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The World Bank
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THAILAND

The Royal Family

The history of the present dynasty started with the sacking of the former Thai capital city of Ayudhya by the Burmese in 1767. The ruling Thai king was killed along with his family and most of the court, the survivors of which were scattered without trace. A man called Taksin, a general in the Ayudhyan army, managed to rally the Thais and eventually drove the Burmese out of the country. He founded the city of Thonburi, which is situated on the right bank of the Chao Phya river opposite Bangkok, and proclaimed himself king.

King Taksin, however, became subject to fits of insanity, and Chao Phya*Chakri, one of Taksin's most successful generals, but in no way related to Taksin nor to the Ayudhyan royal family, was recalled from campaigning in Cambodia by members of the ruling council to take over the throne. King Taksin was put to death, and Chao Phya Chakri became king in 1782; the dynasty was thus founded, and is known as the Chakri dynasty. The dynastic name Rama I was derived from the names of the great kings of the Ayudhyan era. Indeed King Rama I made every effort to recreate the Ayudhyan way of life. He moved the capital from Thonburi to Bangkok, and tried to build it as a water city in the same style as Ayudhya. Rama I died in 1808. He was succeeded by his son, Rama II, who ruled until his death in 1823. His son, Rama III ruled until 1850. He was succeeded by his half-brother King Rama IV, perhaps better known as King Mongkut, who had spent 27 years of his life in a monastery before becoming king. He is well known in the West for hiring Mrs Anna Leonowens to teach his children English, but the importance of this association has been very much exaggerated.

King Mongkut died in 1867; his son, Crown Prince Chulalongkorn, was only fifteen years old, so a regency was set up and for the next fourteen years the country was run by the Chief Minister, Phya Suriyawongse, although technically Chulalongkorn became king in 1873. On the death of Phya Suriyawongse, King Chulalongkorn assumed full control of the kingdom, and during his long reign he introduced many of the reforms which helped to shape modern Thailand. He died in 1910.

His successor was his son King Vajaravudh (Rama VI) who was educated in England (Oxford and Sandhurst; his father encouraged Thais to study abroad). He was not attracted to women, and it was with great difficulty that he produced a daughter by one of the ladies of the court just before his death in 1925. As a woman cannot become the monarch in Thailand, the succession fell to Vajaravudh's younger brother Prajadipok (educated at Eton and Woolwich) who became King Rama VII. His marriage, however, failed to produce any children, and when he abdicated in 1935, three years after the revolution which overthrew the absolute monarchy, the throne was offered by the revolutionary leaders to the son of Prajadipok's half brother, Ananda, who was 10 years old at the time and attending school in Switzerland. King Ananda visited his kingdom once in 1937 but returned to Switzerland to complete his studies. After the war he returned again, but a few months later (in 1946) he was found shot dead in his bedroom in the Grand Palace (Barompimarn Hall). The mystery of his death was never properly solved, although two royal pages were executed as a result.

* A meritorious title granted to commoners, but abolished in 1932

Thus the present king, Bhumipol, Ananda's younger brother came to the throne as King Rama IX, though the official coronation was not until 1950, which was the same year as his marriage to Queen Sirikit. King Bhumipol's father, Prince Mahidol of Songkhla, was educated at MIT and Harvard where he earned the degree of doctor of medicine. King Bhumipol himself was born in Boston, though he was educated in private schools in Switzerland. Queen Sirikit also comes from royal stock, having the rank of Mom Rachwong by birth; her great grandfather was King Mongkut, her grandfather being Mongkut's son by one of his minor wives, thus branching away from the ruling part of the family. The king has one son and three daughters; the eldest daughter, Princess Ubolrat, aged 20, is studying Nuclear Physics at MIT. Crown Prince Vajiralongkorn, aged 19, is attending a military academy in Australia. The two youngest daughters, Princesses Sirintorn and Chulabhorn, are attending Chitlada Palace School. The king is an accomplished saxophonist, and a keen yachtsman.

The Chakri Family Tree

Rama I (Chao Phya Chakri)
1782-1808
28 wives, 17 sons, 25 daughters

Rama II
1808-1823
38 wives, 38 sons, 35 daughters

Rama III
1823-1850
35 wives, 51 children

Rama IV (Mongkut)
1850-1867
35 wives, 82 children

Rama V (Chulalongkorn)
1867-1910
92 wives, 32 sons, 45 daughters

Three major wives of King Chulalongkorn

Queen Saovabha

Queen Sawang

Queen Sukumala

Vajirunhis
d. 1895

Rama VI
(Vajaravudh)
1910-1925

Princess Petcharat
Rajasudha

Asdang
d. 1925

Chatadhuja
d. 1923

Rama VII
(Prajadipok)
1925-1935
married Queen
Rambhai Bharni
but no offspring

Prince Boripatra

Prince Mahidol of Songhkla
d. 1929

Princess Galyani
married Prince Varanon

Rama VIII
(Ananda)
1935-1946

Rama IX
(Bhumipol)
1946-

married Queen Sirikit

Princess
Ubolrat

Crown Prince
Vajiralongkorn

Princess
Sirindhorn

Princess
Chulabhorn

THE AGRICULTURAL SECTOR

Recent Performance

1. Agriculture makes an impressive contribution to Thailand's economic growth. The Kingdom has been spared the difficulties of finding food enough for its people, who are well-fed by Asian standards. Rather, the export surplus in agricultural trade has been a large factor in generating the resources needed for development of other sectors of the economy. Nor, with substantial forest areas available for settlement, has Thailand had to face the extreme pressures of people on land and the overwhelming problems of unemployment which pervade much of the developing world.

2. The data below give some insight into the changing role of agriculture in the economy in the past decade.

Agriculture's Share of the Economy

<u>Year</u>	<u>Percent of Employment</u>	<u>Percent of GDP</u>	<u>Percent of Total Export Value</u>	<u>Rice Exports as Percent of Total Export Value</u>
1960	83	40	91	31
1965	80	35	82	33
1970	78	30	70	17

These trends are encouraging in that the nation's economic base is broadening beyond agriculture quite rapidly, a characteristic of advancing economic development. Further, the nation's export earnings are becoming somewhat less vulnerable to changes in the agricultural sector, although it still is the main source even with a substantial falling off in rice exports. On the other side, the relative shares of agriculture in employment and gross domestic product indicate pressure from the agricultural labor supply and a severe and increasing imbalance between the incomes of those engaged in agriculture and those in other sectors. Although the non-agricultural sector has grown rapidly, most Thai workers are still employed

in agriculture, some 12.8 millions in 1970. During 1965-70 the working force increased on average about 420,000 persons a year, of which roughly 250,000 entered the agricultural working force. Many of these found employment by un-organized settlement in forest areas, engaging in slash and burn agriculture.

3. The sector maintained a high rate of growth during 1966-70, averaging 5.6% a year, substantially in excess of the annual population increase of 3.1%. Furthermore, the rate was significantly higher than was realized in the preceding 5-year period. Forestry was the only sub-sector to show some slowing in the recent period, largely in items other than teak. Fishery output maintained a very high growth in marine fisheries, particularly in shrimp for which output increased threefold. Some slowdown has occurred in recent years as nearby shrimp resources are apparently declining.

Annual Growth Rates in Agricultural GDP

<u>Subsector</u>	<u>1961-65 Percent</u>	<u>1966-70 Percent</u>	<u>Percent of GDP 1970</u>
Crops	4.5	4.9	19.6
Livestock	2.6	2.9	3.9
Fisheries	18.3	18.6	3.6
Forestry	<u>5.8</u>	<u>4.5</u>	<u>2.5</u>
Total Agriculture	<u>4.8</u>	<u>5.6</u>	<u>29.6</u>

4. Based on available statistics, overall performance for the sector is apparently exceeding expectations of growth for the Second Plan period (1967-71) projected at 4.3% and production levels of some major products were substantially higher in 1970 than projected for 1971 in the Second Plan, notably maize and cassava of which output doubled since 1965 and rubber which rose by 30%. Output of rice of 13.3 million tons estimated for 1970 was only about 3% below the 1971 target. Shortfalls occurred for kenaf, largely a response to sharply lower prices, and for sorghum for which major production and marketing problems were unresolved.

5. Despite the lack of current data, it seems clear that area expansion was by far the major factor in increased crop output. Average yields of most crops were either more or less unchanged or were lower in 1966-68 (1967-69 when available). than in 1960-62 (Table 2). The major exceptions were rice and cotton, the former apparently benefitting from better control of flood waters and the latter reflecting the situation prior to heavy incidence of plant diseases in recent years. It is notable that yields of maize, cassava and rubber, upon which attaining the Third Plan export targets substantially depends, declined about 6%, 13% and 20%, respectively, in a time span of only 6-7 years. In the last 5-7 years the area in forest land was reduced by some 20 million rai (over 3 million hectares) of which no doubt a substantial portion was cleared for slash and burn cultivation. Even with the usual practice of shifting cultivation every two or three years, an appreciable expansion of cultivated area must have occurred. Additionally, lands outside of forest reserves were also brought under cultivation.

6. On the whole, Thailand withstood the sharp decline in world demand and prices for rice quite well (Table 1). Despite a drop of 40% in the export value of its most important commodity between 1965 and 1970, the total value of agricultural exports was reduced only 4%, declines in rice and kenaf being largely offset by increases in exports of maize, cassava and rubber. This period also witnessed the emergence of shrimp and tobacco exports in significant amounts. In the previous period, 1960-65, increased exports of kenaf, maize and cassava added as much to export earnings as did rice under conditions of a fairly favorable export market situation.

7. The trend toward diversification is also evident in the data on exports for the first 5 months of 1971 as compared with the same period of 1970. Despite sharp declines in prices of rice and rubber which reduced export earnings from these products about US\$25 million, increased earnings from maize were more than an off-setting factor as the volume of maize exports more than doubled. Higher prices for cassava and kenaf also yielded some modest increases despite lower shipments.

8. Although Thailand's agricultural trade is heavily surplus, there are some significant trade deficits in dairy products (largely sterilized milk and dry skim and butterfat for reconstituted milk) animal and vegetable crude materials (principally soy bean oil), textile natural fibers (a reflection of declining domestic cotton production, tobacco leaves (mostly of the Virginia type) and pulp and paper. Altogether, the value of imports of these items increased about US\$35 million between 1965 and 1970.

Major Problem Areas

9. An overview of the state of agriculture in Thailand reveals some encouraging aspects but also some quite disquieting trends.

Thailand's rate of growth in agriculture since the early 1950's averaged 4.6% a year according to FAO; the highest among Asian developing nations.

By far most of the gains in output has come from lateral expansion of cultivated area, particularly through unorganized encroachment on forest lands; a means for employment of the growing rural labor force but also a destructive use of the nation's land resources.

Thai agriculture has hardly been touched by the improved seed-fertilizer technology; essentially organized in small units, low productivity brings low incomes. Crop yields of most products, low by international standards, appear to be declining as marginal lands are brought into cultivation.

A resourceful private sector in agriculture, which on its own in the past decade has made remarkable progress in developing production and exports of maize, cassava and kenaf - upland crops grown under rainfed conditions - and shrimp. Thailand's traditional dependence on rice has been substantially diminished.

Heavy public investment in irrigation facilities has had some effect in increasing output and yields of rice mostly through better water control; its impact on dry season irrigation of upland crops has been small.

Government policies generally have not been encouraging to agricultural development, and thus inhibited private investment in agriculture.

A marketing system, while technically efficient in many aspects for the major export commodities, works against the farmer particularly at harvest time; high handling costs at portside and uncertain quality dampen Thailand's competitive positions in foreign markets for most commodities.

The institutional infrastructure particularly concerning agricultural research, extension, education and cooperatives, is still grossly inadequate to support a strong development effort.

There are many government agencies involved in administering agricultural programs, leading to duplication, lack of coordination and unsatisfactory performance.

Review of Plan Targets

10. The Third Plan for agricultural development is largely shaped by the need to increase export earnings and improve farm income, especially urgent in view of the turn about in world markets for rice. Thus, the central strategy for agriculture is to accelerate diversification of the production base. The plan looks to an increase of about 32% in the value of agricultural exports during the next 5 years, providing more than half of the projected increase in total export earnings. Whether the overall plan target materializes will depend substantially on increased production and export of maize which is projected to account for some 32% of the increase in value of agricultural exports while cassava is expected to account for 19%, and rubber 16%, the commodities which offset most of the drop in rice exports in recent years.

Production Targets

11. Viewed from past experience, including the demonstrated flexibility of the agricultural sector to adapt to new opportunities, the mission does not feel that the production targets on the whole are over-ambitious. The overall growth rate projected for the sector of 5.1% a year is well within the actual rates obtained in the past decade and somewhat below that of 1965-70. Projected increases in output for most commodities are not greatly out of line with past performance. The mission has no serious question as to the capability of Thai

agriculture to meet production targets for rice, rubber, cassava or kenaf, all important export items, even if present methods of farming continue.

12. The most serious reservation in the crop subsectors has to do with maize, the keystone of the plan. Although there are still lands available to expand maize cultivation, it seems quite unlikely that the target of 3.5 million tons would be approached without affecting some improvement in yields, now on a declining trend. Under existing conditions, the area in maize would need to be expanded from the present 5 million rai to perhaps 13-14 million. Even with a program of improved seeds and fertilizers, there may well be a shortfall considering the time element involved. But this could be offset by an increase in grain sorghum beyond its target. Areas where low moisture conditions make maize production risky are better adapted to sorghum, and improved varieties, more acceptable in export markets than the present varieties, could outyield maize on these lands.

13. The mission finds little promise for reaching the soybean target, especially in view of the low yielding varieties available and poor returns to cultivators. Again, it is likely that the shortfall could be partly offset by increases in groundnuts and coconut to help relieve the import deficit for vegetable oils. In the case of cotton, another serious deficit, it is likely that the government will need to enforce certain practices to overcome the boll worm infestation. For tobacco also, it is largely a question of government action through the tobacco monopoly to provide the seeds and other inputs for increasing output.

14. For the livestock sub-sector, the growth rate of 3.4% a year projected appears on the high side, especially in view of the static numbers of cattle and buffalo and slaughter rates which have prevailed for a considerable number of years. Here, the need is to improve the basic stock, a lengthy process which will

have little impact on Third Plan targets. In a sense, the same is true of the fisheries sub-sector where the potential to exploit remote ocean fishing grounds and establishment of shrimp culture along the Thai coastline hold more promise for years beyond 1976. For the forestry subsector, production targets could well be attained at the expense of teak cuttings continuing to exceed growth.

Export Targets

15. Thailand can also come quite close to meeting overall export targets. Port capacity is a major obstacle to meeting export targets. By 1976, the volume of rice, maize (and sorghum) and cassava for export could be 2 million tons larger than in 1971, when the capacity of Bangkok port was already strained by heavy seasonal movement in the early months of the year. Some relief could be obtained from evening out the seasonal movement by building up country storage for partly dried maize and cassava chips and pellets and providing some means for financing inventories. Even so port capacity would be inadequate. There is need for a deep sea port facility which can handle large vessels. The Bangkok port can only handle small vessels which makes for a costly operation. Thus, shipping costs of maize from Bangkok to Japan substantially exceed costs of shipment in large vessels from the US to Japan.

16. Thailand will also need to improve and standardize the quality of the products it exports, much as it has for rice. Cassava and kenaf particularly need immediate attention and it is likely to become of increasing importance for maize and sorghum if Thailand is to improve its competitive position and trade of those commodities.

17. It is likely that world markets can absorb the increased volume of exports although prices of some commodities such as rubber and kenaf will continue weak while prices of most others may show little improvement. Exceptions are likely for shrimp, tobacco and teak for which demand and prices are expected to strengthen during the plan period.

18. Modest gains in export volume and price are anticipated for Thai rice even though the world market fails to expand. The high quality of Thai rice, the recently adopted aggressive credit sales policy, increasingly under government to government sales, and the prospect that with low costs of production, Thailand can weather the immediate depressed markets better than most other developing countries are factors which could favor Thailand's export position.

19. Prospects for approaching export targets for maize (and sorghum) are directly related to trade with Japan and Taiwan which now take about 80% of Thai exports of maize. Thailand's share of the Japanese market has declined some since mid-1960 but retains most of Taiwan's imports. Both countries are giving grain sorghum a more important role in their import feed supply. If Thailand can reduce shipping costs and regain a larger share of the Japan maize requirements and as well provide sorghum of desired quality, the prospects for increasing penetration of these markets are encouraging. Lower freight costs would also enable Thai exporters to compete in some European markets.

The Plan Development Budget

20. It is not possible to relate planned public expenditures for agriculture during the Third Plan to the production and export objectives which are largely a matter of developments in the private sector. Supportive activities of government agencies concerned with agricultural development (excluding irrigation projects) are scheduled to double between 1972 and 1976. At the same time, expenditures on irrigation projects are projected to increase about 13%, postponing initiation of new large construction projects and emphasizing ditches and dikes installations to bring dry season irrigation to the upper Chao Phya basin. This latter has very limited possibilities to contribute to the plan targets for upland crops, as developed elsewhere in this report. It would be well to reconsider the allocation of plan expenditures for this purpose.

MAJOR STRATEGIES AND POLICY MEASURES

Priority for Rainfed Over Irrigated Agriculture

21. Irrigated agriculture holds little promise for substantial production of upland crops at this time. In the past, when rice dominated development strategy, large scale public investments in irrigation facilities went into the Chao Phya project of the Central plains for the primary purpose of alleviating flooding in the basin so as to improve the conditions under which rice is grown in wet season. This important objective has been realized.

22. Programs to extend dry season irrigation to the upper Chao Phya basin have been less successful. The Third Plan proposes to extend dry season irrigation to 1.3 million rai. But since most of the upper basin has compacted soils suitable only for rice and those areas suitable for growing upland crops are widely scattered and intermixed, the potential result of carrying the program forward would likely be to produce much more rice, presently in over-supply, than upland crops. The possibility of adding perhaps 200,000 rai of irrigated upland crops must be viewed against the more than 10 million rai presently in rainfed upland crops and the substantial potential for enlarging the rainfed cultivated area.

23. Further, the program would be costly and even ^{then} highly unlikely to be realized. It would require major alterations in the system of canals and laterals to provide water during the dry season; at low flows the present system can serve only 424,000 rai. It would be necessary to raise the water level by some means - checks, locks, parallel canals or pumps. Dry season irrigation for upland crops requires irrigation and drainage ditches to each plot, not a factor for cultivation of rice. This is difficult when farm fields are usually small and irregular in shape. Land consolidation to deal with this problem, including the regrading of fields to a uniform plane is costly. Moreover, methods of irrigation for growing upland crops are new to farmers with greater water control required than for rice. Nor in general are farmers prepared to install and maintain farm irrigation systems.

Finally, agricultural research on crop varieties and cultural practices required for growing new crops under irrigation has not progressed to the point where crops that can be profitably grown can be identified.

24. For these reasons, it would seem that the Government might take a more cautious approach to development of the upper basin for dry season irrigation than is proposed in the plan. Such development on a grand scale appears to be well ahead of its time both in terms of its potential contribution to the commodity mix the Kingdom requires and the state of readiness to make effective use of the system. In the meantime, research on crops that can be grown successfully under dry season irrigation and on the water management associated with them should go forward. In view of investments already made, a modest selective program giving priority to those areas with the best potentials for producing upland crops and where cultivators are receptive to dry season irrigation. An example, some 71,000 rai of dry season crops were developed in the Sam Chuck area in less than 5 years at relatively little cost. Public expenditures for new areas should be minimized so that land consolidation and development costs, and responsibility for maintaining the farm water distribution system are borne largely by the cultivator.

Land and Land Tenure Policies

25. Land itself does not appear to be an immediate limiting factor on farm production or employment of the rural labor force. Even though perhaps 20 million rai have been encroached from forests in the past 6 or 7 years, approximately 50% of the total land area is still in forest land. But the lands opened up are increasingly marginal for crop production and the process of unorganized settlement and slash and burn cultivation leaves in its wake serious problems of soil and water conservation and unproductive use of valuable timber resources. It is essential that effective control on land settlement be established.

26. Organized land settlement by the Government of Thailand began some 35 years ago. In the intervening period over 300,000 families have been settled on over 5 million rai. By far most families have been accommodated under programs requiring minimal development of infrastructure and supportive activities.

27. Settlement schemes need to be substantially improved, although some individuals have done well within some projects. There is a general problem associated with selection of settlers, many of whom have little farming experience. Settlers rarely have sufficient credit resources available, particularly long term credit, to establish a productive base for obtaining adequate incomes. Such technical support, including extension activities, as is supplied for some settlements is understaffed and poorly trained. If settlers are to be given a better opportunity to make a go of it, larger public investment in infrastructure, improved supportive services and access to more financial resources would be required.

28. The Cabinet has recently approved the allocation of 8.6 million rai from forest land for land settlement during the Third Plan. A settlement program of this size would by itself almost accommodate most of the increase in rural labor force during the plan period. The magnitude of the program and the limited funds that might be made available indicate that it may not be possible to do everything for all settlements. It would be well, however, as a minimum, to select a few projects for intensive treatment, particularly in the provision of more adequate credit and improved technical supporting services so as to arrive at a better formula for successful land settlement.

29. The lack of land titles is a formidable obstacle to investment in agriculture. Less than 40% of the cultivated area is covered by rights of occupancy recognized for legal transfer or as security for credit. Most of the remaining farm land is held under temporary certificates. While the process of issuing full land titles is slow and retarded by lack of cadastral surveys, a speedup of issuance of Nor Sor 3 certificates, also legally recognized, which

verify that certain conditions of occupancy have been met, would enable recipients to obtain long term credit to improve productive capacity.

30. While the incidence of tenancy does not appear to be increasing over the years, there is concern over the situation in the Central Plain area, particularly in provinces adjacent to Bangkok. The conditions of tenancy as they exist at present not only impede development but also disadvantage the tenant. The Act of 1950 providing, among other things, for low rental rates and 5-year lease periods is clouded with ambiguities which have made it unenforceable. Most tenants have only 1-year leases and rents continue to be determined by the customary rate, most frequently half of the value of crops produced. Thus, tenants do not make improvements. Nor, generally do they have access to institutional credit. It is, therefore, not surprising that paddy yields of full tenant farmers in the Central Plain average almost 20% lower than full owners and that net cash income per rai averages about half that of full owners. It would seem a matter of urgency from the viewpoints of overall development and of equity for the tenant to amend and make effective the legislation to improve the conditions of tenancy.

Fertilizer Price Policy

31. The high cost of fertilizers is one of the most important obstacles to improving crop yields and incomes in agriculture. Thai farmers pay some of the highest prices for fertilizers in the world reflecting protection of domestic output of ammonium sulphate and urea at prices more than double the costs of imports.

32. According to the FAO/UNDP Soil Fertility Research Project, fertilizer use in 1969 was only 40% of the levels required to maintain soil productivity and only 10% of the amount that would increase yields significantly. There is little use of fertilizers on maize and cassava, which rank high in the development plan. And with declining prices of rice, use on rice has turned down.

33. Present product/fertilizer price relationships do not provide incentives for cultivators to use fertilizers. The added returns to rice, maize and cassava are generally too low to compensate for the risks involved. However, a reduction of fertilizer prices to cultivators of about one-fourth, from approximately $\text{฿}2$ to $\text{฿}1.5$ per kilo would increase average returns to cultivators for these commodities by more than double the cost of the fertilizer, generally accepted as a yardstick favoring fertilizer use. A reduction of this magnitude and perhaps more could be accomplished by free importation of fertilizer materials at current world prices. Some further saving to the cultivator could be expected by providing more institutional short term credit for fertilizers at official interest rates which are substantially lower than those extended by non-institutional sources.

34. It is clear that a significant downward adjustment in prices of fertilizers is essential if the decline in crop yields is to be arrested and reversed. It is of such overriding importance that it must be achieved by whatever means. If the national policy to protect the domestic industry remains an effective block, the only recourse would be to subsidize domestic production at its recent level to the extent necessary to compete with ^{imports} from other countries.

Quality Seeds

35. Concurrent with the change in fertilizer policy, there must be a program to improve seeds. Few Thai farmers use quality seeds that are responsive to fertilizer application. Varieties of maize and sorghum, available in Thailand, have a definite superiority in this respect to traditional varieties. But the system of seed multiplication and distribution is lacking so that they are not generally available. To correct this situation is a matter of grave importance if the fertilizer policy is to pay off well. Beyond this, there is a further very large potential to increase yields by directing the research program to develop new varieties with high fertilizer response characteristics.

Agricultural Extension

36. At present there is no effective link between agricultural research and the extension services which assist farmers to adapt research findings into practice. Further, the extension services are inadequately manned, poorly trained and poorly paid and the responsibilities so scattered among several government departments that they are substantially uncoordinated. Consolidation of the services for crop and livestock production is a necessary first step. The Ministry of Agriculture is moving in this direction under a unified Extension Service. But similar activities carried on by other ministries should also be transferred and consolidated in the Department of Extension.

Agricultural Credit

37. Although significant progress has been made in developing institutional credit for agriculture in recent years, the supply of such credit is still very short of requirements for both seasonal and long term credit, and relatively few farmers are being reached by institutional sources. This situation could well impede agricultural development unless the pace of institutional operations is substantially quickened. In addition to provision for more credit, there is need for a more effective balance between long term credit available for investments, such as in land improvement and livestock enterprises, and the shorter term credit supportive to current production.

Marketing and Prices

38. In a strategy which looks for a very large increase in maize output, it will be important to prevent depressed prices to producers at harvest time. The price guarantee program for rice, which has been quite ineffective, indicates the undesirability of mounting a similar program for maize or other commodities. The recent programs of the Bank of Thailand to discount warehouse receipts for stored paddy appears to offer a better alternative for stabilizing seasonal prices. This applied to maize and cassava emphasizes the need for up country drying and storage facilities for this purpose as well as to even the flow of commodities to port.

Development Institutions and Administration

39. The alarming disarray of Government agencies and functions concerned with agricultural development has been emphasized repeatedly in recent years. It is all the more important now that a major shift in agricultural strategy is underway. It remains abundantly clear that the development effort requires centralization of organization and day to day administration. This is rightly in the purview of the Ministry of Agriculture and the Ministry should be strengthened and given those responsibilities. This includes improving agricultural statistics which have fallen into a very low state.

40. Various Government agencies have developed or sponsored a wide array of farmer institutions for group action ranging from Government controlled and supervised farmer cooperatives to informal associations of farmers who band together more or less on their own for a more limited purpose. These institutions are still in a developing stage and it is too early to prescribe any one form as the standard means for agricultural development at the farm level, as is proposed for the multi-purpose cooperative. There is, in fact, a danger that these young institutions will be called on to do too much for their present capabilities.

Bank Lending

41. The prospects for Bank lending in the agricultural sector are outlined in the section on "Bank Operations" and will be reviewed with the government during forthcoming discussions.

Table 1: THAILAND: CROP YIELDS, AVERAGES 1960-62 AND 1966-68

<u>Crop</u>	Average 1960-62 (Kg/Rai)	Average 1966-68 (Kg/Rai)
Rice (paddy)	231	281 ^{1/}
Maize	319	301
Rubber	73.7	59.3 ^{1/}
Cassava	2.74 ^{2/}	2.38 ^{2/}
Coconuts	47.2 ^{3/}	38.5 ^{3/}
Sugar cane	5.2 ^{2/}	5.1 ^{2/} ^{4/}
Cotton	122	154 ^{1/}
Kenaf	201	204
Jute	191	175
Kapok	1,060	1,095
Tobacco (local)	251	227 ^{4/}
Tobacco (Virginia)	88	71 ^{4/}
Mung beans	181	157
Castor beans	177	160
Ground nuts	210	218
Sesame	143	115
Soybeans	178	146

^{1/} 1967-69 average
^{2/} Tons/rai
^{3/} Nuts/tree
^{4/} 1966-67 average

Source: Agricultural Statistics of Thailand, 1968 and Supplements,
 Div. of Agri. Economics, Ministry of Agriculture.

Table 2 : EXPORT VALUES OF MAJOR AGRICULTURAL PRODUCTS, 1960, 1965-71

	<u>1960</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>Jan. - May</u>	
	----- (Million Baht) -----							<u>1970</u>	<u>1971</u>
Total Exports	<u>8,422.3</u>	<u>12,940.8</u>	<u>14,099.3</u>	<u>14,166.2</u>	<u>13,679.0</u>	<u>14,722.1</u>	<u>14,772.8</u>	<u>6,379</u>	<u>7,243</u>
Total Agricultural Exports	<u>7,647.8</u>	<u>10,578.7</u>	<u>11,476.2</u>	<u>10,664.5</u>	<u>10,179.5</u>	<u>10,619.3</u>	<u>10,359.0</u>	n.a.	n.a.
Rice	2,569.8	4,334.4	4,001.1	4,653.1	3,774.8	2,944.7	2,514.7	1,358	1,019
Rubber	2,579.3	1,998.9	1,860.7	1,573.8	1,815.9	2,664.1	2,231.4	1,043	884
Maize	550.7	968.6	1,519.9	1,355.4	1,556.1	1,674.4	1,856.8	558	1,081
Cassava Products	446.0	676.1	644.0	725.5	773.2	876.3	1,223.2	546	585
Kenaf	230.0 ^{a/}	1,102.1	1,613.1	865.2	673.2	776.3	721.8	359	424
Shrimp	n.a. ^{b/}	109.4	190.5	259.2	277.9	270.4	223.5	111	92
Teak	356.1	200.8	242.9	193.7	169.0	166.2	155.7	58	71
Tobacco	24.1	88.7	114.9	147.2	198.5	149.5	202.1	78	116
Major Agricultural Exports	<u>6,756.0</u>	<u>9,478.8</u>	<u>10,187.3</u>	<u>9,773.1</u>	<u>9,238.7</u>	<u>9,521.8</u>	<u>9,129.4</u>	<u>4,111</u>	<u>4,272</u>
Other Agricultural Exports	891.8	1,099.9	1,288.9	891.4	940.8	1,097.5	1,229.6	n.a.	n.a.

a/ Includes jute exports.

b/ Not available. Shrimp is included in Other Agricultural Exports for 1960.

Sources:

1. For 1960 - Agricultural Statistics of Thailand 1968, Division of Agricultural Economics, Ministry of Agriculture, Bangkok.
2. Department of Customs.

AGRICULTURAL RESEARCH IN THAILAND

Organizations Involved in Agricultural Research

Research on agricultural problems in Thailand is mainly concentrated in two ministries (a) the Ministry of National Development (b) the Ministry of Agriculture, as well as three national universities. Some research in agriculture is also done by the National Research Council, a section of the Office of the Prime Minister. The Applied Scientific Research Corporations within the National Research Council carries out numerous research in agriculture, particularly in the field of marketing and processing. The Thai Tobacco Monopoly which is part of the Ministry of Finance also conducts autonomous research on problems related to tobacco planting and processing.

The largest amount of agricultural research is done in the Ministry of Agriculture. In addition to the technical division in the Department of Agriculture, Rice, Livestock, Poultry and Fisheries, each of these departments maintain research stations scattered throughout the country. ^{1/} The Ministry of Agriculture also operates through regional research centers, one in the Northeast at Tha Prah, and one in the Central Region at Chainat. A regional research center is in the process of being set up for the North at Chiangmai. Another center is tentatively planned for the South.

Research in the Ministry of National Development is undertaken in the Departments of Land Development, Credit and Marketing, Land Cooperatives, Irrigation, and the Office of the Undersecretary. The bulk of research work is concentrated in the Land Development Department and the Irrigation Department. The number of on-going projects in the Ministry of National Development have the assistance of numerous foreign teams.

The three national universities (Kasetsart, Chiangmai and Khonken) tend to be involved with more theoretic and basic research in agriculture.

Foreign Teams Involved with Agricultural Research

Numerous teams from foreign countries and international organizations (FAO, UNDP and the Asian Development Bank) are also involved in agricultural research in cooperation with the above ministries and universities. For example, Australian teams are involved in upland crops research in Chainat and Nan; Taiwan teams are involved in multi-purpose cooperatives and land improvement at Chainat, and vegetable seeds research in Chiangmai; British and French cotton teams in the Central Plain; a Dutch team on land consolidation and improvement in the Upper Chao Phya area; Israeli Northern Region Planning team in Chiangmai; New Zealand team on pasture land development in the Northeast and a Japanese team on soybean seeds in Chiangmai.

^{1/} See Table 1 for the location of agricultural research stations by crop.

UNDP and FAO are involved in their experimental station (in conjunction with the Ministry of Agriculture) at Kalasin. UNDP teams are also working with the Department of Land Development on their soil surveys, land classification and land tenure surveys. The United States Bureau of Reclamation are also involved in a number of feasibility studies of irrigation projects in Thailand.

Highlights of Agronomic Results obtained by the Experiment Stations

Table 2 presents a summary of the research result highlights for rice and the major upland crops.

Table 1: LOCATION OF AGRICULTURAL RESEARCH STATIONS BY CROPS*

<u>Crop</u>	<u>North</u>	<u>Northeast</u>	<u>Central Plain</u>	<u>South</u>
Rice ^{a/}	1. Pan, Chiangmai 2. Sanpatong, Chiangmai	1. Khonken 2. Chumpae, Khonken 3. Sakolnakorn 4. Pimai, Nakornrajsima 5. Surin	1. Chainat 2. Pitsanuloke 3. Koksamrong, Lopburi 4. Huntra ^{b/} , Ayuthaya 5. Klong Luang ^{b/} , Patumthani 6. Rangsit, Patumthani 7. Bangkaen, Bangkok 8. Rajburi 9. Supanburi	1. Nakornsriathamraj 2. Kuangut, Patalung
Corn & Sorghum ^{c/}	1. Nan	1. Khonken 2. Sakolnakorn, Kalasin 3. Mahasarakam 4. Ubol	1. Suwan Farm, Nakornrajsima 2. Phra Bhutthabat, Lopburi 3. Uthong, Kanchanaburi 4. Tak, Chainat-Singburi 5. Srisamrong, Sukothai 6. Kampaengsen, Nakorn-patom	
Cotton ^{d/}	1. Kalasin	1. Kalasin	1. Tak Fa, Nakornsawan 2. Kampaengsen, Nakorn-patom	
Other Crops ^{e/}	1. Nan 2. Chiangmai	1. Khonken 2. Sakolnakorn 3. Nongkai 4. Loei 5. Udorn 6. Nakornpanom 7. Kalasin 8. Roi-et 9. Burirum 10. Chaiyaphoom 11. Nakornratchasima 12. Surin 13. Ubol	1. Chainat 2. Nakornsawan 3. Tak 4. Sukothai 5. Supanburi 6. Saraburi 7. Thonburi 8. Bangkok 9. Rayong 10. Chanthaburi	1. Chumphon

* Where locality names are different from changwat names, the locality names are listed first.

^{a/} Rice Department Experiment Stations (Source: Annual Research Report, 1967).

^{b/} Floating rice experiment station.

^{c/} National Corn and Sorghum Program Testing Sites - 1970 (Source: Kasetsart University, Thailand National Corn and Sorghum Program, 1970 Annual Report).

^{d/} Agricultural Department Experiment Stations (Source: Research Experiments Div., Annual Report, 1969).

^{e/} Same as ^{d/}. Excludes twenty rubber stations in the South and one in S.East Central Plain region. Particular locations for individual crop emphasis are: Cassava - Rayong, Ubon; Sugar cane - Rayong, Suphanburi; Tobacco - Chiangmai; Kenaf - Tha Pra, Roi-et, Ubon; Soybeans, mungbeans, groundnuts, castor beans - Roi-et, Tha Pra, Ubon, Chainat, Kalasin.

Table 2: EXPERIMENT STATION TOP YIELDS

<u>Maize</u> ^{1/}	- Mean of synthetic hybrids at seven locations - 685 Kg/Rai compared with PB5 Check - 594 Kg/Rai Pioneer Experimental 12-68 (a new hybrid) - 822 kg/rai, compared with PB5, check, 594 kg/rai.
<u>Soybeans</u> ^{2/}	- Top yield 218 Kg/Rai - Wakashima Variety
<u>Sorghum</u> ^{1/}	- Highest Yield - 568 Kg/Rai by IS-8719 E 173 - Mean of Seven Locations. Mean of Eleven New Entries - 464, Compared with Mean P.B. Hegari - 336.
<u>Rice</u> ^{3/}	- Highest Yield - 742 Kg/Rai by R.D. 1, Compared with Nahng Mon S-4 (a standard variety) - 471.
<u>Groundnuts</u> ^{2/}	- Highest Yield - 554 Kg/Rai, by Lonyun Variety, Compared with Check-245 Kg/Rai.
<u>Mungbeans</u> ^{2/}	- Highest Yield - 316 Kg/Rai by Shing Variety. Indian No. 1 yielded 313 Kg/Rai.
<u>Castor Beans</u> ^{2/}	- Research on the date of Planting only. December to February plantings were best.
<u>Sesame</u> ^{2/}	- Research on the date of planting only. July, August plantings were best.
<u>Cotton</u> ^{4/}	- Takfa Experiment Station reports optimum yields of 450 Kg/Rai.
<u>Kenaf</u> ^{2/}	- Top Yields - 227 Kg/Rai by Varieties, Salvador and 977-044.
<u>Kapok</u>	- Research not available.
<u>Cassava</u> ^{2/}	- Top Yield - 3,990 Kg/Rai by Variety 14 - 2. Standard Variety gave 2,933 Kg/Rai in tests.
<u>Sugarcane</u>	- Research not available.
<u>Tobacco</u>	- Research not available.

- Sources: ^{1/} Thailand. National Corn and Sorghum Program. 1970 Annual Report.
^{2/} Thailand. Dept. of Agriculture, Research and Experiments Division. Annual Report, 1969.
^{3/} Breeding, Performance, and Characteristics of Dwarf, Photoperiod Non-Sensitive Rice Varieties for Thailand by Ben R. Jackson, Worawit Panichapat, and Serm Sak Awakul, Breeding Division, Rice Department, Ministry of Agriculture, Bangkok, Thailand. Reprinted from: Thai J. Agr. Sci. 2-1969.
^{4/} Private Conversations at Takfa Experiment Station.

THAILAND

National Research Council/Applied Scientific Research Corporation

National Research Council (NRC)

1. The National Research Council was established in 1956. The Prime Minister is Chairman of the Council, whose members are appointed by Cabinet. The Office of the NRC is headed by a Secretary-General, currently Dr. Pradisth Cheosakul (Ph. D. Cornell) who is also Research Director-General of the Council's affiliate, the Applied Scientific Research Corporation. Functions of the Office of the NRC are to recommend to Cabinet policies and programs for the promotion of research, to consider ways and means of funding research, to allot research grants, etc.

2. The NRC has the following branches:

- (1) Physical Science and Mathematics;
- (2) Medical Science;
- (3) Chemical and Pharmaceutical Sciences;
- (4) Agriculture and Biology;
- (5) Engineering and Industrial Research;
- (6) Philosophy;
- (7) Law;
- (8) Political Science and Public Administration;
- (9) Economics;
- (10) Sociology.

3. Notes are included below on the ASRCT and on Thailand's earth resources satellite program as an illustration of the role of the NRC.

Applied Scientific Research Corporation of Thailand (ASRCT)

4. A visit to ASRCT has been included in your program for two reasons, (i) because it is considered by some to be one of the best scientific organizations in the developing world and (ii) because it illustrates the difficulties which a scientific organisation faces in a developing country.

5. ASRCT was established under the Applied Scientific Research Corporation Act, 1963 and became operational in 1964. It reports directly to the Prime Minister and is governed by a Board appointed by Cabinet. It is supported by an annual grant from the government. The functions of the Corporation are to promote and conduct applied scientific research and investigations on any matter affecting national development, resources, industries, and administrative services. It trains scientific research workers and provides a central service for scientific tests and measurements. As principal research agency of the government, ASRCT collaborates with the National Research Council in advising the government and in implementing its science policy. The present Research Director-General of ASRCT is Dr. Pradisth Cheosakul.

6. Research is organised (chart attached) through three Institutes:

- Technical Research Institute (TRI) ✓
- Agricultural Research Institute ✓
- Environmental and Ecological Research Institute. ✓

7. A fourth Institute for Development Studies has an Economic Evolution Group which prepares marketing reports and industrial studies and reviews the feasibility of establishing new industries. ✓

8. ASRCT also provides a number of essential scientific services through 5 Centres:

- Thai National Documentation Centre;
- Instrument Repair & Calibration Centre;
- Centre for Thai National Standard Specifications;
- Centre for Thai National Reference Collections (the forerunner of a National Science Museum which has already been approved in principle by Cabinet);
- National Building Research and Development Centre.

9. Examples of work where ASRCT has already had some success are as follows:

- (i) Development of high-protein foods similar to traditional Thai foods, including a soy beverage, instant noodles, soy weaning food, mung bean soup, and bean stock.
- (ii) At one time, Thailand exported snake root (Rauwolfia serpentina), a material used for the manufacture of the drug reserpine. Yet Thailand was also importing reserpine tablets from abroad at an annual total cost of Bahts 4 million. Work at the ASRCT laboratories enabled the Government Pharmaceutical Laboratory to produce the drug from the raw material and there are now said to be possibilities of exports of the tablets which might be worth around Bahts 20 million per year.
- (iii) A considerable quantity of tinsplate used to be imported because the tinsplate made locally from imported black steel sheet was not of sufficiently high quality. The TRI assisted a local firm in managing their quality control so that they have now been able to capture the local market and this means a potential saving on imports of US\$1 million per year.
- (iv) Identification of good local foundry sands and improvements on local foundry techniques.
- (v) Identification of local ores for use in the dry cell battery industry.
- (vi) Experimentation on growing algae in shallow sewage ponds both to provide a concentrated protein source for animal feeds and to return cleaner water to the environment.
- (vii) Development of a process for using waste kenaf stalks (about 80% of the plant) to produce paper pulp. A commercial firm has applied to the Board of Investment to set up a mill using this process.
- (viii) Development of a process for the use of Bangkok mud as a

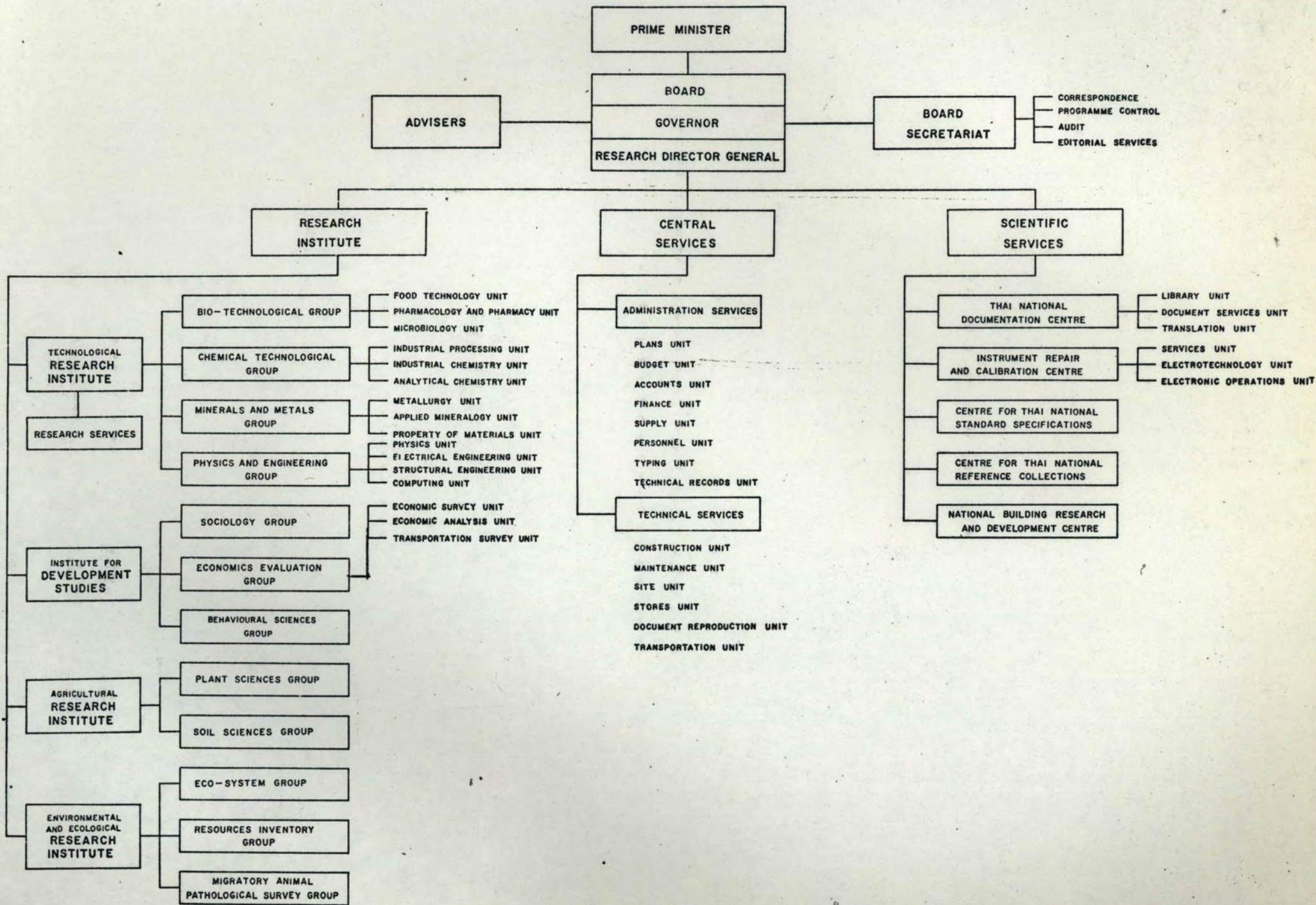
coarse aggregate with cement for building materials which is now undergoing commercial evaluation.

- (ix) Development of a technique in cooperation with the FAO Department of Fisheries for building ferro-cement boats and rice silos.
- (x) Development of a gem grinding machine superior to those formerly used.

10. ASRCT enjoys certain advantages by reason of its semi-autonomous position outside the civil service. It offers salaries about 75% higher than the civil service salaries. It encourages its staff to be "task oriented" and requires periodic performance reports. Being outside the civil service, the Corporation is also in a position to facilitate coordination between government Departments. The ERTS program is a case in point. ASRCT staff claim they are able to look at problems nationally, unhindered by narrow Departmental loyalties. ✓

11. ASRCT has problems, firstly simply by being what it is. ASRCT is attempting to swim upstream against Thai culture, Thai bureaucracy and the general "Thai way of doing things". Secondly, ASRCT is not coupled in any close way into the planning and development process which is almost exclusively in the hands of economists. The National Economic Development Board may not be strong technically but it is stronger politically. That is to say the Secretary-General of NEDB far outranks the Secretary-General of the NRC so that planning turns out to be economic rather than technico-economic. In effect the Government is not aware how to make use of this quite fine scientific organisation which circumstances and the work of a few individuals have created. What ASRCT now needs is guidance on where to apply its efforts i.e. to be set specific problems with well-defined terms of reference relevant to the development process.

12. In 1969 the government's grant to ASRCT of Baht 12 million was supplemented by Baht 5.3 million from other sources. Of these sums Baht 10 million was spent on salaries and superannuation. One of UNDP's projects in Thailand is the provision of technical assistance through UNIDO to the Technological Research Institute.



THAILAND

Earth Resources Satellite Program

1. In July 1971 Thailand submitted a proposal to NASA for Thai participation in the Earth Resources Technology (ERTS) program. The first satellite dedicated to obtaining earth resources information will be launched in the spring of 1972. The Thai proposal is one of 105 proposals submitted to NASA by 36 countries around the world. Developing countries which prepared proposals include Argentina, Brazil, Bolivia, Chili, Colombia, Equador, Greece, Guatemala, India, Indonesia, Iran, Israel, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Spain, Thailand, Venezuela. (The Bank assisted in the preparation of the Bolivian and Pakistani proposals, though the Pakistani Government has not officially ratified its country's participation in the program).
2. Preparation of the Thai proposal was quite a tour de force. Within two months of hearing of the NASA program, the National Reserach Council, assisted by its implementing agency, the Applied Scientific Research Corporation of Thailand (ASRCT), had set up a National ERTS Committee comprising 22 government agencies, had formed an interdisciplinary Task Force of 17 Thai scientists, had formulated the proposal and got the Government's backing for its submission to NASA.
3. The purpose of the Thai experiment will be to assess the utility and the economics of the use of space data in the planning of development and management of earth resources. Their expectation is that the spacecraft technique, giving repetitive coverage every 18 days (cloud cover permitting), combined with the traditional ground survey will permit much more efficient planning and use of resources.
4. The Thai approach is multi-disciplinary. The principal objective is agriculture, particularly the yield prediction and production forecasting of crops such as rice, corn, kenaf and cassava. Other areas will be the detection of crop diseases, soil moisture monitoring and changes in agricultural land use. Work will also be attempted in forestry inventory, oceanography, hydrology, geology, cartography, etc.
5. Thailand is approaching UNDP and USAID for assistance in training Thai personnel for data interpretation.

THAILAND

Nutrition

1. Thailand's industrial development and agricultural resources are above several of her neighboring countries, but the problem of meeting the nutritional needs of her rapidly expanding population (estimated at 3.1 percent growth rate) is very real. In Thailand protein malnutrition is a problem, although it appears to be confined largely to weaning infants, preschool children, and pregnant or lactating women. The onset of clinical protein malnutrition in young children frequently follows intercurrent communicable diseases, especially intestinal parasitic infestation and diarrheas. Surveys by the Thai Ministry of Health and the U.S. interdepartmental Committee on Nutrition for National Defense have revealed several other nutritional problems, including deficiencies of thiamine, riboflavin, vitamin A, iodine, and possibly calcium. Anemia is also widespread.

2. Thailand, with some external assistance, has actively engaged in research and the development programs to alleviate malnutrition problems. A number of nutritionally improved high-protein food products have been developed at the Institute of Food Research and Product Development, Kasetsart University, and field-tested by the Nutrition Division of the Department of Health. An active program of protein food product development has also been carried out by the Applied Science Research Corporation of Thailand. The USAID Mission to Thailand has provided support to the food product development work at Kasetsart University and has also supported research into grain fortification with lysine.

3. The Royal Thai Government has taken a considerable interest in nutrition problems. It has supported both nutrition and food technology research and in 1970 co-sponsored a seminar on Protein Food Promotion in Thailand. Following the recommendations of the seminar, the Thai Cabinet has enacted a national nutrition policy and has established a National Institute of Nutrition to act as the coordinating body for all nutrition-related activities and to carry out nutrition research.

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THAILAND

THE INDUSTRIAL FINANCE CORPORATION OF THAILAND (IFCT)
(US\$1.00 = B20.80)

1. IFCT was set up by Act of the Legislature in 1959 to assist in the establishment, expansion and modernization of private industrial enterprise; and to encourage the participation of private capital, both internal and external, in such enterprise. IFCT was substantially reorganized in 1964 with the help and support of the Bank Group. At that time IFC subscribed B4 million (US\$193,000) representing 13.3% of IFCT's share capital. In early 1967, IFCT increased its share capital from B30 million to B50 million; IFC did not exercise its rights and its proportionate holding declined to 8%. In December 1970, IFCT increased its share capital to B100 million. In that issue IFC exercised its rights to subscribe and now holds B8 million (US\$384,500) or 8% of IFCT's present share capital. Thai interests hold a little more than 51%.

2. When IFCT was reorganized in 1964, the Bank made it a loan of US\$2.5 million. IFCT used the loan only slowly, and the Bank canceled the unused balance, US\$1.55 million, as of the loan cut-off date. The effective amount of the Bank loan to IFCT was therefore US\$1.05 million. It will be fully repaid by April 1972.

3. The Chairman of IFCT's nine-man Board of Directors is Mr. Renoo Suvarnsit. He is well-known to the Bank Group as a forceful and capable public servant. He is at present Secretary General of the National Economic Development Board. The General Manager (also a member of IFCT's Board) is Mr. Somma Hoontrakool who has had a long and successful career with the Bank of Thailand. (A note on Mr. Sommai is attached). Although the Chairman assumed office only in April 1970 and the General Manager in July 1970, it is already evident that under their leadership IFCT will be more aggressive in performing its role as the primary long-term financing institution in Thailand. Both the Chairman and the General Manager have the confidence of the Government and of the business community. We consider the management satisfactory. In the past twelve months the General Manager has acted energetically to increase IFCT's resources, to strengthen its staff, to improve internal organization and to bring arrears (which had become relatively high) under control.

4. During 1965 and 1966 the Bank Group lost confidence in IFCT's management, and relations between the two institutions deteriorated. (The General Manager was then Mr. Kraisri Nimmanahaeminda). It was the loss of confidence that underlay the Bank's decision to cancel the uncommitted part of the first Bank loan to IFCT, and IFC's decision not to exercise its rights in IFCT's share issue of 1967. Mr. Sommai's appointment as General Manager in June 1970 largely contributed to the Bank Group's revival of confidence in IFCT, which was affirmed by IFC's subscription to IFCT's share issue of December 1970.

5. IFCT under its present management is aware of the need to help in the development of the capital market, but IFCT's contribution has not yet been significant. Apart from successive share issues (referred to in paragraph 1 above) its own new domestic resources have been raised almost entirely from the Government and governmental institutions. Its efforts are hindered by a number of factors: the poor condition of the stock market, absence of incentives for companies to go public, and the reluctance of closely-held companies to admit outsiders. IFCT presently has almost no equity portfolio. We believe Mr. Sommai is disposed to consider equity investments where IFCT's participation would be of special value.

6. IFCT's portfolio, which is well diversified, has grown from B133 million in 1966 to B466 million in 1971. Loan approvals have fluctuated considerably from year to year. In 1969 they amounted to B143.7 million. In 1970 they fell to B79.4 million, reflecting the deterioration in the investment climate in Thailand and IFCT's internal difficulties and confusion arising from the change in management in mid-1970. In October 1971, Mr. Sommai told us he expected loan approvals for 1971 to amount to B230 million. We consider IFCT's portfolio to be reasonably sound and its reserves ample to cover any losses for which provision has not already been made. IFCT's profitability has been good. Net profit to year-end share capital was 15.4% in 1968, 18.5% in 1969 and 21.7% in 1970. Dividends have increased gradually from 6% for 1965 to 9% for 1970.

7. IFCT's financing is small in relation to the total private industrial investment in Thailand and amounted in 1970 to less than 5% of fixed capital formation in private industry. IFCT faces strong competition from suppliers' credits nominally at lower interest rates than its own, and to a less extent, from short-term bank loans which are easily obtained and readily renewed. IFCT's management is optimistic that IFCT will be able substantially to enlarge its business over the next five years and achieve a greater share of total financing in the private sector. We share that view. Resourceful management which we believe IFCT now has should make it possible for IFCT to enlarge its presently small proportion of total financing in the private sector. Moreover, the growth of private credits has led to the rapid increase in Thailand's debt service payments to 17% of export earnings in 1970. The existing liberal policy on suppliers' credits is being examined by the Bank of Thailand. If the Government decides to restrain their growth, the longer-term financing that IFCT offers may be drawn on to fill the gap.

8. On the basis of our latest forecasts, IFCT is reasonably assured of adequate local currency resources until 1974-75. With respect to foreign currency resources, IFCT has already received two loans from ADB totaling US\$15 million and, in late 1970, expected during 1971 and 1972 to obtain foreign

currency loans from the Government of Thailand (in Japanese yen), KfW, the OECF of Japan and the Government of Denmark. To date IFCT has concluded arrangements for foreign currency loans with the Governments of Thailand and Denmark totaling US\$11 million.

9. During the Bank Group's 1971 Annual Meetings Mr. Somma asked us to consider a second Bank loan to IFCT of up to US\$15 million. An appraisal mission will be scheduled for April/May 1972, with consideration by the ED's planned for the first quarter of FY73.

THAILAND

Note on Capital Market Development

1. Although Thailand is predominantly agricultural, industrialization has begun to gather momentum. The contribution of industry to GNP has risen at an average rate of 9.9% (at constant prices) over the past five years. The Government has relied mainly on private initiative for industrial development and this has placed on the private sector the burden of financing. Pressures have grown for the development of a capital market to help in the financing process.
2. Private interests established the Bangkok Stock Exchange in 1962. Its growth has been slow and trading restricted. Before and since 1962 various initiatives have been taken by private enterprises, Thai, foreign and joint-venture, to engage in various financial activities in both the money and capital markets. It became apparent to some Thai officials that the continuance of unregulated growth of those activities carried inherent dangers.
3. In 1969 Mr. Puey Ungphakorn, then Governor of the Bank of Thailand, initiated moves for laying the basis of an orderly development of the Thai capital market. After consulting the Bank and on its recommendation, Mr. Puey invited Sidney M. Robbins, Professor of Finance of Columbia University, Graduate School of Business, to prepare a report on and make recommendations for the development of the capital market. The Robbins Report, which was well received in Thailand, was completed in March 1970. The Report recommended, inter alia, a program of work for an official Working Group which would provide the impetus in bringing about changes in a number of related fields: company law, fiscal measures, accounting requirements, the reorganization of the Bangkok Stock Exchange and the supply of and demand for stock.
4. Under Mr. Puey's energetic guidance a Working Group was set up in the Bank of Thailand, which was intended to initiate and coordinate the work envisaged. Since Mr. Puey ceased (in the fall of 1970) to be active in BoT, the Working Group appears to have lost momentum. Mr. Sommai expressed his concern to us during the General Meetings, and invited IFC to send a mission to Thailand. Mr. Sommai believed the advice and guidance of such a mission would be helpful while plans were still in a formative stage. He also thought an incidental effect of the mission would be to revive in the Government a sense of urgency. IFC has expressed willingness to help, within the limits of staff resources, once it knows more precisely what its mission would be expected to accomplish.
5. In accordance with one of the recommendations of the Robbins Report a Securities Exchange Formation Committee was established. Mr. Sommai was appointed its Chairman. Given his interest in the development of a capital market and his standing and influence with the Government and the Bank of Thailand, discussion with him on measures to give a fresh impetus to the Working Group and on the part that IFCT might be able to play in the development of the capital market might be fruitful.

THE INDUSTRIAL FINANCE CORPORATION OF THAILAND (IFCT)

Biographical Note On
Mr. Sommai Hoontrakool, Director and General Manager

Mr. Sommai Hoontrakool, 54, was educated in Thailand and is Keio University, Tokyo. He also underwent training at the Bank of Japan. He speaks English and Japanese fluently.

Mr. Sommai's working career has been mainly with the Bank of Thailand (BoT) with which he has spent 25 years. He has worked in every important department of BoT, and is reputed to be a firm administrator and to have a comprehensive knowledge of central banking. Mr. Sommai was seconded by BoT to IFCT in June 1970. He was recently offered the Deputy Governorship of BoT but preferred to stay with IFCT for the present.

Mr. Sommai is cautious, competent and shrewd. He is less outgoing than many Thais and his decisions are reached slowly, and well before he announces them; but thereafter he acts on them firmly and effectively. He is receptive to advice from the Bank Group but does not abdicate to it his own judgment.

THAILAND

Development Assistance Group for Thailand (DAGT)

In 1962 on the initiative of the DAC (Paris), the Development Assistance Committee's Coordinating Group for Thailand (DAGT/Thailand), was established in Bangkok. The Coordinating Group was made up of representatives of embassies of countries who were members of DAC and Thai Government staff. Meetings were conducted at both the ambassadorial and working levels and were attended by the UN Resident Representative and by the IBRD resident mission representative up to 1965 when the mission was withdrawn.

The establishment of the Coordinating Group derived from the belief of DAC member countries that, given the multiplicity of donors in Thailand, coordination to meet priority needs and to avoid duplication of efforts was desirable. The original terms of reference of the Group provided that the members should address themselves in the immediate future to study of the present needs of Thailand for feasibility surveys, research studies, technical assistance and the stimulation of private investment. The results of the Group's deliberations would be reported regularly to their respective governments for consideration and subsequent discussion by the DAC.

In practice the work of the Group was confined to technical assistance questions and some coordination was probably achieved. However, the Group was too loosely organized to be very effective. These arrangements remained in effect until September 1969. During this period the Group:

- 1) published an annual compendium of technical assistance activities in Thailand;
- 2) produced a survey of technical assistance requirements for Southern Thailand;
- 3) jointly sponsored with the Thai Government a seminar on technical cooperation in the agricultural sector; and
- 4) served as forum for Government briefings on the Thai economy.

However, the matter of raising funds for specific projects remained outside the functions of the Group.

At the ambassadorial level meeting in September 1969, it was decided to review the Group's role, activities, name, membership and organization. A paper setting forth the results of this review was considered at a meeting of DAC in Paris in July 1970. Following that meeting the Coordinating Group was re-formed as the Development Assistance Group for Thailand (DAGT) and while it

would cooperate with DAC, it would no longer be an organ of DAC and members would be responsible only to their governments or organizations.

DAGT's main functions are to - 1) hear presentations of Thailand's economic development and planning and its foreign assistance requirements. In this connection the Group is not bound to consideration of technical assistance only - it has an interest in all aspects of foreign assistance to Thailand; 2) exchange information and documents about donor members aid programs; 3) arrange seminars with the object of bringing together experts in related fields; and 4) pursue sectoral or regional studies.

Membership of the Group is based on donor status rather than membership in DAC. The Bank has been invited to join the Group and is regularly represented at the Group's meetings by the Bank's Technical Liaison Officer for Mekong Basin affairs. Other UN agencies and organizations are invited on an ad hoc basis. Representatives of the Ford, Asia and Rockefeller Foundations are invited to meetings on a regular basis. Chairmanship of the Group at ambassadorial level rotates on an alphabetical basis among donor members and changes with each meeting (presently it is the Canadian Ambassador, Mr. Gordon Cox). Chairmanship of the working level group is held permanently by the UN Resident Representative (Mr. Thomas F. Power, Jr.) and secretarial facilities are provided by UNDP staff, Bangkok. The Group meets two to three times a year at ambassadorial level and about every two months at the working level. The Thai Government is represented by staff of the National Economic Development Board (NEDB) and the Department of Technical and Economic Cooperation (DTEC).

These new arrangements appear to work well under the guidance of Mr. Power. A working subcommittee on agriculture has been established under the FAO Regional Representative to act as a clearing house for information on technical assistance activities in the agricultural sector and to help ensure that priority needs are taken up expeditiously. A similar working subcommittee is proposed on industry if the agricultural subcommittee works satisfactorily.

The relationship of the Consultative Group (CG) for Thailand and DAGT was discussed at the meeting of the CG in Paris in September 1970. It was agreed that the CG meetings were the appropriate forum for discussions of economic performance and overall aid requirements while DAGT could provide a suitable forum for the exchange of information and improving the coordination of development assistance. The establishment of formal machinery to maintain this relationship was not considered necessary. It was pointed out that the responsibility for aid coordination rested with the Thai authorities since DAGT did not have an operational role.

Most members of DAGT feel that the Thai authorities have not been successful in aid coordination. Responsibility is shared by NEDB and DTEC; NEDB is responsible for overall planning and development policies including external aid requirements and DTEC is responsible for matching aid offers to

Thailand's requirements and negotiations with DAGT members other than the Bank. Since these two agencies prefer to operate independently, donors find it necessary to do a great deal of research and investigation to ensure that their aid programs are properly directed. Also, Thai officials do not appear to be convinced that Thailand would do better by coordinating its requests for aid rather than by shopping around and keeping donors somewhat in the dark about their intentions.

Economic Commission for Asia and The Far East (ECAFE)

Members

Afghanistan	Iran	Pakistan
Australia	Japan	Philippines
Burma	Republic of Korea	Singapore
Cambodia	Laos	Thailand
Ceylon	Malaysia	U.S.S.R
Republic of China	Mongolia	United Kingdom
France	Nepal	U.S.A.
India	Netherlands	Republic of Viet-Nam
Indonesia	New Zealand	Western Samoa

Associate Members

Burma	Fiji	Hong Kong
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Other States

Austria	Czechoslovakia	Italy
Belgium	F.R. Germany	Saudi Arabia
Brazil	Hungary	Sweden
Canada	Israel	Yugoslavia

1. ECAFE, founded in 1947 and one of the four regional Commissions of ECOSOC, seeks to promote regional cooperation in all possible areas, from river basin development, transport and telecommunications, to joint-venture industries and trade. ECAFE compiles and analyses statistics; prepares economic surveys and studies; organizes seminars, working parties and study tours; and provides advisory services to governments at their request. Although ECAFE does not itself distribute capital aid, it has helped set up and attract funds for regional projects that, in turn, provide development assistance. The Asian Development Bank, for example, grew out of an ECAFE decision on the need for a source of additional capital.

2. ECAFE has convened a number of ministerial conferences. The Third Ministerial Conference on Asian Economic Cooperation in 1968 decided that it would henceforth serve as the Council of Ministers for Asian Economic Cooperation and called for "a strategy of integrated regional cooperation" and a series of specific steps. In follow-up action, "national units" were appointed by member governments and a special task force was set up in the ECAFE secretariat.

3. The ECAFE secretariat carries out an annual Economic Survey of Asia and the Far East. An example of regional cooperation is the establishment of the Asian Coconut Community - the first association of Asian producers organized on a commodity basis - which was formally inaugurated under ECAFE auspices in September 1969. Trade Promotion Centre, established in 1968, organizes training courses, offers advisory services to governments and aids in national and international exhibitions designed to stimulate commerce. The

First and Second International Trade Fairs (Bangkok, Thailand, 1966 and Teheran, Iran, 1969) were held with ECAFE support. ECAFE's Centre for Shipping Information and Advisory Services, set up in 1967, aids governments with problems such as freight rates, establishment of shippers' councils, development of merchant marines, and other steps designed to reduce export costs. The Centre for Commercial Arbitration has drawn up standards in this field and carries out research intended to improve arbitral facilities and practices in the ECAFE region.

4. Industrial guidance is provided by the Asian Industrial Development Council (AIDC) and ECAFE's Committee on Industry and Natural Resources, which also has a work programme in mineral and energy resources development and housing. The Committee for Coordination of Joint Prospecting for Mineral Resources in Asian Offshore Areas (CCOP), set up in 1966, seeks to promote and coordinate exploration in the Western Pacific region. A geophysical survey conducted in the East China Sea and Yellow Sea has indicated that the shallow sea floor between Japan and the Republic of China may contain one of the most prolific oil reservoirs in the world. Plans for a similar co-ordinating body for offshore prospecting in the Indian Ocean area are under consideration.

5. A Joint Unit on Typhoons was set up by ECAFE and the World Meteorological Organization (WMO) in 1968 to help in the task of minimizing the damage caused by typhoons and associated floods in the region. Under the auspices of ECAFE's Water Resources Consulting Group, organized in 1967, groups of experts from donor countries have provided advisory services relating to water conservation and development. Problems of agriculture are dealt with by a Joint ECAFE/FAO Agriculture Division. Activities include studies in these fields, meetings of expert groups, and advisory aid to governments.

6. As part of its efforts to help member countries expand transport facilities, ECAFE is seeking a Trans-Asian Rail Network to provide greater uniformity of services in Asia and permit links with Europe and Africa. The network proposed, from Istanbul to Singapore, would total about 14,000 km. ECAFE's Port Information and Advisory Centre offers technical assistance with port-facilities problems. A joint unit of ECAFE and the International Telecommunications Union (ITU) is stressing efforts to improve telecommunications services in the region, upgrade technological training, and assist with the introduction of satellite communication in the area.

7. As a new activity, the ECAFE secretariat in 1969 published its first issue of the Statistical Yearbook for Asia and the Far East. Other activities include compilation of statistics in specific fields, aid to governments with statistical problems, and servicing of the Conference of Asian Statisticians. As an outgrowth of an ECAFE resolution adopted in 1967, the Asian Statistical Institute for training and research was opened in Tokyo in 1969 as an undertaking of governments in the region and the United Nations Development Programme (UNDP). A new Population Division was established in the ECAFE secretariat in 1969 as a step towards an expanded Asian Population Programme designed to increase regional assistance to national efforts in this field. ECAFE is expanding its social programmes and in 1969 set up a Working Party on Social Development for the ECAFE Region which will meet once every two years. A review of social trends and developments in the ECAFE region is being made as part of a world survey to be issued by the United Nations in 1971.

Advisory missions in social development planning, social work and community development training have been provided.

8. Three larger-scale projects initiated under ECAFE auspices and now receiving UNDP aid have separate budgets - Asian Highway project, Asian Institute for Economic Development and Planning and the Mekong project (see separate brief). The Asian Highway project, approved by ECAFE in 1959, calls for a network of 60,000 km. covering 12 countries. During the first United Nations Development Decade, ending 1970, efforts have been concentrated on establishing at least one through route from west to east, with connections to all other countries not served by that route. Route A-1, from Iran to the Republic of Viet-Nam (10,800 km), considered one of the most important routes, was 93 percent complete by late 1969. As for the entire network, 83 percent is now motorable in all weather. Work on the project is guided by the Asian Highway Coordinating Committee, composed of representatives at ministerial level from member countries, which held its first meeting in April 1965. An Asian Highway Transport Technical Bureau, set up within ECAFE and aided by the UNDP, seeks to assist member countries in the project and to carry out recommendations of the Coordinating Committee.

9. The Asian Institute for Economic Development and Planning, established in 1964, provides training, on a regional basis, for personnel engaged in economic and social development programmes in Asia. It also serves as a development staff college for senior executives of governments and private industry in the ECAFE region. By September 1969, the Institute had trained more than 1,000 fellows of the ECAFE region, either in Bangkok or in "country courses" in Ceylon, China (Taiwan), Indonesia, Iran, Nepal, Philippines, Republic of Korea, Singapore and Thailand. A research wing carries out studies of the problems, possibilities and techniques of economic and social development in the region. The Institute works as an autonomous institution under the aegis of ECAFE with support from the UNDP and participating governments, and with the co-operation of several United Nations specialized agencies, other international organizations and foundations. The management is vested in a Governing Council of which the Executive Secretary of ECAFE is Chairman ex-officio.

10. For 1969, ECAFE's regular annual budget totalled US\$4.9 million. This sum (which forms part of the regular budget of the United Nations in the economic and social field) was supplemented by technical assistance funds, as well as certain funds from governments and institutions. In 1969 the work of ECAFE proper was carried out by a staff of some 150 professionals and 270 general service employees whose posts were financed from the regular budget, plus 28 regional advisors and supporting staff members paid from technical assistance sources. Other staff members serve in the Mekong Office, the Asian Institute for Economic Development and Planning, and the Asian Highway Transport Technical Bureau (which have separate budgets). Overall, the staff members came from 39 countries in 1969.

11. Bank representatives normally attend ECAFE Sessions as observers, as well as other ECAFE-sponsored meetings of relevance to the Bank, e.g. the Seminar on Development and Environment August 1971 in Bangkok. EDI staff participate from time to time in teaching courses organized by the Asian Institute for Economic Development and Planning.

THAILAND - PORT DEVELOPMENT

Third Bangkok Port Project (Klong Toey) - Loan 702-TH

1. The port of Bangkok is the largest of Thailand's 22 ports, and except for crude oil, handles 95% of the country's imports and 80% of its exports. Crude oil is imported at Sriracha, about 100 km southeast of Bangkok. Military cargo, mostly in container form, is imported at Sattahip about 170 km southeast of Bangkok. The Port Authority of Thailand is entrusted with the administration of the port of Bangkok at Klong Toi, and is responsible for dredging and maintaining the navigation channel from Bangkok to the Gulf of Thailand. PAT is an autonomous Government organization responsible to the Ministries of Finance and Communications, and its capital budget is subject to the approval of the Cabinet. It is managed by a Board of Commissioners and a full time director. The Government has agreed to appoint a Commissioner from the commercial sector to the Board. PAT is well able to carry out the project, and has agreed to retain consultants to assist it in areas where such help would be useful.
2. Between 1951 and 1965, import tonnages at Klong Toi grew at an annual rate of about 6% per year. Between 1965 and 1967, there was a rapid increase in tonnage handled, but it has since remained almost constant. It is projected that traffic will grow at about 2.5% per year until 1973, and then attain its pre-1965 growth rate of about 6%. The port of Bangkok also handles imports to Laos, which amounted to 52,000 tons in 1969, and which are expected to increase at an annual rate of 8%.
3. Exports from Bangkok consisting mostly of rice and other agricultural products, amounted to five million tons in 1969, handled by lighters in the rivers or from silos. Export cargo loaded from the port wharves amounted to only 33,000 tons and consisted mostly of livestock, wood and general cargo. It has been assumed that exports will increase at an annual rate of 15% for some time to come.
4. The expansion of Bangkok is urgently required. Because of congestion at the port, the shipping lines serving the port imposed surcharges in 1967 which cost Thailand almost \$4 million in the six peak months of 1967 alone. Various short-term measures were taken to reduce congestion, and by 1968, the surcharges had gradually been removed. None of the measures taken, however, added any physical capacity to the port. At present traffic has again reached the 1967 level even though military traffic has been diverted to the port of Sattahip on the Gulf of Thailand.
5. During the Thai fiscal year ending September 30, 1969, about 1,900 general cargo vessels called at Bangkok and discharged some 2,260,000 tons of cargo, most of which was handled at the Klong Toi wharves. However, because of congestion some 150,000 tons were diverted to private wharves on the Chao Phya River and another 190,000 tons were unloaded at midstream anchorages, into lighters.

6. The proposed project forms part of PAT's development program for 1970-1975, and consists of the construction of four deep-water berths and two lighterage berths, two transit sheds and ancillary works; technical assistance of experts in dredging (Sir William Halcrow & Partners) and in accounting (Cooper and Lybrand, Ltd.); and consultants' services for engineering and supervision during construction (NEDECO) and for a review of PAT's cargo handling methods (W. D. Scott Pty. Ltd). The total estimated cost of the project is about \$21 million, of which the proposed loan of \$12.5 million would cover the foreign exchange component, estimated at 60% of total costs. In addition to the proposed project, PAT plans expenditures totalling about \$23 million on such items as the improvement of roads within the port, extension of sheds, the purchase of cargo handling equipment and harbor craft, offices and staff quarters.

7. Construction of four deep-water berths and two lighterage berths, with ancillary facilities, will solve Thailand's immediate port expansion requirements. PAT had originally requested financing for a project comprising six deep-water berths and related facilities. The Bank's appraisal revealed that at this stage construction of four deep-water berths was the most economical alternative. PAT has agreed to employ management consultants to undertake a study of cargo handling methods with a view to increasing the productivity of wharf labor. Better cargo handling methods are likely to result in an increase in productivity which would achieve about the same benefit as having two additional deep-water berths, without incurring the cost of their construction at this time. Further expansion may, however, be required in the late 1970's, depending upon the growth of traffic at Klong Toi and on port development schemes elsewhere in Thailand now under consideration by the Government.

8. Being a river port, Long Toi is dependent on the maintenance of an unobstructed channel in the Chao Phaya River for access to the Gulf of Thailand. Heavy monsoon rains cause siltation in the river, and constant dredging is required to maintain a navigable channel. PAT has agreed to employ a dredging expert to assist it in improving dredging operations.

9. PAT also agreed to employ an accounting expert to assist it in improving accounting procedures, with particular reference to improving its cost accounting system. An effective cost accounting system will enable PAT to levy charges in line with the cost of the services it provides.

10. PAT's financial position is sound, and its debt/equity ratio is satisfactory. PAT, which is authorized to set rates within ranges determined by the Council of Ministers, has agreed to take such action as may be necessary to maintain a rate of return of not less than 8% on the net value of fixed assets in operation. For purposes of debt control, PAT agreed that it would not incur any debt unless its net cash revenue for a given 12-month period was at least one and three quarters times the maximum debt service requirement in any succeeding fiscal year. At present, PAT has no other requests for loans pending, and its debt/equity ratio will be 18/82 in 1973 and 1974, thereafter improving to 16/84 when repayments of the proposed loan begin. In practice, the proposed debt control measures would cause PAT no difficulty in borrowing additional funds within reasonable limits.

11. Bids for the main civil works contract have been evaluated by PAT and PAT's recommendation for award is being reviewed in the Bank. The low bidders are Penta Corporation (Japan) and Mowlem (joint venture UK, Germany and Thailand).

12. A summary of the Loan and Project is attached.

Summary of Loan and Project

Borrower: Port Authority of Thailand (PAT).

Guarantor: Kingdom of Thailand.

Amount: In various currencies equivalent to US\$12.5 million.

Purpose: To help finance the construction, at the port of Bangkok, of four deep-water berths, two lighterage berths, two transit sheds and related works; technical assistance for dredging operations and accounting; and consultants' services.

Amortization: In 20 years including a four-year period of grace, through semi-annual installments beginning September 15, 1974 and ending March 15, 1990.

Interest: 7% per annum.

Commitment Charge: 3/4% of 1% per annum.

Internal Rate of Return: 20%

THAILAND

Bangkok's Urban Problems and Prospects

1. Thailand's urban development is largely synonymous with Bangkok. It has grown rapidly from 1.7 million in 1960 to 2.9 million in 1970. There are no large secondary cities in Thailand. The dominance of Bangkok is more than population alone. It is the residence of the King, the seat of government and all government functions are concentrated there. It is the main port, the center of finance and commerce, and most of Thailand's manufacturing industry is located in the Bangkok area. It has amenities no other city in Thailand can offer, and the average income of its inhabitants is considerably higher than that of the rest of the country. Per capita GDP in Bangkok was estimated at the equivalent of about \$500 in 1968, when the average rate for the whole country, including Bangkok, was \$170.
2. Bangkok has not developed in recent years according to any plan. Its rapid growth in both population and income has contributed to the strain on public services familiar to many cities throughout the world. At the same time traffic congestion clearly threatens to seriously impair the functioning of the city. Compounding the problems of utilities and traffic has been the uncontrolled nature of the city's growth. There is no control over land use, neither on what the land is used for, nor indeed whether it is developed at all. This has resulted in development along the larger roads, pockets of under-developed land throughout large parts of the city, and difficulty in predicting traffic generation and demands on utility services.
3. In 1960 a city plan was prepared by a group of consultants (the "Litchfield Plan"). It proposed measures to deal with many of the city's problems in the context of an overall view of the city. It proposed a system of controls over land use in order to give coherence and order to the city's future growth. This approach represented a very radical change from the accepted Thai views and the situation did not seem sufficiently serious to the Government to warrant such a change. As a consequence, the Plan was not formally approved, and in practice had little impact on the city, its growth or the handling of its problems. It did, however, have some influence on the thinking about the city and resulted in the establishment of a city planning organization in the Ministry of Interior. Following the earlier approach a new city plan was recently prepared by this organization and another by the Bangkok Municipality. Neither had yet received the government's approval necessary for implementation.
4. Basic tools required for application of conventional city planning practices are not yet available. It is proposed to remedy this deficiency during the Plan period. In the meanwhile, much could be done by using land in the city already owned by the government or the crown, estimated to be about 36% of the city area, which would be consistent with the rational development of the city. An alternative to zoning control in some cases may be the purchase and development of land by a government entity itself. More attention to the stimulation of housing development would seem justified. This might consist of improvements in the system of financing home construction and purchase of houses, plus a broad public program fitted to the needs of the

of the low income families. The latter should not be confined to highly subsidized rental flats but should also include a range of programs such as providing sites and services for families to construct their own dwellings.

5. Under the Third Plan, $\text{฿} 2,522$ million baht is allocated for urban development in Bangkok, including $\text{฿} 1,210$ million for water supply.^{1/} This is in addition to investments that may be included in the normal municipal budgets during this period. Other planned public expenditures for utilities serving Bangkok are electric power, $\text{฿} 6,600$ million,^{2/} telephones, $\text{฿} 1,840$ million and urban highways, $\text{฿} 1,400$ million. Considering the present stage of project preparation, the investment program seems reasonable. However, in the mission's view particular efforts need be focused on strengthening institutions and preparing projects which would enable an increase in the share of neglected investments, such as low-cost housing, sewerage and drainage. Some efforts are already underway, but they need to be expedited. Around half of the investments in these programs is in foreign exchange, and would require external loans. IBRD has indicated willingness to assist in financing the water program contingent on improvements in administration and increase in rates; it expects to finance about $\text{฿} 1,000$ million of the foreign exchange requirements of the electric power program of EGAT, and it has been approached to help finance the telephone program, both serving mainly the Bangkok area.

6. A conscious effort to develop other urban centers is desirable. The effect on Bangkok's growth cannot be expected to be noticeable in the short run, although there might be some effect on congestion if some heavy traffic creating functions are shifted; however, the long run effect might be substantial. Particular priority should be attached to the development of a new deep-water port. A new port would provide a basis for eventually diverting both traffic and urban growth from the Bangkok area at the same time as port efficiency is increased. Selected up-country cities should also receive particular attention with respect to urban infrastructure and particularly in the establishment of industry or other employment centers; e.g., forestry to the forest area, fisheries to the sea coast, military and police units to other cities. The city planning effort should not be confined to Bangkok's municipal boundaries, but should also include the future development of nearby urban areas. The proposal to develop a new town north of Bangkok is in an early stage. It might be developed into a feasible project.

<u>1/</u> Other investments included:	roads	$\text{฿} 550$ million
	drainage & sewerage	$\text{฿} 330$ "
	bridges	$\text{฿} 240$ "
	public housing	$\text{฿} 187$ "

2/ $\text{฿} 1,480$ million is the program of the Metropolitan Electricity Authority (MEA) and $\text{฿} 5,120$ million represents 70% of the program of the Electricity Generating Authority of Thailand (EGAT) to be used to supply Bangkok.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Douglas J. Fontein
SUBJECT: Thailand - Kasetsart University Project

DATE: October 29, 1971

I understand from Mr. Cope that you requested a note setting forth the reasons why this project has been delayed.

This project was appraised in October 1970. The project is complicated in that it involves the transfer of all agriculture-related faculties to a rural campus about 80 km from Bangkok where the present campus is located. As a consequence there has been much discussion with the University over the project content and the timing of various phases of the development of the new campus. However, these difficulties had been resolved by July when the Loan Committee agreed that negotiations should begin. The invitation to negotiate was sent in August with the proviso that presentation of the proposed loan to the Executive Directors would be dependent on the Government obtaining legislation to borrow from the Bank, which the Government had advised us was expected the 1st of October to coincide with the start of the Third Plan.

The need for new or amended legislation goes back to August, 1970 when the Bank's interest rate on loans was increased from 7% to 7 $\frac{1}{2}$ %. The legislation in effect at that time empowered the Government to borrow at a maximum of 7%. Despite persistent representations by the Bank the Government was unwilling to seek authorization to borrow at the higher rate and in the event the legislation lapsed at the end of the Second Plan, September 30, 1971. New borrowing legislation was introduced to Parliament in late August, 1971 but has made little headway.

During the Annual Meeting the Minister of Finance advised us that it was most unlikely that the borrowing legislation would be enacted before the end of the year. The reason given was that Parliament was unwilling to act on this matter until it had had an opportunity to consider the content and foreign exchange financing requirements of the Third Plan. The Minister said that he would like to have the Bank's economic report commenting on the Third Plan to support the Government's borrowing legislation. (The preliminary draft report will be discussed in Thailand by the principal authors next month and the final report should be ready for distribution in December.) The Minister asked that in the circumstances negotiation of the proposed Kasetsart loan be postponed to early 1972. As a result it will be necessary to update the Kasetsart University Project appraisal report and the mission from Education Projects Department which is tentatively scheduled to visit Thailand in late November or early December to discuss the education sector plan review will undertake this task.

In the meantime the University is proceeding to recruit campus planners and architects so that construction can begin as soon as possible after the proposed loan is approved.

THAILAND

Bank Operations

Current Operations

1. The Bank has extended 22 loans but no IDA credits to Thailand. Total Bank lending amounts to \$393.9 million equivalent, of which \$32.2 million has been cancelled. The greater part of Bank assistance to Thailand has been for transportation (\$154 million), irrigation (\$69 million), power (\$64 million), and for a multipurpose power/irrigation project (\$66 million). Other loans have been made for education and industry.

2. The following summary statement shows the position of Bank operations in Thailand as of September 30, 1971:

<u>Loan No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount Bank</u>	<u>(US \$ million) Undisbursed</u>
Fifteen loans fully disbursed:				186.5	-0-
455-TH	1966	Kingdom of Thailand	National Highways	32.2	3.4
471-TH	1966	Kingdom of Thailand	Vocational Education	6.0	1.5
514-TH	1967	Kingdom of Thailand	Sirikit Dam Irrigation	26.0	2.6
535-TH	1968	Kingdom of Thailand	National Highways	29.0	8.7
626-TH	1969	Kingdom of Thailand	National Highways	23.0	15.2
655-TH	1970	E.G.A.T.	Power	46.5	40.1
702-TH	1970	Port Authority of Thailand	Ports	<u>12.5</u>	<u>12.5</u>
Total (less cancellations) of which has been repaid				361.7 <u>76.5</u>	
Total now outstanding				285.2	
Amount sold of which has been repaid			60.2 a/ <u>15.8</u>	<u>44.4</u>	
Total now held by Bank				<u>240.8</u>	
Total undisbursed					<u>82.0</u>

a/ Of which \$41 million sold to the Bank of Thailand.

3. Generally, Bank-financed projects have been carried out well, particularly in the power sector. As a result of unsatisfactory bidding for tools and scientific equipment when these items were first tendered, the Closing

Date of Loan 471-TH (Vocational Education Project) has been postponed a second time to allow rebidding; the first postponement was necessary due to delays in appointing experts under bilateral assistance. The Closing Date of Loan 455-TH (Second Highway Project) has recently been postponed to allow the Department of Highways to settle contractor's claims and to continue paying for the services of engineering advisers pending the Bank's consideration of a proposed fifth highway loan. The Third and Fourth Highway Projects being financed under Loans 535-TH and 626-TH are proceeding satisfactorily. Construction of the Sirikit Dam Project (Loan 514-TH) is on schedule. There have been no significant disbursements under Loan 655-TH (South Bangkok Unit No. 3 and Sirikit Dam Units No. 1 and 2) pending the shipment of equipment. Disbursements under Loan 702-TH (Third Bangkok Port Project) of August, 1970, have been slow to begin due to delays in awarding the main civil works contract; the contract is expected to be let this month.

Proposed Bank Operations

4. The scope and amount of Bank lending during the next five years will be influenced by the ability of the Government to prepare suitable projects particularly in the agricultural and education sectors (see memorandum on Resident mission), the amount of financing on terms more favorable than the Bank's which might be provided under bilateral programs, particularly from Japan and the US, and from ADB's Special Funds, the Government's success in organizing and coordinating its aid requirements and in the short run the Government obtaining new legislative authority to borrow abroad (the Government's authority lapsed on September 30, 1971 at the end of the Second Plan. Legislation authorizing the Government to borrow \$600 million during the Third Plan 1972-1976 has been introduced to Parliament but approval seems unlikely before the end of this year. The Government is anxious to have the Bank's economic report, now being prepared, which will include a review of the Third Plan to support the borrowing legislation).

5. For the reasons mentioned above and as the result of the extensive economic review in July/August, the lending program considered at the time of the last CPP review in September 1970 has been considerably revised. The next CPP will reflect these changes and the results of discussions with the Government. Attached are tables showing past operations and our present thinking on lending in Thailand.

6. Of the five loans proposed for FY 1971 only the loan of \$12.5 million for the expansion of Klong Toey port was completed. The pioneer agricultural projects (together \$3.0 million) were deferred by the Government and one of these, the Lam Pao Irrigation Project, is being re-designed as a Northeast Crop Improvement Project. It has been moved to FY 1973. Negotiations of the Kasetsart University project (increased from \$10 million to \$13.5 million after appraisal) has been put off, at the Government's request to early 1972, because of the lack of borrowing authority. The

project is being retained in our FY 1972 program and scheduled for March 1972. The Highways V project (\$25 million) was appraised in October 1970 but was found to be inadequately prepared and the appraisal is now being completed. The project is scheduled for FY 1972. The proposed loan of \$27 million for the 4th Unit South Bangkok Station (originally \$25 million) was postponed at the request of EGAT, and will be considered by the Executive Directors on October 26, 1971. If approved it is proposed that the loan and guarantee agreements be signed in Bangkok during your visit.

7. FY 1972 - As a consequence of the Third Plan's emphasis on rain-fed crops the Pitsamuloke Irrigation Project (\$27 million) is no longer included and has been dropped from the program. The loan of \$5 million for the Industrial Finance Corporation (IFCT) of Thailand has been moved to FY 1973 at IFCT's request as IFCT has been able to obtain other foreign exchange resources on favorable terms and has been increased to \$10 million. The Education Unidentified I (\$10 million) has been moved to FY 1973 following the findings of the recent economic mission that the project would need to be extensively reformulated. The Telecommunications I (\$15 million) has been postponed to FY 1973 because of delays in approving the Telephone Organization of Thailand's investment program. On the basis of revised cost estimates the proposed loan has been increased to \$30 million but the amount of Bank financing required is uncertain because more favorable financing may be available from other sources (Japan) and because ADB may wish to participate. The Bangkok Water Supply project (\$15 million) has been postponed at the Government's request. The Government requested ADB to consider financing a first phase water supply project comprising water meters, improvements to the distribution system and consultant services to prepare a larger second phase project. However, ADB may not be willing to consider the first phase project. Pending ADB's decision the project has been postponed to FY 1976. As a result of these adjustments, the FY 1972 lending program is expected to comprise three projects, Kasetsart University, Unit 4 South Bangkok Power Station and Highways V, requiring loans totalling about \$65.5 million.

8. The FY 1973 lending program includes the following projects carried forward from FY 1971 and FY 1972 - Northeast Crop Improvement now estimated at \$4 million, IFCT (\$15 million), Education Unidentified (\$10 million), Telecommunications (\$30 million). In addition, the Agricultural Credit Project, originally \$5 million, may be increased to \$12 million. It is proposed that loan funds be made available for a variety of agricultural activities, associated with the development of rainfed farming, through the Bank of Thailand for on-lending to the Bank of Agriculture and Agricultural Co-operatives and commercial banks. (This project is not included in the Agricultural Projects Department FY 1973 program.) Also, subject to the findings of the transportation sector review mission a loan of about \$18 million is proposed for a Railway Project. However, since the bulk of this project will be the procurement of some 54 diesel locomotives for which financing on favorable terms may be available, the amount of the loan is uncertain. Total lending in FY 1973 might amount to \$89 million for 6 projects.

The Chao Phya Irrigation Improvement project has been slipped to FY 1974, as have the Agriculture Unidentified I, Highways VI, Port Unidentified and EGAT Quai Yai Dam and hydropower. The Seed Multiplication Project has been moved to FY 1975.

9. The program for FY 1974 would include the following projects from FY 1973 - Chao Phya Irrigation (\$5 million) depending on the progress made in multi-cropping under irrigation, Agriculture Unidentified I livestock development (\$5 million), Highways VI (\$30 million) probably with a major feeder road component, Port Unidentified (\$5 million) depending on the Government's decision about the future of Sattahip and the Quai Yai Dam and hydropower (\$25 million) subject to the survey now in progress finding that the geological conditions at the site are satisfactory. The program may also include Agriculture Unidentified II, forestry (\$10 million) and an Industrial Estates Project (\$6 million). Other projects originally included for FY 1974 would be dropped or rescheduled for later years. Total lending in FY 1974 might total \$86 million for seven projects.

10. Few of the projects listed for FY 1973 and none thereafter have been reviewed with the Government and the projects after 1974 are quite uncertain at this stage. The program for FY 1975 and FY 1976 must be considered highly tentative. Total lending for the period 1972-1976 might amount to about \$355 million for 25 projects.

Population : 36.2 million
 Per capita : GNP:\$180

Thailand - 5-Year Lending Program

(Proposed)

(\$ million)

		1972	1973	1974	1975	1976	Total 1972-1976
Northeast Crop Improvement	IBRD		4.0				
Agricultural Credit	IBRD		12.0				
Chao Phya Irrigation Dev.	IBRD			5.0			
Agriculture Unidentified I (livestock)	IBRD			5.0			
Agriculture Unidentified II (forestry)	IBRD			10.0			
Fisheries	IBRD					5.0	
Seed Multiplication	IBRD				5.0		
Telecommunications I	IBRD		30.0				
Telecommunications II	IBRD				10.0		
DFC - IFCT II	IBRD		10.0				
DFC - IFCT III	IBRD				15.0		
Kasetsart University	IBRD	13.5					
Education Unidentified I	IBRD		10.0				
Education Unidentified II	IBRD				15.0		
Industrial Estates	IBRD			6.0			
Power - S. Bangkok Unit 4	IBRD	27.0					
Quai Yai Dam & Power	IBRD			25.0			
Highways V	IBRD	25.0					
Highways VI	IBRD			30.0			
Highways VII	IBRD					25.0	
Port Unidentified	IBRD			5.0			
Port Deepwater	IBRD					20.0	
Railways	IBRD		18.0				
Urban Transport	IBRD				10.0		
Bangkok Water Supply	IBRD					15.0	
	IBRD	<u>65.5</u>	<u>84.0</u>	<u>86.0</u>	<u>55.0</u>	<u>65.0</u>	<u>355.5</u>
		3	6	7	5	4	25

IBRD Loans Outstanding - not available
 (including undisbursed)

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 18, 1971

FROM: Raymond J. Goodman *RJG*SUBJECT: Your Trip to East Asia - Brief on Proposal for Resident Mission in Bangkok.

1. During your talks in East Asia you may wish to mention the proposal to establish a resident mission in Bangkok, which I understand is acceptable to you in principle. After our return from Asia I will put up a detailed proposal, in the light of your own conclusions as to the nature and functions of such a mission. Meanwhile, the following notes outline what I presently have in mind, based on discussions with the Directors of the Agriculture and Special Projects Departments and the Deputy Director of EDI. Messrs. Knapp, Shoaib and Demuth have seen these notes in draft and are in general agreement.

2. The proposal is for a regional mission, but with particular concern for Thailand during the initial phase in view of the special problems mentioned below. However, members of projects departments assigned to the mission would from the start assist in project supervision in other countries of the area. When the mission was firmly established and staffed, all members would gradually extend their activities to neighbouring countries, particularly Malaysia and the Philippines.

3. Conditions in East Asia are changing very rapidly and I feel more than ever the need to devolve on resident staff some of the responsibility for keeping the Bank informed of political and economic developments in the area and representing us to the authorities there. The mission would, of course, embrace the duties presently allotted to the Bank's resident representative for Mekong affairs, which would give the mission a direct link with the four Mekong countries. It would also act as the Bank's liaison with ECAFE and the regional offices of other international agencies, many of which are located in Bangkok. It would keep in touch with the UNDP Resident Directors in countries of the area, and with the ADB.

Outline for Thailand

4. It has been clear for some time that after a number of years of rapid growth Thailand's economy has begun to slow down. This slowdown has brought to the surface a number of serious problems which had been obscured by the benefits derived from US military expenditures in Southeast Asia and the high level of earnings from rice sales brought about by the partial or complete absence of other supplies such as those from Burma in the 1960's. With the steady shrinking of these sources of income large deficits have begun to appear not only in the balance of payments but also in the budget.

5. The Thai authorities generally recognize that these changing conditions call for new and more effective policies, but there is little sign yet of such policies emerging. While Thailand in principle has a highly centralized form of government, in practice direction of economic affairs is weak. Over-lapping responsibilities and a lack of coordination among ministries and agencies have long been a feature of government in Thailand, but in the conditions that obtained until recently this has not prevented growth, although it has done little to correct the imbalance among regions and economic groups.

6. The lack of coordination in government has also adversely affected the Government's ability to identify, prepare and implement investment programs and projects, for lack of which the Third Five-Year Plan (October 1, 1971 - September 30, 1976) is still only a strategic sketch. As a result Thailand will have considerable difficulty in attracting the amount of external capital needed to help finance the high level of public investment called for in the Plan. This lack of specific content is a serious constraint not only on Bank lending in the priority sectors but also for others such as the Asian Development Bank and the US and Japanese aid agencies which have indicated their interest in substantially increasing their lending to Thailand, some of it on quite favorable terms, if suitable projects can be found.

7. I do not believe that the Bank is likely to be able, at least in the short run, to bring much influence to bear directly on the general problem of poor Government coordination. However, we can help the Thais resolve particular problems of co-ordination that stand in the way of formulating effective policies (e.g. for diversifying exports), deciding among alternative investments in the priority sectors, developing a pipeline of projects suitable for external financing by the Bank and other lenders, and strengthening the agencies responsible for carrying out development programs. This approach would require the active support of the Government, and I believe they are ready and anxious to co-operate with us fully on such a work program. Our contribution could not be provided effectively by visiting missions and requires a locally based Bank Staff in constant touch with the key ministries and agencies.

8. It is not possible to prescribe in any detail the functions to be performed by the mission. Essentially this will depend on the quality of the relationships between the mission members, and particularly the chief of mission, and the Thai authorities. I should hope that they would become as close as those between the Indonesian economic team and our resident mission in Djakarta. The conditions in Thailand and Indonesia are very different, but they have at least one feature in common, namely that economic affairs are the concern of relatively few ministers and senior officials so that it is possible for a small group of Bank people to wield an influence out of proportion to their numbers. However, as mentioned earlier, this influence is likely to be more effective if brought to bear on the solution of particular developmental problems than by a frontal attack on the problem of governmental coordination.

9. The Chief of Mission should be a man of substantial experience and standing who would be able to deal effectively with and gain the confidence of the policy-making Thai officials. He will need the assistance of two principal staff members, one on the economic and the other on the operational side; their level would depend on his own professional background. In addition he should be supported by sectoral experts, initially perhaps in the fields of agriculture and education which are most in need of the kind of assistance described. A nucleus staff for these purposes might consist of a senior agricultural economist assisted by an agriculturalist with wide experience in project preparation, and an education planner. Depending on the findings of the transport sector review mission now in Thailand, it may be necessary to consider providing help in the allocation of resources among competing modes of transportation.

10. Mr. D. G. Reese, who arrives in Bangkok later this month as the Bank's Mekong Representative in Bangkok, could be appointed to the position of senior agricultural economist and his terms of reference broadened for this purpose. Both Mr. Evans and Mr. Sadove agree with this. It will take more time to fill the other two positions. Mr. Evans and Mr. Ballantine have indicated that they would look to members of their departments assigned to the resident mission to assist in project supervision in Thailand and in some of the neighbouring countries.

11. In addition to providing assistance in project preparation, it would be desirable to increase our efforts to help train officials in the appropriate ministries and agencies in sectoral planning and project selection and preparation. In this connection, EDI is prepared to consider organizing an agricultural projects course to be held in Thailand in January-February 1973 for about 25 persons, the majority of whom would be Thais. EDI expects to invite Thailand to nominate a team of up to four persons concerned with agricultural project formulation to attend the Agricultural Projects Course in Washington in May-June 1972. If these men are accepted, EDI feels it would be desirable to secure their help with the 1973 course in Bangkok by asking one or two of the team members to prepare lectures and case studies drawing extensively on what they learned in Washington and applying it to the Thai situation. EDI would not expect to station a staff member permanently in Bangkok but would look to the resident mission to assist in organizing the course and acting as a base for visiting staff from the EDI. As the EDI has a policy of cooperating on courses offered in Asia with the Asian Institute for Economic and Social Development (which is based in Bangkok but which is soon to move to Singapore), EDI would want to coordinate its plans with the Asian Institute.

12. In summary, I have in mind an initial "establishment" of six professional staff, to be assigned as soon as suitable candidates can be found:-

Chief of Mission

General Economist	Agricultural Economist
Loan Officer	Agriculturalist
	Education Planner

October 18, 1971

The three project department members would look to their respective departments for technical guidance, under the general supervision of the Chief of Mission. The mission as such would report to the Area Department which would consult with other departments concerned in the assignment of tasks and determination of priorities. However, the mission would be given considerable autonomy in practice and expected to use initiative in identifying and pursuing problems falling within its general terms of reference.

cc: Messrs Knapp
Shoib
Demuth

Messrs Ballantine
R. A. Clarke
Evans
Knox
Krishnaswamy
Sadove

RJGoodman/am

THAILAND

IFC Brief - November 1971

(Baht 20.8 = US\$ 1)

I. Membership

Thailand became a member of IFC on December 3, 1956. Its subscription to IFC capital stock is \$139,000 (1.3% of total) and its number of votes is 389 (.30% of total).

II. Existing Investments

Approved Investments	\$	\$ 22,766,064
Less: Repayments	223,500	
Participations	<u>16,174,088</u>	<u>16,397,588</u>
Investments held by IFC		\$ 6,368,476

(a) Industrial Finance Corporation of Thailand, Equity Investment of B4,000,000, approved March 10, 1964, and B4,000,000, approved December 8, 1970.

Industrial Finance Corporation of Thailand (IFCT) was established in 1959 and reorganized in 1964 with Bank Group help. A joint meeting of the Bank and IFC, held on March 10, 1964, approved a Bank loan of \$2.5 million and a subscription by IFC of 4,000 ordinary shares at a par value of B1,000 each. IFC acquired the shares at a cost of \$193,108 which constituted 13.3% of the outstanding shares. In early 1967 IFCT increased its share capital from Baht 30 million to Baht 50 million, by means of a right issue. IFC did not exercise this right and its shareholdings declined to 8%. In late 1970 IFCT increased its share capital from Baht 50 million to Baht 100 million by a one to one rights issue. IFC exercised its rights in full and now owns 8,000 shares in IFCT, maintaining its 8% shareholdings.

(b) Siam Cement Group of Companies (cement, cement products and steel) Loan of \$18,000,000 and Equity Investment of B85,200,000 (\$4.1 million equivalent) with option on additional shares, approved February 25, 1969.

*Siam Cement
\$4.1 million*

The Siam Cement Group consists of four manufacturing companies, one marketing company and a service company as follows:

Siam Cement Co. Ltd. (SCC)
Siam Fibre Cement Co. Ltd. (SFCC)
Concrete Products & Aggregate Co. Ltd. (CPAC)
Siam Iron & Steel Co. Ltd. (SISCO)
Construction Materials Marketing Co. Ltd. (CMMC)
Siam Industrial Credit Co. Ltd. (SICCO)

These companies are referred to as a "group" because of the controlling interest in each by the Crown Property Bureau.

The group has combined assets of Baht 2,890 million (\$139 million) and operate four cement plants with total capacity of 2.7 million tons a year, four asbestos sheet plants with total capacity of 360,000 tons a year, a steel mill with a rolling capacity of 150,000 tons a year, and other facilities for building materials.

In 1968 the group undertook a major expansion at a total cost of \$59 million. Included in this expansion were:

- SCC: a new 1,500 ton/day cement plant at Kaeng-Khoi; modernization and expansion of the facilities at other plants and distribution facilities.
- SFCC: a new 58,000 ton/year asbestos sheet plant; expansion of the asbestos pipe plant at Nonbuburi from 27,000 ton/year to 48,000 ton/year; a new PVC pipe plant of 2,000 ton/year capacity; and a new asbestolux sheet plant with 10,000 ton/year capacity.
- CPAC: a new pipe plant near Bangkok; a sakrete plant with 150 ton/day capacity; expansion of the concrete block plant, a "Rocla" spun pipe plant, two concrete batching plants, expansion of the prestressing plant and two new units of prepakt piling system.
- SISCO: a new 30 ton arc furnace, a three stand continuous casting machine and a rolling mill of 150,000 ton/year capacity; expansion of the cast iron foundry from 2,500 to 4,500 ton/year, and cast steel foundry from 1,500 ton/year to 3,000 ton/year; a new malleable iron foundry of 2,000 ton/year capacity and expansion of the refractory plant from 8,000 tons to 17,000 ton/year.

IFC financed \$22.1 million of this expansion. This expansion is now almost completed, within estimated costs, and substantially on schedule.

The rate of growth in the market for construction materials in Thailand, during the last two years has slowed down. Competition has also increased for all the companies in the group. These factors affected the Group profitability during these two years. SISCO has operational and management problems, and is expected to make a heavy loss in 1971. IFC feels the need for external management assistance to SISCO and has offered to find a suitable steel manufacturing company to provide this assistance. SISCO has accepted this and IFC is currently seeking possible candidates.

III. Active Applications

None.

IV. Preliminary Projects

(a) Reynolds Aluminum Foil and Sheet Project

Reynolds Aluminum of U. S. A., together with local partners, intends to build an aluminum foil and sheet plant near Bangkok at an estimated cost of \$5.0 million. This project has already received Thailand's Board of Investment (BOI) approval. Reynolds has indicated that they would need financing for about \$2.0 million. As soon as certain clarifications are obtained by the sponsor from BOI, they will make formal request to IFC for financing.

(b) Thai Food Pineapple Project

This project consists of a pineapple plantation and cannery with a capacity of about 50,000 tons of pineapple a year. The total cost of this project is estimated at \$4.4 million. In addition to their own plantation, the company will buy pineapple from other growers under contract. The sponsors, all of them Thai, have requested IFC financing of \$1.3 million. The project is now under consideration.

(c) General

We have had preliminary discussion with sponsors on the following projects:

1) Petrochemical Complex

The petrochemicals complex approved by the Board of Investment, consists of an upstream section to produce ethylene, propylene, butylene, aromatics, lube oil and fuel oil, and a downstream section to convert the feedstocks to bulk resins for plastic manufacture, fertilizer and other synthetics. Thai Petrochemical Co. Ltd. and Shell who are the sponsors of the upstream do not need any financing. The downstream project will be owned by Thai private interests and a group of Japanese firms (Mitsubishi, Mitsui, Teijin, Nippon Petrochemicals). Mr. Chow Chowkwanyum, managing Director of Thai Oil Refinery Co. Ltd., on behalf of the Thai Interests, has expressed interest in IFC participation in the equity for the downstream project. IFC has reservations on the economic viability of this project. We are awaiting data on the project, after which we will be able to give our preliminary reactions.

2) Thai Newsprint Project

Thai Newsprint Co. Ltd. plans to build a 200 ton/day newsprint mill at Ayudhya, based on the pine forest in Northern Thailand. The total cost is estimated at \$31 million. The sponsors are the Eisenberg Group of Israel and a group of Thai businessmen. The sponsors do not have adequate data on the forest and IFCT has promised to put together for IFC all available information by early November.

THAILANDUNDP Projects in Special Fund Component
as of August 31, 1971

<u>Project</u>	<u>Agency</u>	<u>Approved by Governing Council</u>	<u>Governing Council Earmarkings</u>
			(US dollars)
Small Industries Service Institute, Bangkok	ILO	Jan. 1965	917,000
Soil Fertility Research	FAO	Jan. 1966	940,600
Technical Teacher Training, Thonburi	UNESCO	Jan. 1966	994,200
Strengthening Soil Survey and Land Classification	FAO	Jan. 1967	1,055,800
Management Consultancy Training, Bangkok	ILO	Jan. 1968	379,800
Strengthening Plant Protection Services	FAO	June 1968	973,100
National Service for Technical Skill Promotion and Job-Entry Training for Industry	ILO	Jan. 1969	1,089,500
Telecommunications Training, Test and Development Centre, Bangkok (Phase II)	ITU	June 1969	608,800
Development of the Northern Region	UN	June 1969	349,100
Rubber Development Project (Phase II)	FAO	Jan. 1970	1,301,100
Promotion of Teaching Science and Technology	UNESCO	Jan. 1970	679,800
Thai Industrial Standards Institute	UNIDO	Jan. 1970	196,100
Experimental and Demonstration Farm for Irrigated Agriculture, Kalasin (Phase II)	FAO	June 1970	757,400
Technological Research Institute, Bangkok (Phase II)	UNIDO	Jan. 1971	541,000

THAILAND

Asian Development Bank Operation

1968

DFC - Industrial Finance Corporation of Thailand \$ 5.0 million

1969

Agricultural Development Programming in the Nong Wai
Pioneer Irrigated Agricultural Project \$ 180,000

DFC - Industrial Finance Corporation of Thailand \$ 10.0 million

1970

Accelerated Rural Development Program - Extension \$ 100,000

Industrial Evaluation System for the Board of
Investment \$ 140,000

Transmission Line and Substation Expansion - EGAT \$ 19.0 million

1971

Nong Khai/Vientiane Bridge Feasibility Study \$ 95,000

Projects under consideration

1971

Metropolitan Electricity Authority
Distribution Expansion \$ 18.7 million

1972

Bangkok Water Supply \$ 8.0 million

Suthorn Bridge (Bangkok) \$ 10.0 million

Telecommunications \$ 12.0 million

Bank of Agriculture and
Agricultural Cooperatives \$ 3.0 million

1973

Expansion (225 MW) Mae Moh Power Plant \$ 12.0 million

Files

October 15, 1971

Nicholas A. Gibbs

Japanese Aid to Thailand

During the Second National Development Plan 1967-1971 OECF made four loans to the Government of Thailand totalling about \$20 million for irrigation, power and bridge construction. As of September 30, 1971 about \$10 million had been disbursed. These loans were made under a frame agreement between the Thai Government and OECF providing for loans totalling \$30 million for the Plan period. A loan of about \$8 million for power transmission equipment was due to be signed in late September before the agreement lapsed but no details are available. The average term of these loans was about 20 years and carried an interest rate of 4.5%.

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ODA

Also during the Second Plan period Export-Import Bank of Japan made loans totalling about \$49 million to the Thai Government and its agencies for power development, telecommunications equipment, railway equipment and improvement of navigation channels of coastal ports. About \$44 million had been disbursed as of September 30, 1971. The average term of these loans was 18 years and carried an interest rate of 5.75%. Export-Import Bank has also helped finance the export of capital goods to the Thai private sector and provided overseas investment credits to Japanese investors for their capital participation, in Japanese/Thai joint ventures. Ex-Im Bank's total outstanding balance of loans and credits in Thailand amounted to about \$138 million in March 1971. Ex-Im Bank considers Thailand an important country for its lending activities and rates its operations there "most successful."

10 m
large
42%

For the Third Plan period 1972-1976 the OECF plan to increase its lending in Thailand very substantially, and an amount of up to \$250 million has been mentioned but no agreement has been reached with the Thai Government. Discussions on the amount and type of lending are scheduled for late in October. OECF would prefer not to have a frame agreement for the Third Plan period and would like to take a case-by-case approach. However, OECF realize that loans totalling \$250 million could not be achieved on a project basis and would be prepared to consider general imports or commodity loans if requested by the Thais. OECF generally prefers parallel financing with other lending agencies for loans in Thailand rather than joint financing. While OECF has not yet formulated firm ideas on the types of projects it might consider financing pending the discussions with the Thai Government later this month, it would consider lending for power, transportation, water supply and infrastructure to support export industries.

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The Ex-Im Bank has not fixed an amount of a possible new credit agreement with the Government of Thailand for the Third Plan period and may be reluctant to do so. Ex-Im Bank appears to be ready to help finance a

October 15, 1971

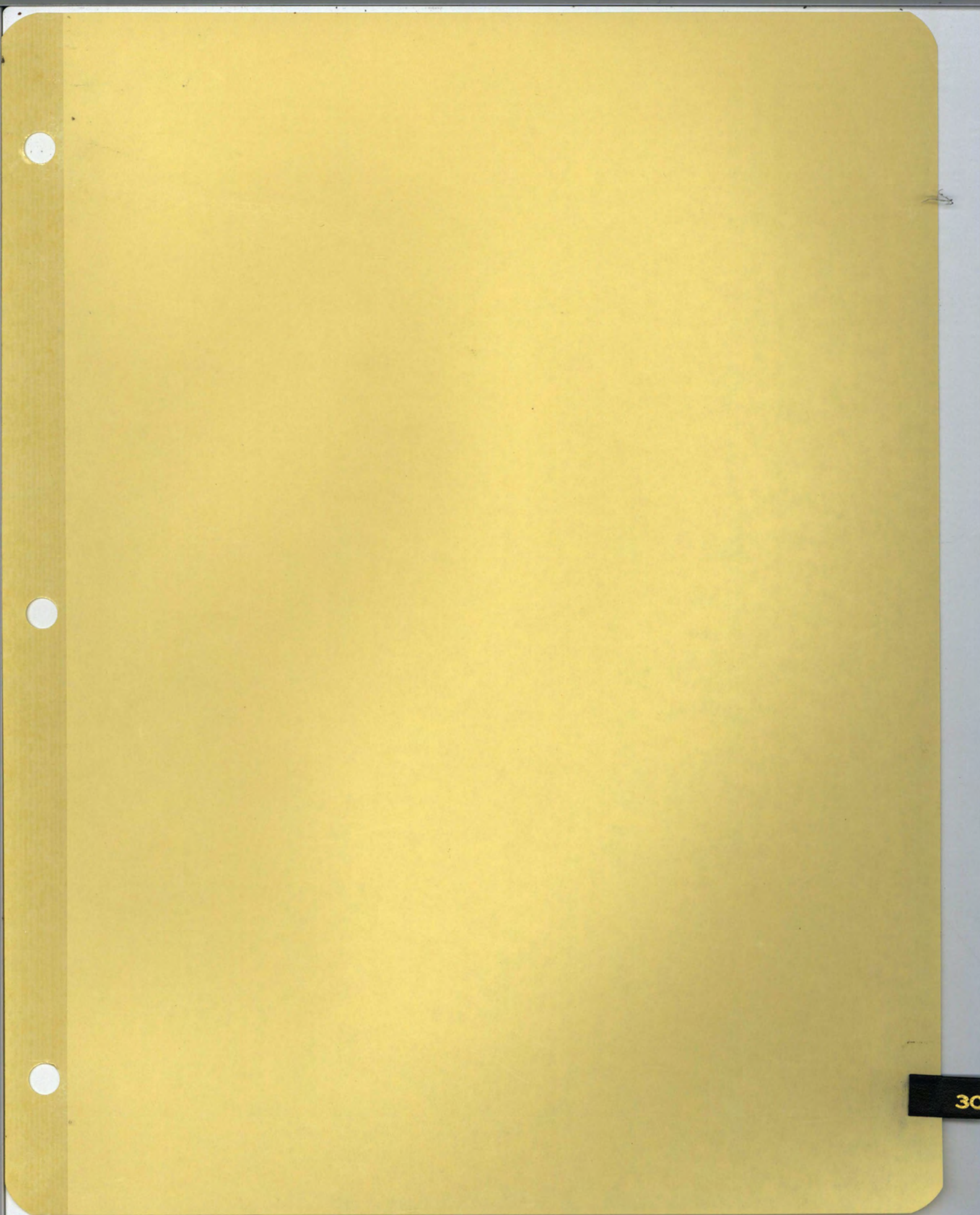
substantial amount of Japanese exports to Thailand. The bulk of their lendings is likely to be for industrial equipment. A clearer idea of the lending prospects is expected to emerge after the October discussions.

While officials in Tokyo appear to take a fairly favorable view of aid assistance to Thailand, much will depend on their assessment of Thailand performance with previous loans and credits. If Japanese officials in Bangkok have any say in this matter, the outlook for Thailand is far less optimistic. Japanese Embassy officials strongly resent the increasing control over Japanese businessmen's activities and movements. Moreover, they feel that Thailand is making insufficient efforts to help itself and that the Government is poorly organized to utilize aid efficiently. However, they admit that decisions on aid levels will be taken in Tokyo and not Bangkok.

Untying of Japanese aid has the full support of the Ministry of Finance and if general agreement is not reached in OECD, consideration could be given to untying aid bilaterally with Thailand. By law Ex-Im Bank aid is tied and any commodity aid financed by OECF would also be tied. However, OECF could untie project aid without legislation.

cc: Mr. Christoffersen
Mr. Goodman
Mr. Kalin

NGibbs/aga



THAILAND

USAID Operations

The following summary of USAID operations in Thailand was prepared by staff of USAID.

1. Program Summary

(\$ millions)

	<u>FY 1970</u> (Actual)	<u>FY 1971</u> (Estimated)	<u>FY 1972</u> (Proposed)
Technical Assistance	7.7 ^{1/}	7.5 ^{1/}	40.0
Economic Supporting Assistance	<u>18.8</u>	<u>15.6</u>	<u> </u>
	\$ 26.5	23.1	\$ 40.0

^{1/} Includes DLF funded grants of \$1.3 million in FY 1970 and \$1.4 in FY 1971 for population programs under Title X of the Foreign Assistance Act.

2. Objectives of U. S. Assistance

Thailand's importance to the United States lies in the geographic position in Southeast Asia, its key activist role in the economic and political development of the region and its close cooperation with the United States. A Communist-supported insurgency has been threatening Thailand's security for the past six years, and more recently events in Cambodia and Laos have brought active communist military operations closer to Thailand's border. The basic U. S. assistance objective, consistent with the Nixon Doctrine, is to help improve Thai capacity for dealing with internal and external security threats and to support Thai leadership in strengthening Southeast Asian political and economic organizations for regional cooperation. Both the United States and Thai Governments recognize, however, that the fundamental responsibility for defending their nation belongs to the Thai.

3. Problems and Progress

Communist-supported insurgency has existed for some time in Thailand; however, it was not until late 1965 that it became disruptive. The number of assassinations of village chiefs and local officials and armed encounters with the police and military units increased slowly from that date and then turned sharply upward in late 1966. These incidents were concentrated primarily in the Northeast.

In 1965 the Thai Government moved to combat this insurgency threat by strengthening its police presence in the security-threatened areas and by increasing its rural development efforts in an attempt to remove the underlying economic and social circumstances which nurture an insurgency movement. Beginning in 1967 army units together with the police conducted

military sweeps against the insurgents and carried out civic action programs. These actions contributed to the decline in overt insurgent activity in the Northeast in 1968 and 1969, with the insurgents placing greater emphasis on recruitment and strengthening their organizational structure rather than directly challenging government presence.

Insurgency spread in 1968 to the mountainous border areas of North Central Thailand inhabited by hilltribes. During 1969, it steadily intensified, with increased harassment of government forces. Military and police operations also have been conducted in these regions since 1968 but with much less success than in the Northeast.

In 1970 a Thai Liberation Army was officially announced by the insurgents. Organizational activities increased significantly in the Northeast, and the insurgents continued their recruitment of hilltribesmen and harassment of government forces. During the latter part of the year the intensified warfare in Laos and Cambodia caused the Thai Government to redeploy army units to these border areas to meet what the Thai view as heightened external threats to their national security. This shift in army manpower has reduced pressure on the insurgents giving rise in part to the increase in insurgent activity.

4. FY 1972 Program

In light of recent external developments affecting Thailand's security and the possible implication they pose for Thailand's counterinsurgency and economic development efforts, a U. S. economic assistance program of \$40 million is proposed for FY 1972. A two-year PL 480 program totalling \$25 million is also planned beginning in FY 1972. Local currency proceeds from the PL 480 program will chiefly be used to help the Thais finance the agriculture sector of their economic development plan. Primary emphasis in the U. S. program will continue to be placed on bolstering Thai efforts to improve security in rural areas and to support Thai counterinsurgency-oriented rural development programs. At the same time we will assist the Thais to address certain fundamental impediments to longer range economic development which have an important bearing on the Thai security effort.

5. Rural Security

About \$9 million is proposed in FY 1972 for rural public safety activities. Our primary objective continues to be to help develop a rural security capacity of sufficient strength and efficiency to counter threats of communist terrorism and subversion. The police must improve their ability to react quickly to acts of subversion, and they must strengthen their capacity in the intelligence area as well. Improvement in police performance of normal law and order functions is also important in meeting the insurgency threat.

Consistent with these objectives we will continue to provide commodities to equip newly constructed district-level police stations and the personnel being assigned to them. Advisory and commodity assistance will also support

FY 74
40
14.5
531

the counterinsurgency training program recently established by the Thai National Police Department (TNPD), through which they plan to send their entire rural security force. We also will place increased emphasis on overall organization and management problems affecting the performance of the TNPD particularly in the rural areas.

6. Rural Development

About \$22 million of the FY 1972 program is planned for assistance to Thai rural development efforts. We will continue to support the Accelerated Rural Development project in the form of advisory assistance and construction equipment for impact projects such as feeder roads, wells and small ponds. To help further increase village incomes, assistance will be continued in the fields of agriculture extension and research.

We have expanded the scope of our Labor Intensive Water Project to include the completion and rehabilitation of nine small irrigation systems in the Northeast. More importantly, we will be working not only with the Royal Irrigation Department but also the Agriculture Extension Department and Land Development Department in carrying out this newly defined and titled Agriculture Water Development project. We are also considering assistance in FY 1972 for such types of activities as regional highway maintenance centers, rural electrification systems, technical and feasibility studies and an agricultural sector study.

FY 1972 is the final year of funding for the Community Development and Mobile Development Units projects. Our objective in helping create a viable Community Development program has been achieved, and no further U. S. assistance is required. We will also not be providing further assistance to the Mobile Development Units project, since Thai military personnel and budget, in support of this activity, have been diverted to more urgent requirements along the Cambodian border.

7. Health

We propose about \$2 million in FY 1972 to assist the Thai Government extend and improve its medical services to rural areas. The need for these services is enormous, and the project also provides an effective way of establishing rapport with the rural populace. Rural Health Centers will be assisted in the form of medicines, clinical instruments, vehicles and training. Thai research efforts to improve nutrition in rural areas will receive limited support.

Family Planning assistance in the form of advisory services and commodities will be continued in support of Thai efforts to reduce the population growth rate estimated at 3.3% per year.

8. Education

About \$4 million is proposed for U. S. assistance to education in FY 1972. Despite rapidly rising expenditures for education a major task still faces the

Thai Government. It is estimated that less than 50% of Thai children in the 5-to-19 age group are in school, and many villagers lose their scant literacy skills after they leave school.

Some elements of our Rural Education project have achieved their objectives, we propose to continue our assistance to the Mobile Trade Training Units and to institutions providing vocational training to villagers in rural Thailand.

New sub-projects in adult education and village school reading materials are proposed to remedy basic literacy deficiencies. New sub-projects also are being proposed this year to assist in overcoming other fundamental problems affecting rural education in Thailand. A teacher training project is planned to enable the Thai to expand the number and improve the quality of teachers in rural areas. In order to help the Thais strengthen and become self-sufficient in developing their own science and mathematics education program, we also are proposing to provide assistance in the form of participant training beginning in FY 1972 in these areas to selected university departments.

FY 1972, as planned, will be the final year of U. S. advisory services to the IBRD Vocational Education project.

9. Government Administration

U. S. projects in support of Thai efforts to improve government administration account for about \$1 million of our program proposed for FY 1972. Narrowing the gap between the villager and government officials continues to be a primary aim of this form of assistance, and we again are proposing assistance in the field of local government. We have also recognized that improvement in administration at the central government level is important to our security objectives and will continue to work with the Thai Civil Service Commission to reform their civil service structure and to assist the Labor Department extend and improve their services to rural Thailand.

Because of Thailand's worsening economic situation and its need carefully to examine the economic consequences of any further requirement to strengthen Thailand's defense posture, we are proposing a new project in National Economic Policy Planning to follow the Northeast Economic Development project due to end in FY 1971. The economic situation also indicates a growing requirement for the Thais to find ways to expand their traditional manufactured commodities. A new private enterprise project is proposed in FY1972 to assist the Thais in these efforts.

FORD FOUNDATION ACTIVITIES IN SOUTHEAST ASIA

The Foundation's Office for Southeast Asia in Bangkok is responsible for field offices and programs in Thailand, Malaysia, the Philippines (since mid-1971) and for Singapore, which has no office. The area office is also responsible for Southeast Asian activities of regional or multi-country character. Foundation funds committed in the area in FY 1971 totalled approximately \$8 million dollars, including general support for the International Rice Research Institute (IRRI) and the country program for Indonesia, neither of which comes under the Bangkok office (with the exception of regional programs including Indonesian participation). Total FY 1971 country and regional commitments are shown on the attached diagram. Brief explanation of the activities is given below. Responsible staff members and field office addresses are also appended.

Regional Activities: (under Bangkok office)

Demography and Population: Organization of Demographic Associates (Singapore); Population and Family Planning: consultant services (area-wide);

Economic Planning and Development: Asian Institute of Economic Planning and Development (Bangkok); Asian Development Bank (Study of Credit Security), (Manila);

Education: Regional Institute for Higher Education and Development (Singapore); Southeast Asian Ministers of Education Secretariat (Bangkok);

Journalism, Communications: Press Foundation of Asia (Manila);

Mekong Development: Mekong Committee Secretariat: strengthening personnel system (Vientiane);

Public Administration: Eastern Regional Organization for Public Administration (Manila);

Southeast Asia Studies: Southeast Asia Fellowship Program (Bangkok); Institute of Southeast Asia Studies (Singapore); Southeast Asian Art and Archaeology Awards (area-wide).

THAILAND

Thai country activities consist principally of projects to assist the National Institute of Development Administration; the National Education Council (educational planning); multiple cropping management at the University of Chiangmai, northern Thailand; and assistance to the English Language Center, Bangkok.

Education: A Foundation-administered project assists the National Education Council in preparing long range educational plans for Thailand. Total assistance thus far amounts to \$593,000. The project, begun in 1968, was extended for two years in September 1970. It provides three project specialists, short-term consultants, training for staff and contributions to research costs. Work in the past two years has focused on development of the Five-Year Plan. The field office has felt that insufficient attention has been placed by the NEC on the need to strengthen the process of educational planning.

English language teaching: A total of \$619,500 has been provided over 4 years for support of the English Language Center, begun in 1968 as a program of the University Development Commission at the National Institute of Development Administration. All Thai universities have sent participants to the language teaching program. Special courses have been provided for teachers in northern and southern Thailand and consulting services of the Center have been utilized by all Thai universities and teacher training colleges.

Agriculture: In 1968 a Foundation-administered project was initiated, and renewed in 1970 for a second two-year period. Its purpose is to discover and demonstrate the best methods of providing water, soil and plant types in modern agriculture and of producing crops, in addition to rice, which can be sold on the domestic market and on the export market. The project is administered by the Faculty of Agriculture at the University of Chiangmai. The research program is based on work on two 4-crop systems (one crop of rice and three vegetable crops) and two 3-crop systems (one crop of rice, one of a legume and one of wheat sorghum or corn). The Foundation's contribution consists of a resident specialist-advisor, short-term consultants, training of Thai staff, and funds for equipment, supplies and research.

Development Administration: The National Institute for Development Administration has received Foundation assistance, through grants to the Midwest Universities Consortium for International Activities (MUCIA) since it was established in 1965. It consists of schools of applied statistics, business administration, development economics and public administration, and centers for research, in-service training and documentation. Its function is to train administrators and promote study of development problems.

Grant funds through April 1971 totalled \$2,248,000, in addition to \$619,500 for the English Language Center. After considerable difficulty in the early years, NIDA has made respectable progress. It presently serves some 300 graduate-level students at any given time. A terminal grant may be given in 1973.

MALAYSIA

A small but well-rounded and useful program assists in agricultural education in support of the College at Serdang and in training government officials; Development Planning and Administration and the Economic Planning Unit in the Government; Public Administration at the University of Malaya; Education Planning at the Ministry of Education and staff training at the Education Faculty, University of Malaya. Assistance to the National Family Planning Board is being concluded, but a consultant is assisting in analysis of problems arising from population growth and social-economic development. Two educational specialists work with the Ministry of Education on research and analysis bearing on educational and communal problems. A third specialist, in educational testing, will shortly be added.

SINGAPORE

Current activities, all related to the University of Singapore, include support for engineering faculty development; the Economic Research Center and the Institute of Southeast Asian Studies. Support is being concluded for the University's law faculty and library.

THE PHILIPPINES

A small but energetic program includes the following principal activities:

At the University of the Philippines: Population (support for the Population Institute, and a small research program at Santa Tomas University); Agriculture (we are concluding a general faculty-development program at the U. P. College of Agriculture, begun in 1962 and accounting for more than \$7 million of grant funds. The Faculty is outstanding in the area.); Economics (concluding general support for faculty and curriculum development - also the best faculty in the region. Total grants to date \$1,211,000.); Science Education Center (development of teaching methods and materials); Engineering faculty development.

Activities outside the University of the Philippines assist (1) research and planning, to implement recommendations resulting from a National Survey of Education, which was also assisted by the Foundation in 1970; (2) education planning grants (various institutions); (3) Asian Institute of Management; and (4) provincial universities (engineering, economics, administration).

FY 1971 commitments in Philippines:

Agriculture

Planning in the Department of Agriculture and Natural Resources	\$ 149,500	
International Rice Research Institute (Philippines country activity)	<u>65,000</u>	\$ 214,500

Education and Research

Philippines Accrediting Association	\$ 23,000	
Educational Planning and Research	201,000	
Science Education Center (U. of P.) terminal	150,000	
Project specialists in education	96,500	
Improvement of teacher-training, Notre Dame Educational Association	161,500	
Language Training & research, Philippine Normal College	95,000	
Center for Educational TV	40,000	
Programs for Fund for Assistance to Private Education (from 1972 funds)*	<u>69,500</u> *	\$ 836,500

Development Planning & Management

School of Economics, U. of P.	\$ 275,000	
Asian Institute of Management (from 1972 funds)*	130,000*	
Interuniversity program, graduate business administration	<u>41,000</u>	\$ 446,000

Program Management (est.) \$ 334,316

Small Program Actions \$ 81,180

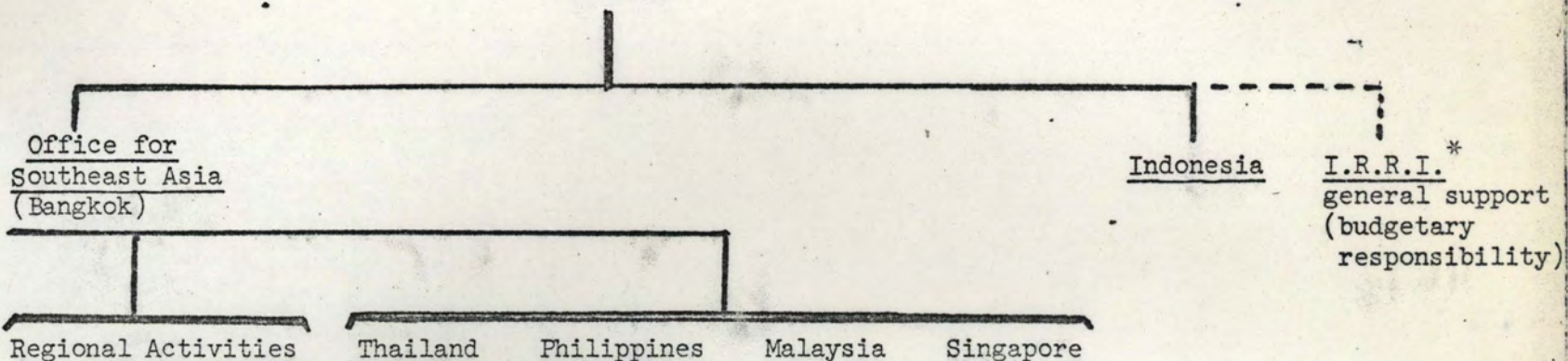
\$1,912,496

* less 72 funds 199,500

\$1,712,996

Asia and Pacific Program

New York



Commitments,
FY 1971:
\$7.436 mill.

<u>Regional Activities</u>	<u>Thailand</u>	<u>Philippines</u>	<u>Malaysia</u>	<u>Singapore</u>	<u>Indonesia</u>	<u>I.R.R.I.*</u> general support (budgetary responsibility)
\$800,000	\$1.5 mill.	\$1.9 mill.	\$1.06 mill.	\$35,000	\$2 mill.	\$141,000*

* Last major grant for general support was No. 65-55 in 1965 (\$4,900,000).
Beginning in FY 1972 A&P budget will be charged annually at \$750,000.
The \$141,000 shown above for FY 1971 was for supplemental support.

FOUNDATION FIELD OFFICES AND REPRESENTATIVES

Bangkok, The Philippines, Malaysia

Field Office

Representative

Thailand/Regional

Thai Farmers Bank Building
142 Silom Road
Bangkok, Thailand
(P.O. Box 436)
Cable: FORDFOUND, Bangkok
Phone: 36976 to 79

Howard G. Schaller

Malaysia

9 Bukit Ceylon
(P.O. Box 2255)
Kuala Lumpur, Malaysia
Cable: FORDREP, Kuala Lumpur
Phone: K.L. 25534 to 36

John P. Kennedy,
Officer in Charge

Philippines

Room 601
Dona Narcisa Building
Paseo de Roxas
Makati, Rizal
Philippines
(M.C.C. P.O. Box 740
Makati, Rizal, D. 708)

Arthur Hill,
Assistant Representative

Thai Administrative Behavior

(Extracts from an article by James N. Mosel, 1957)

1. . . . Public administration in modern Thailand can be viewed as a marginal system, by which we mean that it is largely self-determined and not part of a larger zeitgeist or regional movement. In Asia, Thailand stands as an island of non-colonialism and political conservatism. Its administrative system is an unusual blend of self-selected adaptations from the West and a long-standing indigenous tradition, which in turn contains numerous adaptations from ancient Indian and Khmer (Cambodian) sources.

2. . . . In this blending there has been no break with the cultural past. This great continuity of tradition has led to an important result; a situation where the formal structure of government and administration resembles familiar analogues in the West; but where the administrative behavior occurring within this structure is largely a continuance of patterns antedating the structure. This behavior is not what we would predict from a knowledge of the formal structure, given Western premises; it is an expression of the national culture and is typically Thai. Thus, despite the present government's outer constitutional form, administration behaves to a large degree as if it were occurring within an absolute monarchy. Modern Thai administrative behavior is a captive of its cultural past, a remarkable case of eadem sed aliter.

3. . . . From the viewpoint of the naive Western observer, this situation might seem to be one where the behavior was at odds with the formal structure, or where the formal structure was warped or misused. This impression would, at least in part, be erroneous. It arises from the fact that the observer assumes the formal structures to have the same functions as they do in Western society. Actually, these structures have been reinterpreted; they have assumed new functions as a result of transplanting, functions which fit the needs of the indigenous behavior system.

4. . . . In viewing the historical developments which follow, there are certain general characteristics which should be announced in advance.

a) Thai ability at political organization has come slowly and with considerable struggle inasmuch as the Thai have been prone to individuality and division rather than tight political and social solidarity.

b) Continuity of social and political organization. By this we mean the tendency for a person's social status and role to be defined in terms of his relationships to the political organization; and conversely, for the political system to be sensitive to interpersonal arrangements in the social organization. Under the Ayudhyan Bureaucracy each person's social position was fixed solely by his formally assigned position in the political hierarchy. Even today government remains as the almost exclusive preoccupation of the middle and upper classes, and a man's social identity is still largely fixed by his place in the administrative hierarchy.

c) "Change from the top" and "decision from above". It is traditional that sociopolitical change be initiated by the top political leadership - the King during the early absolute monarchy, the King and princes during the later absolute monarchy, and today by a small "junta" of the political elite. There have been no popular movements, pressure groups, political

parties, or formal organizations outside of government such as trade unions, student agitation or a politically-minded church, to press for reforms. The flow of social and political influence in Thailand has always been a one-way street - from top to bottom - with very little feedback in the upward direction.

This tradition has led to the assumption that if an innovation is to be initiated, the government should do the initiating. In other words, etatism in the broadest sense. It is also responsible in part for the expectation of leaders that the way to get something done is merely to ask that it be done. The question of implementation seems secondary.

As a consequence of the "change from the top" tradition, socio-political changes could and did occur quickly once inaugurated. Gradualism has not been typical of a change once underway. In fact, the whole history of Thailand can be viewed as a series of rather sharply punctuated events arising out of the premeditated decisions of its rulers.

d) Change has been voluntary. Thanks to Thailand's non-colonial status, the changes wrought by the political leadership have been voluntary, rather than imposed on reluctant rulers by foreign pressure. Innovations have frequently involved borrowings from foreign administrative concepts and techniques, but such adoptions were chosen from within the culture, not imposed from without. Foreign materials have been assimilated by "pump and filter" action rather than by forced injection.

The Ayudhyan Bureaucracy

5. After the death of King Rama Kamhaeng in 1317, the Sukho-thai kingdom declined rapidly. A rival ruler from U-Thong rapidly grew to power and in 1350 under the title of Rama Thibodi I, established his capital at Ayudhya, the site of a former Khmer city. He quickly extended his rule over larger areas, including the Kingdom of Sikhothai and previously unconquered parts of the Khmer Empire. The Kingdom of Ayudhya marks the beginning of present-day Thailand and of the struggle to consolidate the modern political state.

6. For present purposes the developments of the Ayudhya period may be considered as four: a new concept of kingship epitomized in the Sanskrit word devaraja, an administrative structure based on centralization and specialization of functions, a personally-based feudalism, and a new social order based on intensive hierarchization. These left a lasting impression upon the future of Thai public administration, and many of the official characteristics of the period survive today as habitual orientations in government and society as a whole.

7. These developments were largely precipitated by an event which occurred in 1431. This event was the third Thai conquest of the Khmer capital at Angkor Thom and the subsequent transportation of a large number of Khmer statesmen and court Brahmins to Ayudhya. The succeeding king, Boromtrailokanart (usually simplified to Trailok) was faced with the task of consolidating a large, unwieldy political state, and seized upon the learning of his Khmer captives to reorganize his administration. The result was perhaps the most absolute monarchy the world has known and a sociopolitical system which existed formally until Rama V in the period of the Chakri Reformation.

8. A central feature of the new Ayudhyan order was the concept of devaraja, a highly specialized form of an earlier Indian theory of divine kingship. The resulting royal absolutism provided the power needed to bind together the sprawling Thai kingdom. In a relatively short time autocracy grew to the most unmitigated proportions, and the older Sukhothai notion of the king as father to his people was replaced by a master-servant concept. The king's merest caprice was absolute law. His subjects were his personal chattels and no one, regardless of station, was exempt from showing servitude toward the divine person. The purpose of the court Brahmans was to document and advertise the king's divinity. They used their Hindu religion to install extensive Indian ceremonies and religious rituals together with elaborate pomp and shows to impress the population with his mystic and all-pervading power. The religion of the court and the official classes became significantly Brahmanized, a condition which lasted until the latter part of the 19th century.

9. The second development initiated by Trailok was the creation of a centralized and functionally specialized administrative organization. By the Law of Civil, Military, and Provincial Hierarchies of 1454, Trailok transformed the class of warrior nobles into a class of government officials. Each citizen henceforth owed his services directly to the king. The governing nobles (except those in the more remote provinces) were transferred to the capital under the king's eye where they formed an incipient class of civil servants. The work of the government was divided into five basic krom or departments. These tended to have both territorial and functional responsibilities, which in time led to considerable confounding and overlap. Each transformed official was given a post in a department, while royal princes were given titular appointments as heads of the krom.

10. The fourth of Trailok's sociopolitical achievements was the complete hierarchization of everyone in the kingdom, from the Buddhist priests to the palace concubines, from the highest government official to the lowliest freeman. A system of ranks and titles for commoner officials and royal princes served to institutionalize the hierarchization. For royal princes a series of titles emerged whereby each royal descendant was graded by a title which showed how many generations he was removed from his kingly forebearer. The rank of the title dropped one rank each generation, so that the fifth generation automatically reverted to commoner status. In addition, a prince might also be appointed as the titular head of a krom in which case he also received a krom-rank of which there were seven grades. These were highly prized because of the additional material and prestige benefits that attended such positions; but they were royal appointments and could be withdrawn at any time together with the advantages that accompanied them.

11. A commoner's four designations were closely correlated so that for a given title the official duties, privileges, prestige, political power and to some degree material wealth were carefully defined. In this manner the Ayudhyan bureaucracy became a social system as well as an administrative system. An official was referred to at all times by the title attached to his office; it operated in lieu of his personal name since the latter was dropped when he was appointed to office. (Family names in Thailand were not introduced until 1916). If an official changed positions, was promoted or demoted, or retired, he lost or changed his rank and title and name. Thus a man might have a series of completely different identities in the course of his lifetime. The result was an almost completely anonymization and depersonalization of the officialdom.

12. Nevertheless, the system had an important social utility. To the general public and one's associates the ranking by titles permitted an immediate social and bureaucratic identification of an official. Each man literally had a "number" (his sakdi na) and you could tell quickly where he stood in the power structure, what his job was, how much seniority he enjoyed, and generally how much he was worth. Status was extremely overt and officially advertised. Titles were also an important device for social control. A man was his title and nothing more and his title rested on royal pleasure. Title manipulation was therefore a powerful mechanism for personal manipulation. The system conferred prestige upon the public service and acted as an "incentive award" program. It served to maintain discipline within the bureaucracy and to tie the bureaucracy closer to the monarchy. Lastly it provided what Pareto has called the "circulation of elites" whereby disparate elements of society could be readily absorbed into the bureaucracy. This feature of an "open elite" gave stability to the monarchy in the sense that it inhibited the growth of ambitious groups outside the bureaucracy which might compete with the power of the king. But on the other hand it made for a divided in-group since all conflicts tended to be intramural.

13. The Ayudhyan bureaucracy had a number of prominent effects upon the social system. First was the great emphasis upon status, especially in its outward manifestations, and upon superior-subordinate relationships. Persons with titles insisted on receiving every honor and deference due their rank. In fact, legal penalties were imposed on those who did not display proper obeisance to rank. Officials were continuously preoccupied with their roles in ceremonies and court functions, and great store was set by showing the necessary respect to those above, while mercilessly extracting every last measure of deference from those below. The result was a "vertical orientation" with great stress upon the display of respect and obedience.

14. Second was the tremendous instability and precariousness of personal status and fortune. Nothing could be permanent or assured; title, job, wealth and influence existed at the king's will. Anonymity and depersonalization made it impossible for a man to have an existence apart from his officially bestowed designations. Under these circumstances considerable status anxiety, personal politicking, and intrigue naturally arose. Achievement was not seen as a function of ability and job performance but as a matter of observing formalities and possessing skill in gaining royal favor. Falling from grace was a common occurrence, but the system had one redeeming feature: error did not permanently stigmatize a man. After having suffered his punishment, an official could return unblemished. So not even disrepute was permanent.

15. Many of the features described here survive today as implicit unofficial behavior patterns, despite the fact that the formal structure has been greatly modified. The court language continues as well as a system of deferential postures, head positions, linguistic usages, and degree of wai hand-salute for persons of high commoner status. No civil titles have been conferred since the coup d'état of 1932 but those who possess them continue to use them and they automatically evoke respect for their bearer. But for our purposes the most important survivals are the monarchical tradition, the "vertical orientation" based on a pattern of superior-subordinate relationships, the individualistic, personalized basis of getting things done, the inclusiveness of the bureaucracy, and the isolation of the common people from the conduct of government.

The Chakri Reformation

16. In the period following the fall of Ayudhya, the Chakri kings were mainly concerned with re-establishing the glory of Ayudhya. It was a period of political scholasticism. Not until the middle of the 19th century in the reign of Mongkut (Rama IV) did new directions make their sudden appearance. This new period, which we shall call the Chakri Reformation, was essentially an era of "westernization," motivated by the desire for protection against the threat of British and French colonialism. Whereas the basic informal organization of the modern Thai government was laid down in the Ayudhyan period, the basic formal organization was developed in the Chakri Reformation.

17. The founder of the new period, King Mongkut, must be regarded as truly a remarkable monarch, despite his occasional acts of despotism. Under his aegis Thailand passed from medieval to modern times, a trend which was carried forward by all of his successors. Feeling the colonial pressure of the British on one side and of the French on the other, Mongkut realized that the Thai could not maintain their independence, nor could Thai rulers retain their power, unless modern standards of government were adopted. He acted to deprive foreign powers of any excuse for intervening in Thai domestic affairs.

18. The trend toward modernization was continued at an accelerated rate by King Chulalongkorn (Rama V), a son of Mongkut and Thailand's greatest king. His reign was a striking sequence of social and political "firsts". He was the first to admit that the king's duty was to rule not for himself but in the interest of his people. The theocratic notions of devaraja were pretty well laid to rest, to be replaced by the character of the king's personality and leadership - features which resided in the man rather than in the office. The king's absolutism, however, continued, being in fact the principal instrument for enforcing changes over the strenuous opposition of princes. In a sense Chulalongkorn synthesized the ancient Sukhothai ideal of the paternal ruler with the Khmer ideal of the absolute king. His continued absolutism drew strength from the fact that many of his administrative changes actually produced an increase in autocracy. In his attempt to centralize control over the sometimes irresponsible and unwieldy provinces, he was forced to curb local authority and thereby take more power to himself. And whereas previous kings had acted merely as executors of the traditional Dharma or Indian-based law, Chulalongkorn assumed the new function of legislator as well as chief executive.

19. The old krom or "departments" were transformed into European-type ministries with properly constituted functions, headed in many cases by commoners. And whereas Trailok had transformed a feudal nobility into royal officials, Chulalongkorn transformed royal officials into civil servants. Prior to his time, officials received no salary but extracted their earnings from their clients. Chulalongkorn was the first to place officials on fixed salaries and regular work hours. Officials were selected by the king and were recruited from among the princes and sons of noblemen. Fathers presented their young sons to be engaged as royal pages for whom a special governmental department was established.

20. The administrative apparatus left by Culalongkorn on his death in 1910 constituted the basic raw materials from which the formal structure of modern public administration has been fabricated. His two immediate successors continued his new directions, at times falteringly but with equal absolutism. There was, however, a new and extremely significant note: a movement from autocracy to oligarchy. Commoners and especially high-ranking princes came more and more to take an active role in decision-making, a role which was also more legalized because of the greater availability of formal institutional structures through which they could act. Although the king's authority remained unquestioned, officials necessarily became more involved in the processes of government because the growth of administrative detail had exceeded the king's "span of control". This change was facilitated by the greater administrative competence of officials and by the shift in the ideology of kingship.

The Constitutional Regime

21. The task set by the Chakri reformers, while laudable and progressive, contained an inherent inconsistency: the creation of a modern state under an absolute monarchy. In retrospect the change to a constitutional monarchy by the bloodless coup d'état of 1932 seems to have been inevitable. The coup was conceived and executed by a relatively small band of Western-educated, middle-class civilian intellectuals and military officers in the reign of Prajadhipok.

22. The middle class had grown too quickly and with too much of an occupational bias. It could not be incorporated to its own satisfaction into the existing occupational and status structure, and there were no real alternatives through which it could release its talents and ambitions. Then as now, the occupational structure offered very few choices and these correlated with class. The lower class consisted mainly of a rural peasantry and for these the choice was rice cultivation. For the upper and middle classes the choice was government. As we have seen, an education almost always implied a government career. Royal policy since the Ayudhyan period has strengthened the prestige of the public service so that even today government employment is perhaps the only secular status characteristic which automatically confers prestige.

The Social and Cultural Context of Modern Public Administration

23. Thailand differs sharply from Japan and nearby Vietnam in having a loosely structured social system, by which is meant that considerable variation in individual behavior is sanctioned. The Thai belongs to few formal groups of any kind and occupies few statuses in which his behavior is rigidly defined. His social life is largely uncharted, guided only by the most general rules from his culture. Where social structure is tightly woven, as in Japan, behavior conforms closely to formal patterns. It is difficult for a person to deviate, and reciprocal rights and duties are clearly marked and carried out. But in a social system like the Thai where social roles are only vaguely predetermined and great latitude for personal idiosyncrasy is allowed, a person is by necessity an individualist and displays an almost determined lack of regularity and regimentation. The Thai seem to be motivated by the "quest for individual autonomy" - the desire to minimize environmental commitments, entanglements, and obligations

which restrict individualism. The family structure, in contrast to the Chinese, is comparatively loose, and while obligations, and especially respect for elders, are recognized, they are not allowed to burden one unduly.

24. . Most notable is the very low emphasis upon formal groups as a means of goal achievement. In getting things done, the Thai naturally thinks in terms of his own self-reliance or in terms of assistance from one or two other well-placed persons, and although he is gregarious, formal, enduring organizations, with carefully defined roles, objectives, and rules seem unnatural to him. Group action can and does occur, but it tends to be based on informal, spontaneous, cooperative associations, having a vague leadership, and disappears as soon as the immediate objective is achieved.

25. The Thai culture is a shame culture rather than a guilt culture, and social controls operate largely through this mechanism. Shame is felt when one fails and it is perceived by others, or when one loses dignity in the eyes of others. The converse of shame-avoidance is the great value of "looking good" in the eyes of others, even though it is only outward and superficial.

26. Many of the above features combine to create an opportunistic "boom town" psychology. Life tends not to be seen as an orderly upward progression through carefully planned steps based on achievement; rather it is more a matter of opportunities cleverly seized, of "deals" and windfalls, or interpersonal wariness and politicking. And above all, it is something that is to be enjoyed. Because life is perceived as essentially "open" and unfixed, life expectations are reasonably optimistic and cheerful; there is very little sense of hopelessness and defeat. High prestige is accorded to higher education, government service, experience in the Buddhist monastic order, and, since World War II, material wealth.

Social Organization

27. Thailand is a city-state. It has only one real city, all others are actually towns by most standards. The social and political life of the country is therefore centered in Bangkok, making that city the ecological locus of all fundamental decision-making. This ecological centralism has given the Thai bureaucracy and political elite a curious small-town, almost tribal, character. Bangkok, despite its one million population and big-city appearance, is really a small community as far as the upper and middle classes are concerned. Social relationships are more likely to be based on direct personal contact in which people participate as whole personalities. The highly specialized, segmental and impersonal roles found in large Western cities are not typical of Bangkok.

28. The Bangkok informal oral communication network is often more relied upon for orientation in the community than are the formal mass media. The oral tradition is also relied upon for information in official matters. Since the radio is government controlled and the newspapers are generally recognized for their irresponsibility and inaccuracy, one is motivated to seek the "real dope" from informal "inside" sources. The intimacy of capital society is further enhanced by kinship ties. Most members of one's extended family reside within

the capital, and while such ties are not closely knit in terms of rigid obligations, they do serve to broaden the operating range of one's social contacts and are of great value in placing people socially.

The Political Elite

29. Because Thai society offers very few alternatives for upward social mobility outside of government, the political elite is Thailand's only significant elite. We do not find a pluralism of elites based on different values (such as wealth, knowledge, respect, etc.). A person's standing on such non-political values tends to correspond rather closely to his standing on the political dimension.

30. The political elite cannot be said to form an "upper class" since it has been drawn primarily from the middle class and is differentiated from it only temporarily by virtue of its immediate political power and attending economic rewards. This situation is bound to continue since there is no other source for elite replacements. There is no independent Thai moneyed class from which elite recruits could be drawn; in fact, the wealthy class is synonymous with the political elite. The situation is just the opposite from many other countries where high political status is contingent upon high economic status. In Thailand high economic status comes from holding high political status since the latter is the principal route to wealth.

31. The motivation for membership in the political elite rests on the fact that such status offers the highest rewards of Thai society. As we have already noted, there are very few alternatives. The prestige of such status has been traditionally high, although doubtlessly it has declined a bit in recent years. The material rewards, both legitimate and illegitimate, to which the elite have access are the greatest available. Beside extralegal rewards, elite status brings with it paid membership on the boards of up to 70 industries and benefits from state monopolies. The law requires that all business enterprises have a majority Thai ownership, and the necessary nominal owners are recruited from the political elite. In addition, there is the phenomenon of multiple-positions within the Council of Ministers, whereby members at the apex of the elite may occupy several posts within the ministries. This device serves to concentrate rewards and controls in the hands of a top few.

The Dynamics of the Political Elite

32. At any given time the elite formally installed in government contains to a surprising degree almost all of the available elite. There is very little distinction between the elite who govern and those who do not. We do not find, as in many countries, an elite controlling the government from behind the scenes, leaving the office-holding to professional politicians. The resulting absence of an in-group vs out-group dichotomy is one reason why Thai politics has not relied much on appeals to the masses for support. Unlike many Latin American countries, political struggles in Thailand are not the struggles of one outside group to enlist the support of the masses against another inside group.

33. This feature has given the governmental structure a curious kind of external stability. There is no real threat from elites outside the formal structure of government simply because all groups are already inside the system.

The membership of the formally constituted elite thus tends to remain rather constant in kind. This ability to incorporate aspirants within the system means, however, that the system is prone to division from within. Political conflicts in Thailand are not in-group vs out-group struggles; they are largely en famille, and center around the distribution of power status and material rewards within the system.

34. Once established, the dominant group maintains itself routinely by placation and reshuffling of rewards through personnel changes and personal agreements. It also receives considerable pressure to be tolerant about followers who collect extralegal material rewards of office. The real threat to power comes from the possibility of coup action. Thus, ultimately the stability of the controlling faction rests upon its ability to deny military force to the opposition.

35. Because conflict and cooperation are not motivated by ideological concerns, the government has been able to display a curious kind of continuity and conservatism. Despite breath-taking changes in administration and the distribution of elite personnel, policies and programs remain remarkably the same. The result is that each new ruling faction tends to accept the policies and commitments of its predecessors.

36. The power configuration at the apex of the elite rests heavily on personal agreement, and is therefore largely covert and difficult to assess from the outside. It is also difficult to assess from within the political community. And the low emphasis on ideology means that even the ruling faction has no real means of advertising its consensus or of monitoring the reliability of its following. This situation confers great value on inside intelligence. Surveillance of one's potential opposition assumes great significance, and consequently the police has a power beyond its mere military strength. The outward structure of power is roughly revealed in the assignment to ministries. Those ministries nearest to the real basis of power (i.e. military strength) are the ministries of Defense, Finance, and Interior (which includes the Police Department). The Premier's Office is ambiguous, its power status depending upon the skill of its occupant and whatever other positions he holds.

Decision-Making

37. Decision-making is centralized in the Council of Ministers, and within this group it is concentrated in the "junta". With very few exceptions, programs and policies are formulated in these areas and transmitted downward through the ministries or the territorial administration hierarchy. This applies not only to fundamental decisions (those affecting the position of the decision-makers themselves), but also to legislative enactments and even to administrative and judicial decisions. Decision-making has thus been displaced from two natural areas: the legislature and the executive departments within the ministries below the level of the Undersecretary.

38. In the area of administrative decisions within the ministries, displacement results from the upward referral of decision-making. This tendency is actually accentuated by a feature of administrative structure which in the West is now recognized as a characteristic of effective organization, namely, "short" as opposed to "tall" organizational structure. The Thai bureaucratic structure is "short" with relatively few levels. At the top are the minister

and the deputy ministers (both political appointees) and directly below them the undersecretary (technically a civil servant but sometimes a political appointee) who serves to coordinate the various components of the ministry. At the working level there are three layers: the department or krom, the division or kong, and the section or phanaek. The relatively short distance from bottom to top means that with a few upward referrals a decision has reached the top. Consequently, top levels become excessively burdened with minor decisions, especially the overworked office of the Undersecretary. A large number of decisions are referred by the Ministries to the Council of Ministers where the Office of the Secretary-General becomes a bottleneck.

39. This upward referral of decisions is, of course, a characteristic of all bureaucracy. It serves to protect the individual through the attenuation of responsibility. But among the Thai this tendency receives additional impetus from cultural attitudes and values: the "vertical orientation", the "change-from-the-top" tradition, and perhaps the fear of disturbing congenial relationships by rendering an unpopular decision. The official typically sees himself, not as a decision-maker, but as an implementer of decisions already made. The government is apparently aware of this failing, for it has attacked the weakness not so much at its institutional foundations but at the cultural attitudes behind it. One interesting example is offered by the Council of Ministers edict forbidding the use of the phrase mai pen rai in official circles. There is also a strong tendency to substitute delay instead of saying "no", the hope being that the petitioner will withdraw his request, thus relieving the official of the discomfort of rendering an unpopular decision.

40. Decision-making is further hobbled by the excessive use of committee, both at the Council of Ministers level and within the individual ministry. Within the Council of Ministers, the phenomenon of multiple position automatically involves a minister in a wide range of committee deliberations. As previously noted, the individualistic Thai does not function smoothly in formalized groups, and this, coupled with the lack of preparation caused by too many committees, makes effective action difficult.

41. The conflicts arising in deliberation may be viewed in terms of the problems that are experienced by the participants. From the viewpoint of the executive branch, the problem is to get the legislature to do its bidding without overt violation of its commitment to democratic ideals. The problem of the legislature is, on one hand, to achieve self-unity amid a pluralism of cliques, and on the other hand, to assert itself in the face of an appreciable loss of autonomy.

The Bureaucracy

42. In the 25 years since the establishment of the limited monarchy, Thailand has had three major coups d'etat, 11 major revolutions (usually bloodless), five constitutions, and 20 changes of administration. But for all this, the bureaucracy shows remarkable stability and insulation against the power shifts at the top. Much of this owes to the previously mentioned continuity of broad policy despite changes in elite personnel, with each new government accepting the goals and responsibilities of its forerunners.

Furthermore, the bureaucracy has a history of political neutrality; and has not taken part in the power struggles among the elite. It has been loyal to the government regardless of the latter's composition. Since new regimes have not felt threatened by the civil service, they have not found it necessary to replace the bureaucracy in order to maintain loyalty.

43. One of the most striking features of the Thai bureaucracy is its inclusiveness - a consequence of Thai etatism. It contains much more than the administrative offices of the government. The educational system is a national one, and all teachers in government schools are civil servants. The universities and technical schools are state-supported and controlled. Virtually all of the approximately 40 hospitals are government institutions. The government operates and controls the railroads, the radio, telephone and telegraph services, and a number of industries and monopolies. The majority of these organizations are under the civil service. In Bangkok the municipal government has its own administration and operates such enterprises as the Electric Works, the Water Works, and the transportation companies.

44. Although civil titles and royal names are no longer conferred, the public servant continues to enjoy much of the prestige with the general public that he acquired under the absolute monarchy. "Fringe benefits" are also considerable. Upon reaching the higher ranks, an official is entitled to certain privileges: a car with a chauffeur may be assigned to him; he may live in government housing. Before World War II salaries, while never high, were adequate and provided a comfortable and secure livelihood. Postwar inflation, however, has made salaries totally inadequate and has opened the way to corruption. Discontent with salaries is heightened by the contrast in economic status between the civil servant and the political elite.

45. Despite the tradition of political neutrality, attitudes of the bureaucracy toward the political leadership now appear to be somewhat mixed. Many civil servants realize that at the present stage of development Thailand needs a strong and perhaps even authoritarian government, but they are resentful of some of the concomitants of such leadership. Much of the dissatisfaction centers around inefficiency and ill-conceived actions rather than autocratic practices per se. Furthermore, the concentration of discontented persons within the bureaucracy tends to accumulate and increase. There are very few non-governmental roles to which frustrated officials may move and thereby leave the bureaucracy. Consequently there is very little "self elimination" of the discontented.

46. The Thai bureaucracy displays a number of features which differentiate it from the classical models of bureaucracy. Thanks to the loosely structured nature of the Thai culture, the bureaucracy shows very little of the legalism, sanctification of rules, and compulsiveness about regulations that typifies other bureaucratic systems. In making decisions the Thai personality tends to be ahistorical and unconcerned with precedent. There is very little of the anxious attachment to regulational minutiae found in other Asiatic countries such as India and Japan. Typically, the Thai bureaucrat tends to play situations "by ear", structuring his behavior within the limits of the superior-subordinate hierarchy. Accountability and predictability, as we shall see, are provided by factors other than the "calculable rules" of classical bureaucracy. Although fraught with unpredictability, the lack of compulsive attachment to routine and the free-wheeling reliance on informal procedures can at times produce surprising examples of expeditious action.

47. This looseness of the administrative situation and its great tolerance and permissiveness means, however, that there is a very little drive for what psychologists call "closure" - the tendency to complete or finalize actions. Work performance is more likely to be "ego-oriented" than "task-oriented". The Thai themselves frequently complain about their tendency to stress the outward, displayable aspects of performance - pak chi roy na ("to sprinkle the garnish") as the Thai would say.

48. Official interactions tend to be more personalized and direct, and informal organization is more elaborate than is the case with large-scale urbanized bureaucracies in the West. Expectations and predictability of others rests more on knowledge of a man's personal attributes than upon knowledge of the standard behavior prescribed by the office he holds. In the terminology of role theory, the bureaucrat's behavior, and other people's calculation of it, is based more on his "personal" role than his "official" role. This feature, coupled with the individuality of Thai behavior, makes integration and consensus of expectation less than it would be in a more tightly structured bureaucracy.

49. All of the above means that in Thailand bureaucracy is to a large measure resisted. Reinhard Bendix has pointed out that in all bureaucracies the endeavor to impose formal and impersonal structures will encounter persistent attempts to interpret these structures in a manner which is advantageous to the individuals concerned. This, as Bendix says, is a perennial problem of all managements. But in Thailand it is not so likely to be viewed as a problem as it would be in other societies where greater emphasis is placed on procedural rationality. The informal organization and the resistance it offers to bureaucratization tends to be valued even by management, rather than seen as the "enemy".

50. Accountability and conformity to authority rest primarily upon (1) sanctions which the superior controls by virtue of his "organizational influence", and (2) the legitimacy of the superior. The superior's use of sanctions relies mainly upon his influence in matters of pay increases and promotions, not upon recourse to punishments. While punitive controls legally exist, they operate rather hesitantly. The Criminal Code promises severe penalties for corruption and malfeasance in office, but the Thai describe themselves as too chai on or "soft-hearted" and lacking in the aggressive insistence necessary to expose and punish others. Separations from the service, reductions in force, and reprimands in employee files occur most infrequently even when warranted.

51. The legitimacy of the superior's authority is probably the more important basis of conformity. The "ideology" which establishes this legitimacy is derived from the hierarchial status system and "vertical orientation" of the larger society. The "decision from above" tradition implies obedience from below. Compliance with authority is not merely a matter of regulations, it is an expression of respect for the dignity of rank. Submission to higher rank is seen as natural and proper; it is a carry-over of habits acquired elsewhere in the Thai culture. So important is this cultural feature that it has been given formal embodiment. Civil Service Regulations explicitly require that civil servants display both respect and obedience to superiors. Such a system automatically lays great stress on the externalization of status symbols. Thus, civil servants wear uniforms which clearly announce their grade. This is in contrast to American bureaucracies whose status symbols tend to be covert. While status differences exist, we do not like to admit it. Submission to authority and higher status is usually rationalized as "necessary to get the job done", rather than as a matter of respect and etiquette.

52. We see, then, that conformity to authority stems more from characteristics of the informal social system than from the imposition of powerful formal controls. To date this has resulted in fairly good discipline because the informal organization, with its stress on deference and hierarchization, tends to support, rather than oppose, the goals of the formal organization. For instance, although Civil Service regulations require obedience, compliance is obtained in practice because the culture requires it, not because regulations are enforced by strong formal sanctions. The question, of course, is whether this will continue to provide sufficient motivation for accountability as the Thai bureaucracy expands in size and becomes less personalized.

53. There are several notable consequences of the administrative emphasis on vertical orientation. Submission to authority acquires value to the submitter in terms of the person to whom he submits. The value of work, therefore, depends to an appreciable extent upon the person for whom one works, and much less upon the content of the work. This tends to minimize professionalism. In the bureaucracies of the West the official is often described as having a dual allegiance: to the rationality of regulations on one hand, and to his superior on the other. This duality frequently gives rise to administrative conflicts and provides the official with a basis for defying his superior. In the Thai bureaucracy allegiance is much more one-sided, and conflicts of this kind are less likely to occur. Nor are regulations used as a device for impoverishing or defying the authority of one's superior. Similarly, there is very little conflict between a sense of client responsibility and compliance with superior authority. The standards to which an official conforms come from above, not from below. In Thailand the government employee has always been a "King's servant" (kharachakarn), not a "public servant". Finally, the vertical orientation favors a one-way communication system - downward. It would appear, however, that pressure to communicate upward is growing. With advances in training and foreign education, many subordinate officials now have definite ideas of their own. If you ask a progressive official concerning the greatest deficiency in his superiors, he will very likely reply, "They don't listen to their subordinates". It would be rare, however, for such feelings to break into overt conflict.

54. In conclusion, two general observations are in order. The first is that many of the difficulties in Thai administration can be remedied only by changes in the larger social and economic system in which administration is imbedded. The non-availability of occupational roles outside government is an obvious case in point. Irregularities occasioned by discontent over low salaries is another. The second observation is that the Thai system works; it functions fairly smoothly, and on the whole gets things done. This is not to say, of course, that there is no need for improvement, but rather that what many outsiders take as points of criticism is the way in which things get done. The mechanisms for accomplishment are different from those to which these observers are accustomed, but it must be remembered that these ways are quite natural to the Thai. And when an "inefficiency" is discovered, the factors leading to the inefficiency are often the same factors which are responsible for effectiveness elsewhere in the system.

55. These two points represent both a challenge and a caution to those who would assist the Thai in improving their administration. Many improvements must await changes elsewhere in the social and economic structure. Other "intended" improvements must be compatible with, and capitalize upon, the behavioral forces in the existing system. They must not create disbalance elsewhere in the system. For example, to give young officials an overdose of

"rationality" and "accountability" (a la West) might easily stimulate increased dissatisfaction with the standards of the higher officialdom. Such a situation conceivably could produce many of the long-range consequences of Chulalongkorn's "study abroad" program. Or, to train middle management in new techniques which threaten the valued practices of top management would most certainly create friction and loss of discipline. When the problem is viewed in this manner, it becomes extremely difficult to answer the question, "Are we doing the Thai any good?" It is much easier to answer the question, "Are we doing them any harm?"