

**EXIM Thailand Recommends Exporters, Particularly SMEs,
Using Export Credit Insurance as a Tool for Business Expansion,
Consideration of Trade Counterparts and Offering of Payment Terms
with Confidence amid COVID-19 Pandemic**

Dr. Keerati Ratchano, Director-General of Foreign Trade Department, Ministry of Commerce, and Director of Export-Import Bank of Thailand (EXIM Thailand), delivered an opening speech at **“EXIM One Solution Forum”** held for the second time for entrepreneurs and the general public by online channel on August 13, 2021 under the topic **“Export Credit Insurance (ECI) Vaccination: Export with Confidence, No Worry about Payment Default.”** He said that, viewing Thai export as the hero to drive Thai economy in the second half of 2021, public and private agencies have to collaborate in promoting and enhancing competitiveness of Thai exporters, SMEs in particular, whose capital base is limited and fragile making them vulnerable to business risks. Coupled with the COVID-19 crisis, several businesses across the world have suffered from liquidity crunch. Some of them have not clearly signaled such condition due to supports from their governments’ rescue packages. As evident from bankruptcy statistics in 2020 of major global economies like the USA, Germany and Japan, bankruptcy cases declined in contrast to the economic slowdown. Meanwhile, several businesses have maintained sound liquidity, but they are located in the countries with economic vulnerability. If Thai exporters trade with these trade counterparts, they could be exposed to payment defaults. The **“export credit insurance (ECI)”** facility is thus a risk hedging tool for international trade in order to safeguard exporters against non-payment by foreign buyers until that they may fall short of business liquidity or even be forced to close down their businesses. Such risk hedging tool could also help boost Thai export volume to a greater extent.

Dr. Rak Vorrakitpokatorn, President of EXIM Thailand, revealed that the COVID-19 pandemic has hurt global business sectors in 3 dimensions. Firstly, governments’ travel restrictions have disrupted normal economic activities, e.g. manufacturing, service and transportation, thus affecting cost and income management. Secondly, supply chain disruptions amid the virus spread crisis and travel restrictions have caused shortage of certain items of raw materials for manufacturing processes. Thirdly, decline in purchasing power in the face of sluggish consumption and investment has prompted labor layoff/redundancy or short-time working. Business sectors around the world have to adjust themselves to suit the current situations and obtain assistances in the form of liquidity injection and debt payment suspension. EXIM Thailand, as a state-owned specialized financial institution, is fully equipped to support business sectors in 4 areas, namely capital, online trade channel, knowledge base and risk hedging tool, to highlight the role of Thai export sector as the hero to consistently propel Thai economic growth.

EXIM Thailand is the only export credit agency in Thailand that offers ECI facility to help Thai exporters hedge risks of payment defaults by foreign buyers in various forms, such as revision of conditions to be more flexible and convenient to allow for quick approval in response to demand of exporters, SMEs in particular. Moreover, ECI will enable exporters to know their customers better so that they would be confident in offering relaxed payment terms and expanding their export markets covering both existing and new frontier markets. EXIM Thailand will make claim payment and debt recovery in case of loss due to buyers’ payment defaults. Since its business inception in 1994, the Bank’s ECI facility has brought about a total export business turnover of more than 1.55 trillion baht. In the first 7 months of 2021, a total of 12 ECI clients filed for claim payment in the amount of over 22.6 million baht, of which 66% was due to foreign buyers’ payment defaults, 26% buyers’ bankruptcy, and 8% buyers’ rejection of delivered goods.

EXIM Thailand renders a buyer/buyer bank risk assessment service and ECI facility to cover buyer risk or trade risk, for example, buyer's bankruptcy, buyer's non-payment for goods, and buyer's rejection of delivered goods, while buyer country risk or political risk includes buyer country's control of fund remittance to Thailand, ban on import of goods or revocation of import entitlements, and eruption of war, riot, revolution or coup d'état. EXIM Thailand's ECI programs for SMEs in 2021 comprise **EXIM for Small Biz** for SMEs with export value of not exceeding 100 million baht, starting premium of only 600 baht to cover as high as 100,000 baht, and maximum coverage of 80% of loss value, and **EXIM Smart SMEs** for SMEs with export value of not exceeding 500 million baht and maximum coverage of 90% of loss value. Exporters with good track record without filing for claim payment will be entitled to a maximum refund of 10%.

“Due to the COVID-19 pandemic, the international trade risk most frequently found is overseas buyers' non-payment or incomplete payment. It has been difficult and costly for Thai exporters to recover debts, hence incurrence of bad debts once foreign buyers fall short of liquidity or become bankrupt. This has mostly been the case for big lot sales to reliable and low-risk buyers. EXIM Thailand has thus collaborated with the public and private sectors in accelerating expansion of ECI facility for Thai exporters for use as a tool to boost confidence in making decision to trade with which party, in which market and in how much volume, or even in offering longer payment terms for buyers covered by EXIM Thailand's ECI. This should ensure strong growth of Thai export in today's business world of fierce competition and international trade risks,” added Dr. Rak.

Khun Chakrabongse ChakraJuthathip, Chief Executive Officer and Managing Director of JKN Global Media PCL (JKN), provider and distributor of advertising/media content copyright and airtime services, and Khun Jirapong Suntipiromkul, Director and Deputy Managing Director of Taokaenoi Food & Marketing PCL, producer and distributor of seaweed snacks both at home and overseas under the “Taokaenoi” brand, as well as health snacks and foods, were guest speakers at the forum to share their export experiences using ECI as a tool for international trade risk management.

August 13, 2021

Sustainable Development and Corporate Communication Department