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# CHAPTER 2

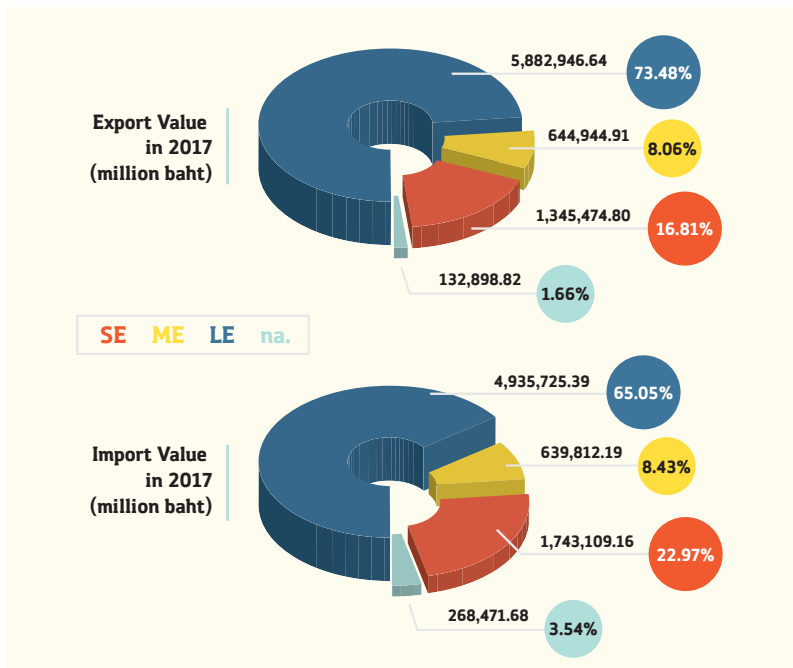
## International Trade Activities of Thai SMEs

## 2.1 Overview of International Trade Situation in 2017

For 2017 Thailand's all-industries export value reached a total of 8,006,265.18 M baht which represented a 6.03% year-on-year growth. Contributions of Thai SMEs to this export revenue amounted to 1,990,419.71 M baht, or some 24.86% of the total. The SME-generated portion, however, showed a contraction of 9.14% from the previous year. Thailand's import spending for 2017 reached a total of 7,587,118.41 M baht accounting for a growth of 10.15% over the level of 2016. SME-generated imports for the year stood at 2,382,921.34 M baht, or 31.41% of the country's overall import value. The figure represented a drop of 2.57% from the import level of the year before. The country's overall trade balance showed a surplus of 419,146.76 M baht while its SME domain encountered a trade deficit of 392,501.63 M baht.

Value of the baht had been appreciating against the U.S. dollar for almost throughout 2017. From this perspective, Thailand's overall trade value showed a gain of 9.86% in U.S. dollar terms, but only 6.03% in Thai baht terms. The strengthening baht also had its effect on SME exports causing a 5.84% drop in the year's SME foreign revenue in dollar terms, or a 9.14% reduction in baht terms.

**Fig 2.1: Thailand's export revenue and import spending for 2017 (Unit: million baht)**



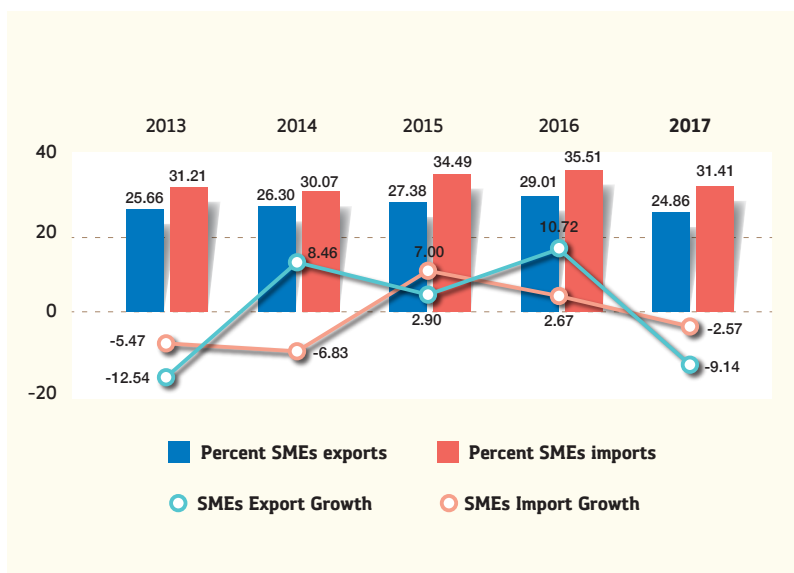
Source : Thailand Customs Department

Compiled by : Office of Small & Medium Enterprises Promotion (OSMEP)

International trade statistics of Thai SMEs in the period 2013 - 2017 showed that SME-related exports as a ratio of Thailand's overall export volume reached a peak at 29.01% in 2016; and the lowest point at 24.86% in 2017. By contrast, import volumes by Thai SMEs in similar context peaked at 35.51% in 2016, and dropped lowest to 30.07% in 2014. The ratio for 2017 stood at 31.41%. It should be noted that over the past five years, Thai SMEs had sustained a trade deficit throughout.

In terms of SME export/import growth over the same five-year span, positive export growths were reported for three years out of the five; negative growths were found for 2013 and 2017 where trade contractions were 12.54% and 9.14% respectively. By contrast, SME import growths were positive for two years out of the five with the positive figures occurring in 2015 and 2016. The figure for 2017 reverted to negative at -2.57%.

**Fig 2.2: SMEs exports/imports and growths relative to overall trade figures, 2013 - 2017 (Percent)**



Source : Thailand Customs Department

Compiled by : Office for Small & Medium Enterprises Promotion (OSMEP)

## 2.2 International Trade Overview by Trading Partner Country

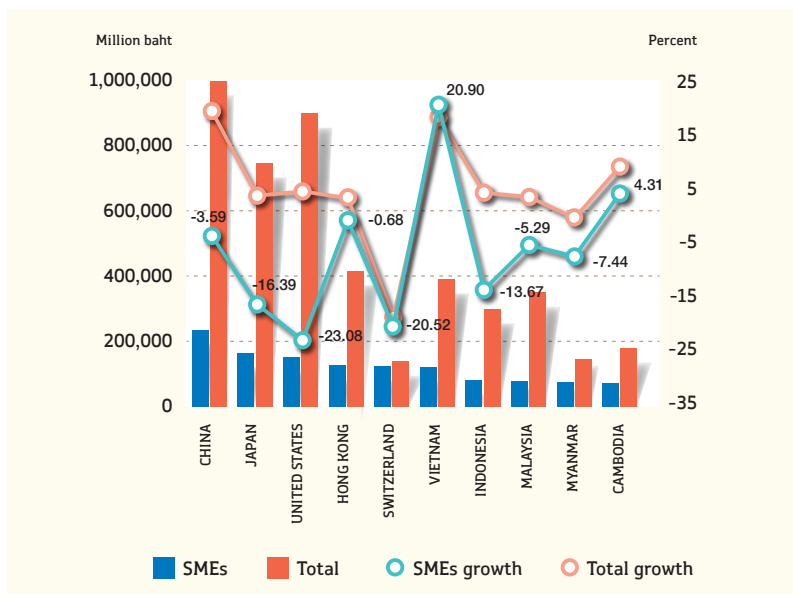
Total SME exports to top ten trading partners of Thailand for 2017 accounted for some 61.72% of the country's overall export value. The figure represented a reduction of 9.14% from the previous year. The country's all-sectors exports to these trading partners, however, managed an increase of 6.03% for the year.

When viewed individually, the top three trading partner countries, consisting of China, the USA and Japan — all being key markets for Thai exports — accounted for 12.47%, 9.32% and 11.23%, respectively, of Thailand's overall export value for 2017. These portions were made up of a significant contribution from the SMEs given that their exports to these markets for the same year amounted to 11.84%, 8.26% and 7.61% respectively. The SME-derived portions, however, showed a year-on-year decline of 3.59%, 16.39% and 23.08%. With other trading partners, the Vietnam market continued to show great promise for Thai SME exports with its 20.90% growth; and the Cambodia market, a 4.31% growth. Significant SME trade contractions were identified for the USA and Switzerland markets where Thai export values had the largest drops of 23.06% and 20.52%.

The situation for Thailand's export activity in 2017 showed positive growths all around, particularly in its key trading markets. This was due to economic recovery in many export markets including ASEAN, EU, Japan, China and the USA. But despite the overall growth in trade, Thai SMEs had to contend with contractions in their export volumes as a result of the strengthening of the baht which had acted to depress export value. And as the baht was appreciating at a faster rate than those of the currencies of China, Vietnam and Philippines, which are both trading partners as well as competitors, Thai exporters were operating at a disadvantage. This was compounded by the fact that Thai SMEs tend to operate without a measure of currency risk management, for example, foreign exchange hedging. For the larger enterprises, however, such risks had been well mitigated, which was why the larger Thai exporters could manage to fare better despite the adverse effect of the strengthening baht.

For 2017, SME imports from top ten source countries made up 73.44% of Thailand's SME importing total. The figure represented a 2.57% dip from the level of the previous year. By contrast, the country's overall imports for the year from the same top ten sellers rose by 10.15%. A sizable portion of the overall spending went to three major source countries consisting of China, Japan and USA at 19.97%, 14.47% and 6.70% respectively. For the SME domain, imports were sourced from key markets comprising China, Japan and Switzerland at 28.08%, 10.66% and 9.33% of the SME importing total. The figures for China and Japan showed reductions of 12.68% and 19.27%; while that for Switzerland, a sharp increase of 80.05%.

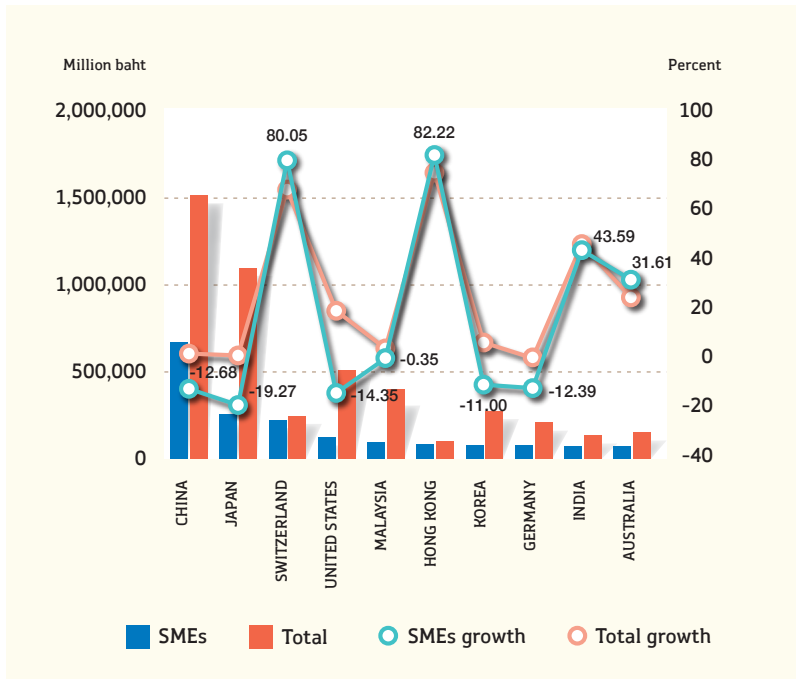
**Fig 2.3: Values and growths of SMEs exports to top-ten trading partner countries for 2017**



Source : Thailand Customs Department

Compiled by : Office of Small and Medium Enterprises Promotion (OSMEP)

**Fig 2.4: Values and growths of SMEs imports from top-ten trading partner countries for 2017**



Source : Thailand Customs Department

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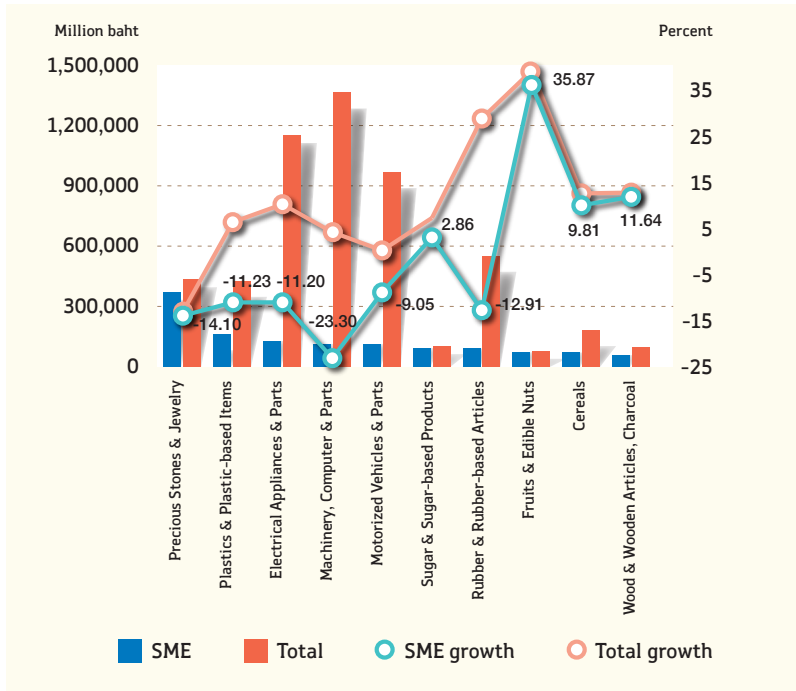
## 2.3 International Trade Statistics by HS Code

When broken down according to the Customs Department's harmonized tariff system (HTS) for 2017, Thailand's exports statistics showed peak values in Codes 84, 85 and 87 for which their respective ratios relative to the country's overall exports stood at 17.03%, 14.40% and 12.09%. Goods in these codes are as follows: Code 84 covers machinery, computers and parts; Code 85; electrical appliances and parts; and Code 87; motorized vehicles and parts. For 2017, SME export values for the three codes made up 5.69%, 6.43% and 5.64% of the SME total. SME merchandise with the highest export proportions was identified for the following groups: Code 71, Precious Stones & Jewelry; Code 39, Plastics & Plastic-based Articles; and Code 85, Electrical Appliances & Parts. Their respective ratios of value to overall SME exports were 18.73%, 8.10% and 6.43% — all of which represented declines of 14.10%, 11.23% and 11.20% respectively.

As regards imports by Thai industries, the highest value occurred with goods in Code 85, which covers Electrical Appliances & Parts, accounting for some 18.89% of Thailand's total import spending. The next highest spending was in Code 84, Machinery, Computer & Parts, whose import value made up some 12.20%. And the third biggest importing segment was Code 71, Precious Stones & Jewelry, at 6.79%. By contrast, imports by the SMEs had their top ranking values in Code 71 (Precious Stones & Jewelry), Code 85 (Electrical Appliances & Parts) and Code 84 (Machinery, Computer & Parts) with their respective ratios of 20.15%, 14.69% and 12.26% of total SME import spending. It should be noted that in 2017 import growth for Code 71 reached 69.45% over the value of 2016; while those for Codes 85 and 84 were negative 19.13% and negative 14.82% respectively.



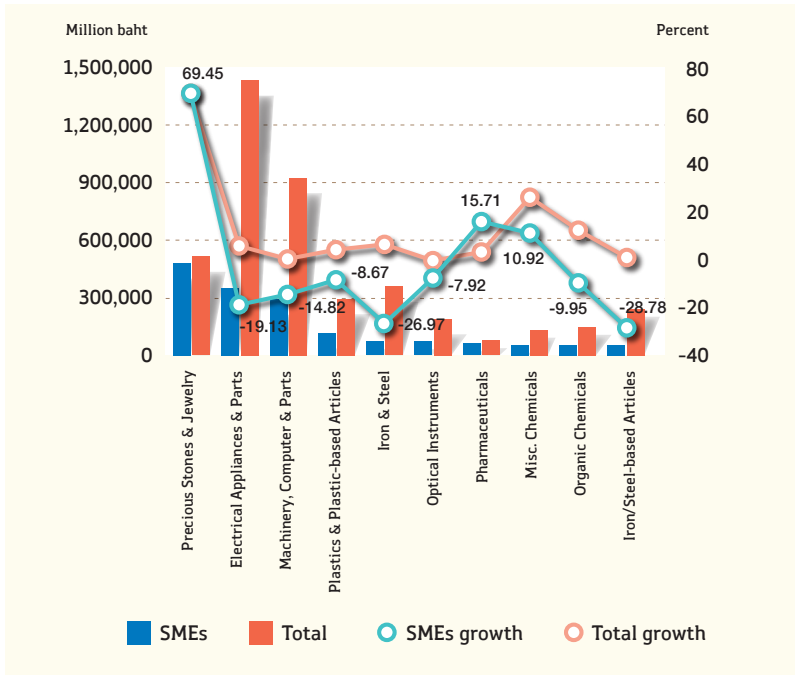
**Fig 2.5: Export values and growths by 2-digit HS Code, for 2017**



Source : Thailand Customs Department

Compiled by : Office of Small and Medium Enterprises Promotion (OSMEP)

**Fig 2.6: Import values and growths by 2-digit HS Code, for 2017**



Source : Thailand Customs Department

Compiled by : Office for Small & Medium Enterprises Promotion (OSMEP)