

# A PUBLIC DEVELOPMENT PROGRAM FOR *THAILAND*

REPORT OF A MISSION ORGANIZED BY THE  
International Bank for Reconstruction and Development.



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DEVELOPMENT  
PROGRAM  
FOR THAILAND*

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the Government of Thailand*

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## *THE MISSION*

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## *PREFACE*

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This is the report of a mission organized by the International Bank for Reconstruction and Development at the request of the Government of Thailand. As with all Bank general survey missions—fifteen other member countries of the Bank have made use of its technical assistance in this way—the purpose of the report is to help the Government plan its contribution to the economic and social development of the country during the next several years, and to advise on the forms of organization which are likely to be most effective in fostering those developments. The Mission has also made an assessment of the public development funds likely to become available and has suggested allocations of these funds in accordance with its view of development priorities. Suggestions are made on certain governmental policies which the Mission believes will assist the development process.

In sending the report to the Government of Thailand, the President of the Bank noted that the report represented the views of the Mission; the Executive Directors and the management of the Bank—in accordance with their customary practice—have not reviewed the Mission's recommendations in detail. The President added, however, that the Bank believes that the report will provide sound guidance for Thailand's future development plans and economic policies.

It should be emphasized that the report is not itself a development plan; decisions on public development policies and programs are best made in the light of changing circumstances and further study of projects and of available resources. Hence, it is to be expected that the actual programs of public development will vary from year to year, perhaps widely, from those suggested by the Mission.

The last members of the Mission left Thailand early in July 1958. Since that date much has happened in Thailand of relevance to the problems discussed in the Mission's report—especially after October 1958 when the Revolutionary Party under Field Marshal Sarit Thanarat assumed governing responsibilities. Indeed, in some ways (e.g. the promulgation of a new law governing foreign investment in Thailand) the Government appears to have taken action on the lines recommended by the Mission. Footnotes have been introduced in the text to draw the reader's attention to some such events; but it would have been impossible to ensure that all material developments were noted and it is, of course, too early to pass any judgment on them. The reader must therefore be content with a general warning that the report is based on conditions as they were in the period which ended in July 1958 and that some parts of the report may be out-of-date.

To suit the special needs of Thailand, the arrangements for this Mission differed from those normally adopted by Bank survey teams. In the first place, the duration was longer than usual, the Mission being in Thailand for a full year, from July 1957 to June 1958; this made it possible for the Mission to discuss many of its recommendations with the Government before completing the report. Secondly, special arrangements were made whereby the Mission carried on its work throughout in close association with an *ad hoc* planning committee and staff composed of officials appointed by the Thai Government. This cooperation gave planning experience to a group of officials who are expected to be involved in the operations of permanent planning machinery later to be established. In addition, the Mission was able to profit by the wide knowledge which the Thai officials possessed of the country and its economic conditions. Indeed, the advice and the staff work of the Thai group played an essential part in enabling the Mission to analyze the country's development problems and formulate recommendations. The report is, however, entirely the responsibility of the Mission and must not be taken as necessarily reflecting the views of the Thai group.

The Mission itself was composed of nationals from France,



Germany, Italy, Norway, the United Kingdom and the United States. Seven members (the Mission Chief and the advisers on agriculture, irrigation, industry, public finance, social services and transportation) were specially recruited for the purpose, and two were regular members of the Bank staff.

The Mission owes its grateful thanks to many persons and organizations in Thailand, including government departments and agencies, international and foreign national organizations conducting programs of economic and social assistance in Thailand, and private persons and organizations in the business community. All these are too numerous to be thanked individually, but those agencies with which the Mission had most frequent and most helpful contact should be singled out. They include particularly the Ministry of Finance, and also the Ministries of Agriculture, Communications, Economic Affairs, Education, Health, Industries and Interior; the Bank of Thailand; and the National Economic Council. The Mission is also grateful for the generous cooperation of the U.N. Economic Commission for Asia and the Far East in providing information, specialized advice and the use of library and other facilities. Other sources of assistance included the United States Operations Mission to Thailand and the local representatives of the Technical Assistance Board, the Food and Agriculture Organization and other U.N. specialized agencies. The able assistance of Mr. John A. Edelman of the International Bank staff in the final revision of the report is also gratefully acknowledged.

## *CURRENCY EQUIVALENT*

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The currency unit in Thailand is the baht which, since 1955, has been exchanged in foreign transactions at a unified but fluctuating rate. During 1955-58 the buying rate has varied from about 20.6 to 20.9 baht per U.S. dollar (about 4.8 or 4.9 U.S. cents per baht). In this report, most conversions have been made at the rounded figures of 20 baht per U.S. dollar (five U.S. cents per baht).

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## CHAPTER I *THAILAND'S DEVELOPMENT — THE PUBLIC ROLE*

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### INTRODUCTION—PROGRESS AND PROBLEM

Until recent times Thailand's impressive economic growth was achieved without much intervention by the Government. However, in the past twenty-five years, and especially since the war, the Government has found it necessary to play an increasingly important role in the economic development of the country. This trend will undoubtedly continue, for many of the more important economic problems which Thailand will face in the future are unlikely to be solved save by the initiative of the Government. These are not problems of the distant future. They are sufficiently near that it is essential for the Government to begin preparing its plans now if it is to cope with them before they become critical. Moreover, the Government—given its limited resources and the growing demands upon them—will have to play its part more effectively in the future than in the past if the momentum of the economy and the welfare of the growing population are to be maintained.

The activities of the Government have contributed much to the considerable economic progress achieved since the war. The output of the economy has advanced far beyond pre-war levels, not only in agriculture, which provides a livelihood for 80% of the population, but in most other lines of economic activity as well. The rate of growth in real output, measured during the period 1952-57, averaged nearly 5% a year. This was well in excess of population growth, and provided an



increase of almost 3% a year in the average real per capita income.

This record of progress was undoubtedly attributable in part to the stimulation provided by the prosperity and high price level which prevailed in Thailand's export sector from the early post-war years until 1953. Yet satisfactory progress, including a marked increase in export volume, has continued despite less favorable export prices in the last six years. It reflects basic sources of economic momentum, especially in Thailand's favorable ratio of resources to population and in the initiative and enterprise of its people. Contributing factors have been a rising level of foreign financial assistance and fairly substantial rates of domestic saving and investment, which undoubtedly have been facilitated by the relatively small external servicing requirements on debt and investment.

Development activities of the Government have accounted in recent years for about one-third of the total investment of the economy. Public investment has mainly taken the form of improved transport and communications, irrigation works, local improvement projects, education and other social service facilities, and some additional power and manufacturing capacity.

Concern about the future arises from a changing pattern in the traditional elements of Thailand's economic growth. Historically, the foundations of the economy were built up largely as a natural, unaided and unguided process. They have been the result of the natural expansion and enterprise of the population in an attractive and undemanding environment with abundant lands suited to the production of a large rice surplus, extensive forests including large stands of teak to meet a world-wide demand, enough tin deposits to place Thailand among the world's leading producers, and a large area favorable for supplying part of the mounting requirements of this century for rubber. These have been the mainstays of the economy, supplemented, of course, by a growing volume and diversity of additional agricultural and other primary prod-