

TRADE OVERVIEW

The Thai economy has bounced back from the 1986 mini-recession. Buoyant earnings, especially from tourism, and low oil prices, have led to a surplus in the current account. There is high capital availability coupled with low interest rates; GNP grew by 5.7% in 1987 and is projected to reach 6% in 1988.

Substantial increases in expenditures on transportation and communications will show growth in 1988 and 1989 on such projects as Laem Chaban, Maab Taput (industrial complex); an elevated highway from Bangkok to the airport; major trunk roads through Bangkok to the north and south; rail links across the southern peninsula (linking Surathani and Phuket); upgrading of airports; and deep water port expansion at Songkhla (PM Prem's riding).

Thai export growth in 1988 is anticipated to be 25% over 1987 and its debt-service ratio will be trimmed back to 17%. The Ministry of Finance has serious plans to reduce tariffs on finished goods from 50 to 20% and on parts from 20 to 10%.

Canadian two-way trade in 1987 hit an all time high of \$395 million. Although raw materials continue to form the majority of Canada's exports to Thailand, the hitech/manufactured mix is improving. Priority market opportunities continue to exist in telecommunications, agro-processing, mining, power, oil and gas. Marketing efforts of traditional, competitively priced commodities should concurrently be exploited.

Thailand received just under US \$2 billion in new Japanese investment in 1987. This confirms Thailand's political and economic stability and the fact that servicing the market will be increasingly favoured from within. Canadian entrepreneurs should continue to seek joint ventures/licensing opportunities in this important newly industrializing nation in:

1. Communications and Informatics - Thailand will spend over \$800 million on telecom products and computer hardware and software in 1988.

2. Transportation Systems - The Bangkok Mass Rapid transit System, State Railway of Thailand expansion, CNG bus engine opportunities and Royal Thai Government proposed acquisition of aircraft all contribute to buoyant prospects in the transportation sector. Civilian airports of Bangkok, Chiangmai and Phuket will be upgraded in next two to three years.