

Thailand's growth in agricultural exports in the first 7 months of 1989 was led by sugar and prawns. The increase in export value of sugar was 102.6% and the increase in prawn export value was 94.1%.

Growth in manufacturing and in the service sector has reduced agriculture's dominance. In 1988, agriculture made up 16.9% of GDP, while manufacturing, mining, construction, transportation and communications, banking, insurance and real estate consisted of 43.9%. Processing of agricultural products is the most important industrial activity, contributing 5.7% of total industrial output.

As Thailand likely moves toward its second consecutive year of double-digit growth in 1989, it remains a market of prime importance to Canada. Bilateral trade is expected to reach \$750 million, up 33% from 1988, with the trade imbalance increasingly widening in Thailand's favour. Thailand's impressive growth rates and increasing purchasing power will make it an important trading partner for Canada over the longer term.

Economic expansion in Thailand has been due to several internal and external factors. Government policy of avoiding large national projects and relying on the private sector to make investment decisions has led to the development of a wide range of manufacturing industries consistent with its comparative advantage.

The Thai economy is geared toward seizing opportunities created by external events. However, because competitiveness in manufacturing still derives primarily from their low prices, rapid industrialization can only be sustained under favourable conditions which cannot always be counted on. The international environment has been very favourable during its past economic growth.

Japan and the Asian NICs (Taiwan, Hong Kong, South Korea and Singapore) have lost their competitiveness in certain manufacturing industries, thus creating an opportunity for Thailand to accelerate industrialization which has led to a shift in comparative advantage in East Asia.

The decline in the NICs competitiveness has prompted countries to invest in Thailand, which has led to an investment boom since 1987. Private investment rose 26% in 1987 and 23% in 1988. The government's sound macroeconomic management and political stability has also contributed to increasing investor confidence in Thailand.