

THAILAND

Canada's relations with Thailand are important across a full range of political, economic and commercial activities. Links between Canada and Thailand have been strengthened by Canada's increased interest in the region through Asia-Pacific Economic Cooperation (APEC), the Association of South East Asian Nations (ASEAN), our development assistance program and rapidly expanding bilateral trade. Growing business between the two countries is largely due to Thailand's economic growth, industrial diversification, political stability and the market orientation of the Thai government's economic policies.

Recent Economic Developments

The Thai economy has been one of the more successful and resilient in ASEAN over the last two decades, achieving annual GDP growth exceeding 7%, and per capita income growth of 5%. Economic growth slowed significantly during the first half of the 1980's as a result of the economic recession but regained momentum in 1986 with the fall in world oil prices, the implementation of fiscal restraint measures, the promotion of a competitive exchange rate policy and the large inflow of foreign investment, particularly in export industries. Annual GDP growth averaged 8% in the period 1986 - 1988, reaching highs of 11% in 1988, and 13.2% in 1989.

The economy is expected to remain strong during 1990, although GDP growth may slow to approximately 9% due to a combination of weaker demand for Thai exports, a fall in major agricultural prices and the impact of government anti-inflationary measures on domestic demand.

The agriculture sector continues to remain a key component of the Thai economy but high industrial growth, the gradual development of a modern infrastructure and increasing trade and investment have substantially transformed the country's economic and social structure over the past two decades. For example, in 1983 the agriculture sector represented 22% of GDP as opposed to 19.1% for the manufacturing sector, while in 1987 these figures had changed to 16% and 24.1% respectively.

The increased demand for imports (up by 25% in 1989) has continued to press inflation upward to 5.5% in 1989, up from 3.9% in 1988 and 2.5% the previous year. Key issues which the government of Thailand must manage in this period of continued high economic growth will include inflation, income distribution, infrastructure development through public and private sector investment and human resources development.