

## Thailand's Global Trade

Thailand's two-way trade with the rest of the world reached \$53 billion in 1989, a 21% increase over the previous year and close to twice the 1987 level. Thailand's trade deficit also increased by approximately 20% in 1989, reaching close to \$6 billion. Japan is by far Thailand's most important import source. Japan is also Thailand's most important overall trading partner, accounting for over 18% of its global trade. The U.S. follows with 13% and Singapore with 6%. Those three countries account for 44% of Thailand's exports and over 50% of its imports.

Thailand has become an attractive investment destination, particularly owing to its diversified resource base, inexpensive labour force and favourable political environment. Investment is estimated to have increased by about 40% in 1989 as compared to 1988, reaching in excess of \$13.5 billion. Investments from Japan account for approximately half of all foreign investment in Thailand, a marked shift from the situation prevailing in 1985 when the United States' share of foreign investment was 54% as compared to 14% today.

## The Business Environment

Thailand is financially strong, economically and politically stable and is endowed with rich and varied natural resources. Even in times of international economic downturn, the Thai economy has managed to maintain high growth rates. In fact, private enterprise has long been recognized as essential to the development of the Thai nation and as such is not subject to excessive Government control. However, it is recommended that new foreign investors register with the Board of Investment .

The Board of Investment has designated several areas in various provinces as investment promotion zones. A project which is located in any of these zones will be granted special rights and benefits, mainly in the form of tax privileges. The Board of Investment has also undertaken to accelerate the provision of the necessary infrastructure in these areas.

Joint ventures with local partners are encouraged by the government. Foreign partners are welcomed if they provide "new" technology. However, they are expected to assist in the transfer of the expertise associated with the technology to their Thai counterparts. As restrictions to foreign ownership of land apply, this should be addressed between the joint venture partners.

With respect to the trade environment, most duties are *ad valorem*, although some are specific and others are both *ad valorem* and specific. For most goods the rates fall within the 25% to 60% range, however, for some luxury consumer items, import duty can be as high as 150%. The Thai Ministry of Finance recently announced that it plans to reduce tariffs on finished goods from 50% to 20%, and on parts from 20% to 10%.