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Canada-Thailand Commercial Relations

3.1 Thailand's Global Trade

Thailand's international trade reached \$53 billion in 1989, representing a 21 per cent increase over the previous year and nearly double the 1987 level. The trade deficit increased by approximately 20 per cent in 1989 to reach close to \$6 billion, mainly because of Japan's position as an import source. Japan is Thailand's most important trading partner, accounting for over 18 per cent of its global trade. The U.S. follows with 13 per cent and Singapore with 6 per cent. These three countries account for 44 per cent of Thailand's exports and over 50 per cent of its imports.

Thailand's economic boom and the surge in foreign investment have changed the composition of its external trade in recent years. For example, food products accounted for over 50 per cent of Thailand's exports in 1983 and 34 per cent in 1988. Over the same period, machinery and manufactured products increased their proportion of total exports from 33.5 per cent to 53.7 per cent. Textile products, mineral products, jewellery and handicrafts continue to account for a large proportion of exports but products, such as electronic equipment and parts, machinery and cars, traditionally sourced from Northern Asia, are increasingly being made in Thailand for export. Imports of manufactured goods, including machinery and manufacturing inputs, have increased dramatically to meet the needs of Thailand's rapidly expanding industrial base. Imports of consumer goods and luxury items have also grown in recent years, reflecting a substantial increase in personal incomes. Canadian exports to Thailand did not follow this trend as demand for primary and semi-processed products continued to increase faster than demand for manufactured equipment and products.

3.2 Canada-Thailand Trade

Since 1980, trade between Canada and Thailand has grown steadily to reach well over \$750 million in 1989. During this period, however, Thai exports to Canada increased more rapidly than Canadian exports to Thailand, exceeding them for the first time in 1986. Although two-way trade has been growing, Canada and Thailand are not significant trading partners. Canada's share of Thai and Southeast Asian imports has actually declined by half, in relative terms, since the 1970s. It currently represents less than 1.2 per cent of total Thai imports; Canada's share of total Thai exports is approximately 1 per cent.

Canada has been slow to adapt to the changing structure of international trade in the Asia-Pacific region, which has gradually shifted from trade in final products to intra-industry trade, and Canadian suppliers are behind many of their international competitors in Japan and the United States. Current trade implies a close link between international trade in intermediate goods, components and related equipment required for inputs into domestic assembly and manufacture, as well as joint ventures, investment, and technology transfer among trading partners. To date, Canadian investment in Thailand has been modest, representing only a small portion of the net inflow of foreign investment in Thailand. By comparison, investment from Japan and the U.S. exceeds Canadian investment 40 to 50.

There are now approximately 30 agreements involving joint ventures or technology transfers between Thai and Canadian firms, representing over