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Impacts of U.S. Tariff Measures on Thai export and strategic responses

Thailand's export sector is facing significant headwinds as a result of the United States' newly imposed 19% reciprocal tariff policy, which is projected to reduce the value of Thai exports by approximately THB 275 billion in 2026, equivalent to 1.48% of GDP, according to research from the University of the Thai Chamber of Commerce (UTCC). The forecast highlights both direct and indirect legal and economic implications for Thai businesses and foreign investors, particularly in key manufacturing and export-dependent industries.

Tariff Impact: Legal Exposure and Sector Vulnerability

UTCC's study estimates that:

- In the immediate term (five months), Thai exports may decline by THB 115 billion, with a GDP contraction of 0.62 percentage points.
- In 2026, losses may escalate to THB 275 billion, with THB 256 billion arising from direct tariff exposure, and THB 64.7 billion from indirect supply chain disruptions.

Sectors particularly exposed to the new tariffs include:

- Electrical and electronic equipment
- Machinery and components
- Rubber products

These sectors are vulnerable due to their high dependency on the U.S. market and their role in global supply chains. Although Thailand faces similar tariff rates as regional peers such as Malaysia, Indonesia, and Cambodia, it is at a competitive disadvantage compared to countries such as Singapore (10%) and Japan/South Korea (15%).

On the other hand, nations such as Vietnam (20%), India (25%), and China (51%) are subject to even steeper tariff rates, creating potential trade diversion opportunities. According to UTCC, Thailand may be able to expand its export share to the U.S. in sectors like electronics, machinery, computers, furniture, and consumer goods.

Legal and Policy Recommendations

In response to these economic risks and opportunities, UTCC has proposed six policy recommendations for the Thai government, each with legal implications for domestic and international stakeholders:

1. Support Measures for Affected Industries
Enacting emergency legal mechanisms or special assistance packages, including subsidies, tax relief, and BOI incentives for sectors hit hardest by the tariffs.

2. Enforcement of Rules of Origin (ROO)
Strengthening legal frameworks to ensure accurate ROO compliance for exporters and leveraging preferential trade agreements (e.g. ASEAN, RCEP, CPTPP) to maximize tariff benefits.

3. Export Market Diversification
Encouraging exporters to explore new and emerging markets, supported by trade facilitation laws, logistics reform, and bilateral trade negotiations.

4. Attraction of High-Value Foreign Direct Investment (FDI)
Updating investment promotion laws to attract strategic investors in technology, advanced manufacturing, and logistics sectors, with tailored legal privileges and fast-track approvals.

5. Stimulation of Domestic Demand
Implementing fiscal and monetary policy tools alongside consumer protection laws and SME incentives to boost local consumption and business resilience.

6. Proactive Trade Diplomacy

Enhancing Thailand’s participation in international trade forums and engaging in targeted diplomatic negotiations to mitigate future tariff risks. This may involve the use of dispute resolution mechanisms under WTO rules or leveraging existing bilateral trade agreements.

Strategic Outlook for Businesses and Legal Advisers

The 19% U.S. tariff poses a dual challenge: it increases compliance costs for Thai exporters and may lead to significant contract renegotiations, supply chain realignments, and even dispute resolution in cross-border trade deals. Businesses with U.S. exposure must:

- Review and revise international sales contracts, ensuring force majeure, change in law, and tariff clauses are appropriately addressed.
- Reassess supply chain structures to reduce reliance on high-tariff markets.
- Monitor trade law developments, particularly any changes to U.S. trade policy, and coordinate with customs and tax advisers to optimise transaction structures.

Legal practitioners advising in trade, investment, corporate, and tax law should prepare to guide clients through the evolving regulatory landscape, particularly in relation to trade compliance, BOI privileges, and international dispute avoidance strategies.

Should you have any question, please do not hesitate to contact us via info@bgloballaw.com