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McNamara Papers

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Contacts with member countries: Thailand - Correspondence 01

Contacts
Thailand (1968-1971)

Folder 114

DECLASSIFIED
WBG Archives

THAILAND

THAILAND

1. 8/9/68 Khun Prayad Buranasiri, Secretary-General, National Economic Development Board of Thailand; Prasong Sukhun, Secretary-General, Accelerated Rural Development Organization; Piew Phusavat, Deputy Director, Department of Technical and Economic Cooperation; Bodi Chunnananda, Chief, Division in the Thai Bureau of the Budget; Ambassador Bunchana Atthakor

2. 10/1/68 Dr. Serm Vinicchayakul, Minister of Finance
 Bisudhi Nimmanahaeminda, Deputy Governor, Bank of Thailand
 Khunying Suparb Yossundara, Director, Assistant to the Governor, Bank of Thailand
 Pandit Bunyapana, Economic and Financial Counselor, London Embassy
 Manas Leeviraphan, Acting Economic and Financial Counselor, Embassy D.C.
 Vijiit Supinit, Assistant Economist, Bank of Thailand
 Nathapan Bhukkanasut, Secretariat Division, Bank of Thailand
 Thavee Kiarti Krishnamra, Secretary to the Minister of Finance

- 7/18/69 Sivavong Changkasiri, Senior Industrial Officer and Project Coordinator, (Aspen - Small Industries Service Institute Dept. of Industrial Promotion; Member, Eisen. Ex.) National Economic Development Bank, Bangkok

- 4/6-8/70 Dean Puey Ungphakorn, President, Bank of Thailand
 (Bellagio Conf.)

- 7/27/70 Dr. Chaiyong Chuchart, Senior Economist, Eisenhower Exchange Fellowships, Inc., Ministry of National Development, Bangkok

3. 9/24/70 Dr. Puey Ungphakorn, Governor, Bank of Thailand
 (Copen.) Mrs. Suparb Yossundara, Director, Bank of Thailand
 Panas Simasathien, Economic and Financial Counselor, Embassy in Washington

- 3/12/71 Dr. Boonrod Binson, Member for Thailand, Mekong Committee (Deputy Minister, Ministry of National Development)

4. 9/30/71 Dr. Serm Vinicchayakul, Minister of Finance
 Khunying Suparb Yossundara, Executive Director
 Khun Chanchai Veetavorn, Director, Fiscal Policy Office, Ministry of Finance

5. 11/8-11/71 Mr. McNamara's Impressions on Visit to Thailand *(Filed in McN office)*.
 11/8/71 (Bangkok) Chanchai Veetavorn, Director, Fiscal Policy Office, Ministry of Finance
 " M.R. Thongthang Thongthaem, Deputy Minister of Finance
 " Dr. H.G. Weizman, Project Manager, Expert Committee, Institute for Planning and Development

- 11/8/71 Bisudhi Nimmanheminda, Governor, Bank of Thailand (hosted dinner)
 (Chiang Mai)
 " Dr. Boonsom Martin, Dean, Chiang Mai University

- 11/8/71
(Chiang Mai) Mr. Wanat, Hill Tribes Center, Chiang Mai University
- " Visit Chaiyaporn, Governor of Chiang Mai
- 11/9/71
(Khon Kaen) Briefing on Mekong Project in flight to Khon Kaen
Dr. Boonrod Binson, Deputy Minister, Ministry of National Development
Willem J. Van der Oord, Executive Agent, Committee for Coordination
of Investigations of the Lower Mekong Basin
Briefing on Northeast Development Plan
Renoo Suvarnsit, Secretary General, National Economic Development Board
Dr. Sanoh
Briefing on Accelerated Rural Development Program
Prasong Sukhum, Secretary General, Accelerated Rural Development
- " Pimol Kolakich, Rector, Kohn Kaen University
- " Dr. Bhakdi Lusanandana, Director General, Rice Department, Ministry
of Agriculture
Dr. Frank Pinkerton, Chief of Party (University of Kentucky Contract),
Agricultural Research Station
Borisuthi Panditwongse, Acting Director, North East Agricultural Center
Eytan Uriely, Officer-in-Charge, UNDP Project, Kalasin Station
- " Family Planning Clinic
Dr. Chitt Hemachudha, Director General, Department of Health
Dr. Allan G. Rosenfield, Representative, The Population Council,
and Medical Adviser, National Family Planning Project, Ministry
of Health
- " Chalong Pungtrakul, Deputy Governor, Bank of Thailand
- 11/9/71
(Chainat) Briefing in flight from Khon Kaen
Charin Atthayodhin, Acting Chief, Operations and Maintenance Division,
Royal Irrigation Department, Ministry of National Development
Sunthorn Runglek, Assistant Director for Planning and Engineering,
Royal Irrigation Department, Ministry of National Development
Dr. Bhakdi Lusanandana, Director General, Rice Department, Ministry
of Agriculture
Manee Chuaviroj, Acting Director, Central Region Agricultural Center
6. 11/9/71
(Bangkok) Lt. General Chalermchai Charuvastr, Director, Tourist Organization
of Thailand
7. 11/10/71
(Bangkok) Meeting with National Economic Development Board (NEDB)
Renoo Suvarnsit, Secretary General
Dr. Snoh Unakul, Director, Economic and Social Planning Div.
Dr. Prom Panitchpakdi
Chanchai Leetavorn, Director, Fiscal Policy Office, Ministry of Finance

8. 11/10/71
(Bangkok) Meeting with the Ministry of Agriculture
Pol. Lt. Gen. Pichai Kullavanijaya, Deputy Minister of Agriculture
Aroon Pumhiran, Deputy Under Secretary
Dr. Thalerng Thamrong Navasawat, Deputy Under Secretary
Samai Chareonratha, Deputy Director General, Department of Agriculture
Dr. Bhakdi Lusanandana, Director General, Rice Department, Ministry
of Agriculture
Sant Bandhukul, Director General, Department of Fisheries
Thamrong Singlawanich, Director General, Department of Agricultural
Extension
La-iaad Duangdee, Deputy Director General, Department of Livestock
Development
Thaveesak Sriburee, Deputy Director General, Royal Forest Department
Prasert Bhenchitra, Deputy Director General, Department of Agricultural
Extension
Yooki Sarikaputi, Deputy Director General, Department of Agricultural
Extension
Methi Simasathien, Chief of Division, Animal Nutrition Forage Crop
Dr. Krui Bunyasingh, Special Agricultural Officer
Vibul Sthitirat, Chief of Division of Foreign Agricultural Relations
Dr. Somnuk Sriplung, Chief of Division of Agricultural Economics
9. " Meeting with the Ministry of Education
Sukich Nimmanheminda, Minister of Education
Dr. Prasert Na Nagara, Acting Secretary General, National Education
Council
Bhunthin Attagara, Under Secretary of State for Education
Mrs. Ambhorn Meesook, Deputy Under Secretary of State for Education
Kriang Iamsakun, Director General, Department of Elementary and
Adult Education
Bhongssakdi Varasundharosoth, Director General, Department of
Vocational Education
Kaw Swasdipanich, Director General, Department of Secondary Education
Charoon Vongsayanha, Director General, Department of Education Techniques
10. " King Bhumibol Adulyadej
Admiral Prince Kalavarandis Diskne
Serm Vinicchayakul, Minister of Finance
Chanchai Leetavorn, Director, Fiscal Policy Office, Ministry of Finance
- " Lunch with bankers and industrialists
Chalerm Prachuabmoh
Bancha Lamsam
Sukum Navapan
Major General Pramarn Adireksarn
Charoon Siboonruang
Squadron Leader Prakaipetch Intusopon

11. 11/10/71
(Bangkok) Meeting at Kasetsart University
Prof. Dr. Prasert Na Nagara, Vice-Rector for Academic Affairs,
Acting Rector
Dr. James H. Jensen, Acting Vice-Rector for Development
Prof. Rapee Sagarik, Vice-Rector for Business Affairs
Rachun Umpai, Vice-Rector for Student Affairs
Pavin Punsri, Dean of Agriculture
Prof. Pantum Thisyamondol, Dean of Economics and Business Administration
Prof. Dr. Ubol Riangsuwan, Acting Dean of Education
Sandis Virathian, Dean of Engineering
Asst. Prof. Mek Boonbrahm, Acting Dean of Fisheries
Prof. Dr. Sanga Sabhasri, Dean of Forestry
Prof. Dr. Davi Yangsughonda, Dean of Science and Arts
Prof. Chakr Pichaironarongsongkram, Dean of Veterinary Science
Prof. Dr. Bunjird Khatikam, Dean of Graduate School
Amara Bhumiratana, Director of Institute of Food Research and
Product Division
Porn Resanonda, Director of Extension and Training Office
Asst. Prof. Arb Makajud, Project Coordinator (designated)
Asst. Prof. Sangtham Komkris, Campus Planner
Miss Ladasiri Limangkura, Chief of Foreign Relations Office
Dr. Phaitoon Ingkasuwan, Asst. to Vice-Rector
12. " Meeting with the National Research Council and Applied Scientific
Research Corporation
Dr. Pradisth Cheosakul, Secretary General, National Research Council
Dr. Torbongs Donavanik, Deputy Secretary General for Sciences,
National Research Council
Dr. Shoopol Swasdiyakorn, Deputy Secretary General for Social
Sciences, National Research Council
Dr. Tab Nilanidhi, Governor, Applied Scientific Research Corp.
Boon Indrabarya, Managing Director, Technological Research
Office, Applied Scientific Research Corp.
Kahn Jalavicharana, Research Officer, Applied Scientific Research Corp.
Mrs. Praphaiphitt Donavanik, Secretary to the Board, Applied Scientific
Research Corp.
Dr. C. Lewis Wrenshall, UNDP Adviser, Applied Scientific Research Corp.
Dr. Chien Chu, UNDP Adviser
13. " Sommai Hoontrakul, General Manager, Industrial Finance Corp.
14. " Ambassador Gordon Cox, Canadian Ambassador and Chairman, Development
Assistance Group for Thailand
Tom Power, Regional Representative, UNDP
- " Meeting with Young Professors
Seneh Chamarik
Dr. Neon Snidbongs
Dr. Amara Raksasataya
Dr. Wichit Srisaan
Dr. Chetana Negavajara
15. 11/11/71 Meeting at the Asian Institute of Technology
Dr. Milton E. Bender, Jr., President
Mr. Lowell
Mr. Chang
Chanchai Leetavorn, Director, Fiscal Policy Office, Ministry of
Finance

16. 11/11/71 Col. Thanat Khoman, Minister of Foreign Affairs
(Bangkok)
- " Prof. Aroon Sorathesn, Head, Department of Sanitary Engineering,
Chulalongkorn University
- " Captian Lapo Israngkul, Deputy Director for Operations; Port Authority
of Thailand
- " Chaiya Pulsirivong, Chief, Comprehensive Plan Division
- " Mr. Chare, Grain Handling Facilities
- " Kasame Chatikavanij, General Manager, Electricity Generating Authority
of Thailand
Sawang Bhulsuk, Director General, Royal Irrigation Department
Chaleo Vajrabukka, Director
Ahna Ramyananda, General Manager, State Railway of Thailand
17. " Field Marshal Thanom Kittikachorn, Prime Minister
General Prapass Charusathira, Minister of Interior and Deputy Prime Min.
Pote Sarasin, Minister of National Development and Deputy Prime Min.
Col. Thanat Khoman, Minister of Foreign Affairs
Serm Vinnichayakul, Minister of Finance
General Sawaeng Senanarong, Minister attached to the Prime Minister's
Office
Renoo Suvarnsit, Secretary General, National Economic Development Board
Chanchai Leetavorn, Director, Fiscal Policy Office
- " Serm Vinnichayakul, Minister of Finance
Boonma Wongswan, Under Secretary of State for Finance
Bisudhi Nimmanheminda, Governor, Bank of Thailand
- 5/24/73 Mrs. Suparb Yossundara (former ED)
- 10/7/76 Amnuay Viravan (with ASEAN Group)
(Manila) (Memo filed Singapore)
18. 5/2/77 General Chomanan Kriangsak, Deputy Supreme Commander and
Secretary General of the National Administrative Reform Council
- 1/9/78 Sippanondha Ketudat - SecGen of the National Education Commission.
[Education Panel lunch]
19. 2/5/79 General Kriangsak Chomanan, Prime Minister
Khun Sun Thorn Hongladarom, Deputy Prime Minister
Dr. Phisit Phakasam, Director, Economic Planning Division, NESDB
Khun Charnchai Leetavorn, Under Secy of Finance
Khun Kasame Chatikavanij, Minister of Industry

20. 5/16-
5/19/79-
(Thailand)

RMcN Notes *(Filed in RMcN office)*

Kriangsak Chomanan, Prime Minister
Khun Kasame Chatikavanij, General Manager, EGAT and
Minister of Industry
Dr. Snoh Unakul, Governor, Bank of Thailand
Dr. Phaichitr Uathavikul, Rector, Natl. Institute
of Development Administration, NIDA
Dr. W.J. van der Oord, Executive Agent, Mekong Comm.
Dr. Meechai Viravaidhya, Director, Community-Based
Family Planning Services

3/19/80

Mr. Kaseme, President of IGAT (Power Company)

21. 11/17/80

Khun Boonchu Rojanasathien, Deputy Prime Minister
Prok Amranand, Ambassador to the U. S.

22. 12/30/80

Dr. Amnuay Viravan, Minister of Finance
Mr. Zain Azraai (ED)WB
Mr. Byanti Kharmawan (ED/IMF)

23. 10/3/80
Annual
Meeting

Dr Amnuay, Minister of Finance
Mr. Chanchai Leetavorn, Under Sec., Ministry of Finance



OFFICE MEMORANDUM

TO: For the Records

DATE: August 12, 1968

FROM: Raymond J. Goodman *RJG*SUBJECT: THAILAND - Visit of Mr. Prayad Buranasiri

In the course of a call on Mr. McNamara on August 9, 1968, Mr. Prayad Buranasiri - Secretary General of the National Economic Development Board of Thailand - handed over a summary of the North East Regional Development Strategy (attached). He drew attention to the studies which would be carried out to help speed up the rate at which resources could be productively invested in the North East. He hoped that the studies would result in some projects suitable for external financing and that the Bank would be interested in helping with these.

Mr. McNamara welcomed the efforts being made by the Thai Government to develop this backward yet important sector of the country. He added that the Bank would be happy to consider any projects which emerged from the forthcoming studies.

Attachment

President has seen

Mr. R. ...

Thailand : Summary of Northeast Regional
Development Strategy

(1) Northeast Thailand is an underdeveloped agricultural area the size of South Vietnam with 1.2 million farms with poor upland soils. This region has a population of 11 million growing at over 3% per year with an average per capita output in 1967 valued at \$60 per year. A low level endemic communist insurgency has existed in this area for many years and pressures have mounted since 1965. The region has been absorbing nearly one-fifth of the Thai Government Budget of \$1 billion. It is subsidized heavily by the central government, \$10 development expenditures to \$1 total tax collections. The USAID development assistance has been near \$35 million per annum over the recent past. Both Thai Government and third country efforts have included large inputs into social infrastructure which has a long term payoff in production increases. Even with these inputs, other regions are moving ahead faster than the Northeast.

(2) In response to this widening income "gap" and the communist insurgency, the Thai Government launched the Accelerated Rural Development (ARD) program in 1964. This effort has made much progress in reaching the people in isolated, security sensitive rural areas through its development programs. It has been operating at the local level through local authorities on a wide spectrum of programs, concentrating on feeder road construction and village water projects. It has been a principal innovational force in the countryside.

(3) In further recognition of the necessity for increased development efforts in the Northeast, in 1967, the Government organized the Northeast Economic Development (NEED) Committee. The major function of this committee is to mobilize and most efficiently utilize the maximum domestic and foreign resources to accelerate the pace of development in the region. This committee is under the auspices of the National Economic Development Board (NEDB) with membership of all concerned ministries and departments, including ARD which is playing a key role.

(4) The Thai Government is seeking the continuation of existing, as well as additional loan and grant assistance from the U.S., international institution and other countries specifically to accelerate

development of this region. It is important that this assistance be timely because of the mounting communist threat. The justification for assistance is not purely economic, large resource inputs are necessary to defeat the insurgency in the Northeast and prevent the spread of Communism into Thailand. There is a direct relationship between security and development, therefore, government policy has been to closely coordinate economic development plans with the maintenance of security in the region.

(5) Although considerable resources have been allocated to the region, underutilization of existing facilities poses one of the most serious problems. This underutilization is partially caused by overlapping ministerial responsibilities and lack of trained manpower. A principal target of the NEED Committee is to identify these "bottle-necks" to development and coordinate the operating ministries to remove them.

(6) In order to maximize resource inputs into the Northeast, without materially hampering the development of the rest of the economy, the NEED Plan will be an integral part of the National Development Plan. Technical Assistance from the U.S. is forthcoming for formulation of the NEED Plan, the UNDP is assisting in a regional plan for the North and the OECD may assist in regional planning for the South. These planning efforts will assist in the setting of criteria for allocation of resources between development and security as well as between regions. This remains a major problem for Thai Government policymakers.

(7) The strategy for Northeast economic development is to emphasize the decentralization of planning to the changwad (province 15 in the Northeast) level, already begun by ARD and the Department of Local Administration (DOLA). The purpose of this effort is to insure that the development plan reflects the expressed needs of the people. Through the NEED Plan, an administrative process is taking form which will facilitate increased responsiveness and coordination of Bangkok based Ministry programs with changwad requirements. The strategy of the Bangkok based Ministries will be to pin point and move to eliminate bottlenecks to development.

(8) A sector development strategy is being developed through the already established sectoral working groups in order to give direction to and coordinate the development process. Sector plans will be developed which can also be used to seek sector assistance from foreign sources, although project assistance will continue to be sought.

(9) The Thai Government has undertaken the preparation of a "Preparedness Plan". This plan will establish a resource allocation mechanism to be put into effect under varying conditions of emergency. This plan is being drawn up by the NEDB and the National Security Council.

(10) The U.S. has constructed several large military bases in the Northeast, they have generated a considerable amount of income and employment to the local people. Together with this income generation, some restructuring of economic activity has taken place. At the time of a phasedown in U.S. military activities, a major problem confronting the Thai Government will be to substitute, to a maximum degree this income and employment loss.

(11) Sector Development Strategy

A. Water Resource Development

The development of adequate irrigation water for the Northeast is a first priority development requirement. The Northeast is a rolling plateau with few natural sites for intermediate size irrigation projects. Some large irrigation and power facilities have been built and others are now in process. Intermediate and small size tanks have also been constructed. Both the Royal Irrigation Department (RID) and ARD are concentrating on water development in the Northeast and other agencies including the Ministry of Agriculture are concentrating on water use. The RID will continue establishing farmer's Water Users Organizations prior to facility construction. The strategy for water development will concentrate first on water use from existing facilities and secondly (concurrently) on development of additional projects.

Water salinity is a major problem; further, because of the terrain, some pumping will have to be employed to distribute irrigation water. Potable water for village use is also being developed through a pilot project in the Northeast. Continued foreign assistance will be sought for equipment and training for these programs including extension work.

The Government is stressing the importance of developing the Mekong River. It has supported the U.S. Bureau of Reclamation feasibility study for the Pa Mong Dam. Because of the legal and economic complexities not yet resolved and the large resource inputs required, the government views the Pa Mong in a long term perspective. The government has supported the work of the Mekong Committee in feasibility studies under the development plans.

B. Agriculture

There appears to be an adequate agricultural potential in the Northeast in upland crops, livestock and fisheries. Although the Northeast is an extensive rice growing area, yields are very low and in many areas the land is particularly unsuited for rice cultivation. The strategy in Northeast agriculture development is to increase production and diversify through developing regions that will specialize in upland crops with possible limited market guarantees from the government. One of the principal bottlenecks in this program is technical expertise in the development of the type of crop and the area for its production as well as agricultural extension services to implement the program.

The recent establishment of a new Department of Agriculture Service to combine all existing efforts will greatly enhance the effectiveness of this activity. Government policy is to concentrate and develop "growth agents". These include Farm Co-operatives, Agriculture Credit Associations, Farmer's Groups and Water User's Associations. High priority is being given to disseminate to farmers, the results of agricultural research already completed at the Northeast Regional Research Center. The further development of livestock in areas suitable for cash crop production and the development of fisheries in reservoirs and tanks will be of high priority in the diversification program.

The NEED program will encourage the development of agribusiness in the Northeast through the BOI and ARD. This will be done through selecting the most suitable endeavors to be undertaken in the area, and disseminating the information to foreign and domestic investors. The government is currently considering the granting of special tax concessions for the Northeast to private investors. This would be in addition to those granted by the BOI through the existing promotion practices.

The present demand for energy in the Northeast is being adequately supplied, through two recently completed hydro-electric projects: the Ubon Ratana (25 MK) and Nam Pung (6 MK) dams. Other sources of power come from gas turbine and diesel generators. Demand is expected to increase very sharply within the next 5-6 years. The Second Development Plan provides for an additional 36 + MK from the Lam Dome Noi project. A feasibility study of Nam Phrom project is underway. If constructed, this plant will be able to generate another 40 MK of power for the Northeast.

C. Transportation and Communications

The coordination of highway construction and planning activities between the Thai Highway Department (THD), ARD and DOLA is one of the objectives of the NEED Plan. Progress has been made in the construction of a rural feeder road network through substantial assistance from the U.S. to the ARD program. Roads are the principal means of maintaining a government presence for security, and also a key development factor. The completion of a provincial highway network is planned over the next seven years by the THD. To supplement this network, ARD has a long range feeder road network plan for the entire Northeast. The Community Development Department (CDD) has completed nearly 900 km of village roads in the Northeast in 1967 and is continuing this effort. The rate of implementation of these plans depend on resource availability.

D. Manpower and Vocational Education

A major bottleneck is the lack of human resources necessary for the development process. There is a lack of skilled manpower in both the government and private sectors. Additional training facilities are required for government employees engaged in rural development and planning. Also, additional employment service facilities are required to locate jobs for underemployed farmers and persons dislocated by terminations of large construction projects. The Government is seeking some adjustments in the Civil Service structure to help overcome some of these obstacles. Civil servants received a modest increase in salaries last year. Vocational education centers are being established by the Government for agriculture extension, water project design, machine maintenance and many others.

E. Social Services and General Education

Health facilities in the Northeast are far below desired standards with one doctor for every 17,000 persons. The government plans to accelerate the flow of medical services to rural areas. The Mobile Medical Teams, and Rural Health Center programs will be continued. Also, more budget resources will be devoted to improve hospital facilities. Health programs can be of critical counterinsurgency value. The CDD is active in local leadership training and development activities at the village level.

Inadequate education facilities perhaps, are the greatest bottleneck to development in the country as a whole and particularly in the North-east. Compulsary education extends for only four years and the percentage of school aged youth actually in school declined from 58% in 1960 to 50% in 1967. The major cause of this decline is the lack of teachers coupled with a high population growth.

Increasing budget expenditures as well as foreign assistance is planned through 1971 in the Second Economic and Social Development Plan. These resource inputs, particularly in teacher training, will raise the proportion of school age children actually attending school as well as the quality of instruction. The Northeast has a newly established university at Khon Khean especially established to provide trained manpower for the region.

National Economic Development Board
Office of the Prime Minister
Bangkok, Thailand

August 1, 1968

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: August 7, 1968

FROM: Raymond J. Goodman *RJK*SUBJECT: THAILAND - Visit of Mr. Prayad Buranasiri

You have agreed to see Mr. Prayad, Secretary-General of the National Economic Development Board of Thailand, at 12:40 on Friday, August 9, 1968. In my memo of July 31 I mentioned that he would be accompanied by the Thai Ambassador in Washington and by the Economic and Financial Counselor at the Embassy. We have now learnt that he will also be accompanied by Mr. Prasong Sukhun, Secretary-General of the Accelerated Rural Development Organization, Mr. Piew Phusavat, Deputy Director of the Department of Technical and Economic Cooperation and Mr. Bodi Chunnananda, Chief of Division in the Thai Bureau of the Budget.

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 31, 1968

FROM: Raymond J. Goodman *RJG*

SUBJECT: THAILAND - Programs for the North East

You will recall that at the signing of the Third Highway Loan to Thailand in May you mentioned to Ambassador Bunchana Atthakor your interest in programs to develop the North East and your hope that the Bank could become more involved in these programs. Stemming from this the Ambassador has asked for an appointment for the Secretary-General of the National Economic Development Board of Thailand, Khun Prayad Buranasiri, to see you on August 9. He would be accompanied by the Ambassador and by Khun Manas Leeviraphan, who is Economic and Financial Counselor at the Embassy.

I intend to invite Khun Prayad and his colleagues to lunch. If you are willing to see them, it would be most convenient if the appointment could be immediately before or after lunch. I would be grateful if you would let me know so that I can inform the Ambassador.

Khun Prayad, who is in Washington primarily to discuss future programs for the North East with AID, was formerly an alternate executive director of the Bank.

The briefing paper on Thailand, of which you have a copy, contains an annex on The North East. No developments have occurred since it was written. However an economic mission which has recently arrived in Thailand will be looking into further possibilities for Bank operations in that area.

*His
fly
schedule
just
before
lunch
I see*

*Mr. Goodman's office will let us know time of lunch so we
may schedule before lunch.*

*Lunch 1:00
Prayad 12:50*

OFFICE MEMORANDUM

TO: Records

DATE: October 3, 1968

FROM: Nicholas A. Gibbs

SUBJECT: THAILAND - Delegation Meeting with Mr. McNamara at the Annual Meeting

The Thailand Delegation called on Mr. McNamara on October 1, 1968 at the Sheraton Park Hotel. The Delegation was represented by Dr. Serm Vinicchayakul, Mr. Bisudhi Nimmanahaeminda, Khunying Suparb Yossundara, Mr. Pandit Bunyapana, Mr. Manas Leeviraphan, Mr. Vijit Supinit, Mr. Nathapan Bhukkanasut and Mr. Thavee Kiarti Krishnamra. Present for the Bank were Messrs. Cargill and Gibbs.

Dr. Serm opened the discussions by thanking Mr. McNamara for his recent expression of interest in the Northeast of Thailand and invited Mr. McNamara to visit Thailand as early as possible. Mr. McNamara replied that because of other commitments he could not plan to visit Thailand in the near future but, nonetheless, hoped that it would be possible before too long. Dr. Serm said that the invitation was a standing one which he hoped Mr. McNamara would take up in due course.

Referring to the Northeast of Thailand Mr. McNamara said that Thailand had a real problem on her hands. Not only was there the security problem but in addition the population of the Northeast, which represented about one-third of the total population of Thailand, had a per capita income substantially below the rest of Thailand. Mr. McNamara went on to say that there was an urgent need to do something for these people and in the face of rising defense expenditure, he saw the clear need for additional revenues to help pay for the development expenditures which would be necessary in the Northeast. Dr. Serm replied that the Government intended to wait until after the elections, which will be held in early 1969, before introducing any new tax legislation. He did not, however, foresee any difficulties in raising additional revenues at that time.

Mr. McNamara said he thought U.S. military expenditures in Thailand would be reduced quite sharply in the near future and expressed the hope that it would also be possible for Thailand to reduce its own defense expenditures. He said that relations with Thailand had been very cordial over many years and that he wanted to help the Government to accelerate its development program and speed up project preparation. He looked to the Government of Thailand to play its part in an increased development effort and once again pointed out the need to raise additional revenues, if this joint effort were to be successful.

Mr. McNamara then asked the Minister what was the agricultural outlook for Thailand. Dr. Serm replied that the rice harvest in 1967 had been depressed because of drought but the prospects for 1968 looked generally better. Thai farmers were not using IR8 but an improved strain that had

President has seen

been developed in Thailand. Thai farmers, he said, were not happy with IR8 because it required increased water and fertilizer which were not always available and also because it had an unacceptable taste. Thailand's own improved variety yielded almost as much as IR8 and was also responsive to fertilizer.

Mr. Cargill pointed out that there were many problems facing Thailand's farmers in increasing the production of rice. It had been shown that Thai farmers were responsive to price incentives. However, the Government had imposed an export premium on rice which kept rice prices in the urban areas down. He felt that the Thai farmer would be more responsive if the price of his products was somewhat increased. In addition there was a lack of coordination among Government Departments responsible for providing support services to farmers. As a result of Mr. Gaitskell's study of the Chao Phya area in connection with the Bank's loan for the Sirikit Dam, the Bank had proposed a thoroughgoing review of the problems affecting increased rice production. He hoped the Government would give the matter their urgent attention. Up till now there has never been a major rice shortage in Thailand and it was probably true to say that until this occurred the Government would continue to be lethargic about this matter. Mr. McNamara said he hoped the Government would give this point their urgent consideration and he looked forward to continuing to work closely with the Thai authorities on this problem.

NAGibbs:hj/aos

cc: Messrs. McNamara, Knapp, Cargill, Goodman, Street, Blobel,
Bartsch and Homs



OFFICE MEMORANDUM

9/24
J. W. McNamara
Mr. Knapp
Mr. Cope

TO: FILES

DATE: September 26, 1970

FROM: Gordon M. Street ✓

SUBJECT: Thailand - Delegation Meeting with Mr. McNamara on September 24, 1970.

Present for Thailand were Dr. Puey Ungphakorn, Governor of the Bank of Thailand, Mrs. Suparb Yossundara, Director, Bank of Thailand and Mr. Panas Simasathien, Economic and Financial Counselor at the Embassy in Washington. Present for the Bank were Mr. McNamara, Mr. Goodman, and Mr. Street.

Dr. Puey opened the meeting by remarking that coordination of economic planning in Thailand was weak and consequently Mr. McNamara's letter to the Prime Minister and Mr. Goodman's letter to the Minister of Finance had been of great benefit to his country. He reported that the Prime Minister was extremely receptive to the thoughts expressed in the two letters, but that other Ministers remained to be convinced. Mr. McNamara agreed that coordination of economic planning in Thailand needed improvement and suggested that having been through a rather artificial period recently because of large US service payments, significant administrative and policy changes were now required. He emphasized, however, that this was a Thai affair and that the Bank in suggesting corrective measures was merely trying to be helpful and not to take over the management of Thailand's affairs. He appreciated the very sensitive nature of the problem, particularly that of convincing the various Ministers concerned of the needs to change direction.

Dr. Puey then noted that Mr. Goodman had suggested earlier in the week, that a Thai commission be formed to consider, with advice from foreign experts, the problem of coordination and that the Bank would consider financing the foreign exchange cost of the foreign experts. He very much welcomed the proposal as did Renoo, the Head of NEDB, and he had asked Renoo to do his best to convince the Ministers concerned of its value. He noted that his Government had in fact already taken a first step to improve the economic situation i.e., an increase in taxes. He expected a second step would be taken during the next couple of months; i.e. the imposition of direct taxes. Finally he thought the Government should and would soon be tackling the problem of better economic planning.

Turning to another subject, Dr. Puey noted that some of his colleagues were rather optimistic about the continuation of US grant aid but that he did not share their optimism. Mr. McNamara agreed that the Thai should not count on substantial aid from the US in drawing up their development plans, because of opposition to aid in the US Congress. He also agreed with Dr. Puey that this points up the need to obtain greater amounts of aid from Japan and Germany. In response to Dr. Puey's request that the Bank urge bilateral lenders to untie their aid, Mr. McNamara promised that the Bank would do anything possible, particularly to convince the French, now the principal remaining opponent to untying aid. He thought a real change in the situation would occur over the next two years and greater aid flows could be expected.

Dr. Puey then noted that in drawing up the third Five-Year Plan commencing October 1, 1971, more emphasis would be put on social development; expenditures would be increased for education, water supplies, family planning etc. In this

President has seen

Memo on Thailand

connection he asked what types of education the Bank would be prepared to finance. Mr. McNamara replied that Bank loans covered various types of education related to development; thus the Bank Group did not finance general education but rather those projects directed toward economic development, such as vocational education, teachers training, special training at the university level, primary schooling where illiteracy was a general problem and adult education to increase functional capability and reduce adult illiteracy.

In concluding the meeting Mr. McNamara thanked the Governor for the Bank of Thailand's very generous support in purchasing the Bank's Two-Year Central Bank bond issues.

c.c: Mr. McNamara ✓
Mr. Knapp ✓
Mr. Cope ✓

9/25/70 RS.

OFFICE MEMORANDUM

TO: For the Records

DATE: October 4, 1971

FROM: Nicholas A. Gibbs *NAG*

SUBJECT: Thailand - Thailand Delegation Meeting with Mr. McNamara at 1971 Annual Meeting

The Thailand Delegation to the 1971 Annual Meeting called on Mr. McNamara at the Sheraton Park Hotel at 8:50 a.m., Thursday, September 30, 1971.

Present were -

For Thailand:

Dr. Serm Vinicchayakul, Minister of Finance
Khunying Suparb Yossundara, Executive Director
Khun Chanchai Veetavorn, Director, Fiscal Policy Office,
Ministry of Finance

For the Bank:

Mr. Robert S. McNamara
Mr. J. Burke Knapp
Mr. Mohamed Shoaib
Mr. Hollis B. Chenery
Mr. Raymond J. Goodman
Mr. Nicholas A. Gibbs

In welcoming Dr. Serm and the delegation, Mr. McNamara expressed his great appreciation for the Government's continuing generous support for the Bank's two-year bond issues.

Minister Serm handed Mr. McNamara a letter from the Prime Minister of Thailand dated September 17, 1971, copy attached, inviting Mr. McNamara on behalf of His Majesty's Government to visit Thailand. Mr. McNamara asked Minister Serm to thank the Prime Minister for his invitation and said how much he was looking forward to his visit. He would let the Minister know his dates in Thailand as soon as his itinerary was firm. Minister Serm went on to say that he would be pleased to recommend that His Majesty receive Mr. McNamara during his visit. Mr. McNamara replied that he would be greatly honored to be received by His Majesty.

Mr. McNamara said that he hoped while in Thailand to visit the Northeast region and gain a first hand impression of the problems in this area. He cited Northeast Brazil and East Pakistan as areas which also had special problems, particularly much lower incomes than the national average.

President has seen

October 4, 1971

Mr. McNamara said another matter he wanted to look into during his visit was the question of Government coordination. He had received a number of disquieting reports on this subject but it was difficult to form any judgment in Washington. He believed that poor coordination affected not only the planning process but also plan administration and project implementation. Minister Serm agreed there was a lack of coordination in Government.

Mr. McNamara then referred to the need to improve project preparation so that Thailand could benefit from the substantial amount of aid that appeared to be available to Thailand. He said the Bank was considering how it might help. Minister Serm asked whether the Bank would consider putting some staff members in Bangkok for this purpose. Mr. McNamara replied that he was willing to consider whether a resident mission was likely to benefit the Government and how it might work; he would look into this question further during his visit.

Asked if he had any matters to raise, Mr. Chenery said he had submitted a report to the Government of Thailand on the Northeast in 1967. One of his conclusions had been that the Northeast needed a coordinated planning agency, and he was disappointed to note that nearly all agencies were still represented independently in the Northeast. Mr. McNamara added that the Northeast was a difficult problem which required special attention.

Mr. McNamara concluded the meeting by saying that he looked forward to seeing the Minister in about a month's time.

Attachment.

cleared and cc- Mr. Goodman

cc: Mr. McNamara
Mr. Knapp
Mr. Aldewereld
Mr. Shoalb
Mr. Sadove
EAPD Div. A

NGibbs/aga

6

OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NG*

SUBJECT: Thailand - Mr. McNamara's visit to Thailand November 8 to 12, 1971
Meeting with General Chalermchai Charuvastr, Director General,
Tourist Organization of Thailand (TOT)

Mr. McNamara met with General Chalermchai at the Erawan Hotel at 1900 hours on November 9, 1971. Also present were: Mr. Goodman, Mr. Christoffersen and Mr. Gibbs.

General Chalermchai handed Mr. McNamara some informational brochures on tourism in Thailand. He pointed out that in 1970 Thailand earned approximately \$100 million from the tourist trade which included about \$20 million on account of United States R&R. He stressed the growing importance of tourism for the Thai economy and emphasized that to expand tourism satisfactorily, it would be necessary to increase the TOT budget to enable it to expand its promotional activities. He mentioned that the TOT budget for 1970 was Baht 18 million. He said that his efforts to convince the National Economic Development Board (NEEDB) of the justification for an increasing budget allotment had met considerable resistance and he asked Mr. McNamara whether the World Bank would consider providing TOT with an economist to work in developing the justification for a larger budget. Mr. McNamara made no comment.

General Chalermchai went on to comment on the restrictions placed on international airlines by Thai International Airways which he felt in the present circumstances would be willing to assist Thailand in promoting Thailand as a tourist center. He felt that it was basically a mistake to protect a national airline such as Thai International, particularly as it was the international airlines that could serve Thailand best. He asked Mr. McNamara to bear in mind the following points: 1) it was necessary to sell Thailand through all tourist media; 2) that the TOT budget was inadequate to do a satisfactory job; and 3) that Thai International was not assisting the flow of tourists into Thailand.

cc: Mr. McNamara (2)
Mr. Shoab
Mr. Goodman
Mr. Clark
Mr. A. Koch

NGibbs/aga



OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NA*SUBJECT: THAILAND - Mr. McNamara's Visit to Thailand, November 8 to 12, 1971
Meeting with Khun Renoo Suvarnsit, Secretary General,
National Economic Development Board (NEDB)

Mr. McNamara met with Khun Renoo at 8 a.m. on November 10, 1971 at the NEDB. Present were:

For the Government: Khunying Suparb
Dr. Snoh Unakul
Dr. Prom Panitchpakdi
Khun Chanchai Leetavorn

For the Bank: Mr. Goodman
Mr. Clarke
Mr. Christoffersen
Mr. Kochav
Mr. Gibbs

Khun Renoo opened the meeting by noting that since the Third Five-Year Plan had been completed, the People's Republic of China had joined the United Nations and this raised uncertainties about the future relationship of China and South East Asia and the likely effect on defense and security expenditure. As a result some adjustments to the proposed levels of expenditure might be necessary. Referring to the paper entitled "A Briefing Paper for Mr. R. S. McNamara, President of the World Bank, by NEDB" dated November 10, 1971, copy attached, Khun Renoo pointed out that a growth rate less than 7% for the Third Plan would be difficult to defend in view of the population growth rate of about 3 percent and a 7% growth rate was needed to help meet problems of rising unemployment. Some members of the NEDB Executive Committee had proposed a higher growth rate, possibly 8%, but on balance he felt that the target of 7% was more realistic. Khun Renoo said that to achieve the Plan's objectives, policy measures affecting several Ministries would be required; the Ministry of Finance would have to improve its tax administration and collection and devise new tax revenue measures (he asked Mr. McNamara for his help in raising the matter with the Ministry of Finance); the Ministry of Economic Affairs would be required to play an important part in marketing rice and maize; the Ministry of Agriculture would be required to participate actively in programs to increase productivity but this Ministry was plagued by organizational problems and the fact that it had no control over the development of irrigation; and the Ministry of National Development would be required to develop suitable agricultural policies in close collaboration with the Ministry of Agriculture. In the short run, Khun Renoo explained the main problem was to arrest the depletion of Thailand's reserves and prepare priority projects to

encourage exports. He was optimistic about the market potential for maize, shrimp and tapioca but felt that the main constraints were on the production side. With regard to import substitution, Khun Renoo explained that programs to increase cotton, tobacco and dairy products were in preparation and that the Government was working with the U.S. in developing a PL 480 program.

With regard to imports, Khun Renoo said that NEDB was projecting a lower level for the Five-Year Plan than the Bank mission felt could be achieved. The reasons for projecting a lower level were- 1) a slower growth of investment; 2) imports related to US expenditure were declining; and 3) there was still room for further import substitution in manufacturing and agriculture. NEDB did not support a policy of quantitative restrictions on imports which had been suggested in some circles.

Turning to external assistance, Khun Renoo said he hoped that in the years ahead Germany and Japan would be in a position to raise the level of their assistance to Thailand. He would like to obtain loans with a term of 25-30 years from Japan for agricultural production. Khun Renoo said that at the forthcoming Consultative Group Meeting he would make a strong case for some local currency financing and would urge members to untie their aid. He felt that it was important that the United States should take a lead in this matter but he was not optimistic. He hoped that the World Bank would take an active role in pushing the developed countries to untie their development assistance.

Turning to education, Khun Renoo said that the Third Plan would give emphasis to primary education but he noted that most primary education projects had a low foreign exchange component. There was also need to improve the quality of out-of-school training, particularly for children who had dropped out of school and were in danger of losing their literacy.

Khun Renoo also mentioned the need for low cost housing and improvements to urban water supplies as well as finding ways to improve urban transportation.

On the subject of tourism, Khun Renoo said he believed that tourism could play a big role in increasing national income and felt that the Tourist Organization of Thailand's promotional efforts were not well directed. He felt that the problem was to encourage tourists to return to Thailand. TOT should be more imaginative and work with the airlines, hotels and tourist agencies in the future. In this connection, he mentioned the possibility of developing a chain of motels around the country.

After Khun Renoo's introductory statement, Mr. McNamara said that he hesitated to express any views after such a short visit but he wished to ask two questions for clarification- first, Khun Renoo had mentioned that there might be a change in Thailand's relationship with China and wondered

what the likely effects of this might be, and second, he would like to know what were the possibilities for improving tax collections and tax administration and for raising new taxes. In reply, Khun Renoo said that the Plan was conceived before the People's Republic of China had been admitted to the UN and that perhaps inadequate allowance had been made for defense expenditure. He noted that world events were moving very quickly and that this year there had been a \$14 million increase in defense expenditure after the budget had been submitted to Parliament. With regard to taxation, Khun Renoo said that the parliamentary system was extremely slow and made the possibilities of raising new taxes extremely difficult. Mr. McNamara said he hoped that something could be done on this respect since the Bank would want to be satisfied that the Government was making a maximum effort to increase revenues when considering whether to help with local currency financing. Some local currency financing might be justified if more foreign exchange was required, but he felt that the projected growth of imports for the Plan was probably understated, and that this made justification for local currency financing difficult. Mr. McNamara said that perhaps the present situation was unusual and if import demand was slackening, it could be that inventories were being drawn down and there was some excess capacity in the economy. However, this might be only a temporary situation and it was important that Thailand should not be misled. Khun Renoo said that he was giving more thought to the question of level of imports in discussions with Mr. Kochav.

Turning to the agricultural sector, Mr. McNamara said he felt that the Plan was right to stress a 5% growth in agricultural production. However, this would depend on substantially increasing yields which in turn would depend on introducing new technologies and developing an efficient extension service. He said he was not optimistic that an efficient extension service could be developed in time but he might be wrong. Mr. McNamara mentioned the need for increased use of such inputs as improved seeds and fertilizers but had learned that farmers were not using much fertilizer because of the unfavorable cost/price relationship.

On the question of tourism Mr. McNamara agreed that Thailand had great potential and urged that Thailand get all airlines working for Thailand through stepped-up advertising campaigns.

Referring to the briefing paper, Mr. McNamara said he had noted that borrowing from the Bank during the next five years was expected to remain at about the same level as the last five years, roughly \$150 million. While he did not want to lend Thailand more than Thailand needed, he would be amazed if Thailand would not need to borrow more than \$150 million from the Bank. However as the cost of borrowing to the Bank was about 7.9% and the Bank's interest rate on loans was 7.25%, he wished to minimize his lending to the extent possible.

Khun Renoo said that he would like to see the Bank establish a small mission in Thailand to help with project preparation. In reply to Mr. McNamara's question whether the purpose would be to help the Japanese lending program in Thailand, Khun Renoo replied that it would help the Bank, Japan and other Governments interested in assisting Thailand since the number of projects in the public sector was too small. Mr. McNamara said he doubted whether there were an adequate number of projects to support a lending program of \$150 million over the next five years; he was prepared to consider the possibility of a resident mission or of helping in some other way. However Mr. McNamara said that the Bank's technical staff was limited and he had already agreed to help in other countries.

Mr. McNamara went on to say that the Bank was operating on an unsatisfactory basis in Thailand and mentioned the case of the Kasetsart University project which had been appraised in October 1970 but because the Government had failed to obtain borrowing legislation, would now have to be reappraised. Mr. McNamara said he was trying to operate efficiently and accelerate the rate of development in the world. The Bank did not have the capacity to appraise projects twice and said that the Bank was understaffed in the Education Projects Department. There was a serious need for better planning on the part of the Government; however, he was more concerned about the low level of borrowing that had been proposed. Mr. McNamara said he would shortly be discussing the level of Bank lending for the period 1974-1978 with the Executive Directors and he would need to know soon if Thailand expected to need more from the Bank.

Khun Renoo replied that the projected amount of borrowing from the Bank was modest but this was a reflection of the shortage of projects. He asked Mr. McNamara to raise the question of borrowing legislation with the Prime Minister. Mr. McNamara said he did not like to give advice but he believed that Thailand had the worst coordinated government he knew to harness human, technical and financial resources for development.

Khun Renoo said in large measure he agreed with Mr. McNamara and there was really no defense. He felt that some reorganization among Ministries was necessary but blamed a great deal on the slowness of Parliament to act.

Mr. McNamara concluded the meeting by pointing out that Parliament probably did not know the problems Thailand would face in the 1970's and could not see that the future would not be as easy as in the 1960's.

Attachment

cc: Mr. McNamara (2)
Mr. Knapp
Mr. Shoaib
Mr. Goodman
Mr. Clark

NGibbs/tg

A BRIEFING FOR MR. ROBERT S. McNAMARA

PRESIDENT OF THE WORLD BANK

BY THE NATIONAL ECONOMIC DEVELOPMENT BOARD

BANGKOK, NOVEMBER 10, 1971

1. The Framework for the Third Plan

a. The basic factor shaping the economic situation is the slow increase of exports in the period 1968-1970. This arose from a slow increase of both commodity and service exports. The reasons for this were:

(1) The world market price for rice fell and the volume of Thailand's rice exports also declined. This offset much of the increase of other exports.

(2) The level of service exports, largely U.S. military expenditure stagnated over the period.

b. This slow export increase resulted in a deterioration of the balance of payments and by 1970 in a slower growth of output. The Government acted in 1970-1971 to restrain imports and increase exports. This objective has been achieved to some extent, as the balance of trade position has improved considerably in the first nine months of 1971. However, the growth rate of the economy is not yet satisfactory.

c. The basic economic strategy of the Third Plan is to increase the growth rate while safeguarding the balance of payments position. In the short run this requires fuller utilization of existing capacity. However, for the longer run until the economy has shifted the allocation of resources to correct the existing unbalanced production structure, it will be difficult to resume rapid growth without a serious deterioration in the balance of payments.

d. The basic strategy chosen is to:

(1) Short run: Allow time for the economy to expand gradually and take appropriate policy actions to check the increase of imports and encourage exports.

(2) Long run: To then expand the economy and at the same time allocate Government resources so as to expand export production and agricultural import substitution, while promoting selective industrial import substitution. The temporary slow-down in the economy results in a lower base for import growth and, simultaneously, requires greater efforts to export by the private sector due to lower than expected domestic demand.

The export and import strategies will raise the export growth rate and lower the import growth rate, while raising the rate of growth of output.

e. Alternatives: This development strategy was chosen after consideration of some alternatives:

(1) Indiscriminate import substitution would have a detrimental short term effect on the balance of payments.

(2) The use of quantitative restrictions would result in higher domestic prices and would lead to major administrative difficulties.

(3) Devaluation would have relatively little effect on exports and have an undesirable impact on private foreign investment and the present burden of foreign private debt.

f. Important quantitative targets:

(1) Output to grow at 7% per annum. The growth rate is expected to be slower at the beginning of the Plan and faster towards the end. Achievement of this target depends upon successfully holding down imports by switching demands from foreign to domestic sources of supply.

(a) Slower growth would lead to undesirable levels of urban unemployment.

(b) Faster growth would lead to unacceptable losses of foreign exchange reserves.

(2) Foreign exchange reserves to be no lower than \$400 million at the end of the Third Plan. This accepts a loss of reserves of \$350 million over the five year period. This corresponds to slightly more than three months of merchandise imports by the end of the Plan.

(3) Merchandise exports to increase 7.0% per annum. However, total current account earnings are projected to grow at only 3.6%, due to falling U.S. military expenditures and falling interest earned from foreign exchange reserves. Thus, even the high target rate of expansion of merchandise exports is partly offset by the losses on service account.

(4) Merchandise imports to increase at 2.8% per annum. Total current account payments are expected to grow at 3.8% per annum. The Plan's

target is to hold the import growth rate to 2.8%, the most critical factor in the framework. This target of reduced imports has been determined through consideration of:

- (a) The slower growth of investment;
- (b) The decline in U.S. military expenditures;
- (c) The import substitution in manufacturing over the past few years;
- (d) The expected new import substitution programs.

(5) The public sector expenditures of the Plan total 100 billion baht. This compares with a Second Plan size of 75 billion baht (on a comparable basis). Of this, 17 billion baht is expected to be financed from foreign assistance. Most of the foreign exchange component of the Plan is covered in the 17 billion baht. It is thus very difficult to increase foreign assistance significantly by loans and grants to finance the foreign exchange component of projects in the Plan.

(6) The 17 billion baht foreign assistance requirements include 12 billion baht in loans and 5 billion in grants. This program is largely for the public sector.

(7) Annual net private capital inflow is essentially constant over the Plan period. The annual level of gross foreign capital inflows will rise more slowly than in the past but debt service will grow more rapidly. Consequently, the growth of net inflows will decline.

2. Major Economic Policy Issues

a. Export promotion is the single most important policy objective.

(1) Policy measures for utilization of the existing productive capacity for exporting:

(a) Industrial exports promoted through expeditious tax refunds to exporters, and introducing procedures to permit local firms to bid on Government and international tenders.

(b) Better export marketing, especially for rice and maize.

(c) Improvement of facilities for processing tourists at major entry points.

(2) Expanded production for export. An accelerated agricultural production program for maize, shrimp, livestock, coconuts, and soybean is one of the core programs of the Plan. The objective of this program is to expand domestic production rapidly for selected commodities which have adequate export markets. An operational plan for development of specialized extension services and expanded farm credit is to be prepared in the Ministry of Agriculture. Of the accelerated production program commodities, increases in maize and shrimp production will contribute greatly to expansion of exports during the Third Plan. The other commodities will have a significant but lesser role in the export expansion during the Third Plan, but by 1976 will reach levels likely to lead to substantial export growth during the Fourth Plan.

b. Agricultural import substitution programs. These programs are aimed at increasing domestic production of cotton, tobacco, and dairy products and, as a result, reducing dependence upon imports. Operational plans are to be prepared during the first year of the Third Plan for implementation during the remaining period. By 1976 imports can be reduced one billion baht over what they would be in the absence of such programs.

c. Expansion of construction program. The two objectives are: to:

- (1) Maintain growth in the economy by raising aggregate demand;
- (2) Improve the income distribution through Government projects.

To achieve these objectives the Government will undertake measures and projects as follows:

(1) Expanded feeder road program. This program is to be linked particularly to the development of the accelerated export production and agricultural import substitution projects.

(2) Metropolitan water project. This project will provide a better water supply to the Bangkok metropolitan area. The project is in an advanced state of preparation and is included for funding in the Third Plan.

(3) Housing programs. The low cost public housing program of the Government will be expanded (10,000 units/year first year; 5,000 units/year in remaining years) with financing arranged by the private sector. In addition, the Government is now working with the U.S. Government to develop better financing arrangements for lower and middle class housing and to expand the public housing programs.

(4) Metropolitan transportation. This project is in the early stages of preparation, but it is anticipated that short run measures to improve traffic conditions will be financed during the Plan period.

d. Industrial development. Industrial development is carried out by the private sector. The Government's role is to guide the activities of the private sector rather than to carry out the investments itself. The major instruments available to the Government are the general principles governing the operation of the Board of Investment, the financing activity of the IFCT, and the licensing procedures of the Ministry of Industry.

The principles to be implemented in the day-to-day work are:

(1) Emphasis is placed on agro-industries and mineral processing for export. This represents a shift in emphasis away from the widespread import substitution for consumer goods which has characterized industrial policy in the past.

(2) Industrial location is to be decentralized. This is to be achieved by concentrating project identification work on the regions and by using the BOI, IFCT, and Ministry of Industry to implement the resulting recommendations.

(3) Labor intensive industries are to be encouraged. This will be achieved through greater attention to the employment objectives in the day-to-day management of the industrial sector.

(4) Development of heavy industry. During the Third Plan it is anticipated that the private sector will implement major investment projects in iron and steel, and petrochemicals. The petrochemical complex is in an advanced state of preparation. The iron and steel project is less fully developed.

(5) The Plan contains projects to establish export processing zones and industrial estates.

(6) The objective of the Government's industrial policy is to encourage the private sector to build, in a systematic manner, the industrial sector, while maintaining a cost structure and a level of protection that will result in industry being able to compete successfully in world markets.

e. Government expenditure policy.

The development expenditures in the Third Plan reflect the reorientation of policy. The project content of the Plan is largely complete in most sectors. The basic principle underlying allocation of development expenditures are as follows:

(1) New starts on large irrigation dams are to be held to a minimum while resources are concentrated on irrigated area development. The concentration on irrigated areas and simultaneously developing the multi-purpose cooperatives. These cooperatives will be the basic agricultural institutions encouraged by the Government to organize modern agricultural activities.

(2) Agricultural expenditures other than for irrigation will expand rapidly; the major constraint is the formulation and implementation of projects.

(3) In transportation emphasis will shift towards feeder road construction, removal of bottlenecks and maintenance of the highway system. The share of total resources allocated to transportation will be less than in the Second Plan.

(4) Emphasis will be given to the development of education with particular attention to primary and out of school youth programs. Improving the quality of education and providing non-traditional educational opportunities to youth is something that takes considerable time. The major problem areas of the educational system are not amenable to solution through rapid increases in resources. Although the universities and the vocational education system could expand more rapidly than the Plan calls for, higher priority is attached to primary education.

f. Domestic revenues. The Plan includes revenue increases which are expected to total 10 billion baht over the Plan period. The details of these increases in taxes are not yet final.

g. Capital market development. Work on the laws to encourage development of publicly owned companies and also to develop regulations and procedures to protect the public are well advanced. This law has not yet been submitted to Parliament but should be ready for action in the 1972 session.

3. Major Social Policy Issues

a. Family Planning: The Third Plan formally initiates a family planning program considerably larger than the experimental program carried out in recent years. It is expected that by 1976 30% of married women of child bearing age will be controlling their family size to the level they desire. This will result in a decline in the birth rate sufficient to reduce the population growth rate to 2.5% in 1976 from a rate of 3% at present.

b. Education:

(1) The emphasis in the Third Plan is on primary education. The primary education system will be expanded to provide the basic four year education for the children entering the relevant age groups. However, great emphasis is also placed on improving education in rural areas and upon increasing the number of children whose primary education carries through for seven years.

(2) Secondary and vocational school enrollments will grow with the expansion of primary school enrollments. The comprehensive secondary school development will continue but with lower costs. The schools will be integrated into regional education systems.

(3) University enrollments will expand, but no new universities will be started and the emphasis will be on improvement and consolidation of existing faculties. Emphasis in faculty development will be in agriculture, medicine, and science.

(4) Increasing attention must be devoted to consideration of proper supply-demand balances of skilled workers. It is anticipated that enrollment in and curriculum of the vocational education system must be adjusted gradually to respond to the requirements of the economy.

c. Out of school education: The Plan recognizes the importance of expanding opportunities for self-advancement among the youth and young adults who have no opportunity for further formal education. Project and program preparation is still at an early stage. Although the present expenditures for these programs are not great, this area is one which will become increasingly significant.

d. Regional income differences: Regional income disparities are great and have continued to widen during the past decade. The strategy of the Plan to correct this is to emphasize project identification and preparation for the poorer regions, for both Government programs and the private sector. The Government has not adopted measures which would create special incentives for regions with low levels of per capita production. Instead the emphasis is on project preparation for the poor regions which will result in an increase of Government and private investment in these regions on meaningful projects. Reducing regional income disparities will take a long time, and there is no way to close the gaps quickly.

e. Urban-rural income distribution: The present income distribution also strongly favors urban over rural areas. The shift in Government policy, adopted some years ago, to emphasize rural welfare is continuing. The emphasis of the Third Plan is to recognize that the welfare objective is in itself insufficient, and that more direct efforts must be made to improve agricultural productivity and expand agro-industries.

f. Urban income distribution: Finally, the income distribution within the urban areas is also unsatisfactory. The urban development programs contained in the Plan will serve to improve the welfare of the poor urban people by providing improved housing, clean, plentiful water, and reduced traffic congestion. Due to the complex social structure of Thai urban life, data on income distributions is not particularly meaningful. However, as the society becomes more industrialized and richer, more autonomous behavior patterns will emerge and the Government's role in helping the poor will become greater. At this time the most effective action is provision of urban facilities where present conditions are unsatisfactory for low income families. The income distribution will also be affected by planned new tax measures aimed particularly at social justice.

4. Administrative issues

a. Economic management: The Plan establishes a broad framework within which Departments are to develop their detailed operational programs.

Preparation of these operational programs is the first major task of the various Departments during the Plan period. These programs will be shaped by the availability of funds and the policies laid down in the Third Plan. However, it is recognized that the future of the economy is uncertain and more than usually difficult to foresee. Consequently, implementation of the Plan will take place with adjustments as called for by the Annual Plans. The Annual Plans will review the progress of the Plan, establish tasks for the next years, and adjust the development expenditure level as required by the economic situation.

b. Projects: It is recognized that the project content of the Plan is not yet complete. Particularly in agriculture much work remains to be done. The technical assistance programs being requested from bilateral sources will help to identify and develop operational plans for agriculture.

c. Relationship to the private sector: The relationship between the private sector and the Government administration needs to be improved. This relationship can be made more meaningful and relevant to policy problems if the private sector is able to present its difficulties and recommendations for Government consideration. With the growing complexity of the economy the Government and the private sector must cooperate and combine their skills and capacity to insure that the Government responds to the needs of the private sector, while at the same time seeking greater social justice for all members of society.

5. Role of the World Bank

a. The World Bank as Lender: It is anticipated that loan requests to the World Bank from the Government will continue at a level roughly the same as in the past few years. The probable project content of the loan requests has been tentatively determined. NEDB recognizes that the World Bank is in a position to expand the volume of resources made available to Thailand. However, there are two considerations which make it difficult from the Government's viewpoint to expand borrowing from the IBRD.

(1) The level of the IBRD's interest rates is extremely high. Although the grace period and repayment period of the loan are acceptable, the interest rate at present simply is not competitive with other concessionary bilateral sources. NEDB and the World Bank staff agree that the balance of payments situation during the next decade will require constant attention by the Government. One factor is keeping the debt service burden to a minimum.

To do this the Government is trying to keep the average interest rate as low as possible. Hence, with low interest rate loans available from bilateral sources, there could be little justification to expand the rate of borrowing from the World Bank.

(2) In the past IBRD loans have been largely directed at infrastructure projects. In the Third Plan the emphasis of the development program is shifting away from these infrastructure projects. Instead, the emphasis falls on agriculture and education and, as a result, the resource requirements must come largely from domestic sources. Under the present rules of borrowing, with loans covering essentially the foreign exchange component of a project, there is little opportunity for financing projects with World Bank loans in the priority sectors. In other countries the IBRD's activities in these two sectors have concentrated largely on agricultural credit and vocational training. Neither of these fields is attractive on regular Bank terms.

NEDB believes that the expansion of the World Bank's loan program will require either much better terms, or willingness to finance a substantial share of the local costs, as well as increased finance to the private sector through financial institutions.

b. The World Bank as Chairman of the Consultative Group:

(1) The Bank Report. NEDB has made a preliminary review of the "Preliminary Draft" report in the short time that it has been available. As this document will be submitted to the Consultative Group, some comments should be made on the basic line of argument. Detailed comments in the report will be available for the World Bank staff in the near future. The basic point of the summary of the report is that to achieve 7% growth of GDP an additional billion dollars of non-project foreign loans is needed. Aside from the technical disagreements on the magnitudes involved, this particular line of argument NEDB believes should be shifted. It is highly unlikely, in the present condition of Asia and world attitudes towards foreign assistance, that Thailand could obtain \$200 million per annum of non-project financing. A more meaningful approach in NEDB's view is to argue:

(a) The Plan objectives are obtainable provided strenuous efforts are made by the Government to implement the policy measures presented in the Plan. This will require vigorous effort in fiscal policy and program implementation by the Departments.

(b) That an additional \$200 million is required for the success of the Plan, but that this must be provided in one of two forms: Local cost financing of the Government projects (the foreign exchange component of the development expenditures being largely covered in the \$850 million foreign assistance share of the Plan); or financing the import requirements of the private sector. (Attainment of \$200 million of this type of financing is already an ambitious objective but it is, unlike \$1 billion, a plausible objective).

(2) The Thai Government's presentation to the Consultative Group. Present thinking at NEDB is that the Government will present:

(a) The summary chapter of the Third Plan.

(b) A list of projects for loans.

(c) A list of technical assistance projects.

(d) A memorandum which presents the balance of payments position in some detail and makes a detailed argument for local cost financing and non-project financing.

c. The World Bank's presence in Thailand. The NEDB believes that it would be useful for the World Bank to establish a small resident mission in Thailand, to involve itself in project identification and preparation in areas of mutual interest to the World Bank and the Government. Should the Bank determine that establishment of a resident mission is desirable then NEDB would look forward to detailed discussions with Bank representatives as to the role of the mission in the next two years in supporting project preparation for the Third Plan.

OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *hvg*SUBJECT: Thailand - Visit of Mr. McNamara to Thailand, November 8 to 12, 1971
Meeting at the Ministry of Agriculture at 9 a.m. Nov. 10, 1971

Mr. McNamara visited the Ministry of Agriculture on November 10, 1971 accompanied by Mr. Goodman, Mr. Clark, Mr. Christoffersen and Mr. Gibbs. The officials of the Thai Government attending the meeting are attached.

In the absence of the Minister, Chakratong Tongyai, who was attending a meeting in Europe, Mr. McNamara was received by the Deputy Minister, Pol. Lt. Gen. Pichai Kullavanijaya and Dr. Thalerng Thamrong Nawasawat, Deputy Under Secretary.

In a brief lantern slide show, Dr. Thalerng explained the organization and administration of the Ministry of Agriculture, the importance of rice in Thai agriculture, agriculture's contribution to GDP during the second 5-year plan and its forecast contribution during the Third Five-Year Plan, the development expenditures on agriculture as compared with irrigation and the strategy for the next five-year period. The strategy included a shift from the traditional crops such as rice to rainfed crops including maize, tapioca, sorghum, soya beans, etc., the establishment of extension areas for specific commodities, the strengthening and expansion of cooperatives and farmers' associations and the implementation of regional development plans based on specific commodities such as cotton and soya beans in the North East and rubber in the South. During the Plan, increasing emphasis would be given to improving and conserving soil fertility, research activities, improvements in farm prices and lowering the cost of inputs, strengthening farm cooperatives, improving the coordination between the rural community and industry, and improved cooperation between the various ministries and departments of the government involved in agriculture. In this connection, Dr. Thalerng noted that the Ministry of Agriculture was pressing to have the Department of Cooperatives in the Ministry of National Development and all water use programs transferred to the Ministry of Agriculture.

At the end of the presentation by Dr. Thalerng, Mr. McNamara said he noted that the Third Five-Year Plan gave emphasis to increasing productivity and asked what was the level of fertilizer use. In reply, Dr. Thalerng said that the use of fertilizers in Thailand was low but was going up. However, the high cost of fertilizers to farmers inhibited their use. The Government was studying ways of importing cheaper fertilizers. In reply to Mr. McNamara's question on how to increase the use of fertilizers, Dr. Thalerng said that it was the policy of the Government to increase the loan funds available to farmers to purchase cheap imported fertilizers and to put the distribution of

fertilizers under the Extension Department of the Ministry of Agriculture. In reply to Mr. Goodman, Dr. Thalerng said that the question of subsidies for fertilizers was a Government policy matter and he was unable to provide an answer.

Mr. McNamara asked whether it would be possible to increase productivity without substantially increasing the use of fertilizers. In reply Dr. Thalerng said that in the long term, probably not but there were other factors affecting productivity such as water use, improved seeds and the availability of credit for other inputs. He said that 17 extension areas would be set up in the Central Plain to provide all the necessary imports to farmers to achieve higher productivity.

Referring to the question of extension services, Mr. McNamara asked what was the optimum level of extension coverage for Thailand. Dr. Thalerng said that the optimum was possibly one extension officer to 400 farm families; however, by the end of the next 5-year Plan, the prospects were there would be one extension officer to every 1,000 farm families. A great many potential extension officers were being lost to the private sector after graduating from Kasetsart University. Dr. Thalerng said that to help overcome the shortage of extension officers, farmers were being encouraged to organize themselves into farmers groups. Mr. McNamara went on to say that he had visited the multipurpose cooperative project at Chainat which was being organized with the help of the Government of Taiwan, and it was felt there that the appropriate ratio of extension officers to farm families was 1/200 and that this was the critical element in increasing productivity. He noted that he had visited Chiangmai University which appeared to give a great deal of emphasis in the study of humanities and social subjects rather than agriculture subjects, and asked whether the Ministry of Agriculture worked closely with the Universities, particularly regional universities. In reply, Dr. Thalerng said that as a general rule, there was little coordination between the Department of Agriculture, the Department of Extension and the Universities with the exception of the University of Kasetsart.

Referring to farmers' credit needs, Dr. Thalerng said the Bank of Agriculture and Agricultural Cooperatives had now established 55 branches throughout Thailand and it was now possible to increase substantially its help to farmers. He hoped that it would be possible for BAAC to obtain long term loans on soft terms from abroad which could be used to help farmers purchase necessary inputs. Mr. McNamara said he felt one of the more important types of lending for BAAC during the next few years would be short term seasonal loans for fertilizers and asked what was the interest rate on BAAC loans. In reply, Dr. Somnuk, Chief, Division of Agricultural Economics, said that BAAC lent at 9% to cooperatives and 12% to individual farmers. Pursuing the question of fertilizer requirements, Mr. McNamara asked what were the fertilizer requirements of Thailand on an annual basis. Dr. Somnuk said that fertilizer use had increased at an average annual rate of 15% a year. For the next five years it was expected to increase by only 10%, but these figures were not

based on extensive studies. Dr. Thalerng said that only about 300,000 tons of fertilizer a year were being used and this might increase to 600,000 tons during the next five years; the capacity of the Chemical Fertilizer Company, which produced mostly urea and ammonium sulphate and was used mostly for rice production, was only 40,000 tons. The Government was considering setting up a fertilizer mixing plant outside of Bangkok using fertilizers imported in bulk.

Referring to regional problems, Dr. Thalerng mentioned the North-east Economic Development (NEED) Plan which gave emphasis to livestock production and the development of pastures. He also noted that in the North, soya beans and cotton production seemed to have considerable potential and that the southern region would shortly be the subject of a study to be financed by the United Kingdom.

With regard to regional research centers, Mr. McNamara asked what extension activities were conducted at Tha Pra in the Northeast. He was told by Dr. Thalerng that under the present program extension officers were brought into the research center from time to time for briefing.

Attachment.

cc: Mr. McNamara (2)
Mr. Shoaib
Mr. Goodman
Mr. Clark
Mr. Evans

NGibbs/aga

List of Officials meeting with Mr. Robert S. McNamara

November 8 - 12, 1971 (partial listing)

Ministry of Agriculture (November 10, 1971, 0910 - 1000)

1. Pol. Lt. Gen Pichai Kullavanijaya
Deputy Minister of Agriculture
2. Mr. Aroon Pumhiran
Deputy Under - Secretary
3. Dr. Thalerng Thamrong Navasawat
Deputy Under - Secretary
4. Mr. Samai Chareonratha
Deputy Director - General Department of Agriculture
5. Dr. Bhakdi Lusanandana
Director - General Rice Department
6. Mr. Sant Bandhukul
Director - General Department of Fisheries
7. Mr. La-iad Duangdee
Deputy Director-General Department of Livestock Development
8. Mr. Thaveesak Sriburee
Deputy Director-General Royal Forest Department
9. Mr. Thamnong Singlawanich
Director-General Department of the Agricultural Extension
10. Mr. Prasert Bhenchitra
Deputy Director-General Department of Agricultural Extension
11. Mr. Yookti Sarikaputi
Deputy Director-General Department of Agricultural Extension
12. Mr. Methi Simasathien
Chief of Division, Animal Nutrition Forage Crop
13. Dr. Krui Bunyasinh
Special Agricultural officer
14. Mr. Vibul Sthitirat
Chief of Division of Foreign Agricultural Relation
15. Dr. Somnuk Sriplung
Chief of Division of Agricultural Economics.

OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NAG*SUBJECT: Thailand - Visit of Mr. McNamara to Thailand November 8 to 12, 1971
Visit to the Ministry of Education November 10, 1971

Mr. McNamara accompanied by Mr. Goodman, Mr. Clark, Mr. Christoffersen and Mr. Gibbs visited the Ministry of Education at 9:45 on November 10, 1971. Mr. McNamara was met by the Minister of Education, His Excellency Sukich Nimmanhaemin and by the Acting Secretary General of the National Education Council, Dr. Prasert Na Nagara. Others attending the meeting are shown in the attached annex.

In welcoming Mr. McNamara, Minister Sukich said that education was probably the single more important matter in South East Asia and there was a real danger that unless Thailand took action to improve its education programs, it may well be left behind its neighboring countries. He hoped that Mr. McNamara and his party would listen sympathetically to their needs and would, as in the past, reply favorably.

The Under Secretary, Khun Bhunthin Attagara said that one of the main problems facing education in Thailand was the shortage of funds. He particularly noted that inflation had caused the price of equipment and materials to increase and this was placing an additional burden on the Ministry's already limited resources.

Khunyng Ambhorn Meesook, Deputy Undersecretary, drew attention to the qualitative aspects of education improvements proposed in the Third Plan and noted that the Plan would emphasize the needs to upgrade all levels but there was a serious possibility that the necessary funds would not be forthcoming. She referred particularly to Mr. Bahr's assistance in helping to develop their concepts in education for the Third Plan. She asked for help in the following four specific areas: first, in developing educational television and a curriculum development and an education technological center; second, the expansion and improvement of teacher-training at the higher certificate and post graduate level; third, expansion of technical education, particularly agricultural vocational, technical and teacher-training education and the improvement of trade school; and fourth, the expansion and diversification of regional secondary schools. Dr. Prasert then spoke briefly about the proposed loan of \$13.5 million for the Kasetsart University expansion program and on the question of education expenditures in general.

In reply to Mr. McNamara's question, the Minister said that the Ministry of Education was responsible for secondary, vocational and teacher training and that with regard to primary education, it was responsible for all

technical matters, while the Ministry of Interior was responsible for the budget and financial support for local primary schools. The Minister noted that the primary school year was 200 days, there were roughly 35 students in each class, and teaching lasted for five hours a day. Mr. McNamara inquired whether graduates of vocational schools stayed in the rural areas and he was told by the Minister that this was a serious problem and there was an urgent need to establish industries outside Bangkok if the work of the vocational schools in the rural areas was to be successful.

In reply to Mr. Clark's question regarding educational television, the Deputy Under Secretary said that educational television would be for both children and adults but initially it would start in schools in order to achieve better control and supervision of programs. The Minister added that country schools were being opened for adult education and that the local monks' assistance was being sought. Mr. McNamara asked if adult education was directed primarily to achieving literacy and was told that that was correct and that experience showed it took some three months to achieve literacy in an adult who had been to a primary school. The object of the adult program was to try and get adults interested in a vocational subject.

In reply to a question from Mr. Goodman, the Deputy Under Secretary said that she hoped the Government would support a program which would provide free textbooks to all children at the primary level; there was also a serious lack of reading material for children after leaving school. Mr. McNamara asked how TV would be used in the educational system and was told that it would provide in-service training for teachers, and would be used to supplement educational teaching materials; however, it should be accompanied by a teacher's handbook to provide guidance on its use in schools. It would not, and was not intended to replace teachers. In reply to Mr. McNamara's question, the Deputy Under Secretary said she had seen educational TV working effectively in Japan and in many states of the United States.

Mr. McNamara then asked how adult education was organized in Thailand and was informed by the Deputy Under Secretary that instruction materials and curricula for adults were being developed on an experimental basis for use in two provinces. Schools in towns would be used for five days a week, for three hours a day in the evenings. Mobile units were also being used and were set up in temple grounds and included such subjects as language, mathematics, and science; however, the Deputy Under Secretary confirmed that the curricula being developed by the Ministry of Education was not well coordinated with the work of the Ministry of Agriculture, particularly on rural subjects. Also, simple vocational courses were taught such as hair cutting and styling, which were of particular interest to the young ladies in the rural areas. Mr. Goodman asked if there was a manpower plan developed in the Ministry of Education on which forecast of manpower requirements were based and was advised that the Ministry of Education, the National Education Council and the National Economic Development Board were responsible for preparing the manpower plan.

Attachment

cc: Mr. McNamara (2)
Mr. Shoaib
Mr. Goodman
Mr. Clark
Mr. Ballantine

NGibbs/aga

Ministry of Education (November 10, 1971, 1005 - 1055)

1. H. E. Sukich Nimmanheminda
Minister of Education
2. Dr. Prasert Na Nagara
Acting Secretary-General, National Education Council
3. Mr. Bhunthin Attagara
Under-Secretary of State for Education, Ministry of Education
4. Khunying AmBhorn Meesook
Deputy Under-Secretary of State for Education, Ministry of Education
5. Mr. Kriang Iamsakun
Director-General, Department of Elementary and Adult Education
6. Mr. Bhongssakdi Varasundharosoth
Director-General, Department of Vocational Education
7. Dr. Kaw Swasdipanich
Director-General, Department of Secondary Education
8. Mr. Charoon Vongsayanha
Director-General, Department of Education Techniques

10

OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NAG*

SUBJECT: Thailand - Mr. McNamara's visit to Thailand November 8 to 12, 1971
Audience with His Majesty The King, November 10, 1971 at
the Chitralada Palace

Mr. and Mrs. McNamara, Mr. Goodman, Mr. Clark, Mr. Christoffer-
sen and Mr. Gibbs were received in audience by His Majesty King Bumiphol
Adulyadej at the Chitralada Palace on Wednesday, November 10, 1971 at 10:30
a.m. Present also were Admiral Prince Kalavaranadis Diskne, Minister
Serm Vinicchayakul, Khunying Suparb and Khun Chanchai Leetavorn.

In discussing Thailand's prospects for the next five years,
His Majesty said he had become increasingly concerned about the widening
income gap between urban and rural areas. He felt a great deal more had
to be done to close this gap by improving the price that farmers obtain
for their produce, improving marketing and cooperatives and by ending the
role of the middlemen. His Majesty referred to a cooperative within the
palace grounds based on a small dairy herd which he owned, and a vegetable
growers cooperative near Chiangmai which he had helped. He described
the increasing gap between rural and urban incomes as very dangerous to
Thailand.

In discussing the agricultural strategy for the Third Five-Year
Plan, Mr. McNamara said that in his view it would be necessary to increase
the supply and reduce the price of fertilizer to farmers if the export
targets were to be achieved. His Majesty commented that he would far
prefer not to export the feed grains but to feed it to cattle who in turn
could be slaughtered for export to such countries as Taiwan, Hong Kong and
Singapore. Moreover, increasing the number of cattle in Thailand would
help improve soil fertility. Mr. McNamara said he doubted whether this
in the short run would achieve the export target but in the longer run he
agreed it had an important part to play in Thai agriculture.

His Majesty then referred to primary education and said that
in his judgment Grades I, II and III should be abolished and should be
turned into a single grade at the kindergarten level. He felt that exam-
inations and tests at Grades I, II and III were most undesirable and un-
necessary and that there was a danger of creating a generation of neurotic
children who were likely to become super-hippies when they grew up. His
Majesty noted that in the past the older children looked after the young
children while parents were working on the farm; however, now that the
older children went to school, there was a need for schools with a kinder-

garten atmosphere in which little children could develop. His Majesty pointed out that this was the system that had been used in Thailand in former years and if he was now to suggest such a change his ministers would say that he was "going back to the klong."

His Majesty then referred to his interest in trying to help the hill tribe people, and mentioned a time when he had met Mr. McNamara before and had asked for his help in providing armed helicopters to support the hill tribe program. His Majesty said that helicopters were the only practical way of reaching these people but as they were sometimes shot at from the ground they should be armed. His Majesty noted that in carrying out their security functions the Border Police patrols also acted as doctors, teachers and extension officers for the hill tribe people. Mr. McNamara asked His Majesty whether a domestic volunteer service in Thailand would appeal to the young people of Thailand who might be encouraged to work in the hill tribe program. His Majesty replied that Thais were generally too individualistic and did not want to become members of a corps or service.

Referring to the Third Five-Year Plan, Mr. McNamara said that from his preliminary review, he felt that a larger flow of external resources than had been proposed would be necessary and he hoped that the Bank would be able to provide some of these resources.

In taking leave of His Majesty, Mr. McNamara said he hoped Thailand would not feel compelled to adopt western cultures and that Thailand would be able to maintain its own way of life. Mr. McNamara said he had been much impressed by the generosity, kindness and indeed loveliness of the people whom he had met in Thailand and was not surprised that tourism was an important source of revenue for Thailand. His Majesty commented that perhaps the Thai people were in danger of becoming less lovely people.

cc: Mr. McNamara (2)
Mr. Goodman
Mr. Clark

NGibbs/aga



OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NAG*

SUBJECT: Thailand - Mr. McNamara's visit to Thailand, November 8 to 12, 1971
Visit to Kasetsart University (KU)

Mr. McNamara accompanied by Mr. Goodman, Mr. Christoffersen and Mr. Gibbs visited Kasetsart University (KU) on November 10, 1971. The officials of the Government and University attending the meeting are attached as an annex.

Dr. Jensen, Vice President for Development, opened the meeting by explaining the status of negotiations between KU and the Bank on the proposed loan of \$13.5 million for developing a new campus at Khampaengsen, and for the simultaneous development of the existing campus at Bangken. He said that some 44 firms had applied for the job of campus planners for Khampaengsen.

He noted that Kasetsart University had been established in 1943 basically to train civil servants for work in the extension services. The University had maintained relations with Ohio State University and Honolulu University and had also received help from Rockefeller Foundation in the form of scholarships and fellowships. The justification for the proposed expansion stemmed from the need to fill the expanding number of positions in the Government extension and research organizations. Dr. Jensen said that 2/3 of the land required for the Khampaengsen site was now available and the University was exercising the right of eminent domain to obtain the balance. He said that the reason for developing the Bangken site at the same time as the new site at Khampaengsen were to maintain the relationship between the University and the rice, forestry and fisheries departments which were established at Bangken and that Bangken would continue to be used for basic research, whereas Khampaengsen would be devoted to practical teaching and field work; the areas at Khampaengsen was about 3,200 acres.

After the brief presentation Mr. McNamara asked where students found employment after graduation. Dr. Jensen replied that most go in to Government service but there were increasing calls for KU graduates from the private sector. Mr. McNamara asked that from the point of view of maximizing agricultural output, how should graduates of KU be employed. Dr. Jensen said that since the population of Thailand would double over the next 20 years, there was an ever-increasing need to know more about how to utilize resources and how to develop tropical agriculture. He felt that fundamental research should have priority, followed by strengthened

applied research and improved extension services. On the question of yields, Dr. Jensen said that yields in Thailand could be as high as in Taiwan but that Thailand's fine quality rice did not appear to be very fertilizer-responsible. Dr. Prasert added that the cost of fertilizers in Thailand was very high to which Mr. McNamara said that perhaps the low application of fertilizers was an unjustified man-made restriction. In reply to Mr. McNamara's question on how the extension services could be improved, Dr. Jensen said that as an example, the relationship between the Department of Extension in the Ministry of Agriculture and the University's engaged in research and extension could be developed and there were not enough extension agents to ensure that information reached farmers. He also said there was an inadequate number of students from rural areas coming to Kasetsart University and as a result there was not much interest in agricultural subjects among those students who did attend.

Attachment

NAGibbs:jt

cc: Mr. McNamara (2)
Mr. Goodman
Mr. Clarke
Mr. Ballantine

Kasetsart University (November 10, 1971 - 1430-1500)

1. Khunying Suparb Yossundara
Executive Director, IBRD
2. Professor Dr. Prasert Na Nagara
Vice-Rector for Academic Affairs, Acting Rector
3. Dr. James H. Jensen
Acting Vice-Rector for Development
4. Professor Rapee Sagarik
Vice-Rector for Business Affairs
5. Mr. Rachun Umpai
Vice-Rector for Student Affairs
6. Mr. Pavin Punsri
Dean of Agriculture
7. Professor Pantum thisyamondol
Dean of Economics and Business Administration
8. Professor Dr. Ubol Riangsuwan
Acting Dean of Education
9. Mr. Sandis Virathian
Dean of Engineering
10. Assistant Professor Mek Boonbrahm
Acting Dean of Fisheries
11. Professor Dr. Sanga Sabhasri
Dean of Forestry
12. Professor Dr. Davi Yangsughonda
Dean of Science and Arts
13. Professor Chakr Pichaironarongsongkram
Dean of Veterinary Science
14. Professor Dr. Bunjird Khatikam
Dean of Graduate School
15. Mr. Amara Bhumiratana
Director of Institute of Food Research and Product Development
16. Mr. Porn Resanonda
Director of Extension and Training Office
17. Assistant Professor Arb Nakajud
Project Coordinator (designated)
18. Assistant Professor Sangtham Komkris
Campus Planner
19. Miss Ladasiri Limangkura
Chief of Foreign Relations Office
20. Dr. Phaiteon Ingkasuwan
Assistant to Vice-Rector

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OFFICE MEMORANDUM

TO: For the Record DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NAG*

SUBJECT: Thailand - Visit of Mr. McNamara to Thailand, November 8 to 12, 1971
Visit to National Research Council (NRC) and Applied Scientific Research Corporation of Thailand (ASRCT)

Mr. McNamara, accompanied by Mr. Goodman, Mr. Christoffersen and Mr. Gibbs, visited the National Research Council (NRC) and Applied Scientific Research Corporation of Thailand (ASRCT) on November 10, 1971. The names of those from the NRC and the ASRCT attending the meeting are attached as an annex.

Dr. Nilanidhi, Governor ASRCT, introduced Dr. Pradisth and other members of the NRC and ASRCT. Dr. Pradisth explained the organizational arrangements for the NRC and ASRCT describing briefly also their budgets and respective roles. Dr. Pradisth asked Dr. Chu, a UNDP advisor, to read his paper on kenaf. A copy of this paper is attached.

At the conclusion of this statement by Dr. Chu, Mr. McNamara asked who determined the lines of research to be followed and was advised by Dr. Pradisth that they were determined first by the Cabinet, second by the Governing body of NRC, third by the technical staff of ASRCT and, finally, by requests of private industries which needed specific help.

Again, in reply to Mr. McNamara's question, Dr. Pradisth said that with regard to tropical agricultural research, the ASRCT was concentrating on crops not otherwise covered by Government or private research organizations and included research on edible oil and spices for medicinal purposes. The ASRCT was doing research work on soya beans inoculation by using nodule bacteria to achieve nitrogen fixation and therefore improve fertility. Mr. McNamara also asked if the ASRCT was doing any consultant work and if so, what percentage of their income was covered from this source. Dr. Pradisth replied that very little had been done for the private sector in a consultant capacity at this stage. He felt that it was important for the ASRCT to start slowly in order to establish its reputation. ASRCT had helped solve a casting problem for a faucet manufacturer and had also looked into the Chemical Fertilizer Company's problems, and had found that water impurities were blocking the water spraying equipment. He noted that Chemferco's process based on lignite was perhaps the worst possible process for the manufacture of fertilizer. The plant was operating at some 60% of capacity and he hoped it would be possible to get it up to 80% capacity.

On the question of environmental and ecological research, Dr. Pradisth explained that a Committee had been set up by the Government on environmental quality and that this Committee was working closely with the Mekong

Committee on environmental problems such as water pollution, weeds and disease-carrying snails. Dr. Pradisth also mentioned the work that ASRCT was doing on converting effluent algae into animal feed and ASRCT's clean water program. He also mentioned an interdepartmental committee which had been established to develop an earth satellites program for Thailand and the help Thailand was receiving from the UNDP and USOM in training Thais in earth's resource information interpretation. Finally, Dr. Pradisth referred to the work being done on nutrition and the development of new local foods as a source of protein.

Attachments

cc: Mr. McNamara (2)
Mr. Shoaib
Mr. Goodman
Mr. Clark
Mr. Sadove
Mr. Evans
Mr. J. Lee
Mr. R.K. Jones

NGibbs/aga

National Research Council (November 10, 1971, 1510 - 1615)

1. Dr. Pradisth Cheosakul
Secretary - General N.R.C.
2. Dr. Torbongs Donavanik
Deputy Secretary - General for Sciences
3. Dr. Choompol Swasdiyakorn
Deputy Secretary - General for Social Science

Applied Scientific Research Corporation of Thailand

4. Dr. Tab Nilanidhi
Governor
5. Mr. Boon Indrambarya
Managing Director of Technological Research Office
6. Mr. Kahn Jalavicharana
Research Officer
7. Mrs. Praphaiphitt Donavanik, Secretary to the Board
8. Dr. C. Lewis Wrenshall, UNDP Adviser
9. Dr. Chien Chu, UNDP Adviser

Kenaf for Pulp

by

C. Chu, UNIDO Advisor

Governor Dr. Tab, Mr. McNamara and our distinguished guests:

I am honoured to have the opportunity to report on kenaf research for pulp to our distinguished guests. First of all, I should like to mention about the statistics on pulp and paper industry in Thailand. Ministry of Industry revealed the following figures for 1970.

Per capita consumption of paper and paperboard	7.3 kg
Paper and paperboard mills	14
<u>Production</u> (metric tons)	
	1970
Paper	75,420
Paperboard	<u>9,920</u>
Total	<u>85,340</u>
Bamboo pulp	2,140
Bagasse and rice straw pulp	<u>18,000</u>
Total	<u>20,140</u>
Waste paper consumed	15,700 (e)
<u>Imports</u>	
Paper and paperboard	164,000 (e)
Pulp	58,000 (e)
Waste paper	<u>6,000</u>
Total	<u>228,000</u>

Exports

negligible

(e) = estimated

From this statistics, Thailand needs more production of pulp and paper for import substitution. Unless more pulp is produced, the pulp import will soon reach 80,000 tons in three to four years. This alone will cost Thailand about \$15,000,000 annually.

Kenaf is cultivated in the Northeast as a fibre crop for retted fibre. In 1971, the annual production is estimated at 370,000 tons from about 2 million tons of kenaf stalks. The local ten kenaf mills consume about one third or 100,000 tons.

Thus two thirds or 270,000 tons are available for export. The average price of retted fibre is about 2.5 baht per kg. It takes about 5 kg of kenaf stalks to produce 1 kg of retted fibre. The retting cost amounts to about 20 per cent of the cost of the fibre. Thus the kenaf stalks have a value about 400 baht per air dry metric ton.

In 1967, the depression of kenaf world price to about 1.5 baht per kg caused panic to kenaf growers and exporters. The Technological Research Institute made a survey of the kenaf industry in Thailand in 1967. Research on kenaf for pulp was started in 1967. Our work has covered mechanical type pulp from kenaf wastes and various processes for production of bleached chemical pulp from kenaf stalks.

Our research on kenaf for pulp has been extended to other ten raw materials with special emphasis on pinewood, rubberwood, bamboo, and Burma grass.

In response to commercial interest in kenaf pulp, mill tests for kenaf kraft pulp and Burma Grass NSSC pulp were made at the Bang Pa-In Paper Mill in 1970. With our assistance a project of kenaf pulp for the United Pulp and Paper Co. was approved by the Board of Investment on Dec. 24, 1970.

Realizing that pulp industry is capital intensive, we anticipate that financing of any new pulp projects will have many problems. Thus the implementation of kenaf pulp project is still in its initial stage.

The project proposal for kenaf pulp indicates production of 150 metric tons per day of market bleached pulp besides 30 metric tons per day of writing and printing paper, or a total of 60,000 tons per year. The annual sales can reach \$11,400,000. The total investment need is about \$25,250,000. The new company needs an equity capital of \$8,250,000 and a long term loan of \$16,000,000 for equipment and installation services, besides \$1,000,000 working capital loan. The attached summary of the project gives the main features and profitability estimates.

Our research on kenaf for pulp shows many ways to produce pulp and paper from kenaf. The choice of methods depends on the end uses of the pulp and paper.

For market pulp from kenaf, high strength and good brightness are required. Kenaf kraft pulp has quality comparable to softwood pulp and can be used as a substitute. Paper from kenaf pulp has better smoothness than paper from wood pulp.

The cost of kenaf stalks for pulp is less effected by the world price of retted fibre. Kenaf for pulp can use old seed stalks which are usually unfit for retting. Thai kenaf can yield 12 tons of stalks plus about 1 ton of seed per hectare. Thus kenaf could be a dual crop for both pulp and seed. The seed can produce 18-20 percent edible oil besides animal feed from the seed meal. The yield of edible oil from kenaf seed per hectare of land is comparable with that from soybean in Thailand. Its potential value as a source of edible oil is bright, as existing solvent extraction facilities in rice bran oil mills can be used.

With annual production of 370,000 tons of retted fibres in Thailand, about 37,000 tons of kenaf cuttings as by-product are available. The cuttings with little domestic market are exported at about one third to one half of the price of retted fibres. Our research indicates that washable non-wovens can be made from woolenized kenaf cuttings by resin binding. This may open a new outlet for kenaf cuttings in Thailand. The non-wovens are soft and durable and can be used for cloth lining, towel, curtains, and carpet. Such non-wovens would cost less than imported cotton textiles.

In conclusion, ASRCT research on kenaf for pulp has opened a new vista for import savings and will pave the way to stabilize the market of kenaf fibres.

SUMMARY OF UPPC KENAF PULP PROJECT

The revised project of kenaf pulp mill of United Pulp and Paper Company (UPPC) has the following points:

Annual production

Pulp @ 150 ADMT/D	50,000	ADMT
Paper @ 30 ADMT/D	<u>10,000</u>	ADMT
Total	<u>60,000</u>	ADMT

Annual sales

Pulp @ \$180/MT	\$9,000,000
Paper @ \$240/MT	<u>\$2,400,000</u>
Total	<u>\$11,400,000</u>

Raw material

Kenaf @ 420 ADMT/D	140,000	ADMT/Year
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Total investment	\$25,250,000
Equity capital	\$ 8,250,000
Long term loan	\$16,000,000
Credit for equipment	\$12,000,000
Cash loan	\$ 4,000,000
Working capital	\$ 2,000,000

Salient features of the process

Bleached kraft pulp will be produced at 150 ADMT/D by polysulfide process or kraft process using air dry kenaf chips as raw material. Writing and printing paper will be produced at 30 ADMT/D by bisulphite process using fresh kenaf chips as raw material. Cross recovery for both kraft and bisulphite black liquors can eliminate stream and air pollution and provide heat and chemical recovery. The process has maximum flexibility to accommodate neutral sulphite pulping and soda pulping. A wide range of raw materials can be used in the project including pinewood, bamboo, Burma grass, rubberwood, mixed hardwood and sunn hemp. Thus storage of kenaf can be reduced to a minimum and various blends of pulps with higher value can be produced. The paper mill is versatile in stock preparation to include mechanical pulp from culled kenaf, which will be available from a retting center as part of the project.

Estimated net profit after taxes based on kenaf is about 2.5 million dollars per year with about 10-16% return on capital in the first five years and more in the next five years.

OFFICE MEMORANDUM

TO: For the Record

DATE: December 3, 1971

FROM: Nicholas A. Gibbs *NAG*

SUBJECT: THAILAND - Visit of Mr. McNamara to Thailand, November 8 to 12, 1971
Meeting with Khun Sommai Hoontrakul, Managing Director,
Industrial Finance Corporation of Thailand (IFCT)

Khun Sommai called on Mr. McNamara at the Erawan Hotel on November 10. Also present were Messrs. Goodman, Clark and Gibbs.

Khun Sommai said he had been Managing Director of IFCT for the last 16 months and on taking up the position had given priority to increasing IFCT's baht resources by doubling IFCT's share capital from $\text{฿} 50$ million to $\text{฿} 100$ million. The share issue had been fully subscribed. He had also rearranged the share ownership to increase Thai ownership of IFCT to 51.4%. To help relieve further IFCT's shortage of baht resources, Khun Sommai said he had recently worked out with the Bank of Thailand an arrangement whereby IFCT would issue notes which the Bank of Thailand would discount up to 80% of their value for a term of 7 years at 7%. These discounting facilities were only available for IFCT loans for projects using either local raw materials and/or were export-oriented.

During the next five years, Khun Sommai said he expects IFCT to make new commitments of roughly $\text{฿} 1.7$ billion and would need to borrow about \$65 million to achieve this level of commitments. He hoped to obtain about $\text{฿} 400$ million on softer terms (4.5 to 5% for twenty years), possibly from Japan for such projects as livestock and sericulture which had low rates of return and long gestation periods. Mr. McNamara commented that if the returns were only nominal perhaps the projects should not be supported. Mr. Goodman suggested that possibly a longer grace period, rather than a lower interest rate, was what was required for projects of this type.

Mr. McNamara said that looking ahead he was impressed by the need for IFCT to play an increasingly important role in the development of Thai manufacturing and industrial sector. In this connection Mr. Goodman asked what had been the main constraints to expanding IFCT's operations during the previous five years. Khun Sommai said that liberal suppliers' credit policies and the Japanese Eximbank offer of a large line of credit to the private sector at 6% had been the main competition for IFCT. Khun Sommai said he was concerned about the present suppliers' credit policy and felt some restrictions were needed. However, he recognized that IFCT should become more business-minded and get out and sell itself.

In reply to Mr. McNamara's questions on staff requirement, Khun Sommai said he had been building up his professional staff and it now totalled about 50. He was looking for another 10-15 more staff members,

specifically to help in IFCT's lending for agro-industries which he hoped would represent 1/3 of IFCT's loan portfolio at the end of the next five years.

Mr. McNamara asked Khun Sommai what was the outlook for industrial development over the next five years. Khun Sommai said that with proper guidance and suitable policies such as incentives, the prospects were good. At present the tax structure was a disincentive to investment in manufacturing since taxes on raw materials were higher than on finished products. Some adjustments had been made but these were only minor and tended to give more assistance for import substitution rather than export promotion. On import substitution, Khun Sommai noted that in the textile industry Thailand produced only 1/3 of her cotton requirements; Thailand could produce good quality cotton but there was as yet no comprehensive program to increase production.

Mr. McNamara asked where expansion in manufacturing was likely to come in the next five years. Khun Sommai replied that export industries looked to him to be the likely leader, particularly food processing, canning and mining.

In reply to Mr. McNamara's question regarding the shape of IFCT's loan portfolio, Khun Sommai said that when he had taken over, 34% of all loans had been in default, in particular hotels and cotton ginning industries were in trouble and needed more time. He had managed either to re-schedule some of these debts or make other arrangements with the borrowers and he was now satisfied that the bad debt situation was under control. However, he was not particularly optimistic because business appeared to be slowing down and the immediate prospects were not very bright. Mr. McNamara commented that if imports were slowing down, it might be that manufacturers were drawing down inventory and there might be some under-utilized capacity. Khun Sommai said that he had noted that imports of consumer goods were down more than capital goods which could indicate Thailand was going through a slow-down period rather than a recession.

With regard to specific investments, Khun Sommai said that a kenaf-based paper and pulp project seemed to have good prospects and that IFC had agreed to look into it. Khun Sommai said that after three years the project was expected to have a rate of return of about 15%.

cc: Mr. McNamara (2)
Mr. Shoaib
Mr. Goodman
Mr. Clark
Mr. Diamond
Mr. R. J. Jones

NGibbs/tg

14

OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NAG*

SUBJECT: Thailand - Mr. McNamara's Visit to Thailand, November 8 to 12, 1971
Meeting with Mr. Gordon Cox, Canadian Ambassador and
Chairman of the Development Assistance Group for Thailand,
and Mr. Tom Power, Regional Representative, UNDP

Mr. McNamara met with Ambassador Cox and Mr. Power at the Erawan Hotel at 1745 hours on November 10, 1971. Also present were Messrs. Goodman and Gibbs.

Ambassador Cox said that aid coordination depended basically on the interest and willingness of the Thais. The DAG group met informally about three times a year at the ambassadorial level and may be once every two months at the working level. UNDP was now providing the secretariat. The DAG benefited considerably from the work of the Consultative Group for Thailand and Bank economic reports. The Ambassador went on to note that despite the overall success of the DAG for Thailand, some donors were reluctant to discuss their aid programs since there was competition for good projects and projects were in short supply. The Ambassador said that Canada's program in Thailand was small and included help for education, public health and a resources survey.

Mr. Power continued by saying that his relations with the World Bank were excellent. The backbone of his work was the compendium of technical assistance which was prepared every year. During the year he had helped set up a working group on agriculture which was attended by the agricultural attachés of most embassies who had aid programs in the agricultural sector. Discussions in the working group had centered on rice, food grains, and oil seeds production and each donor country had prepared a report showing the assistance being provided for these commodities. The object of the working group was to learn more about each other's activities. In reply to Mr. McNamara's question, Mr. Power said that the Thais were not organized to carry out this type of interchange of ideas among themselves. The discussions at this stage were related more to what had been done for these commodities and what were the policies and the problem areas rather than any discussion of technical assistance requirements or the willingness of donor countries to provide assistance.

Mr. McNamara then asked Mr. Power for his views on Thai agriculture. In reply Mr. Power said that productivity per unit of land appeared to be declining. The reason for this appeared to be that there was no comprehensive policy on extension or the provision of credit, the Ministry of Agriculture was badly organized and not responsible for all aspects of agriculture and fertiliser prices appeared to be about three times above world prices. Referring to the question of agricultural research, Mr. Power said that UNDP was looking at the possibility of developing a research station at

Chiengmai similar to the one at Khon Kaen. The plan was ultimately to have satellite outstations set up on different soils and at different altitudes serving each regional research station. Mr. Power said he also felt there was an urgent need to draw together the extension services and the university faculties. He hoped to be able to make some contributions on the dissemination of agricultural information through the use of the development support communications center. Mr. McNamara commented that the multipurpose cooperative which he had seen at Chainat seemed to be working. A small profit had been made in its first year of operation and it had been possible through their records to measure inputs against productivity.

Mr. Power said that Kasetsart University graduates provided the bulk of the staff for the extension services but that students were basically not interested in agriculture, rather they wanted a diploma or degree in any subject which enabled them to get a Government job. Turning to the Northeast, Mr. McNamara asked Mr. Power for his view of this part of the country. Mr. Power said that there was very little extension available to farmers and that water was not being used effectively. He felt that extension in the Northeast was basically a US Government interest and he preferred them to tackle this problem, rather than UNDP.

Mr. Power said that he thought Mr. McNamara would like to know that the next day the largest single UNDP grant to support family planning would be signed between UNDP and Thailand. The grant totaling \$3.2 million would be used to pay for the services of only three foreign experts and would subsidize printing costs, motorcycles, Bangkok municipal clinics and maternal child care centers. Mr. McNamara said he had been very much impressed by the efforts of the Thai Government in family planning and found that the qualitative aspects were very impressive. He noted that the costs of these programs had been accurately calculated and that records of the entire program had been carefully kept.

Ambassador Cox said that the Canadian Government had set up a child care smallpox immunization program in Thailand, but it had not worked well. Mr. McNamara said that it was important that the people should be motivated to support such program and clearly this was the case in family planning. Ambassador Cox said that he hoped very much it would be possible for Canada to assist Thailand in its family planning program. Mr. McNamara said that Dr. Allen Rosenfield, whom he met during his visit was 'very impressive and the most capable man I have seen in this business'. In Northern Thailand he had been impressed by the family planning program based on the use of hormone injections. He felt that Dr. McDaniel, who was in charge of the program at the McCormick Hospital in Chiengmai was certainly in need of additional funds and suggested that Canada might wish to become better acquainted with this program.

Mr. Power said that during the last year he had been urging the Bank to establish a resident mission in Bangkok. The purpose of this mission would be to help in project preparation, to strengthen the planning

effort and to provide the Bank with back-up support in Bangkok. He said that he felt that the decade of the '70's was going to be much more difficult for Thailand than the '60's and that it was important to have the right personalities who could get projects and policies pushed and clarified. Mr. McNamara said that he did not want to establish an office abroad unless he was certain it could be effective and he was not sure about the prospects in Thailand. It would need highly qualified staff and he was not at all sure that such a mission could operate effectively. At the conclusion of the meeting, Ambassador Cox said he felt that such a resident mission would be most helpful to the DAG group in finding its way through the difficult developmental problems in Thailand.

NAGibbs:jt

cc: Mr. McNamara (2)
Mr. Shoaib
Mr. Goodman
Mr. Clark
Mr. Demuth
Mr. Evans
Mr. Kanagaratnam

15

OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NAG*SUBJECT: Thailand - Visit of Mr. McNamara to Thailand November 8 to 12, 1971
Visit to the Asian Institute of Technology (AIT)

Mr. McNamara accompanied by Mr. Goodman, Mr. Christoffersen and Mr. Gibbs visited the Asian Institute of Technology on November 11, 1971. Representing the Asian Institute were Dr. Bender, the President of AIT, Mr. Lowell and Mr. Chang; Khunying Suparb and Khun Chanchai represented the Government.

In welcoming Mr. McNamara, Dr. Bender said that the Asian Institute had been established under a private charter as an international organization with the support of twelve Governments which provided funds for its operations. The United States, United Kingdom and Thailand between them provided 60% of their operational funds. Tuition and other fees amounted to \$3,900 per year for each student. Scholarships were provided under the Colombo Plan. The long-term objective was to have all tuition fees paid for by students by 1975, either from private sources, the Government of the country from which the student came, or in small amounts perhaps from AIT's own sources. Dr. Bender said he hoped that the AIT would, in due course, be recognized as the best place for Asian students to study advanced engineering. In reply to Mr. McNamara's question, Dr. Bender said that the quality of students attending AIT was about the same as in the US but of course the knowledge of English was less good. Dr. Bender said that with regard to the general idea behind AIT's research program, he felt that too much Western technology had been transplanted into Asia. He hoped that when the new facilities for the AIT had been established at Rangsat which would cost about \$9 million and would be financed by grants from Thailand, US, UK, Australia, New Zealand and Japan, it will be possible for the AIT to rectify this apparent imbalance. AIT had sponsored several seminars but participants had to pay their own way. Dr. Bender said that AIT felt it could do a useful job in Asia on research and training and that a great deal more research was needed particularly in agricultural engineering and economics.

In reply to a question from Mr. McNamara on the areas AIT felt useful research could be carried out, Dr. Bender said that one important area was the design of highways. He felt that inadequate research had been carried out on the use of lateritic soils in highway construction. The use of western highway construction techniques and designs had resulted in unduly high costs for Asia. Greater use could be made of local engineering talent and cheap local labor. He felt that some highways and feeder roads had been designed to standards which were too high. Dr. Bender mentioned in particular AIT's work on the design of road embankments at bridge approaches and the question of soil characteristics.

Mr. McNamara said that he would look into the question of how the Bank might be able to assist in financing research programs relevant to the Bank's work; he had in mind the question of labor as against capital intensive projects. He would discuss the relationship between the Bank and the Institute with Mr. Knox and Mr. Chenery on his return. Dr. Bender mentioned the Klong Toi traffic movement study which had been undertaken with the help of Bank financing, but said it had been necessary to send much of the information collected and models which had been developed to Holland for further analysis. Dr. Bender also referred to AIT's research work on improving the quality of community water supplies through the use of rice bran and coconut husks as filtration materials.

Following the meeting in Dr. Bender's office, Mr. McNamara visited the AIT's hydrological laboratories.

NGibbs/aga

cc: Mr. McNamara (2)
Mr. Shoaib
Mr. Goodman
Mr. Clark
Mr. Chenery
Mr. Knox

16

OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NAG*SUBJECT: THAILAND: Mr. McNamara's visit to Thailand, November 8 to 12, 1971
Meeting with His Excellency Thanat Khoman, Minister of
Foreign Affairs

Mr. McNamara accompanied by Mr. Goodman, Mr. Christoffersen and Mr. Gibbs met with His Excellency Thanat Khoman at his house in Bangkok at 9 o'clock on November 11, 1971. Also present were Khunying Suparb and Khun Chanchai Leetavorn.

Minister Thanat welcomed Mr. McNamara and said that he recalled having met Mr. McNamara in the same room at an earlier occasion; he was particularly glad to see Mr. McNamara as President of the World Bank. Minister Thanat said that the entry of the People's Republic of China into the world scene created a number of uncertainties. Mr. McNamara said there were some 117 members of the World Bank but these did not represent the entire world community. As of that day, he did not know if China would replace Taiwan on the Executive Board of the Bank. This was a complicated legal matter but he noted there had been no request from China to join the World Bank. He had on several occasions told the Eastern bloc countries that they were welcome to joining the Bank and he pointed out that Yugoslavia, a member of the Bank, had received loans totalling about \$100 million in the last year. The Bank was neutral politically, and had gained a broad experience in development lending. However, he could not say whether it would be good or bad for the Bank if China were to join. Minister Thanat said that as a result of China being represented at the UN, Thailand was about to move from a period of indirect contact with China to direct contact. China had indicated its interest in this form of relationship and Thailand was not in a position to avoid it. Thailand would proceed quietly, would not try to dodge the issues but at this stage he did not know what China's demands were likely to be. He thought they would probably include the withdrawal of all US troops. He had been told that China had modified its attitude recently, particularly in the case of Turkey and Iran. Minister Thanat said Thailand did not want to go it alone in discussions with China; he had already talked to the Malaysians and he hoped that it would be possible to agree on a South East Asia approach to China in the future.

Mr. McNamara inquired about the prospects of trade with China. Minister Thanat replied that China had tried in the past to undersell Thailand and that he did not see the prospects of much direct trade between Thailand and China. China's external trade was only slightly larger than Taiwan's but what China required was capital goods which Thailand did not have to offer. China could, of course, dump textiles in the market and undersell Thailand but basically he wanted to see if China would obey the rules of international trade in trading with cotton piece goods, foods, carpets and ornaments before coming to a decision on Thailand's future course of action.

In reply to Mr. McNamara's question on regional cooperation, Minister Thanat said some progress had been made but it was generally slow when economic matters were discussed. He mentioned the case of the Ford Motor Company which had been discussing what was called a 'complementation project' for the manufacture of a "People's Ford" in South East Asia. The Minister said he had discussed this project with Mr. Henry Ford and said that he would like to see it go ahead as soon as possible.

Mr. McNamara then asked about the role of Japan in South East Asia and Minister Thanat said that "We all know that they want to sell their goods, they are wary about reciprocal trade and have had an eye on the Mainland China market."

In reply to Mr. McNamara's question about the status of insurgency, Minister Thanat said the situation was uncertain, but he felt that Thailand could cope with it. However, it was very expensive and if it were possible to normalize relations with the North Vietnamese and China, the situation would possibly improve. However, before accusing China of any misdoings, there was need to produce evidence of Chinese direct support to the insurgency movement, and this was difficult to prove.

Turning to the problems of the Northeast, Mr. McNamara said that a great deal of effort was needed to develop its agriculture and expand its educational facilities. In connection with the Mekong Basin development, he noted that before Pa Mong could be developed it was necessary initially to build up from smaller projects which could lead to the development of larger tributary projects. In reply to Minister Thanat's comment that the major mainstream projects might require the participation of North Vietnam in some way, Mr. McNamara replied that the Bank would welcome such an opportunity and would like to help in the reconstruction of the area. Minister Thanat said there was the very basic problem now of how the US was prepared to involve itself in the reconstruction process. Mr. McNamara said that with regard to the US Aid program, he hoped that the exchange rate problem might be resolved by the end of the year and the surcharge removed. He felt, however, that the problems of re-organizing the US aid program might take anything from one to three years. Minister Thanat remarked that the US aid program appeared to help US producers more than the developing countries. Mr. McNamara said that the US could not live as an island of affluence; it was important that all other countries advance. However, many people in the US felt that aid had been wasted, not enough had been done by other countries to share the burden of helping less developed countries, and there was also the feeling that US aid carried with it unwelcome foreign commitments.

Mr. Thanat said that he would like to see interest rates on foreign borrowing brought down. Mr. McNamara replied that in recent months the Bank had borrowed in ten countries at approximately 7.9% to which administrative costs of about 2% had to be added, so that lending at 7 $\frac{1}{2}$ % was highly concessional. Minister Thanat said that one of the problems was that the return

on investment for which the Government had borrowed from the Bank did not reach the Treasury and mentioned particularly highway projects. Mr. McNamara said the Bank took great care to ensure that investments using funds borrowed from the Bank had a satisfactory rate of return to which Mr. Goodman added that he would not recommend a loan for a highway project unless it had an economic rate of return of around 15-20% but this did not necessarily mean that in terms of cash Government revenues were increased by that amount; rather, it was often reflected in savings in operating costs for users. Mr. McNamara said that if the tax structure of Thailand was correctly geared, a great deal of the benefits of the large investments that the Bank had made in transportation would be realized by the Government. Minister Thanat said that this might be true but the Government had problems with Parliament in raising additional taxes.

Finally, Minister Thanat asked what was the Bank's role in the current monetary difficulties. Mr. McNamara replied that this was the business of the IMF and that the Bank only had a supporting role. However, the Bank could draw attention to the problems as they affected the developing countries.

cc: Mr. McNamara (2)
Mr. Knapp
Mr. Shoaib
Mr. Goodman
Mr. Clark

NGibbs/tg

OFFICE MEMORANDUM

TO: For the Record

DATE: December 2, 1971

FROM: Nicholas A. Gibbs *NAG*

SUBJECT: Thailand - Mr. McNamara's visit to Thailand November 8 to 12, 1971
Meeting with His Excellency the Prime Minister, Field Marshal
Thanom Kittikachorn at Government House on November 11, 1971

Mr. McNamara accompanied by Mr. Goodman, Mr. Clark, Mr. Christoffersen and Mr. Gibbs met with the Prime Minister at Government House on November 11, 1971. Also present were General Prapass Charusathira, Minister Pote Sarasin, Minister Thanat Khoman, Minister Serm Vinnichayakul, General Sawaeng Senanarong, Khun Renoo Suvarnsit, Khun Chanchai Leetavorn and Khunying Suparb. (Note: The Prime Minister spoke in Thai and General Prapass also on occasion, in Thai. Minister Pote gave a very summary translation of these remarks in English but apparently omitted some of the more interesting comments, which were passed on to us later by Mrs. Suparb.)

Mr. McNamara opened the meeting by saying that he had been discussing the Five-Year Development Plan with the National Economic Development Board (NEEDB) and agreed that Thailand should aim for a 7% growth rate during the Plan period. He felt that great efforts would be required in the North and the Northeast to help close the income gap and he had been particularly interested in the plans for increasing agriculture output which he felt were correctly the main emphasis for the years ahead. He had talked to several research centers and was convinced of the need for the use of more fertilizers if the planned increase in production in maize, tapioca, soya beans and other crops was to be achieved. Gen. Prapass said that he felt that Thailand was capable of producing almost any crops but what was lacking were adequate markets. He noted that Thailand's rice exports were facing increasing competition from the US and Japan. Mr. McNamara said he was not sure he could agree with that point of view and felt that the real problem was to increase production but this was likely to be difficult because of weak extension services, low yields as a result of low fertilizer inputs and the problems of poor coordination between Government Ministries and Agencies involved in implementing the agricultural plans. He felt marketing could be a problem but the important thing was first of all to tackle the production side. He felt that Thailand was likely to be able to sell its rice but at a lower price than in the past and he felt that it had been a wise decision to give increasing emphasis to diversified agriculture. Gen. Prapass said that fertilizer would have to be bought abroad and there was a need for investment in fertilizer production in Thailand. Mr. McNamara said he hoped that whatever was done to increase fertilizer production would be based on the most economic solution. During his visit he had taken every opportunity to ask what was the current percentage of the optimum level of fertilizer use in Thailand today. He had been informed that perhaps not more than 20% of the

of the optimum level was now being used and he felt that Thailand had a long way to go before it could maximize its productive capacity. Minister Pote said that the Chemical Fertilizer Plant was very inefficient and it was necessary to import some of Thailand's fertilizer requirements; only the import of urea and ammonium sulphate was banned. Mr. McNamara said that farmers appeared to be paying more for their fertilizers than in neighboring countries and this was not conducive to farmers using the necessary amounts for maximizing production. He felt that whether fertilizers were manufactured in Thailand or imported from abroad, it was essential that Thailand's farmers obtained fertilizers at the cheapest cost. Mr. Goodman added that the Bank had agreed to help finance a study of Thailand's fertilizer needs and the most economical way of meeting them over the next five and ten-year periods.

Gen. Prapass, returning to the question of marketing, said that some of Thailand's traditional markets were being saturated by the United States. Mr. McNamara said that there was little Thailand could do about it. Thailand had to live in the world as it was. The first thing to do was to increase production and the Bank would like to help Thailand within the opportunities available to Thailand. He said he could not change world policies which would change slowly in any event.

Turning to the question of family planning, Mr. McNamara said the Ministry of Health was undertaking one of the most effective family planning programs he had ever seen. He said that there were serious problems in the Northeast which could be mitigated to some extent by a family planning program which would help narrow the income gap. The family planning program would need the help of all if the target to reduce the birth rate from 3.1 to 2.5% was to be achieved. Problems in the North and Northeast went hand in hand with the need to reduce the population growth. More generally, he felt that Thailand was seriously underplanning its allocation of resources to these areas; in the Bank's experience it was difficult to reverse an ever widening gap without a massive input of resources. Although important strides had been made in establishing a good road network in the Northeast and improving communications, what was needed now were plans to diversify and increase production, to extend the feeder road system to enable agricultural products to be marketed, and to strengthen the secondary schools.

Turning to the balance of payments, Mr. McNamara said he hoped Thailand would be able to hold down imports to the level forecast but he had serious reservations and felt that Thailand would need increasing amounts of foreign exchange to achieve the planned rate of growth. He hoped that countries such as Japan and US would be in a position to increase their help and while the Bank did not want to lend Thailand one dollar more than it needed, if Thailand found it necessary to borrow more, the Bank was in a position to help.

The Prime Minister, speaking in Thai, said that the Government was trying to make the people more industrious; he thought that the next ten years would be more difficult for Thailand and it was essential to improve the quality of education. Mr. McNamara said that plans to expand education

at the 5th, 6th and 7th grades were good and the emphasis being given to vocational education was correct. The Prime Minister said that the Government was trying to make vocational education more effective and in this way close the gap between the urban and rural areas. Gen. Prapass, speaking in Thai, said that there were too few vocational schools in the country because there were inadequate funds available to finance equipment and teachers. Mr. McNamara said that to the extent possible, the Bank would like to help in expanding and improving the technical and vocational school system.

Mr. McNamara went on to say that one strong impression that he had gained during his visit was the fragmentation of Government; this seemed particularly the case in the agricultural and educational sectors but he had met the problem nearly everywhere he had been. The Prime Minister, speaking in Thai, said he well understood this problem. His own officials had spoken out on the subject but the system of Government which had evolved in Thailand was based on committees and it would be difficult to change. Mr. McNamara said that he realized it was difficult to change a system of government but thought it was an important problem. Gen. Prapass said that Thailand had developed a different system of government compared to Korea and Singapore while Minister Pote contrasted the centralized power of the President of the United States with the relatively strong powers of Ministers in Thailand. Minister Pote said that what Thailand needed was a good dictator and he and others had been encouraging the Prime Minister to assume dictatorial powers. Gen. Prapass, speaking in Thai, said the real problem was in Parliament which was slow and disruptive to good government.

Mr. McNamara said that the 1960's had been a very successful period for Thailand, but felt that the 1970's would be a more difficult time. Thailand was faced with such problems as the need to increase Government revenues, a high population growth rate, and a poor administrative structure.

Minister Pote asked Mr. McNamara what in his opinion was likely to be the effect of China's entry into the United Nations on South East Asia. Mr. McNamara replied that he honestly did not know; he thought that the Thais who lived with them and knew them were in a better position to judge. He thought China would be quite cautious but felt that the entry of China into the UN would, however, create a number of uncertainties. Minister Pote said he did not think that China's role in North Vietnam had been cautious, to which Mr. McNamara said in his judgement China had been cautious and the events in North Vietnam had cost China very little. Minister Pote commented that it had cost Thailand a lot. The Prime Minister, speaking in Thai, said that he was against hasty decisions as far as relations with China were concerned. However, he said, there were some 'pinks' in Government who favored reaching an accommodation with China quickly. He personally preferred to wait and see what China would do.

Concluding the meeting, Mr. McNamara thanked the Prime Minister for the opportunity of visiting Thailand. He had learned a great deal and much appreciated all that had been done for him during his visit.

cc: Mr. McNamara (2)
Mr. Knapp

Mr. Shoab
Mr. Goodman

Mr. Clark