical reports project that Thailand's export growth will slow markedly: under a 36% tariff, annual Thai export growth to the U.S. could decline by up to 2% (JSCCIB, 2025). Over time, JSCCIB warns of a potential loss of THB 1.4 trillion (~\$43B) in cumulative exports over a decade. In the short term, projections from business committees suggest full-year export growth may dip into the low single digits (Alpha SEA, 2025).

In our SME context, this means the basket of goods SMEs export will face lower demand. The analysis by Thailand's SME Promotion Office (OSMEP) identifies specific sectors (e.g. electronics, machinery, jewelry) that will see reduced U.S. orders (Khaosod English, 2025). The volume decline varies by elasticity and substitution. For example, electrical equipment exports (\$2.8B) have 59% of SME share shipped to the U.S.; if U.S. buyers drop these imports or shift to other suppliers, Thai exporters will see a steep volume loss (Khaosod English, 2025).

Moreover, trade flows could be diverted. If U.S. buyers substitute Thai goods with products from Vietnam or Malaysia, those countries' exports may rise while Thailand's fall (JSCCIB, 2025). Conversely, within Thailand, some firms might redirect products to ASEAN markets under agreements like RCEP or seek emerging markets. But establishing new trade relationships can be slow and costly (Oxford Economics, n.d.). Thus, the overall trade flow impact is large negative exposure (especially to the U.S.) with only a gradual offset from trade diversification.

Point C: SME Impact Factors

The tariff-induced drop in exports then translates into firm-level impacts for SMEs. Several factors determine the severity of impact on a particular SME:

U.S. Market Dependency. SMEs heavily reliant on U.S. clients are most affected. OSMEP reports that roughly 3,700 Thai SMEs (out of 2.7 million total) have more than 10% of exports destined for the U.S. (and over \$10M each). An SME with, say, 60% of its sales in the U.S. (as with some furniture

firms) will face a large revenue drop if U.S. demand halves. In contrast, an SME selling mostly to ASEAN would feel less pain.

Export Sector. Impact also depends on the product. The top five SME export categories to the U.S. (electronics, machinery parts, jewelry, furniture, plastics) would bear the brunt. For instance, nearly half of Thailand's aluminum product exports come from SMEs, and over half of that is U.S.-bound. Those firms will see their American orders diminish. SMEs in sectors with negligible U.S. exposure (e.g. certain agricultural exports to Europe) will be relatively insulated.

Cost Structure and Competitiveness. SMEs that import inputs from the U.S. or other countries that face U.S. tariffs may incur higher production costs. Even if an SME's output is exempted, its inputs could rise. In either case, SMEs have limited ability to absorb costs; they may cut margins, raise prices. (Hurting competitiveness) or reduce production. According to Duncan (2025), small businesses often lack the scale to renegotiate costs when tariffs hit, whereas large firms can better negotiate prices.

Financial Resilience. Tariffs can strain cash flow. The anecdotal evidence is that importers must pay duties upfront, reducing working capital (Ben, 2025). Thai SMEs tend to have higher financing costs and less cushion, so a sudden need to pay an extra 36% tariff on inventory could force them to seek expensive loans or delay payments. This cash squeeze can even threaten solvency for marginal firms. The net outcome (negative arrow) is that SME revenues and profits likely fall. Job cuts or reduced investment may result. In extreme scenarios (e.g. unmitigated 36% tariff all year), industry groups foresee GDP growth falling to as low as 0.7% (JSCCIB, 2025) and exports contracting by up to 2%. A steep tariff could even create a *cumulative* income shortfall of ~THB 1.6 trillion over five years. These macro figures reflect aggregate SME pain: near 5,000 SMEs were identified as vulnerable by business committees.

Automobiles and parts are another export sector where Thai SMEs play a role. While smaller in value (\$116M, 8% of vehicle exports), these firms share in broader industry pressures. If tariffs reduce U.S. auto imports, Thai auto-part exporters (e.g. trailers, semi-trailers) lose orders. Photo: A U.S. rail yard stacked with new cars – illustrating how auto trade can be disrupted by global policies. In addition, a strong baht (32.5 THB/USD in mid-2025) amplifies cost pressures on these exporters (Bangkok Post, 2025).

Point D: Adaptation and Policy Responses

Thai SMEs and policymakers do not sit idle. Under the shock, they pursue adaptation strategies. At the firm level, SMEs may seek new markets. This can mean pivoting to ASEAN buyers, China, India or Europe. For example, Thailand's long-standing FTAs (e.g. ASEAN Free Trade Area, RCEP) could be leveraged to reorient trade. Some manufacturers might relocate portions of production to tariff-free countries, though this requires capital. SMEs with flexibility could also shift product mix towards goods not facing tariffs.

At the industry level, Thai associations encourage tapping non-U.S. demand. Government-promoted diversification is part of Thailand's strategy: officials are pushing agricultural SMEs to use U.S. inputs (e.g. corn, beef) to make value-added products for global export, thus partially addressing U.S. concerns. The OSMEP suggested that SMEs should "seek new markets and regional trading partners" and maximize FTAs as buffers (Khaosod English, 2025).

On the policy side, the Thai government has taken several steps:

Negotiations: Thailand has urgently engaged with the U.S. A high-level delegation (Finance and Commerce Ministers) met U.S. counterparts in April 2025. Thailand is using the 90-day tariff implementation delay to seek exemptions or lower rates. For example, the government submitted a five-point proposal to U.S. trade officials (Treasury Secretary Bessent) that includes boosting U.S. imports (oil, LNG, beef) and opening Thai markets (Nation Thailand, 2025). Bessent praised Thailand's proposal as "very strong," indicating progress on negotiation (Nation Thailand, 2025).

Bilateral Measures: Thailand agreed to strengthen rule-of-origin enforcement to avoid third-country re-exports (addressing U.S. concerns about "transshipment") It also plans to increase Thai investment in the U.S. (energy and agriculture projects) to show goodwill (Nation Thailand, 2025). In domestic policy, authorities pledged to lower hundreds of Thai tariffs by an average of 14% (Nation Thailand, 2025) and to cut non-tariff barriers.

Safeguards for Domestic Industry: Domestic industries feared a surge in imports (goods originally destined for the U.S. might flood home markets). The Federation of Thai Industries and JSCCIB suggested using safeguard measures if needed (Bangkok Post, 2025; JSCCIB, 2025) – such as temporary tariffs on sudden import inflows.

Fiscal and Monetary Policy: Recognizing the slowdown, Thai authorities prepared stimulus. The Bank of Thailand (BOT) has pledged to manage currency volatility, since a rapidly rising baht would further erode export competitiveness (Bangkok Post, 2025). The BOT's cut of the GDP forecast to 2.1%(Alpha SEA, 2025) implies readiness for easing or targeted credit if growth falls below expectations. The government also planned additional public spending to shore up domestic demand (World Bank, 2025). These adaptation measures can cushion the shock but take time to implement. The success of negotiations remains uncertain. However, Thailand's proactive stance – including leveraging FTAs like the new UK deal and pursuing trade talks – reflects a strategic response to maintain SME competitiveness (World Bank, 2025).

Point E: Macroeconomic Outcomes

The final component of the framework is the aggregate economy. SME impacts and adaptation feed into overall growth and stability. Business groups warn that in a worst case (full tariffs), Thailand's 2025 GDP growth could shrink to as low as 0.7% , versus 2.0–2.2% under a milder scenario (JSCCIB, 2025). A lower growth rate means lower tax revenue, higher deficits, and potential cuts in public investment. Employment is also at stake: SMEs employ over 80% of Thai workers (Yoshino et al., 2015). If SMEs cut jobs or cease operation, unemployment could rise. Income losses may accumulate estimates suggest a cumulative GDP/citizen income shortfall of THB 1.6 trillion over five years. Over time, persistently weaker exports would slow foreign reserves growth and could widen the overall trade and current account balance.

On the positive side, some macro feedback may help. A GDP slowdown could prompt stimulus (public investment, tax relief), partially offsetting SME losses. Also, a cheaper baht (if the central bank allows) would make exports more competitive to other markets. Nevertheless, the overall forecast is clearly negative: trade wars and tariffs are known to reduce economic welfare (Oxford Economics, n.d.; Duncan, 2025).

In summary, the conceptual framework shows that a U.S. tariff spike triggers a chain reaction: reduced trade flows lead to direct SME hardships, which combined with policy responses, ultimately shape Thailand's growth trajectory. Each linkage – from policy to firm to economy – is documented in the recent Thai context (Khaosod English, 2025; JSCCIB, 2025; Nation Thailand, 2025). Understanding this chain helps target analysis and policy.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Research Design

This study adopted a documentary research methodology, which is appropriate for analyzing current policy changes and their implications using existing, verifiable sources. Documentary research involves the systematic collection, examination, and interpretation of published materials—such as official reports, policy papers, industry forecasts, academic articles, and credible news coverage—to generate insights into the effects of the 2025 U.S. tariffs on Thai SMEs. Given the real-time nature of the tariff developments and the impracticality of primary data collection (e.g. conducting extensive field surveys or interviews within a constrained timeline), this method offers both rigor and relevance. All data used in this study—ranging from trade statistics and GDP forecasts to SME sector analyses—were drawn from published documents issued by reputable sources: government agencies (e.g. OSMEP, Ministry of Commerce, Bank of Thailand, NESDC), international organizations (e.g. IMF, World Bank, WTO), research institutions and consulting firms (e.g. Krungsri Research, PwC Thailand), and respected media outlets (e.g. Reuters, Bloomberg, The Nation Thailand, Bangkok Post). By relying on these sources, the study ensured methodological transparency and reproducibility, as all information can be cross verified.

The research approach was both descriptive and analytical. It described key patterns in trade and economic indicators while also interpreting the broader implications of the tariff measures. To structure the inquiry, the study used the conceptual framework outlined in Chapter 2, which links policy shocks to SME-level and macroeconomic outcomes. This framework, informed entirely through documentary evidence, guided the collection and organization of information. Although qualitative in nature, the study integrated quantitative data (for example, projected GDP loss or export value changes, sector-wise trade dependency) extracted from official statistics and reports. No interviews, focus groups, or ethnographic techniques were employed; instead, illustrative sectoral cases—such as the Thai furniture industry or electronics SMEs—are presented based on documented accounts to contextualize broader trends. In terms of temporal focus, this is a cross-sectional analysis

centered on the 2024–2025 period, with occasional comparative references to the 2018–2019 U.S.–China trade war to contextualize present dynamics.

3.2 Data Collection

Data were collected from a variety of secondary sources to ensure a robust coverage of perspectives:

- **Official Reports and Statistics:** This includes data from Thai government bodies such as the Ministry of Commerce (for export figures and trade balance data), the Office of Small and Medium Enterprises Promotion (OSMEP) for SME-specific metrics, the Bank of Thailand for economic indicators and forecasts, and the NESDC for national economic outlooks. For example, OSMEP’s analysis of SME exports was a key source for identifying which sectors are most affected. International organizations like the IMF and World Bank provided macroeconomic forecasts and commentary (e.g. the IMF’s World Economic Outlook April 2025 update and the World Bank’s Thailand Economic Monitor).
- **News Articles and Press Releases:** Current developments were tracked through reputable news outlets. Reuters, Bloomberg, Khaosod English, The Nation Thailand, and Bangkok Post were extensively reviewed for relevant stories in 2025. These provided real-time information on policy announcements (for example, Reuters coverage of the Thai government’s budget reallocation after the tariff announcement), industry reactions (such as quotes from the Federation of Thai Industries reported by Reuters or The Nation), and specific data points from officials (for instance, Khaosod English citing exact figures of SME export losses). Press releases from agencies like the Thai Ministry of Finance or EXIM Bank were also used when available (e.g. an EXIM Bank press release on relief measures, as reported in the Bangkok Post).
- **Research Publications:** The literature review drew on academic papers and economic research relevant to the topic. These included studies of past trade wars and tariff impacts: for instance, analysis by Furceri et al. (2018) on global tariff effects, or regional studies on how the U.S.–China trade war affected ASEAN economies. Thai scholarly articles or working papers (from institutions like Thammasat University or the Thailand Development Research Institute) on SMEs

and trade were also consulted to provide context on SME characteristics and past crises. Additionally, reports by think tanks and consulting firms—such as a PwC Thailand report on U.S. tariffs (2025) and a Fulcrum commentary (2025) on ASEAN responses—enriched the understanding of strategic options.

- **Legal and Policy Analyses:** Because the situation involved policy actions, analyses by legal and trade policy experts were considered. For instance, a brief by a Legal Co., Ltd. (2025) (a Thai law firm or consultancy) discussing rules-of-origin enforcement and transshipment issues was used, as cited in Chapter 2. Such analyses helped clarify what regulatory measures Thailand and the U.S. might employ during the tariff conflict.

In collecting data, careful attention was paid to reliability and bias. Multiple sources were cross-checked for key figures (such as the size of export losses or GDP forecast revisions) to ensure accuracy. Where there were discrepancies in data or interpretations, the study notes them and may favor the more conservative or commonly cited figure.

All sources and data points used in this study were cited appropriately. The documentary approach allowed the research to cover a broad range of information efficiently and to base conclusions on evidence already vetted in the public domain. The trade-off is that the study relied on available data; if some impacts were not well-documented publicly (for example, very firm-specific issues), they may not be captured. Nonetheless, given the scope, the documentary method was well-suited to drawing meaningful insights about the tariff's impact on Thai SMEs and possible responses.

(Table 3.1 on the next page summarizes the main data sources categories and examples of information obtained from each.)

Table 3.1: Data Sources and Examples

Source Category	Information Collected
Official Thai Agencies	Export values by sector (Ministry of Commerce), SME count and definitions (OSMEP), GDP forecasts (NESDC, Bank of Thailand), policy announcements (Ministry of Finance).
International Organizations	Global and regional economic outlooks (IMF WEO 2025), trade statistics (WTO, UN Comtrade), third-party assessments of tariffs (World Bank Thailand reports).
News Media (2025)	Breaking news on tariff announcements (Reuters, Bangkok Post), SME impact case stories (Khaosod English interviews with SME owners), government press briefings (The Nation Thailand).
Research & Think Tanks	Analysis of trade war impact (Furceri et al., 2018 IMF paper), ASEAN perspective (Fulcrum commentary 2025), local academic studies on SMEs and export diversification.
Industry & Legal Briefs	Industry group statements (JSCCIB, FTI reports), legal advisories on tariff compliance (e.g. addressing transshipment concerns, by Legal Co., Ltd., 2025).

3.3 Data Analysis

The analysis proceeded in several steps:

Thematic Analysis: Collected information was organized into key themes corresponding to the research questions: e.g. export impact, GDP and macro impact, SME adaptation, policy response. Content from sources was coded to these themes. For example, all statistics about export decline or affected sectors were grouped under the impact theme, whereas

quotes about government measures were under policy response. This thematic approach allowed synthesis of qualitative data (e.g. statements from officials or SMEs) with quantitative data (numbers and forecasts).

Comparative Analysis: The study compared data before and after the tariff announcement to gauge changes. For instance, Thailand's GDP forecasts pre-tariff vs. post-tariff were compared (as in Section 2.4, from ~3% down to ~1.8% growth), and export trends in early 2025 were compared to previous years. Additionally, comparisons with similar episodes (like the 2018 trade war) were made to interpret whether SMEs' experiences aligned with expected patterns (this draws on literature e.g. verifying if sectors hurt in 2018 are again the ones hurt in 2025, which they largely are: electronics, etc.).

Case Synthesis: For the embedded case examples, narrative summaries were created. For instance, taking various details about the Thai automotive parts sector (from export stats, statements by industry reps, etc.) to tell the story of how one SME-dominated sector is coping. Although not one specific company, this method paints a case-like picture of "a typical SME in sector X." Similarly, policy measure details were synthesized to form a clear picture of what support an SME can get (essentially forming a case of an SME utilizing EXIM Bank's program).

Use of Simple Statistical Analysis: Some basic calculations were performed to interpret data: e.g. converting the OSMEP's estimated export loss of \$1.128 billion to a percentage of 2024 SME exports (it's about 14.8% of the \$7.634 billion SME exports to U.S.) – this gives a sense of scale. Also, computing the U.S. share in total Thai exports and the share of SME exports in Thai-U.S. trade provided insight into dependency ratios. These computations support arguments about significance.

Graphical Representation: To aid analysis and presentation, key data were visualized (as seen in figures). For example, a bar chart of different GDP outcome scenarios was created to visualize how much growth varies by tariff scenario (full 36% vs. reduced vs. none). This not only helps the reader but also helped the researcher clearly see the magnitude of differences and discuss them accordingly. Similarly, the table of top SME export categories was constructed to analyze which sectors had the highest U.S. exposure, guiding the discussion in Chapter 4.

Qualitative Reasoning and Explanation: Beyond describing data, the analysis sought to explain *why* we see certain effects. For instance, when the data show electrical equipment SMEs are heavily affected, the analysis connects that to their 59% dependency on U.S. market and the nature of those products being intermediate goods subject to price-sensitive supply chains. Where GDP drops are mentioned, the analysis refers to components like likely falls in exports and possibly lower investment (noting how NESDC commented that exports and private investment would dip by Q3 without relief). This explanatory aspect relies on economic principles and context gleaned from sources.

By combining these techniques, the study ensures that the data analysis is systematic and credible. The triangulation of multiple data points and the alignment of findings with theory/literature enhance confidence in the conclusions drawn.

3.4 Limitations

While this research provides valuable insights, it is important to acknowledge its limitations:

Reliance on Secondary Data: As a secondary study, it depended on the accuracy and completeness of other sources. Some data (especially SME-specific statistics) may be limited or have measurement issues. For example, official SME export figures might not capture the very latest situation if there's a reporting lag. The study mitigated this by using multiple sources, but there's still a dependency on what has been reported publicly. Unpublished or anecdotal experiences of SMEs (which could be captured via direct interviews in primary research) were not directly obtained here.

Rapidly Evolving Situation: The tariff situation in 2025 is dynamic – negotiations were ongoing at the time of writing, and U.S. policies could change (e.g. suspension of tariffs or new exemptions). This research captured a snapshot based on information available up to mid-2025. If conditions changed drastically (say, the tariff was lifted in late 2025), some impacts might be less severe than projected. The study's findings should thus be interpreted in context of the timeframe.

Attribution of Impacts: In a complex economy, isolating the impact of tariffs from other factors is challenging. 2025 also saw global economic cooling and residual pandemic effects, which could also slow Thai exports. While the analysis (and official sources) attributes a significant portion of the slowdown to U.S. tariffs exact attribution can't be measured with certainty without econometric modeling. This study used logical inference and statements from experts, but readers should note that not *all* difficulties for SMEs in 2025 stem solely from tariffs (e.g. oil price changes, currency fluctuations could play minor roles).

Breadth over Depth: The study covered multiple sectors and general SME trends rather than an in-depth focus on a single industry or company. This broad approach was useful for macro understanding and policy, but it might not capture all the nuances within each sector. For instance, within the electronics SME group, some firms making niche products might fare differently than those making commodity parts – such granularity is beyond the scope here.

Qualitative Bias: The research has an analytical narrative style which, while supported by data, also involves the researcher's interpretation. There's a risk of bias in how information is interpreted, or which aspects are emphasized. To mitigate this, the study heavily referenced data and direct quotes (to ground assertions in evidence). Nonetheless, another researcher might interpret the tone of SME resilience or severity of impact differently.

Lack of Primary SME Voices: Importantly, the study did not directly include voices of SME owners via interviews. Such perspectives could provide richer insight into sentiment, specific coping tactics, and unanticipated issues. The study compensated by using quotes from media where SME owners or representatives speak, but this is an area for future primary research.

Recognizing these limitations ensures a balanced view of the study's contributions. Despite them, the research methodology is deemed appropriate for an initial comprehensive assessment of the tariff impact, setting the stage for more granular future studies.

CHAPTER 4 FINDINGS AND DISCUSSION

4.1 Impact on Thai SME Export

Point A: Tariff Shock (Policy Change). The imposition of the new U.S. tariff policy constituted an external shock to Thailand's trade. The shock's magnitude is defined by the tariff rate (36%) and its broad coverage of Thai export goods. A high tariff on a wide range of exports, as announced, signaled a major disturbance to normal trade patterns. In April 2025, when President Trump formally announced the tariffs on Thailand (among other countries), it introduced significant uncertainty for Thai businesses. The literature and historical context indicate that such abrupt changes force rapid adjustments (Duncan, 2025; Oxford Economics, n.d.). This tariff shock was unprecedented in recent Thai-U.S. relations; previous U.S. tariffs affecting Thailand were much smaller in scale. It's important to note that because this shock was a unilateral government action, political dynamics were at play: the U.S. officially justified the tariff by pointing to Thailand's large trade surplus (about \$45.6 billion in 2024) as a problem. In response, Thailand's government scrambled diplomatically (e.g. Thai ministers visiting Washington to lobby for relief during the 90-day negotiation window). Ultimately, whether the tariff would fully take effect or be reduced hinged on these negotiations; however, Thai SMEs could not bank on a favorable outcome and had to prepare for the worst-case scenario of a sustained 36% tariff.

Point B: Trade Flow Effects. The immediate effect of the tariff shock was a distortion of trade flows between Thailand and the U.S. A 36% tariff on Thai imports to the U.S. makes Thai goods significantly more expensive for American buyers virtually overnight. Basic economic principles predict that U.S. demand for Thai goods would fall as a result (assuming the goods are price-sensitive and substitutes are available). Early empirical projections supported this: under a 36% tariff scenario, Thailand's export growth to the U.S. was expected to slow markedly. The JSCCIB (2025) warned that Thailand's exports could cumulatively lose up to 1.4 trillion THB (~\$43 billion) over a decade if the tariffs persisted. In the short term, business chambers suggested that Thailand's overall export growth for 2025 might drop to low single digits or even zero (Alpha SEA, 2025), instead of the moderate growth previously expected.

Table 4.1: Top 5 Thai SME Export Categories to the U.S. (2024)

PRODUCT CATEGORY	EXPORT VALUE TO US (2024) USD MILLION	SME SHARE OF CATEGORY IMPORTS	US MARKET DEPENDENCY OF CATEGORY'S EXPORTS TO US	NO. OF SME EXPORTER
Electrical Equipment	2,792	34%	59%	914 firms
Gems and Jewelry	758	45%	19%	885 firms
Machinery & Components	466	25%	52%	156 firms
Furniture	432.15	45%	68%	400 firms
Iron& Steel Products	181.07	24%	31%	422 firms

In terms of SMEs, this means the basket of products that SMEs ship to the U.S. would face lower demand and possibly falling orders. Analysis by OSMEP identified specific sectors likely to see reduced U.S. orders, including electronics, machinery parts, jewelry, and furniture (Khaosod English, 2025). The extent of volume decline in each sector depends on demand elasticity and availability of substitute suppliers. For example, electrical components are a major SME export to the U.S. (valued around \$2.8 billion in 2024 with a high SME share). If U.S. buyers cut these imports or shift to alternative sources like Mexico or Vietnam, Thai producers would suffer a steep drop in sales (Khaosod English, 2025). Similarly, Thai jewelry and apparel SMEs might lose orders to competitors in countries not facing tariffs.

Trade diversion is a critical part of this analysis: U.S. importers facing tariffs on Thai goods may turn

to suppliers in other countries (e.g. Vietnam, Malaysia, or domestic U.S. producers for some products). Those countries could see an increase in exports to the U.S., effectively capturing market share at Thailand's expense. Conversely, some Thai firms might try to divert their exports to other markets, especially within Asia. ASEAN, China, India, or even new markets like the Middle East are potential targets. Thailand's participation in trade agreements like RCEP (Regional Comprehensive Economic Partnership) could facilitate some reorientation of trade. However, establishing new trade relationships can be slow and costly (Oxford Economics, n.d.), and it is unlikely to fully compensate for the sudden loss of the U.S. market in the short run. Thus, the net trade flow effect for 2025 was expected to be a significant reduction in Thai exports to the U.S., partially mitigated (but not fully offset) by modest gains elsewhere.

Additionally, there is an import side effect: SMEs that both export and import (for example, import raw materials from other countries to produce goods for export) might also reduce their import volumes as their production scales back. This means part of the economic effect could be cushioned by reduced imports (as net exports = exports – imports). However, on the ground, SMEs dealing in any form of trade see volume declines, affecting their revenue and operations.

Point C: SME Impact Factors. The drop in exports due to tariffs translates into firm-level impacts for SMEs. Several factors determine how severely a given SME is affected:

- **U.S. Market Dependency:** SMEs that rely heavily on the U.S. for sales are most affected. According to OSMEP, roughly 3,700 Thai SMEs (out of ~2.7 million) have more than 10% of their exports destined for the U.S., each with export values over \$10 million. If an SME derived, say, 60% of its sales from U.S. customers (as is the case for some furniture exporters), a sharp decline in U.S. orders will cause a substantial revenue gap. In contrast, an SME focused on ASEAN or domestic markets would feel less direct pain.
- **Export Sector:** The product matters. The top SME-exported product categories to the U.S. (electronics, machinery parts, jewelry, furniture, plastics, etc.) will bear the brunt of the tariffs. For instance, nearly half of Thailand's aluminum product exports come from SMEs, and over half of those exports were U.S.-bound before the tariff. Such firms are in the crosshairs and will see their American orders diminish drastically. On the other hand, an SME in a sector with minimal

U.S. exposure (say a food exporter mostly selling to Europe or a service-oriented SME) is relatively insulated from this specific shock.

- **Cost Structure and Competitiveness:** Some SMEs might also be indirectly hit through their input costs. If a Thai SME uses imported inputs from countries that the U.S. also targeted with tariffs (like China), those input prices might rise or supply might be disrupted. Even if an SME's own output isn't tariffed (for example, a component that gets incorporated into another country's exports), complexities in supply chains can transmit cost increases. Most SMEs have limited ability to absorb higher costs or to pass them on as higher prices without losing competitiveness. Large firms often have more leverage to renegotiate or diversify suppliers, but small businesses operate on thinner margins and can be price-takers. As Duncan (2025) notes, small businesses typically lack the scale and bargaining power to easily adjust cost structures when tariffs hit, unlike large multinationals.
- **Financial Resilience:** Tariffs can strain an SME's cash flow in multiple ways. If a Thai SME continues to export to the U.S., its importer must pay the duty upfront, which can delay payments or reduce orders. In some cases, Thai exporters might be asked to share the cost (i.e. effectively give a discount) to keep their U.S. buyers. Either way, revenue is delayed or reduced. Many Thai SMEs already face higher financing costs and limited cash buffers. An abrupt need to cover a 36% tariff (either directly or through price concessions) could force firms to seek emergency credit. Anecdotal evidence suggests import duties must often be paid in advance, tying up working capital (Ben, 2025). If credit is expensive or not forthcoming, a liquidity crunch could push marginal SMEs into insolvency.

The net outcome of these firm-level factors is that SME revenues and profits are likely to fall for many exporters. We can expect cost-cutting responses: layoffs, reduced shifts, or halting investment plans. In extreme scenarios (such as if the full 36% tariff stays all year with no relief), industry groups even foresee Thailand's GDP growth potentially falling as low as ~0.7% (JSCCIB, 2025) and exports contracting slightly for the year. One estimate was that a sustained tariff could create a cumulative income shortfall of about 1.6 trillion THB over five years. These macro-level figures reflect aggregate SME pain: near 5,000 SMEs were identified by business committees as particularly vulnerable.

One example of a threatened sector is automotive parts. Thailand's auto industry is large, and while

most vehicle exports are by big companies to regional markets, SMEs contribute components. In 2024, Thai SME exports of automotive parts to the U.S. were smaller (around \$116 million, ~8% of total Thai vehicle-related exports) but not negligible. If U.S. tariffs reduce overall U.S. auto imports, Thai auto-parts suppliers (like those making specialized parts or accessories) will lose orders. A photograph widely circulated in news media showed a U.S. rail yard stacked with new cars, illustrating how global policy decisions can leave products unsold and supply chains disrupted. For Thai parts makers, additionally, the strong baht of 2025 made their exports even less competitive in pricing (Bangkok Post, 2025).

Point D: Adaptation and Policy Responses. Thai SMEs and policymakers have not remained idle in the face of the shock. On the contrary, a range of adaptation strategies and policy measures have been pursued:

- **SME Firm-Level Adaptation:** Many SMEs have scrambled to seek new markets or alternate revenue streams. This includes pivoting to ASEAN buyers, or targeting China, India, the Middle East, or Europe to replace lost U.S. orders. For example, Thai textile and apparel SMEs, facing U.S. order cancellations, have explored opportunities in neighboring ASEAN countries where Thai products have a quality reputation. Long-standing free trade agreements (ASEAN FTA, RCEP) are being leveraged to enter these regional markets with lower trade barriers. Some manufacturing SMEs have even considered relocating part of their production to a third country that isn't facing U.S. tariffs (though this is feasible only for those with capital and regional networks). Others are shifting their product mix toward goods not subject to the U.S. tariffs. For instance, a food processing SME might focus more on products for Asian markets rather than its U.S.-oriented line.
- **Industry-Level Support:** Thai industry associations and chambers have been active in guiding members. They encourage tapping non-U.S. demand by capitalizing on any competitive advantages Thai products hold regionally. The government, through the DITP and Board of Investment, has organized additional trade fairs and business matching events abroad, trying to open channels for affected SMEs. A specific initiative involved promoting agricultural SMEs to use more U.S.-sourced inputs (like importing U.S. corn or beef to make value-added products for

export globally), as a goodwill gesture addressing U.S. concerns and potentially creating a win-win trade increase (Khaosod English, 2025).

- **Negotiation and Diplomacy:** As mentioned in Chapter 2, the Thai government entered urgent negotiations with the U.S. A high-level delegation used the 90-day delay to push for exemptions or reductions. One notable outcome by mid-2025 was the U.S. Treasury acknowledging Thailand's proposals to reduce the bilateral imbalance (through increased Thai imports of U.S. goods) as constructive. While a definitive resolution was not immediate, there were signs that some Thai products might be spared or that the 36% rate could be lowered. This diplomacy is a critical part of Thailand's response: if successful, it directly alleviates the problem at the source.
- **Bilateral and Domestic Policy Measures:** The Thai government also took steps domestically and in bilateral cooperation to address issues raised by the U.S. They agreed to strengthen rules-of-origin enforcement to ensure Chinese goods, for example, are not routed through Thailand to evade U.S. tariffs ("transshipment" concerns). Thailand also indicated plans to increase its investments in the U.S. (such as in energy and agriculture projects) to show goodwill (Nation Thailand, 2025). Domestically, authorities moved to lower some Thai import tariffs on hundreds of items by an average of 14% (Nation Thailand, 2025) and to cut non-tariff barriers, partly to reduce costs for Thai manufacturers and partly to address U.S. complaints of trade barriers.
- **Safeguards for Domestic Market:** Anticipating that some goods originally destined for the U.S. might be diverted and flood the Thai market, Thai industry bodies suggested readiness to impose safeguard tariffs. For example, if a glut of Chinese steel or textiles (intended for the U.S.) started dumping into Thailand, temporary protective tariffs or quotas could be used to protect local producers (JSCCIB, 2025). This measure was more of a contingency plan; by mid-2025, there had not yet been a notable surge of such imports, but the government kept the option on the table.
- **Fiscal and Monetary Support:** Recognizing the impending economic slowdown, Thai authorities prepared stimulus measures. The Bank of Thailand (BOT) closely watched the baht's exchange rate; a key pledge was to manage volatility because an appreciating baht could further hurt exports. Indeed, by August 2025 the BOT had cut its GDP forecast to around 2.1% and implied willingness to ease monetary policy or provide targeted credit if growth fell below expectations (Alpha SEA, 2025). On the fiscal side, the government planned additional spending to boost domestic demand. Importantly, the large budget originally earmarked for a domestic stimulus (the

digital wallet scheme) was repurposed in part to fund SME support and broader economic relief. Thus, Thailand signaled an accommodating macroeconomic stance to cushion the tariff's blow.

These adaptation measures can mitigate the shock, but they take time to implement and yield results. Diversifying exports, for example, does not happen overnight; building relationships in new markets can take months or years. Financial relief helps SMEs survive the short-term pain but does not fully compensate for lost business. The combination of strategies, however, aims to buy time and preserve capacity: if SMEs can be kept afloat through 2025, there is hope that either the tariffs will be resolved or they will adapt sufficiently to new conditions.

In summary, by mid-to-late 2025, Thailand's SMEs were actively adjusting and the government was actively intervening. The full outcome of these efforts will only become clear with time, but the resilience and responsiveness shown are positive signs. They indicate that while the tariffs dealt a heavy shock, Thai SMEs are not passively accepting decline—they are seeking opportunities in adversity.

4.2 Projected Export and GDP Effects

Quantifying the impact of the tariffs on SMEs and the wider economy helps underscore the severity of the issue. Projections from Thai agencies and research groups provide a range of estimates for 2025:

- **SME Export Losses:** OSMEP's analysis (as reported by *Khaosod English*) estimated that the new tariffs could reduce Thai SME exports to the U.S. by about \$1.128 billion in 2025. For context, Thai SME exports to the U.S. totaled approximately \$7.63 billion in 2024. A \$1.128 billion drop represents roughly a 15% decline in SME export value to the U.S., effectively erasing any normal growth and then reducing volumes further. In aggregate, this figure suggests a significant chunk of revenue removed from SME coffers. OSMEP also projected that this decline would contribute to Thailand's overall SME sector growth slowing: SME sector GDP growth might be cut by around 0.2 percentage points (for example, from an expected 3.5% growth down to ~3.3%). While that number may appear small, it is notable given that it averages across all

SMEs (including those not exporting). It indicates that the export-oriented subset of SMEs would essentially drag down the average growth of the sector.

- **National Export and GDP Impact:** On the national level, institutions had varied forecasts: The JSCCIB's warning of \$43 billion lost over a decade has been mentioned. For 2025 specifically, the Federation of Thai Industries noted that export growth could even turn negative if the worst-case tariff scenario persisted. The Ministry of Finance, as of mid-2025, revised its export growth forecast for the year to a mere +0.3% to +0.9% (down from a previously anticipated +2% or more). Some private forecasters hinted that exports might actually *contract slightly* year-on-year if U.S. orders plunged in the second half of 2025 and if global demand remained weak.

On GDP, multiple agencies trimmed forecasts. As earlier noted, the NESDC's base case was about 1.8% GDP growth for 2025, down from near 3% projections pre-tariff. The BOT similarly indicated a slower growth outlook due to "global trade tensions intensified more than expected." Essentially, roughly 1 percentage point was shaved off anticipated GDP growth, and the tariffs were a major factor in that downgrade. To illustrate, if Thailand was expecting ~2.8% growth and now expects ~1.8%, that difference in output is huge in dollar terms (on the order of several billion USD). Not all of that is due to tariffs (some is general global slowdown), but tariffs are cited as a key direct cause.

- **Scenario Analysis:** Krungsri Research (the research arm of Bank of Ayudhya in Thailand) conducted a scenario analysis (illustrated in *Figure 4.1* of their report) examining three possibilities for 2025 GDP depending on tariff outcomes:
 - If the full 36% tariffs remain all year, GDP growth might be around the low end (~1.5% or even lower).
 - If tariffs were reduced to ~18% (i.e., halved through negotiation), GDP might perform moderately better (in the mid-2% range).
 - If tariffs were rolled back to just the original 10% base rate (meaning the new tariffs effectively don't materialize), GDP could approach the original higher forecast (~3%).

This scenario analysis underscores the sensitivity of the economy to the tariff policy outcome. It also provided a tool for policymakers: it showed that even a partial reduction in tariffs (outcome

2) would significantly improve the economic trajectory, reinforcing Thailand's impetus to negotiate some relief.

- **Employment Effects:** While quantifying jobs is tricky at this stage, the employment stakes are high. SMEs employ over 80% of Thai workers (Yoshino et al., 2015). If hundreds or thousands of SME exporters face distress, unemployment could edge up. Some estimates suggested that roughly 185,000 jobs could be at risk at export-oriented SMEs (simply extrapolating that if ~3,700 SMEs are heavily affected and each employ ~50 people on average). This doesn't count the indirect jobs in communities and supply chains that depend on those SMEs. So far, actual layoffs observed in mid-2025 were limited, partly due to government urging businesses to retain staff and hinting at possible wage support programs if needed. But if the situation worsens, job losses may become more visible, especially in the most affected sectors (e.g., a furniture factory cutting a shift, or a textile workshop closing down if orders dry up).

In conclusion, the projected export and GDP effects painted a sobering picture: substantial export revenue losses, a marked slowdown in overall export growth, and a drag on GDP growth to nearly stall-speed levels if the tariff shock were not mitigated. These numbers galvanized both public and private sectors in Thailand to treat the tariff issue with utmost urgency. They also form the baseline against which the effectiveness of adaptation measures can be judged. For example, if by end-2025 actual SME export losses are lower than \$1.1 billion, that might indicate success in trade diversion or policy relief. Conversely, if GDP ends up below 1.5%, it suggests the shock was even more damaging than hoped, or that global conditions compounded the problem.

4.3 Case Examples of Affected SMEs

While aggregate data provides the big picture, individual SME experiences highlight the tangible, ground-level effects of the tariffs. Below are a few representative case examples drawn from reported accounts and typical scenarios in major sectors to illustrate how Thai SMEs are experiencing and reacting to these challenges:

Case 1: Electronics Manufacturer (Electrical Components SME) – A Thai SME in Chonburi province produces printed circuit boards and electronic components, exporting about 60% of its

output to a U.S. buyer that supplies American automakers. In 2024, business was booming with steadily rising orders. However, after the tariff announcement in April 2025, the U.S. buyer informed the Thai SME that any shipments arriving after July 2025 would incur the new 36% duty, and thus they would need to renegotiate prices. The SME now faces a painful dilemma: either its product becomes 36% more expensive to the U.S. buyer (who might then source from Mexico or another country), or the SME agrees to substantially lower its price to help offset the tariff. The company's owner was quoted as saying, *"We don't have the cash flow to outright cut prices by one-third. Even a 10% reduction would wipe out our profit."* This reflects the extremely slim margins they operate on. In the interim, the SME tried to rush as many shipments as possible before the July deadline (benefiting from a short-lived surge in export orders in Q2, which indeed led Thailand's overall exports to jump 39% year-on-year in Jan–Feb as buyers front-loaded orders before tariffs). After July, the outlook is grim: they anticipate having to run their factory at only ~70% capacity if U.S. orders drop off, which could force them to lay off around 50 of their 200 workers. To cope, they are urgently seeking new clients; for instance, they entered talks with a potential customer in South Korea to take up some slack – an example of diversification born of necessity. This case exemplifies how a previously thriving SME can be pushed to near breaking point by the tariff, and how it must scramble to survive.

Case 2: Family-Owned Furniture Exporter – A medium-sized family business in Chiang Mai produces hand-crafted wooden furniture (e.g. tables and chairs with intricate designs), primarily for boutique retailers in the U.S. Before tariffs, sales to the U.S. formed the bulk of their revenue. Anticipating trouble when news of potential tariffs broke, the owner took proactive steps: in early 2025, he traveled to a trade expo in Dubai (with support from the DITP) to court new buyers in the Middle East. This effort bore some fruit: an Emirati hotel chain expressed interest in sourcing furniture. However, the volumes from new markets will not immediately compensate for the expected drop in U.S. orders. The owner projects a 40% revenue decline over the next 12 months if the tariff persists the whole year. To cope financially, they have shelved expansion plans (cancelling the purchase of a new wood-treatment machine) and are focusing on their small domestic market segment just to keep some cash flow. They also applied for relief under the government's support schemes: the company tapped a soft loan program via EXIM Bank that offers low-interest loans and extended

repayment terms for affected exporters. This has helped refinance their existing debt and lower monthly payments. The case illustrates that even well-established, niche-product SMEs are resorting to emergency strategies: seeking out completely new markets, cutting investment, and leaning on government-backed credit support to stay afloat.

Case 3: Agricultural Food Processor – A small agro-business SME in Ratchaburi makes dried fruit snacks and had recently broken into the U.S. health food market via a distributor. U.S. sales accounted for about 20% of its output, with the rest sold in Asia. Once the tariffs hit, the U.S. distributor asked for a hefty discount to keep buying (as a 36% duty on a consumer food product would make it uncompetitive on store shelves). The SME decided it could not afford such a cut and instead lost the U.S. account. To make up the gap, the owner is focusing on ASEAN markets: he increased marketing in Singapore and South Korea, where Thai dried mango and coconut chips are popular. He also slightly adjusted the product line – developing new flavors catering to Asian tastes. Concurrently, this SME benefits from a government program: DITP’s export clinic, which gives one-on-one advice to SMEs on documentation and market entry strategies. With their help, the company identified a potential distributor in Japan and is working to meet Japanese import standards. While these efforts are promising, the owner notes that it could take a year or more to generate the same volume of sales they lost in the U.S., and in the meantime, the business is operating at a smaller scale. This case highlights the agility of some SMEs in repurposing their strategy, but also the time lag and uncertainty involved in finding replacement markets.

Case 4: Auto-Parts Maker – A parts manufacturer (SME) in Rayong that specializes in trailer axles and metal components for vehicles had about \$5 million in annual sales, 30% of which went to a U.S. aftermarket auto-parts importer. After the tariffs, that importer cut orders drastically, anticipating reduced demand in the U.S. The Thai SME, unable to quickly find another buyer for the same products, faces a significant downturn. They have cut overtime and reduced their workforce by 10% already. The owner is looking into whether they can “re-shore” some business: interestingly, the Thai government’s push for local content means this SME might try to sell more to domestic assembly companies (which are being encouraged to use local suppliers). Additionally, the strong baht has hurt them by making their exports pricier, but it also slightly lowered the cost of imported steel they use, a small consolation. This firm’s long-term plan is to pivot to making parts for agricultural machinery,

which has demand in Southeast Asia, thereby lessening reliance on U.S. truck/trailer parts market. It's a risky pivot requiring retooling some machinery. These case studies, while each unique, collectively demonstrate common themes: shrinking U.S. orders, pressure to cut prices, urgent search for alternative markets, reliance on government assistance, workforce adjustments, and strategic pivots. They put a human face on the statistics – family businesses delaying expansion, workers worried about layoffs, entrepreneurs flying across the world to drum up new customers. The adaptability and resilience of Thai SME owners come through, but so does the strain they are under.

Not all SMEs will manage to adapt in time; some may indeed close if the situation does not improve. Particularly vulnerable are those with very high U.S. exposure and products that are hard to quickly re-market elsewhere. The Thai government's task, partially, is to minimize such casualties through timely support.

In the next section, we will turn to the aggregate findings and consider how the above micro-level stories and macro-level data intersect. We'll also connect these findings back to the theoretical expectations outlined in the literature review. This will set the stage for drawing conclusions and formulating recommendations for both SMEs and policymakers.

4.4 Post-Revision Context: Updated Tariff Adjustment in Mid-2025

In mid-2025, the United States revised its tariff policy on Thai exports, reducing the previously announced 36 percent tariff to 19 percent after intensive bilateral negotiations. Implemented in August 2025, this policy changes immediately softened the trade shock's impact by partially relieving cost pressures on Thai exporters. The lower rate helped moderate the short-term contraction in U.S.-bound export orders and provided marginal support to GDP growth projections compared with the full 36 percent scenario. Nevertheless, the tariff revision did not eliminate the structural vulnerabilities identified earlier in this study. Even under a 19 percent rate, Thai SMEs that rely heavily on U.S. markets remain exposed to external policy risk, narrow export concentration, and liquidity constraints. Thus, the original 36 percent analysis remains analytically valuable for understanding Thailand's policy sensitivity and the urgency of resilience-building. Examining the full-tariff scenario offers critical insight into how severe trade shocks can reveal systemic weaknesses and guide long-term diversification strategies for Thai SMEs and policymakers alike.

CHAPTER 5 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The analysis confirms that Trump's 2025 tariffs have delivered a significant shock to Thai SMEs, but also that this shock can catalyze changes to ultimately strengthen the sector. In the immediate term, the effects are undeniably negative: reduced exports, squeezed profits, and slower economic growth. SME exporters in key sectors have seen substantial order declines and are facing difficult choices to stay viable. Thailand's overall GDP growth for 2025 has been marked down, largely due to the hit on exports. Yet, this challenge is also forcing a re-evaluation of business models and trade strategies in Thailand. SMEs that survive the crisis may emerge more diversified and resilient, having expanded their horizons beyond over-reliance on the U.S. market. Likewise, Thai policymakers are gaining a deeper appreciation of swift and targeted support for SMEs, and the importance of maintaining a diverse portfolio of trade partners to hedge against unilateral actions by any one country.

In this concluding chapter, recommendations based on the findings are proposed. These recommendations are directed both at SMEs themselves and at the Thai government and relevant policymakers, as both groups have crucial roles in turning this trade shock into an opportunity for positive transformation.

This study maintains its focus on the initially assumed 36% tariff scenario to preserve analytical consistency, despite the mid-2025 revision that lowered the U.S. tariff to 19%.

5.2 Recommendations for SMEs

In navigating the challenges posed by the tariffs, Thai SMEs should proactively adopt strategies to preserve their businesses in the short run and improve competitiveness in the long run. Key recommendations for SME owners and managers include:

- **Diversify Export Markets:** SMEs should lessen their dependence on the U.S. (or any single market) by actively exploring and entering new markets. Even partial diversification can significantly reduce risk exposure. For example, a Thai textile SME that once focused on the U.S.

could target ASEAN neighbors, East Asia, or even African markets where Thai products have a reputation for quality. Government agencies and industry groups can assist by organizing trade missions and sharing market research for these markets. Building new client relationships takes time, but broadening the customer base ensures that a problem in one country (like a tariff or recession) doesn't cripple the business.

- **Optimize Cost Efficiency and Productivity:** In the face of margin pressure from tariffs, SMEs should invest in cost-saving measures and efficiency improvements. This can include adopting new technologies to automate processes, improving energy efficiency to cut utility costs, or training workers to increase productivity. By lowering the cost per unit, SMEs can better absorb external shocks like tariffs without raising prices. Some firms might qualify for government grants or low-interest loans specifically aimed at upgrading machinery or software – these should be utilized. Additionally, improving product quality and consistency can justify a premium price, helping SMEs remain competitive even if their costs rise.
- **Leverage Free Trade Agreements (FTAs):** SMEs need to become well-versed in the network of FTAs that Thailand is part of (ASEAN, RCEP, etc.) and those on the horizon (such as the Thailand–EU FTA). Taking advantage of preferential tariffs under these agreements can open up new opportunities. For instance, under RCEP, a Thai agricultural SME might export to China or Japan at lower tariff rates, offsetting some U.S. losses. SMEs should seek guidance on rules of origin and administrative requirements to fully utilize FTAs. Government workshops and resources can help SMEs understand how to certify their products for FTA benefits. By strategically using FTAs, SMEs can improve their price competitiveness in target markets and make up some volume lost in the U.S.
- **Strengthen Financial Resilience:** SMEs often falter during shocks due to cash flow problems rather than lack of demand. It's vital for SMEs to manage their finances conservatively during this period. This includes maintaining adequate working capital, renegotiating credit terms with suppliers, and possibly securing credit lines before they are desperately needed. SMEs should communicate with banks and make use of any credit guarantee schemes or soft loans provided by institutions like EXIM Bank or the Thai Credit Guarantee Corporation. Having a financial buffer allows SMEs to weather temporary downturns and invest in adjustments (like marketing in new markets) rather than collapsing at the first sign of trouble.

- **Utilize Government Support Programs:** A range of government support measures have been rolled out or expanded – SMEs should actively take advantage of these. For example, if there are tax relief measures (such as tax deferrals or deductions for affected firms), SMEs should ensure they file the necessary paperwork to benefit. If wage subsidies or training subsidies are offered to encourage staff retention and skill development, SMEs ought to enroll. Engaging with agencies like OSMEP, DITP, or the Ministry of Industry can also connect SMEs to mentorship programs, consulting services, or export clinics that provide valuable advice at low or no cost. The government is keen to help, but SMEs must be proactive in seeking out the help and fulfilling any requirements.

By implementing these strategies, Thai SMEs can enhance their resilience. The crisis, painful as it is, can drive SMEs to become more efficient, more innovative, and more diversified. Those that do so will not only survive the current storm but could thrive in the future with stronger foundations.

5.3 Recommendations for the Thai Government

The Thai government and policymakers have a critical role in cushioning the blow to SMEs and facilitating their adaptation. The tariff shock should be treated as a wake-up call to strengthen the SME sector's long-term competitiveness. Key policy recommendations include:

- **Persist in Tariff Diplomacy:** Building on the August 2025 reduction from 36 percent to 19 percent, Thailand should keep engaging the U.S. Trade Representative and ASEAN partners to further reduce or neutralize the tariff burden through targeted sectoral exemptions and trade-facilitation measures. The recent concession demonstrates that persistent diplomacy can yield relief; maintaining pressure for deeper reductions will protect export-oriented SMEs and sustain investor confidence. If possible, secure exemptions for key SME-driven export items (especially those where Thailand's contribution to the U.S. trade deficit is small but impact on local communities is big). Even a partial concession (reducing the tariff rate from 36% to something lower) would dramatically alleviate pressure on SMEs. This diplomatic effort should be persistent and coordinated with other affected nations to strengthen the case against such broad tariffs.
- **Implement a Comprehensive Financial Relief Package:** Building on initial measures, institute a robust SME relief program targeted at tariff impacts. This could include temporary tax relief

(e.g. allowing affected exporters to defer corporate income tax payments for 2025 or to claim rebates on import duties for raw materials used in exports), and wage subsidies or job retention schemes (for example, subsidizing a portion of the payroll for SMEs that keep workers employed through the downturn). Additionally, expand soft loan programs so that even micro-SMEs can access cheap credit—perhaps through local banks with partial guarantees by the government. Notably, the 157 billion baht that was reallocated from the consumer stimulus should be channeled in part as grants or matching funds for SMEs that invest in new markets or productivity improvements during this period. The philosophy should be to help SMEs *invest their way out of the crisis*, not merely to borrow to survive.

- **Strengthen Trade Finance and Insurance:** Provide additional capital and support to export credit agencies. For example, increase the capitalization of EXIM Bank of Thailand and the Thai Credit Guarantee Corporation so they can underwrite more export insurance and credit guarantees. By doing so, banks will be more willing to lend to at-risk exporting SMEs (knowing the loans are guaranteed), and SMEs can obtain export insurance to protect against foreign buyer defaults or political risks. This kind of backstop is crucial when entering new, less familiar markets where payment risks might be higher. The government could also subsidize the premiums for export insurance for SMEs in 2025 to encourage uptake.
- **Promote Market Diversification and Trade Facilitation:** Double down on trade promotion efforts in alternative markets. Agencies like DITP should organize extra international trade fairs and business matching events focusing on markets such as the Middle East, South Asia, and East Asia. A campaign like “Buy Thai” can be run in regions like the Middle East or Africa to raise awareness of Thai products (e.g. via roadshows or online marketing). Moreover, Thailand should fast-track ongoing FTA negotiations: for instance, conclude the Thailand–EU FTA promptly and get it implemented, as that will open significant new opportunities for Thai exporters in Europe with reduced tariffs. Simultaneously, explore new bilateral deals or consider joining multilateral frameworks like CPTPP to widen market access. Each new FTA or trade arrangement can provide alternative tariff-free avenues for SME exports, reducing reliance on the U.S. market.
- **Invest in SME Capacity Building and Training:** Initiate programs to boost the capabilities of SMEs to adapt and compete. This could involve partnerships with universities, large corporations, or international agencies to provide training workshops on export management under new

conditions. Topics might include optimizing tariff classifications (to minimize duties), utilizing FTA rules of origin effectively, e-commerce and digital marketing skills to reach global customers online, and financial risk management to hedge currency or credit risks. Furthermore, consider mentorship initiatives where experienced exporters or retired industry experts can coach SME owners on strategy and innovation during this tough period. Funding for these programs can be drawn from existing SME development budgets or through loans/grants from bodies like the World Bank or Asian Development Bank, which often support trade facilitation projects.

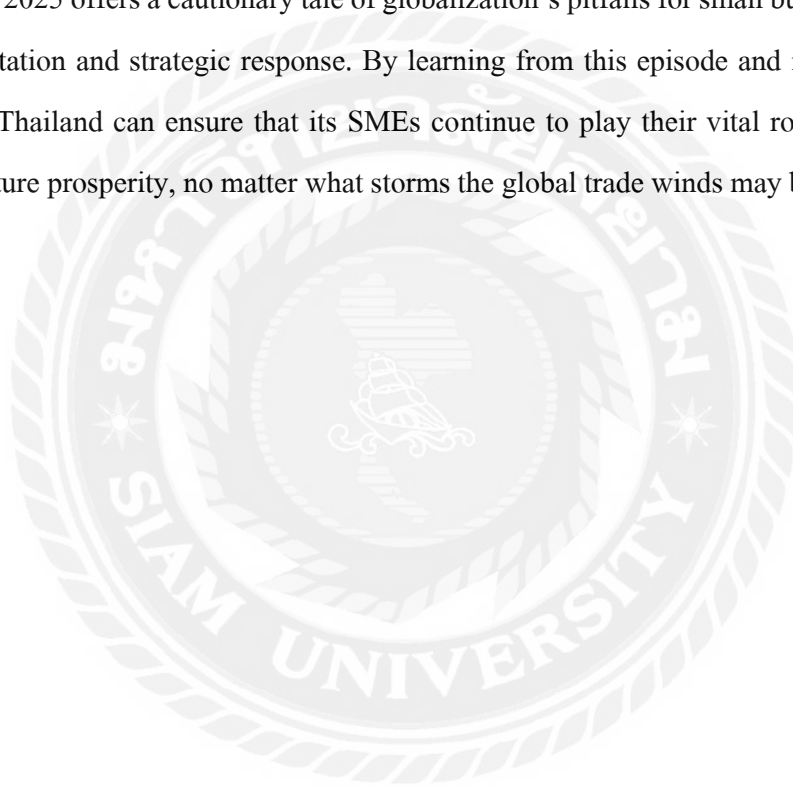
- **Implement Long-term Structural Reforms:** Use the urgency of this crisis as impetus for broader improvements to the SME business environment. For example, simplify and expedite customs procedures – perhaps through greater automation and single-window systems – so that exporting (and re-routing exports) becomes easier and less costly for SMEs. Reducing regulatory red tape (licenses, permits, inspections) can improve overall ease of doing business, which in turn helps SMEs pivot more quickly. Enhance logistics infrastructure: invest in port capacity, cold chain systems, and subsidize freight costs temporarily for SMEs trying out new distant markets (maybe a scheme that partially pays for shipping for first-time exporters to a new country). Also, encourage the development of local supplier networks so SMEs can source inputs domestically; if they rely less on imported components, they are less exposed to external trade disruptions and currency swings. One idea is to foster linkages between SMEs and large enterprises – for instance, through supply chain matching programs or incentives for large firms to subcontract to SMEs. This can integrate SMEs into global supply networks indirectly, giving them more stability. Thailand’s industrial strategy (such as the plans from OIE to promote high-tech and green industries) should explicitly include components to ensure SMEs are not left behind but rather are supported to become suppliers or innovators in those emerging sectors.

By implementing these recommendations, Thailand can not only assist SMEs in surviving the immediate tariff onslaught but also strengthen the foundations for SME growth in the future. The shock of 2025 underscores that preparedness and adaptability are key in a volatile global trade environment. SMEs, when supported by sound policy, can adapt by diversifying markets and upgrading operations; at the same time, the government’s role in facilitating these shifts and providing safety nets is indispensable.

Concluding Remarks

In conclusion, although Trump's 2025 tariffs have dealt a harsh blow to Thai SMEs, this crisis can be transformed into an opportunity – one that drives positive change, resilience, and reduced vulnerability in the long term. The experience has highlighted weaknesses (over-concentration in one market, thin financial buffers, procedural bottlenecks in trade) that can now be addressed with urgency. With coordinated action by businesses and government, Thailand's SMEs can emerge from this challenge more competitive and better integrated into a diversified global trade network.

The Thai case in 2025 offers a cautionary tale of globalization's pitfalls for small businesses, but also a lesson in adaptation and strategic response. By learning from this episode and implementing the right measures, Thailand can ensure that its SMEs continue to play their vital role in the nation's economy and future prosperity, no matter what storms the global trade winds may bring.



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