

# Iran war threatens contraction of Thai economy

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Thailand, along with other import-dependent economies across Asia, is facing a mounting economic crisis as the criminal US-led war against Iran drives up global oil prices, which will lead to sharp increases in essentials of fuel, electricity and transport. This is unfolding as the new Bhumjaithai Party government—which campaigned on economic growth and the expansion of domestic tourism and consumption—now confronts the opposite, even before its cabinet has been fully consolidated.

Up to 90 percent of Thailand’s crude oil is imported, half of which normally passes through the Strait of Hormuz. Crude oil is essential for transport, industry operations, and the production of fuels and petrochemicals. It also sources approximately 30 percent of its liquefied natural gas (LNG) from the Middle East, LNG being responsible for over 55 percent of domestic energy production.

With LNG and global oil prices surging over 45 percent in price (oil has risen from around \$US70 per barrel on February 28 to over \$100) the impact is being rapidly transmitted into the Thai economy.

Caretaker Finance Minister Ekniti Nitithanprapas called an emergency meeting of fellow ministry executives on Tuesday, prompted by fears that the US, its formal ally, is now mired in a war much longer than initially anticipated. “The situation has now escalated beyond our initial expectations, causing oil prices to surge sharply in line with the continuing intensity of the conflict in the Middle East,” he said.

The University of the Thai Chamber of Commerce (UTCC) warned late last week that even a limited war lasting a month with oil at \$90 per barrel would drop the country’s projected yearly GDP growth by 0.35 percent. If it lasted 3 months, GDP would fall 1.1 percent.

However, these projections are already being overtaken by events. Oil prices have exceeded the benchmark price in both scenarios and with the Strait of Hormuz effectively closed, the US is preparing for a disastrous ground invasion leaving the last outcome—an outright economic contraction—increasingly likely.

These warnings come as Thailand is already trying to shake off the moniker of the “sick man of Asia” with projected growth of barely 2 percent in 2026. This is a product of slowing demand from China, global trade tensions, as well as extreme levels of household debt, inequality and political instability.

Thailand’s crisis expresses, in a concentrated form, the contradiction between the globally integrated character of modern production and the limitations of the nation-state, which is incapable of resolving such crises on a national basis.

Thailand has become deeply dependent on global trade, with exports rising from as low as 20 percent of GDP in the 1980s up to 70 percent today. Total trade flows (imports plus exports) exceed 120 percent of output. Tourism, contributing one-fifth of GDP, is particularly vulnerable to rising travel costs and global instability.

On Monday, Prime Minister Anutin Charnvirakul tried to allay public concerns, rejecting the assertion that the country’s energy situation was in a state of crisis. He chalked it up to a failure of “distribution”—as though it were not a consequence of actual supply—blaming social media for misrepresentation and urging the public “not to panic or hoard fuel.”

In the same meeting, however, he proposed precisely that for the industrial sector and large construction projects, by safeguarding oil deliveries and bypassing petrol stations at the retail level. The government is also rolling out emergency measures including

subsidies from the Oil Fuel Fund and stretching its two-month fuel reserves with fuel blending adjustments and restricting oil exports.

Social media reports have shown that Korat, a major transportation and commercial hub in northeastern Thailand, has petrol stations with long queues and others running out of fuel. Jor Sor 100 traffic radio network reported a 3km queue in Mae Sot district in Tak province, with similar reports coming in from provinces such as Suphan Buri and Nakhon Sawan.

These eyewitness accounts were substantiated by the Energy Ministry itself which conducted a survey of around 1,500 petrol stations between March 15 and 16. It found that about 10 percent had closed due to shortages, while nearly 70 percent were running low on or had run out of certain fuels.

The measures introduced by the government can only operate temporarily. The Oil Fuel Fund, used to cushion the rise in global prices, is being rapidly depleted. Depending on the level of subsidy required to maintain current retail prices (presently frozen at 33 baht/litre, about one US dollar), estimates suggest that it could be exhausted within a matter of months, raising the prospect of sharp price increases.

For the working class, the consequences will be severe. While the government seeks to delay the immediate impact through subsidies and administrative measures, the costs of the crisis cannot be eliminated—only deferred. As the fiscal burden grows and supply constraints intensify, workers will face rising prices, reduced real wages and the threat of job losses as economic conditions deteriorate.

Farmers are also being hit by huge rises in fertiliser prices with the price of urea jumping by almost 50 percent from around \$US490 a tonne on February 26 to about \$750 yesterday. Thailand imports over 90 percent of its fertilizer and 30 percent comes from the Middle East. Farmers across the country are already under severe stress, struggling with diesel shortages, fertilizer hoarding, and low rice prices.

Thai Agriculturist Association president Pramote Charoensilp said farmers are no longer able to refill diesel containers freely, with limits well below what is required for tractors and other agricultural machinery. Complaints have already been reported from 58 provinces along with threats of nationwide protests, including a march on Government House.

While the US-led war against Iran is laying bare the vulnerabilities of Thailand to global economy, it is also further exposing the bankruptcy of all factions of the ruling class tied to capitalism and imperialism including its supposedly liberal wing represented by Pheu Thai and the Peoples Party.

Bangkok is economically deeply integrated into the global economy, reliant in particular on China, but strategically aligned with US imperialism. No leading political figure has condemned the US over its criminal war against Iran.

Fearful of being drawn into the conflict, Prime Minister Anutin stated the country must remain “as neutral as possible” in regards to the war. A Thai bulk carrier was already struck on March 11, as one of several vessels struck in the Strait of Hormuz by Iran in its bid to stop shipping. While 20 workers have been returned to Thailand, three remain missing and are feared dead. Anutin’s cautious response was that the strike was “not appropriate.”

As the war continues, the position of the new government will only become precarious, as it confronts demands from the Trump administration on the one hand, and growing social unrest as prices continue to soar and the economy and living standards nose-dive.



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