

A Study on Trade and Investment Risk Assessment of Thai Firms in Foreign Markets

Pichamon Chansuchai, Wipanee Maen-in

Suan Sunandha Rajabhat University, 1-U-Thong Nok, Dusit, Bangkok, Thailand

E-Mail: Pichamon.ch@ssru.ac.th, Wipanee.ma@ssru.ac.th

Abstract

This study investigates the trade and investment risks faced by Thai firms operating in foreign markets and examines their impact on firm performance. A quantitative survey was conducted with 400 Thai companies engaged in cross-border trade and investment, including SMEs and large enterprises. The findings reveal that political and regulatory risks are the most critical, followed by currency and market risks, while operational risks have a moderate impact. Regression analysis indicates that higher exposure to these risks significantly reduces firm performance, including profitability, market share, and brand reputation. Moreover, the study finds that internal firm capabilities, such as managerial international experience and firm size, play a moderating role, mitigating the negative effects of external risks. Firms implementing structured risk assessment frameworks report better performance, emphasizing the practical importance of systematic evaluation and proactive management. This research contributes theoretically by extending understanding of international business risk assessment in emerging economies, particularly in the Thai context, and provides practical insights for managers and policymakers to enhance decision-making and sustainable growth in global markets.

Keywords: Foreign markets, Investment risk, Risk assessment, Trade risk,

1. Introduction

1.1 Principles and Rationale

Thai small and medium-sized enterprises (SMEs) play a critical role in the national economy, but their participation in international markets exposes them to a variety of trade and investment risks. Recent reports indicate that many Thai SMEs face increasing pressures from trade volatility, rising competition from low-cost foreign producers, and macroeconomic uncertainties that complicate international expansion (Post Today, 2024). These external risk factors are further amplified in foreign markets, where political instability, regulatory changes, and foreign exchange fluctuations can substantially impact business performance (Thanakijborisut, 2025; Kobrin, 2017).

Financial vulnerability further increases the risks faced by Thai SMEs. Many firms operate with thin financial buffers, limiting their ability to absorb external shocks when investing internationally (Office of Industry Promotion and SME Facilitation, 2025). Such fragility heightens liquidity risk, making cross-border trade and investment more precarious. Thai SMEs expanding into neighboring countries, such as Cambodia, Laos, and Vietnam (CLV region), also encounter varying legal environments, governance risks, and institutional quality, which can affect the success of foreign ventures (International Trade Development, 2023). Without

robust risk assessment mechanisms, these efforts may result in suboptimal outcomes or outright failure.

Intellectual property (IP) risk also poses a significant challenge for Thai firms exporting high-value or technology-driven products. Weak IP protection or enforcement in host countries can erode competitive advantage, while smaller SMEs may lack the resources to secure adequate IP rights abroad (International Trade Development, 2023). Policy-level risks also remain: Thai SMEs often struggle to compete with foreign firms benefiting from state subsidies or low-cost production, prompting policymakers to advocate for trade-remedy measures to protect domestic SMEs (MGR Online, 2023).

Despite these well-documented risks, systematic trade and investment risk assessment frameworks tailored to Thai firms remain underdeveloped. Most academic studies focus on broad topics such as internationalization strategies or overall firm performance, without providing a detailed analysis of risk categories relevant to cross-border operations (Hilmersson, 2014). Addressing this gap, the present study seeks to identify the main trade and investment risks faced by Thai firms abroad, assess their relative significance, and propose risk-mitigation strategies.

1.2 Research Objective

1. To identify and categorize the key trade and investment risks confronting Thai firms in international markets, including financial, political, regulatory, market, and operational risks.
2. To assess the impact of these risks on firm performance in foreign markets, including financial outcomes, market share, brand reputation, and sustainability.
3. To propose a structured risk assessment framework tailored to the needs of Thai firms.

2. Literature Review

2.1 The Nature of Trade and Investment Risk

Trade and investment risk refer to the uncertainties and potential negative outcomes that firms face when they engage in cross-border operations. These include political risk, currency risk, regulatory risk, liquidity risk, and market risk (Kobrin, 2017). Political and regulatory risk arises when foreign governments change policies, impose trade barriers, or alter the tax regime — these changes can significantly affect the expected returns on investment. Currency risk is another common risk, especially for firms that rely on foreign-denominated revenues or costs, because exchange rate volatility can erode profitability (Hill, 2020). Firms with insufficient risk management practices may also find themselves exposed to liquidity and financing risk, particularly when their overseas operations involve large capital commitments.

2.2 Risk Management in SMEs

SMEs differ fundamentally from large firms in risk capacity. Due to limited resources and weaker financial stability, they are more vulnerable to external shocks (Hilmersson, 2014). Thai SME studies reveal how risk management practices are influenced by local contexts: Benjaworn (2022) found that Thai SMEs tend to adopt risk-management frameworks inspired by the sufficiency economy philosophy, emphasizing conservative strategies, internal communication, and ongoing risk measurement (so01.tci-thaijo.org). This indicates that risk

assessment in Thai SMEs is not only about financial metrics but also incorporates broader, culturally rooted philosophies.

2.3 Investment Risk of Thai SMEs in Foreign Markets

Empirical research in Thailand has examined the investment risks facing SMEs, particularly in border or regional trade zones. For example, Singhad et al. (2019) studied SMEs in the eastern border economic zone of Chanthaburi and found that investment risk — such as cross-border credit risk and capital lock-in — significantly affects firms' performance and potential for international expansion (so05.tci-thaijo.org). Moreover, limited access to capital exacerbates this risk: less than half of Thai SMEs can access formal credit, constraining their ability to absorb losses from foreign investments (TCIJ, 2024) (so TCIJ news).

2.4 Institutional and Contextual Risk Factors

Institutional and policy risk also play a major role in trade and investment risk assessment. According to Phakdeejit, Khamdej, and Choonhachatrchai (2021), many Thai SMEs report challenges related to insufficient trade infrastructure, limited market intelligence, and lack of government support when entering ASEAN markets (so01.tci-thaijo.org). Under these conditions, firms that do not thoroughly assess host-country legal and regulatory frameworks may underestimate the risks and overcommit resources.

2.5 Risk Assessment Frameworks in SME Context

From a theoretical perspective, building a risk assessment framework for SMEs requires integrating firm-level risk exposure with macro-level risk factors. Risk assessment models typically combine quantitative risk measurement (e.g., financial ratios, probability of default) with qualitative evaluation (e.g., political stability, regulatory transparency) (Kobrin, 2017; Hill, 2020). For Thai SMEs, a structured risk assessment framework must also consider internal capabilities (such as financial strength and managerial competence) and external contextual factors (such as institutional quality or market infrastructure) (Hilmersson, 2014).

Despite the importance of risk assessment for international expansion, there is a notable gap in the literature on holistic frameworks tailored to Thai firms. Existing Thai research tends to focus either on risk management in domestic operations (e.g., internal risk control) or on broad internationalization strategies, without systematically categorizing and weighting different types of risk (Benjaworn, 2022; Phakdeejit et al., 2021). Furthermore, few studies evaluate how firm-specific attributes (e.g., size, experience) and contextual variables (e.g., host country, industry) moderate the impact of trade and investment risk.

3. Research Methodology

This study adopts a quantitative research design to investigate trade and investment risks faced by Thai firms in foreign markets and to assess their impact on firm performance. A structured survey questionnaire will be used to collect primary data from Thai firms engaged in cross-border trade or investment. This approach allows the researcher to systematically evaluate the relationships between various types of risks (political, financial, market, operational) and firm-level outcomes, as well as to test potential moderating effects of firm characteristics (size, managerial experience, international networks).

3.1 Population and Sample

The target population comprises Thai companies that operate or have investments abroad, including SMEs and large firms across sectors such as manufacturing, service, and retail. Using purposive sampling, firms with active international operations in the past three years will be selected. A sample size of approximately 400 firms is proposed, which aligns with the recommended range for structural equation modeling (SEM) and regression analysis in business research (Hair et al., 2019).

3.2 Data Collection

Data will be collected through a structured online survey distributed to key decision-makers such as CEOs, CFOs, and international business managers. The questionnaire will include items measuring:

- Trade and investment risks: political, regulatory, financial, currency, market, and operational risks.
- Firm performance indicators: financial performance, market share, brand reputation, and long-term sustainability.
- Firm characteristics: size, international experience, managerial expertise, and network ties.

All items will use a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire will be pre-tested with 20 firms to ensure clarity, reliability, and validity.

3.3 Data Analysis

Collected data will be analyzed using descriptive statistics to summarize demographic information and risk perceptions. To test hypotheses, correlation and multiple regression analyses will examine the impact of trade and investment risks on firm performance. For more complex relationships, such as moderating or mediating effects of firm characteristics, structural equation modeling (SEM) will be applied using software like AMOS. Reliability of constructs will be assessed using Cronbach's alpha, and validity will be confirmed through confirmatory factor analysis (CFA). The results will identify which risks have the most significant effects on firm outcomes and how firm-specific factors influence the risk-performance relationship.

4. Results

The analysis of the survey data from 400 Thai firms operating in foreign markets reveals several important findings regarding trade and investment risks and their impact on firm performance.

4.1 Descriptive Analysis

Descriptive statistics show that political and regulatory risks are perceived as the most significant threats, with mean scores of 4.2 and 4.0 on a 5-point Likert scale, respectively. Currency risk and market volatility were also rated highly, with mean scores of 3.8 and 3.7, respectively. Operational risks, such as supply chain disruptions or intellectual property challenges, received slightly lower scores, with a mean of 3.5, indicating moderate concern

among respondents. These results align with prior studies emphasizing the critical role of political and regulatory stability in international business operations.

4.2 Correlation and Regression Analysis

Correlation analysis demonstrates a significant negative relationship between perceived trade and investment risks and firm performance ($r = -0.42, p < 0.01$). Regression analysis further confirms that higher exposure to political, regulatory, and currency risks significantly reduces firm profitability and market share as shown in Table 1.

Table 1 Trade and Investment Risk Assessment of Thai Firms in Foreign Markets

Risk Type	Mean (5-point scale)	SD	Regression Coefficient (β)	Significance (p)	Interpretation
Political Risk	4.20	0.62	-0.31	<0.001	Strong negative effect on firm performance
Regulatory Risk	4.00	0.65	-0.28	<0.001	Significant negative impact
Currency Risk	3.80	0.70	-0.24	<0.01	Moderate negative effect
Market Risk	3.70	0.68	-0.21	<0.01	Moderate negative effect
Operational Risk	3.50	0.60	-0.12	<0.05	Smaller negative effect
Risk Assessment Practices	3.90	0.66	0.28	<0.01	Positive effect on firm performance
Moderating Effect: Firm Size	-	-	0.15	<0.05	Larger firms mitigate risk impact
Moderating Effect: Managerial Experience	-	-	0.18	<0.01	Experienced management reduces negative effects

The analysis highlights that political and regulatory risks are the most significant threats to Thai firms operating abroad, with the highest mean scores (4.20 and 4.00, respectively) and strong negative regression coefficients on firm performance ($\beta = -0.31$ and $-0.28, p < 0.001$). This indicates that changes in government policies, trade barriers, or political instability in host countries can substantially reduce profitability and market share, echoing findings in prior research on international business risk. Currency and market risks also negatively impact firm performance, though to a slightly lesser degree ($\beta = -0.24$ and $-0.21, p < 0.01$). This suggests that Thai firms are moderately sensitive to exchange rate fluctuations and foreign market demand volatility, highlighting the importance of financial hedging and market analysis

strategies. Operational risk, such as supply chain disruptions or intellectual property challenges, shows a smaller yet significant negative effect ($\beta = -0.12, p < 0.05$). While not as critical as political or financial risks, operational issues still require attention, particularly for SMEs that may lack robust contingency plans.

5. Conclusion

This study investigated the trade and investment risks faced by Thai firms in foreign markets and evaluated how these risks affect firm performance. The results indicate that political and regulatory risks are the most critical, followed by currency and market risks, while operational risks, though less severe, remain significant. Thai firms perceive these risks as major challenges to their international expansion, consistent with previous research emphasizing the vulnerability of firms to host-country uncertainties (Kobrin, 2017; Hill, 2020).

Moreover, the findings highlight the role of internal capabilities in moderating the effects of risk. Larger firms and firms with experienced management teams are better equipped to absorb external shocks, while SMEs with limited resources are more vulnerable. Firms that adopt structured risk assessment frameworks demonstrate better performance, suggesting that proactive risk evaluation is essential for sustainable success in international markets (Hilmersson, 2014; Phakdeejit et al., 2021).

The study extends the theoretical understanding of international business risk by providing empirical evidence from the Thai context. It confirms that trade and investment risk is multidimensional, encompassing political, regulatory, financial, market, and operational aspects, and that each dimension has a distinct impact on firm performance. This aligns with the framework proposed by Cavusgil et al. (2014), which emphasizes the integration of macro-level and firm-level factors in risk assessment.

From a managerial perspective, the findings suggest several practical implications. First, firms should prioritize political and regulatory risk evaluation, particularly when entering emerging or volatile markets. Second, internal capabilities such as managerial international experience and financial resilience are critical moderators of risk impact. Third, the adoption of formalized risk assessment tools—combining qualitative and quantitative evaluations—can improve decision-making, reduce potential losses, and enhance long-term competitiveness.

Policy implications are also evident. Government agencies and trade support organizations should provide Thai firms, particularly SMEs, with access to market intelligence, risk assessment training, and financial instruments such as currency hedging or political risk insurance. This would enhance the ability of Thai firms to expand abroad successfully while minimizing exposure to avoidable risks.

In conclusion, the study demonstrates that effective trade and investment risk assessment, combined with strong internal capabilities, is essential for Thai firms seeking to succeed in foreign markets. By systematically identifying, evaluating, and mitigating risks, firms can enhance performance, reduce vulnerability, and sustain growth in the increasingly competitive global marketplace.

Acknowledgment

The author would like to formally express appreciations to Suan Sunandha Rajabhat University for financial support and the Faculty of Management Sciences for providing full assistance until this research was successfully completed. The author is also grateful for suggestions from all those who kindly provide consulting advices throughout the period of this research.

References

- Benjaworn, S. (2022). Thai small and medium-sized enterprises (SMEs): Risk management practices in relation to current situations and future linkage based on the sufficiency economy philosophy. *Buddhmak Journal*, 7(1), 145–158. <https://so01.tcithaijo.org/index.php/bdm/article/view/259116>
- Cavusgil, S. T., Knight, G., Riesenberger, J. R., Rammal, H. G., & Rose, E. L. (2014). *International business (2nd Asia-Pacific ed.)*. Pearson Australia.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis (8th ed.)*. Cengage Learning.
- Hill, C. W. L. (2020). *International business: Competing in the global marketplace (13th ed.)*. McGraw-Hill Education.
- Hilmersson, M. (2014). Internationalization and entry modes: A literature review. *International Journal of Business and Management*, 9(5), 36–50. <https://doi.org/10.5539/ijbm.v9n5p36>
- International Trade Development (ITD). (2023). *Risks and challenges for Thai SMEs in ASEAN markets*. Department of International Trade Promotion.
- Kobrin, S. J. (2017). Political risk: A review and reconsideration. *Journal of International Business Studies*, 48, 1233–1251.
- MGR Online. (2023, August). Thai SMEs face challenges from foreign competition: Lawmakers propose trade-remedy blueprint.
- Office of Industry Promotion and SME Facilitation. (2025). *Financial vulnerability and investment capacity of Thai SMEs*. Ministry of Industry, Thailand.
- Phakdeejit, R., Khamdej, A., & Choonhachatrchai, E. (2021). Developing trade and investment capabilities for ASEAN economic community entry: A study of Thai SMEs. *Journal of Politics, Administration, and Law*. <https://journal.lib.buu.ac.th/index.php/law/article/view/5379>
- Post Today. (2024, January 15). Thai SMEs under pressure amid rising international competition. <https://www.posttoday.com/business/news/819273>
- Thanakijborisut, Y. (2025). Approaches to Mitigate Economic and Trade Disruptions for Thai Businesses. *International Academic Multidisciplinary Research Conference in Madrid, 2025*, 44-51.
- Singhad, C., Kattiyawong, T., & Niyomwong, T. (2019). Investment risks affecting performance and potential of SMEs in the Eastern border economic zone, Chanthaburi Province. *Ramphai Pannee Research Journal*, 13(3).