

## Trading With Thailand – A Long Term Investment

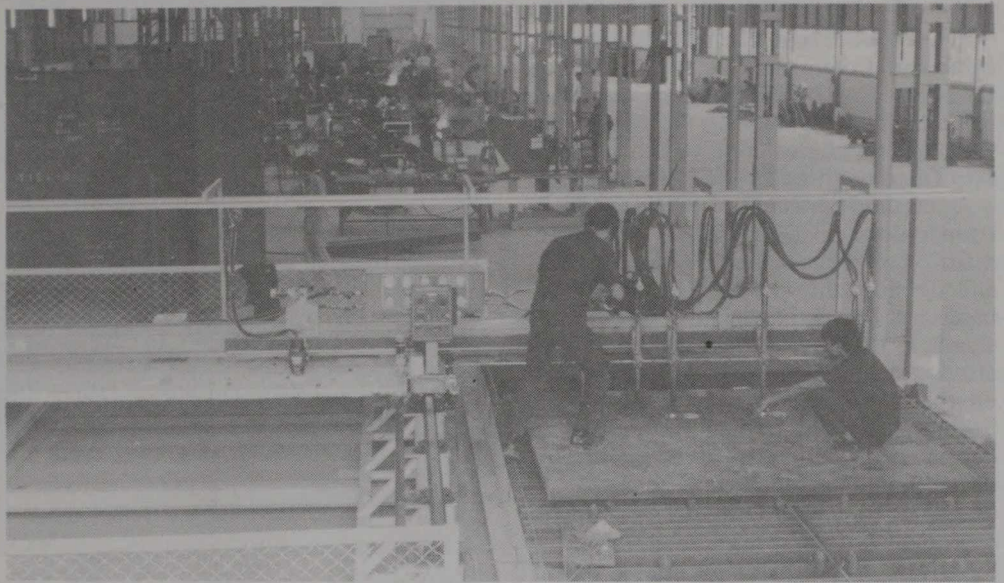
Ever since Canada established an Embassy in Bangkok, Thailand in the late 1960s, our trading relations have grown with moderate vigour. Our successful trading progress has been matched on other fronts in our bilateral relations, including strong political affinities, a highly regarded CIDA program (with Thailand enjoying core country status) and a respected performance in the treatment of refugees through the Canadian Immigration program.

Thailand is one of the handful of major developing countries with good potential to move into NIC status in the next decade. The developed world collectively is placing substantial emphasis on this market particularly for capital projects in the public sector. The Thai market and economy are indeed impressive and deserve the attention of developed countries both in terms of sales opportunities and transfer of technology. Thailand's resource base is strong; it has good energy prospects with attractive oil and gas discoveries in recent times; it has a good infrastructure of road and air links and an industrial sector that surpassed agricultural output for the first time last year.

### Booming Trade

Canadian exports to Thailand have grown faster than overall Canadian trade. Canada has traditionally been in a trade surplus position over the last several years although Thai marketing efforts overseas are gaining fast. In 1984 Canada exported \$117 million worth of goods, notably sophisticated manufactured products such as electrical generating and telecommunications equipment as well as semi-processed raw materials. Furthermore, an additional \$30 million worth of aluminum should be counted in the statistical data as it was transhipped through Hong Kong. In 1984 Thailand narrowed the traditional trade imbalance gap by exporting \$103 million worth of goods that included clothing, fish products, textile fabrics, tinned pineapple, rice, gems and furniture. The first six months of 1985 showed Canadian exports totalling \$78 million or, a 40% increase over the same period in 1984 and Thai exports to Canada during those same six months totalled \$53 million or, a 15% increase.

Prospects for Canadian success in the Thai market are excellent for the medium to long term. The immediate future, however, will prove challenging to exporters due to recent austerity measures undertaken by the Thai economic authorities to check fiscal impediments in the face of hefty trade, and budget deficits



*Canadian-Thai Joint Venture between Champthai Co. Ltd. and Champion Road Machinery Group Ltd.*

and a growing debt service ratio. The Thais have introduced tough policies including the monitoring of foreign loans more closely, the raising of taxes, the introduction of new regulations for finance companies and the stressing export and investment promotion.

### Market Growth

Despite these factors, the telecommunications market in Thailand is expected to grow at 20% per annum; electricity generation and transmission is forecasted to triple from an installed capacity of some 5,000 Megawatts today; the oil and gas sector is receiving renewed attention amongst Thai economic managers in an effort to displace heavy reliance on imported oil, and there are expected to be billions of dollars worth of projects in the pipeline ranging from exploration production and transmission, to the expansion of existing refineries and the construction of various downstream petrochemical industries; the mining sector has an annual growth forecast of 15% and manufacturing should grow steadily at 7.6%.

Financing is becoming increasingly competitive and concessional forms of financing are normally an important ingredient in most major public sector projects in the country. The three P's of Patience, Presence and Persistence will be of paramount importance to success in the market place. Canadian exporters must show a willingness to take a strategic view in the Thai market place and invest human and financial resources to enhance downstream success. The one-off export sale resulting from

one flash visit is a virtual non-starter in Thailand. Thai buyers require a period of "courting" that involves important repeated visits by businessmen to establish relationships/friendships and other confidence-building measures that are essential elements in laying the groundwork for the conclusion of business deals. Multilateral agency financed projects (World Bank, Asia Development Bank, etc.) must be nurtured from inception stage; Canadian businessmen wishing to bid successfully on international tenders generated by these IFI's must be knocking on implementing-agency doors at specification-preparation time to have any hope of coming in at the finish line.

Although Thailand is expected to place less importance on import substitution and more on export promotion during the Sixth Five Year Plan, it will be continually necessary to establish good relations with local partners/affiliates. There is wholesome, long-term potential for the transfer of Canadian technology, licencing and joint venture opportunities. Already, large Canadian companies have major manufacturing/processing investments in Thailand and there has been a good beginning of joint venture participation that has gained access for Canadian technology in the Thai market place.

The trade development division for Southeast Asia at the Department of External Affairs in Ottawa and the Commercial Division of the Canadian Embassy in Bangkok encourage Canadian businessmen to contact them for guidance in identifying potential for them in Thailand.