industrial share of the GDP rose over the last two decades from 19 percent to almost 30 percent and agriculture declined from 28 percent to 14 percent. Most of this industrial growth, however, was concentrated in Bangkok and the adjoining central region which accounted for 90 percent of value-added manufacturing. The prosperity of this region continues to be in stark contrast with the rest of the country where agriculture remains the dominant economic activity.

In spite of its decreased share of GDP, agriculture still employs 64 percent of the country's labour force and contributes one half of total merchandise exports. Policies to promote industrial development outside Bangkok and incentives to encourage a better regional distribution of investment are being implemented to address this situation.

Thailand's rate of inflation jumped from 2.5 percent in 1987 to 5.5 percent in 1989 and 6.0 percent in 1991. Also by 1990, due to the large trade deficit, the current account balance registered a deficit in the order of US$7.2 billion. Foreign capital inflows, including foreign investment, were more than sufficient to finance this deficit and contributed to a further build-up of official reserves to US$13.3 billion at the end of 1990, compared with US$9.5 billion at the end of 1989.

Thailand's economy is entering a new phase, a slowing from the rapid double digit growth rates experienced in the late 1980's. In 1991, Thailand's GDP growth, though still impressive by world standards, had dropped to 7.9 percent. This slowdown can be attributed in part to the negative impact of the Gulf War on tourism, the reductions in external demand, capacity constraints in several areas, and domestic political difficulties.

Growth in GDP can be expected to continue at approximately 7-8 percent for the next several years. As a result, Thailand would continue to be one of the highest growth performers on the world's economic stage. High growth levels should be sustained by means of the government's expansionary fiscal policy, a reform of tax structure, private sector investment, major infrastructure projects being launched and human resource development. This growth will be accompanied by a widening but manageable trade deficit. No real balance of payments or debt servicing problems are expected in the short-term. On such assumptions, Thailand would soon join the select club of N.I.E.'s (Newly Industrialized Economies).

Among the challenges currently facing Thailand is the growing inflation rate, which will have a direct impact on the country's export competitiveness. The inflation rate in Thailand, however, is still relatively low at 6.0 percent in comparison with other ASEAN countries where inflation may be 9 percent and higher.

Another demand influencing the pace of Thailand's economic development will be infrastructure development. Though important advances have been made with increased road building and port expansion, much remains to be done before congestion levels improve.

A third challenge which Thailand has recognized as a priority in its Five Year Plan, is the increased demand for skilled managers, technicians and labour.

In summary, in spite of a degree of political uncertainty, Thailand's fundamental economic policies are sound and economic indicators are strong. For an "overheated" Thai economy which grew by more than 40 percent in real terms in 1988-90, a slowdown may be welcome, allowing Thailand to address urgent social requirements and the need to expand the currently strained infrastructure.