Planning is essentially a way of organizing and utilizing resources to maximum advantage for the fulfilment of defined social ends. Comprehensive and integrated national planning for achieving economic and social growth is now a feature of all Asian countries. Thailand started its development process in a planned manner with the First Six-Year Economic Development Plan covering the years, 1961-1966. By Royal command, the Plan was proclaimed on October 20, 1960 to take effect from January 1, 1961. In essence, the Plan aims primarily at laying a solid economic infrastructure for the economy, so that sound expansion in all kinds of economic activities may be possible principally by private efforts.

Historically speaking, Thailand had created a National Economic Council and the Thai Technical and Economic Committee (TTEC) since the early of 1950. The National Economic Council, comprising a group of technicians, was essentially a statistical and study organization. Attached to it was a Planning Committee which was in actuality a screening committee for government capital projects. It was not involved with the planning and execution of non-constructional development expenditures or with the formulation of an overall plan. The principal function of the TTEC was to negotiate for the allocation of U.S. assistance to various projects which the Government
wished to carry out. Thus, both of these organizations were only
staffed with personnel who were fully occupied elsewhere and no
budgetary allocations were made to either group. The work was,
however, purely of an advisory nature.

In 1956, an American economic advisor joined the Government;
as a result of his suggestions an Economic Survey Group was established.
Where there was some semblance of a plan, the Group undertook to
refine it, to establish costs more accurately than the ministries
and departments had been able to do, and to project plans somewhat
farther into the future. The Group was merely a survey group with
no executive authority.

In July 1957, the IBRD Survey Mission were sent to Thailand
at the request of the Thai Government. The Mission's study and
work with a Thai Executive Committee in the field lasted for one
year and resulted in a report entitled "A Public Development Program
for Thailand.\(^1\)\(^/\). After studying the economy, the Mission concluded
that "there is consequently a very real need in Thailand for a
central agency to make a continuing study of the nation's economy
and to draw up plans for its development". Thus, the Mission urged
!.....that there be created a central planning organization for
Thailand\(^2\)\(^/\)

\(^1\)/ A Public Development Program for Thailand, The John Hopkin Press,
Baltimore, 1959.

\(^2\)/ Op.cit. p.29
Thailand was the same situation as other developing countries in setting up the first Five Year Plan. There were special difficulties in the way of presenting a plan along the lines adopted in other countries. Firstly, statistical data were not available regarding even some of the basic aspects of economy. Secondly, reform was needed in financial management. Thirdly, the economy was itself not fully integrated; there was a large unorganized sector which responded only slowly to economic stimuli. It was, therefore, not possible to present a completely integrated view of the economy and the likely effect of planning on the various constituent units or sectors of economy. However, the IBRD's report underlined the importance and urgency for planning for Thailand. It indicated a need for a new attitude, new institutions, and for a reorganization of and additions to the administrative structure.  

As a result of one of the major recommendations of the World Bank Survey Mission, the National Economic Council was re-organized into a National Economic Development Board (NEDB) in October 1959, to function as the Central Planning body. The present constitution of the Board was, however, not of the form envisaged in the Mission's recommendation. Instead of being composed of Cabinet Ministers directly concerned with economic matters, it consisted of forty five members, drawn from various walks of life, while all the Cabinet

1/ IBRD, Op.cit. p.31
Ministers were advisors. An executive committee of ten members dealt with the day-to-day problems, and the secretariat was administratively under the Prime Minister's Office. The Planning, policy, and statistical functions carried out by four offices of the secretariat were - the Economic Planning Office was charged with the responsibility for drafting economic development plans and was responsible for setting priorities and putting forth proposals for the economic development of Thailand; the office of Thai Technical and Economic Co-operation (TT&EC) was charged with the development of foreign aid resources and the planning and implementation of foreign aid projects. This organization was dissolved on December 22, 1959, and a body was set up a Sub-Committee under the Executive Committee of the NEDE; the Central Statistical Office (CSO) and the National Income Office (NIO) function, in part, as the research arm for planning operations, although their functions and responsibility are much broader.

One of the basic gaps in relation to analytical economic planning in Thailand is the paucity of reliable statistics as mentioned. In some instances the data have never been collected, in others they have been collected but poorly presented, and in still other cases they have been collected but never tabulated. Commenting upon this situation, the most recent foreign economic advisor to the Thai Government said, "Economic and social analysis of Thailand must of
necessity be largely intuitive. This is one of the problems in analytical discussion of economic pattern of Thailand in this topic.

Objectives and Policies of the Plan

In line with the Government's policy to speed up the economic development of the country so as to maintain stability and improve the standard of living of the people, Thailand's first national economic and social development plan thus became effective on January 1, 1961, and covered a period of six fiscal years. The Plan is divided into two phases of three years each, i.e., 1961-1963 and 1964-1966 with the intention of making it a rolling plan, i.e., subject to constant revision and addition. Planning for the first three years (1961-63) does not extend beyond the determination of policies, the setting up of targets, the estimation of receipts and expenditures of the Central Government including foreign grants and loans and the formulation of projects for economic and social development. The formulation of projects left much to be desired and large sums had to be provisionally held in reserve subject to reallocation after subsequent review of specific projects. Notwithstanding the incompleteness of the original Development Plan, the first three years saw fairly gratifying progress; it also provided a sounder basis for the planning of the second period.

The principal objectives and targets of the Plan may be summarized as follows:

2/ Royal Thai Government Gazette, October 20, 1960 (Thai Language)
I. Gross National Income - to raise the annual rate of increase in the gross national income by 5 percent instead of 4 percent in the last decade and also to raise the annual rate of increase of per capita income from 2 to at least 3 percent.

II. Capital Formation - to bring up capital formation from the present rate of 14-15 percent to at least 15 percent perpetually of the gross national product.

III. Agriculture, Forestry, and Fishery - for overall annual agricultural production to increase by 3 percent, i.e., rice 1.3 percent, rubber by 6 percent, maize by 100 percent and teak by 5 percent in the first stage. Livestock production will be made to increase at least 3 percent per year and the fish catch by 50 percent over the 1959 level, and meanwhile there will be reforestation and conservation of the existing teak forests; Tapioca (cassava) 15 percent, sticklac - 15 percent above the 1959 level.

IV. Industrial Production - the relative contribution of industry is to rise 12 percent per year instead of 10 percent as in the past. Attempts will be made to raise the productions of some important industries: cement - 50 percent; textiles - 100; sugar - 8; paper - 400; gunny-bags - 50; tobacco - 50; tin - 40; lignite - 300; gypsum - 300 percent.
V. Power - the initial stage of the Bhumibol Dam (Yanhee Project) will give rise of electric power generation from 138,000 Kw in 1960 to 370,000 Kw in 1963, and to expand further later; to carry out the Mekhong River Project will also provide cheap power for the public.

VI. Communication: - there will be general improvements in existing highways and waterways. An additional 1000 Km. of highways will be added to the trunk roads and another 1000 Km. of substandard highways will be improved. A railway track of 272 Km will be laid to connect Kaengkoi and Buayai. Telecommunication networks will be installed, etc.

VII. International Trade - maintenance of the international trade balance "at a level which affords stability to the economy"; to set up grading standards and a supervision system of all commodities, particularly the major exports; to help stabilize the prices of major crops and products; to encourage the exports of local products.

VIII. Monetary Stability:- preservation of the stability of the currency; and also revision of taxes leading to increased revenue by improving the methods of tax collection and revision the tax system if necessary, in order to prevent inflation. Foreign loans and aid are to be an integral part of the plan.
 IX. Social Services:— to improve general health conditions in remote rural areas by expanding and re-organizing provincial health centres; to complete the Chiengmai Medical School Project; expansion of education geared to development requirements; to expand the government housing projects; to provide assistance to the poor and destitute, unsupported children, the aged, the disabled and crippled.

In general, it outlines the basic development pattern which the government anticipates to undertake, such as agricultural diversification and intensive farming, creation of basic social overheads, promotion of extensive industrialization, and improvement in the provision of social services.

The achievement of this objective requires that there should be an increase in the total per capita output of goods and services; and that this increased output should be equitably distributed so that, to the extent possible, all citizens and not merely a privileged few derive benefit from it. Both these two requirements have, therefore, to be kept in view, and policies framed accordingly. Moreover, the general objectives of the Plan are not confined to only the Plan period, but extend into the future for the well-being of generations to come.

Expenditure Under the Economic Development Plan.

As the most important objective of the first Plan is to lay down
the basic framework for economic self-sufficiency, the budget expenditures on various salient items of the first Six Year Plan have been earmarked in terms of percentage of total public expenditure as follows:—

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development Expenditure</td>
<td>20.97</td>
</tr>
<tr>
<td>Education</td>
<td>17.43</td>
</tr>
<tr>
<td>Defence</td>
<td>17.27</td>
</tr>
<tr>
<td>Repayment of loans</td>
<td>15.11</td>
</tr>
<tr>
<td>Public Health and Welfare</td>
<td>11.46</td>
</tr>
<tr>
<td>Others</td>
<td>17.76</td>
</tr>
</tbody>
</table>

During the Plan period, the annual Government expenditures will yearly be increased by about 300 million baht as against an estimated annual increase, of 500 million baht in the total Government expenditure and the proportion of the economic development expenditures to the Government expenditures will be raised from 19.5 percent in 1961 to 28.7 percent in 1966. On the other hand, as set forth in the Plan, the total amount of development expenditures over the six year period is 21,268.71 million baht. Of this, 13,887.97 million baht or 65.29 percent is to be financed out of the annual budget and 6,922.4 million baht or 32.35 percent by foreign loans and aids, while the balance is to be met with revenue of various Government enterprises. As is shown in the table below, in the expenditures financed from the Government budget, the Government lays

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1/ Bunchana Atthakor op.cit. p.4
emphasis on agriculture which still remains the primary industry of
the country as well as on the transport and communication. The largest
share (31.7 percent) is apportioned to the development of the "infra-
structure" of the economic activities, and the second largest (28.8 percent)
to agricultural while the manufacturing industry and commerce are left
to the initiative of private enterprises for their development.

Table VIII:1

Allocation of Economic Development Expenditure 1961-66

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,387.97</td>
<td>1,900</td>
<td>2,200</td>
<td>2,500</td>
<td>2,800</td>
<td>3,100</td>
<td>3,387.97</td>
</tr>
<tr>
<td>Agriculture</td>
<td>438.12</td>
<td>541.02</td>
<td>572.11</td>
<td>804.67</td>
<td>433.52</td>
<td>822.34</td>
<td>3,611.78</td>
</tr>
<tr>
<td>Industry</td>
<td>422.05</td>
<td>267.63</td>
<td>205.01</td>
<td>54.26</td>
<td>55.53</td>
<td>59.67</td>
<td>1,064.15</td>
</tr>
<tr>
<td>Transport &amp; Comm.</td>
<td>318.7</td>
<td>617.62</td>
<td>750.23</td>
<td>812.19</td>
<td>905.53</td>
<td>1,031.65</td>
<td>4,435.92</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>202.1</td>
<td>346.09</td>
<td>447.25</td>
<td>470.85</td>
<td>535.21</td>
<td>599.82</td>
<td>2,601.32</td>
</tr>
<tr>
<td>Others</td>
<td>177.79</td>
<td>127.64</td>
<td>235.4</td>
<td>358.03</td>
<td>467.21</td>
<td>534.52</td>
<td>1,781.80</td>
</tr>
</tbody>
</table>

Source: Office of the MEDE

The foreign sources to meet its economic development expenditure
required during the first stage (1961-63) will amount to 3,000 million
baht; for the second stage (1964-66), the loans required amount to 1,000
million baht. It is hoped that about 3,000 million baht will be received
in the form of foreign grants, which should be sufficient to provide the
remaining resources required for the Plan.
The revenues of the Thai Government envisaged for the Six Year Plan are shown in the Table mentioned below. In the main, these figures are based on the recommendations of the World Bank mission. But, while the World Bank mission recommended a drastic increase in taxes in anticipation of an annual natural tax increase of 4 percent, the Government of Thailand suppressed the additional taxation in anticipation of a 5 percent annual natural tax increase. The Government borrowings appear to be extremely large. But, they are an accounting deficit, for an annual amount of 700 million baht for the payment of the Government's internal debts appears as an expenditure in the budget; but it is immediately refinanced and yet does not appear on the revenue side. Consequently, the Government's actual borrowings are 400-600 million baht, of which 250-400 million baht are expected to be covered by the receipts from the sale of national bonds to the general public. The borrowings from the Bank of Thailand are estimated at 150-200 million baht, which fall considerably below the figures estimated in the recommendations of the World Bank.

The annual expenditure is also shown in the same table. The absolute amount and percentage of the development expenditure seem to be smaller than the figures proposed in the recommendation of the World Bank. This is due to the fact that foreign aid is not included in the budget. The figures for foreign aid are given in the same table mentioned below. They show an increase over the figures proposed in the recommendation of the World Bank.

1/ IBRD op. cit. p.235
2/ Ibid p.241
Table VIII:4
Public Revenue and Expenditure Estimates on Six Year Plan
1961 - 66

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Revenue estimates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Revenue of preceding year</td>
<td>6,540</td>
<td>7,100</td>
<td>7,600</td>
<td>8,100</td>
<td>8,530</td>
<td>9,000</td>
</tr>
<tr>
<td>2) 5% increased tax revenue arising of economic expansion</td>
<td>325</td>
<td>350</td>
<td>380</td>
<td>430</td>
<td>470</td>
<td>500</td>
</tr>
<tr>
<td>3) Revenue from revision of the revenue code</td>
<td>235</td>
<td>150</td>
<td>120</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Subtotal (1 + 2 + 3)</td>
<td>7,100</td>
<td>7,600</td>
<td>8,100</td>
<td>8,530</td>
<td>9,000</td>
<td>9,500</td>
</tr>
<tr>
<td>5) Internal loans</td>
<td>1,100</td>
<td>1,150</td>
<td>1,200</td>
<td>1,270</td>
<td>1,300</td>
<td>1,300</td>
</tr>
<tr>
<td>6) Combined internal revenue(4 + 5)</td>
<td>8,200</td>
<td>8,750</td>
<td>9,300</td>
<td>9,800</td>
<td>10,300</td>
<td>10,800</td>
</tr>
<tr>
<td><strong>B. Expenditure based upon Govt. appropriation.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) General Funds</td>
<td>3,553</td>
<td>3,608</td>
<td>3,666</td>
<td>3,779</td>
<td>3,832</td>
<td>3,886</td>
</tr>
<tr>
<td>2) General Administrative Fund for economic development agencies</td>
<td>3,047</td>
<td>3,242</td>
<td>3,434</td>
<td>3,521</td>
<td>3,668</td>
<td>3,814</td>
</tr>
<tr>
<td>3) Economic Development Funds</td>
<td>1,600</td>
<td>1,900</td>
<td>2,200</td>
<td>2,500</td>
<td>2,800</td>
<td>3,100</td>
</tr>
<tr>
<td>4) Total budget expenditures</td>
<td>8,200</td>
<td>8,750</td>
<td>9,300</td>
<td>9,800</td>
<td>10,300</td>
<td>10,800</td>
</tr>
<tr>
<td>5) Percentage of economic development budget as against total budget funds:</td>
<td>19.5</td>
<td>21.3</td>
<td>23.7</td>
<td>25.5</td>
<td>27.2</td>
<td>28.7</td>
</tr>
<tr>
<td><strong>C. Sources of economic devt. funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) National budgetary appropriation</td>
<td>1,388a</td>
<td>1,900</td>
<td>2,200</td>
<td>2,500</td>
<td>2,800</td>
<td>3,100</td>
</tr>
<tr>
<td>2) External loan estimates</td>
<td>904</td>
<td>1,240</td>
<td>937</td>
<td>415</td>
<td>252</td>
<td>128</td>
</tr>
<tr>
<td>3) Foreign aid estimates</td>
<td>518</td>
<td>519</td>
<td>503</td>
<td>505</td>
<td>502</td>
<td>500</td>
</tr>
<tr>
<td>4) Profit from Government-owned enterprises</td>
<td>129</td>
<td>122</td>
<td>78</td>
<td>64</td>
<td>29</td>
<td>25</td>
</tr>
<tr>
<td>Total from public sources</td>
<td>2,949</td>
<td>3,781</td>
<td>3,718</td>
<td>3,484</td>
<td>3,583</td>
<td>3,753</td>
</tr>
</tbody>
</table>

Source: Office of the NEDB

a/ Appropriation for January - September only; the fiscal year was changed in 1961 from the calendar year to a year beginning October 1 and ending September 30.
Priorities Within Sectors

The question of priorities arises because the supplies of resources available are inadequate to accomplish everything thought desirable. In order to do more in one sector, something has to be sacrificed elsewhere; the problem is one of balancing the gain and the loss. The key note of the public development programme under the Plan is the encouragement of economic growth in the private sector, and the resources of Government will be mainly directed to projects, both in the agricultural and non-agricultural sectors of the economy. In general, major emphasis of the first stage of the first Six Year Plan will be laid on the construction of social overhead, irrigation works, the provision of inexpensive power, and other physical "infrastructure" projects which are the basic facilities required for long-range development, will claim the bulk of expenditure. The expansion of key industries such as cement, oil refinery, fertilizer and measures to promote increased agricultural production are also assigned first priority in the Development plan. The schemes included in the Plan are either projections of capital requirements for the private sector or development schemes presented to, the board for the public sector.

There are obviously high-priority schemes in all sectors concerning which no serious question need be raised. The difficult problem is the determination of what schemes are marginal in relation to the possibly greater productivity of resources used elsewhere.
Finance is however the hub of all planning and more so in an underdeveloped country like Thailand because savings under the conditions of meagre income are not sufficient for a well-balanced, integrated development of the economy. It is very often argued that all the plans of economic development are seriously handicapped by the paucity of resources.

The use of resources for these purposes and other government programmes will provide means and opportunities for increased production and enable the private sector to expand on its own initiative. Certain policy decisions concerning the provisions for educational, public health and other social services will also be undertaken by the Government.

In summary, the Plan gives first priority to the transport and communication i.e., in recent years the energies of the Government have been concentrated on the high-priority objective of gaining a measure of economic independence, by the improvement of basic facilities - 31.7 percent, the largest share of the Government budget have been earmarked for the development of the infra-structure which are a prerequisite to a great extent a more effective utilization of available resources and the necessary stimulus to further success of a development programme. The second largest budget outlay was for the development of agriculture and cooperatives. This requires progress in a number of inter-related spheres: irrigation facilities must be expanded, fertilizers must be available on a large scale, provision must be made for bringing the farmers the technical knowledge and equipment necessary for improving
agricultural efficiency and facilities given for developing alternative employment opportunities in rural areas. A sum representing about 28.8 percent of the total and approximating the magnitude called for in the original Plan. We believe that the provision for social services (18.7 percent) is as high as the country can afford with its present economic capacity, mostly on expansion and improvement of water supply systems and assistance programmes. It is further envisaged that, as the Plan proceeds, if larger resources are needed for assuring more rapid advance within the rural economy, especially through the fuller use of manpower, these will be made available.

A Critical Appraisal of the First Plan with the Framework laid during the Earlier Decade.

Thailand's economy, in the last decade 1950 to 1960, was still predominantly agricultural, with the commercial and manufacturing sectors heavily dependent on primary production. The economic growth experienced in Thailand was not a smooth process and systematic economic planning was not inaugurated until 1961. The real growth rate appeared to have continued at about 5 percent per annum - the average rate for the past decade. This was well in excess of population growth rate which was about 2.8 percent and the per capita income increase is moderately continuing at the rate of 2.5 percent a year. That meant per capita Gross National Product is around the Baht 2,050 level in 1960.

1/ The First Six Year National Economic Development Plan became effective on January 1, 1961, and covered a period of six fiscal year.
Gross investment has been estimated in recent years at 15 to 16 percent of Gross National Product - about two-thirds or more private and the balance public. Public sector investments have been concentrated on transport and communications, agriculture (irrigation), power, and education and welfare. Private investment has been mainly in commercial and residential construction, transportation, manufacturing and land development.

The trend towards greater diversification of the economy continued with non-agricultural sectors increasing the share of GNP. A rate of growth of around 8 percent was achieved in manufacturing and handicrafts and even higher rates in transportation, construction and power. The combined share of these sectors rose from 23 to 27 percent of total output between 1950 to 1960.

Agriculture

Total agricultural production increased at the average by 4.4 percent a year. The increase is attributed principally to the increase in the production of the main commercial crop other than rice (between 10 to 15 percent annually), and to a small extent, to the expansion in the output of rubber. The last three years of this period are indicative of the process of diversification which has been going on in agricultural sector.

However, agriculture is of overwhelming importance to the Thai economy in terms of production, employment, and exportation. It provides
a living for about four-fifths of the total working population, and produces
some 34 percent of the Gross National Product. The country earns more
than 60 percent of the value of exports from agricultural surplus.

Production of rice, the traditional mainstay of the economy, varied
during this period between 6.7 million tons and 7.8 million tons. The
acreage under cultivation has shown little change while average yields
per rai have slightly improved from 205 kg., per rai in the crop year
1950/51 to 222 kg. per rai in 1960/611. Total output increased on the
average at the rate of about 2 percent annually. The long run trend of
rice production has been only slightly upward.

At an advanced stage of planning, there is much potential for agri-
cultural development which could be realized by extension of the cultivated
area, extension of irrigation in many parts of the country and flood
control as well as the introduction of fertilizers and new cropping
patterns. Production of such field or upland crops as maize, cassava,
sugar-cane and kenaf has risen sharply.

The rubber output, the second most important export commodity,
increased in the Fifties at an average rate of around 3.5 percent per
year; in 1951 production leveled off at around 114,000 tons, but rose
to about 171,000 tons in 19602. The future of rubber production hinges
upon the rate at which the programme for replanting with improved varieties

1/2/ The Agricultural Statistics of Thailand, Ministry of Agriculture,
Thailand.
can be carried out. If improved varieties can be successfully and rapidly introduced, Thailand's production and export of natural rubber could be much increased without any appreciable extension of rubber acreage. Moreover, in December 1960, the Government enacted the Rubber Plantation Aid Fund Act, which is composed of contributions from rubber exporters, to the planters for the improvement of rubber trees and replanting. The prospects for rubber, however, are far from clear. There is a large potential for further increases in production both from planting high-yielding material on newly opened rubber land and from replanting of over-age rubber with high-yielding trees.

Apart from improvements in production, improved marketing of the agricultural products is basic. The marketing problem, fortunately, should not be serious for the most products in the foreseeable future. The main agricultural products, such as rice, maize, tapioca and beans, were not to encounter any persistent lack of demand in the world markets.

To sum up, it may be said that the overall near-future prospects for Thai agriculture are reasonably promising. There is a considerable potential for increasing production through improvements in yields, greater diversification and some expansion of the cultivated area. Agricultural output, as noted earlier, has grown over the last decade at about 4.4 percent a year; this will contribute significantly towards to growth of the national income.
and it should be possible to maintain this rate or more under the Plan period. However, this is likely to require more extensive and more effective public development activity in agriculture than in the past. Without this there is a danger that agricultural growth may taper off.

**Industry and Power**

The growing population and the increasing national income have provided for an enlarged domestic market, thus encouraging industrial ventures. The sectors of manufacturing, mining and power together account for approximately 15 percent of Thailand's gross national product. Within this total, manufacturing contributes the most important share. Mining activity accounts for only about 2 percent of the total product, and electric power production for less than 1 percent in the last decade.

As the percentage of population engaged in manufacturing and mining industries was only 8.5 of the total work-force in 1960, it is quite apparent that the industrial activity in this country has neither been extensive nor vigorous. In 1950 there were roughly 1750 industrial establishments which rose to 13,388 in 1959. Of this total, 65 percent were from private foreign investors. It has been estimated that these investments would help to create 19,000 more jobs for the people. This indicates the fact that at this period the industrial activity has become more widespread throughout the country. The industrial production has been rising fairly steadily during the past decade.
Manufacturing contributes about 11.5 percent in 1960 of the gross national product, compared with 10.5 percent in 1950. Most industries are of small and medium scale producing mainly for domestic market. The major industries are cotton textiles, gunny bags, cement, sugar, paper and tobacco. During the four years 1957-1960, the output of the first three more than doubled, while that of paper and tobacco also increased although at much lower rates. In the case of sugar, production in 1961 even rose in excess of domestic demand and means had to be found for exporting the surplus.

Although industry will continue to grow in the fashion outlined above, its share in the national income will remain comparatively less than that of agriculture, but the labour employed in industry will certainly account for a higher proportion of the total labour force than in 1960 when it was only 3.4 percent.

With its industrial liberation programme proceeding along, the Government expected to step up Thailand's industrial capacity by various means, e.g., increasing the level of technical know-how and undertaking a survey of possible sites for industrial estates, as well as promoting private enterprises by establishing, in 1959, the Industrial Finance Corporation of Thailand (IFCT) to assist in establishment, expansion or modernization of private industrial enterprise and to encourage the
participation of private capital. Besides, the establishment of the Board of Investment, in 1959, represented the first attempt to stimulate private investment, both domestic and foreign, in all fields of manufacturing industry. With the assistance of the U.N. Special Fund, the Government operated Management Development and Productivity Centre to provide technical and managerial training. This will certainly expedite the possibilities and potentialities of the First Plan are being undertaken, and, therefore, a forecast of the overall rate of industrial growth over the next few years would be achieved with the Plan's target.

As the development of power, for some years after the World War II Thailand suffered from a power shortage, the expansion of both generation and distribution facilities lagging much behind the growth in demand. In 1950, the installed capacity of all electric generators in Thailand was 24,292 Kw. But in 1960, the installed capacity went up to 65,804 Kw for all outer provinces, and to 91,630 Kw for Bangkok and Thonburi alone. In 1961, another electricity power station will be completed and will have more the installed capacity of 75,000 Kw for Bangkok and Thonburi. And, the Yanhee Dam, the major power supplies will also provide about 560,000 Kw at 37 provinces in the North and the Central regions of the country. The future of Thailand's electricity and power seem to be brighter than ever in so far as the provision of cheapest power for industrial and commercial uses.
Transportation and Communications play a vital role in Thailand's economy, and their development and improvement have been given top priority in the national development plan. The transportation system of the country consists of all the major means, namely inland, water and air transports.

Waterways which were once the major means of transport in Thailand maintain their importance even today. At the end of 1960, there were about 3,597 kilometres of railway route open to traffic. The Government's railway development programme has concentrated on increasing the carrying capacity and efficiency of the State Railways System rather than on substantial extensions of the existing network. The old steam locomotives have been replaced by electric diesels. The construction of the new marshalling yard was scheduled to be completed in 1961 together with the replacement of bridges and rails in certain parts of the country.

Realizing the significance of a good highway system as a contributing factor to the development of the country, the Government has been allocating a large proportion of the national budget as well as seeking foreign loans to finance the creation of basic economic infrastructures. In the period 1950-1956 an average of nearly 700 million baht annually, or over 40 percent of total public investment, was spent on transport and communication.
In 1957 and 1958 investment in this sector rose about 1 billion baht annually. In 1958 usable roads and highways in Thailand had a total length of 8,000 kilometres whereas totalled only about 2,200 kilometres in 1948. Under the Six-Year Plan, the existing highways are to be improved by means of paving and asphalting, including reinforcement of their load-bearing capacity where necessary. In addition, another 1,430 kilometres of the provincial highways are to be constructed at the same time.

For international air-transportation, Don Muang Airport has always been one of the busiest air terminals in Southeast Asia. The number of passengers arrived, excluding passengers in transit, increased rapidly from 48,087 in 1950 to 108,364 in 1959 and some 23 international air carriers made regular stops at this airport. Domestic aviation is under government control and supervision.

For communications - It embraces post and telegraph services, telephone services, radio, telex, and tele-communication. To accelerate the rate of economic growth and to reach the required development targets, the development of communications has been given high priority under the Plan. There are 17 radio stations and 2 television stations in 1960, and, in 1959, 32,027 telephones were registered in Bangkok and Dhonburi areas. The greatest achievement in this field was the installation of the toll telecommunications system, which provides services for twenty-five
cities and towns throughout the country. The Government has also established, with the assistance of the U.N. Special Fund, a centre for training technicians and engineers in telecommunications which is responsible for work on testing, development and adaptation of the equipment and designs to ensure their suitability to the particular needs of Thailand.

The principal commodities, namely, rice, rubber and tin, account for more than 60 per cent of total exports. Some other export commodities such as maize, tapioca products, jute and kenaf have emerged into prominence at the third quarter of the decade. In the decade 1950-1960, Thailand's exports increased from Baht 7,340 million to Baht 9,640 million, reflecting an increase of 26 percent.

The major items of the country's imports are petroleum products, chemical, crude material, machinery and transport equipment. The imports of capital goods and raw materials have risen sharply from Baht 5,440 million in 1950 to Baht 11,000 million in 1960. Due to the drive for economic development, Thailand has a chronic deficit in foreign trade. However, this gap was closed by the inflow of private capital and transfer payments.
The balance of payments of the country during the year 1950 to 1960 have shown, with the exception of 1951, always a deficit on current account. Despite these deficits, however, gold and foreign exchange reserves increased in nine years, due mainly to the fact that a large proportion of imports was financed by foreign aid and loans, especially grants from the U.S. and loans from the World Bank.

Under the present tax system, tax on foreign trade account for about one half of total government revenue, while income tax constitutes less than 10 percent. There is no property tax or death duty, and the rate of land tax is relatively low compared with that in neighbouring countries. Professional incomes remain practically untouched. This heavy reliance on foreign trade for revenue makes government resources for development expenditure highly vulnerable to fluctuations in world trade. If the present tax system have been carefully considered as well as the process of tax collection, Thailand will have substantial resources for financing the country's development.

However, the expanding international trade, coupled with the Government's recent encouraging performance in tax collection and its sound fiscal policies, at the end of the decade, succeeded in assuring the financial stability conducive to economic growth.
The future of the country is founded upon its past and present. The economic position of Thailand in the past decade (1950 to 1960) clearly shows that the country has throughout enjoyed a small but steady rate of economic progress in spite of the lack of organizational planning. It seems reasonable to assume that the country's economy will continue to grow at a rate ahead of population with a continued gradual change in the structure of the economy resulting from expansion of industrial sector a considerably faster pace than agriculture.

In an age when other countries in the under-developed areas were reaping the advantages of scientific and economic progress, Thailand realized fully that the hastening of similar process in the country could not be safely delayed. Although economic growth in the country was not a smooth process and systematic economic planning was not inaugurated until 1961, Thailand's rate of growth during 1950 to 1960 as measured in terms of percentage increase in gross national product exceeded some 4 percent per annum in real term. This was well in excess of population growth, and provided an increase of almost 2 percent a year in the average real per capita income.

This achieved rate of growth which had outstripped that of population was made possible by the concentrated effort of the Government and private concerns with the cooperation of foreign countries.
who rendered both technical and economic assistance.

Although Thailand has achieved a fairly satisfactory rate of growth in real income per capita, and at the moment is enjoying a period of prosperity, there are considerable problems lying ahead. The diversification in the export economy has provided some measure of protection against fluctuations in total income. It is essential that the income of the farm population be improved if markets for the growing industrial products are to be found. From the early fifties, the Government has relied on the rice export premiums for 10-12 percent of its total revenue. If rice premiums are the main cause of the farmers' income remaining too low, other sources of government revenue should be explored; efforts to increase rice yields have been concentrated mainly on irrigation works, without sufficient attention to improvement of the research and extension services necessary to help the farmer make the best of his land and water resources. Each year the Government spends considerable sums on irrigation and highway development, yet no appreciable improvement in the farmers' standard of living, or farming methods has been noticed.

Apart from the problems mentioned above, some basic economic problems exist such as the rapid rate of population growth, the danger of unemployment, low agricultural and industrial productivity, high cost of capital, and the growing need for conserving the natural resources.
the uncertainty of foreign markets for major exports, the low level of savings, lack of skilled manpower, and bureaucratic civil service system. These problems have themselves contributed to low level of production of goods and services, high production costs and undue wastage in many developing countries. In the fact of rapid population increase, they would, if unresolved, seriously retard economic growth, like some Asian countries. Although Thailand has attempted its utmost, there still remains much to be done.

However, the Government of Thailand had assumed a significant role in eliminating these economic instabilities and in promoting economic development. This was leading to the First National Economic Development Plan has been launched. In general, the First Six Year Plan outlines the basic development pattern which the Government anticipates to undertake, such as, agricultural diversification and intensive farming, creation of basic social overheads, promotion of extensive industrialization, and improvement in the provision of social services as mentioned in the first part of this chapter.

The most important objective of the Plan is to lay down the basic framework for economic self-sufficiency. The rate of annual gross investment would be maintained at 15 percent of the Gross National Product so as not only to provide employment for Thailand's expanding


The creation of environment suitable for the economic growth in order to be "self-sufficient" in terms of public finance including foreign exchange reserves required to import capital goods for the national development projects.
working population but also to increase the level of real per capita income to 3 percent annually at least. Thus, with such a modest target, it could be expected that the Six-Year Plan with its maximum flexibility would merely build up the groundwork for the future launching of self-generating growth process of Thailand.

The broad lines are fairly clear. For, at the start the Government have to firmly establish the basic facilities in connection with Economic Development Plan. It requires such a public development effort in irrigation and other contributions to agriculture, in power, highway construction and improvement, railway and other forms of transport, telecommunications, municipal services, social services, and transfers to assist private development of manufacturing, agriculture and housing. Much of this possible project content of further public investment requires feasibility evaluation and remains to be fitted into a coordinated programme.

From a financial standpoint, some difficulties will be encountered in a major increase in domestic contributions to public investment. As noted, a probable slow-down in foreign trade is likely to have some adverse effects on revenue growth. Export premium on rice may be eliminated and income from rubber and teak duties may decline. Import duties (about 30 percent of revenue) may also be less buoyant at present rates than in recent years. On the expenditure side there will be pressure for continuation of the marked upward trend of current spending on defence and administration, on education and social overhead.
In spite of these prospective difficulties, however, the magnitude of the financial problem is not large and should be manageable in view of considerable scope for new taxation and improvements in tax administration. An approximate assessment of financial capacities for increased public investment during the next five years might be in the order of 50 percent or from around Baht 2,000 million at present to perhaps Baht 3,000 million by 1966. This should be feasible with continued growth in GNP at 4 or 5 percent a year, with maintenance of the present 14 percent ratio of public receipts to GNP with continued net foreign financial assistance at about recent levels, and with about a 4 percent rate increase in current spending. This may require an increased revenue effort in the face of adverse foreign trade influences on normal growth of public receipts. But it is hardly a severe fiscal prescription. And to the extent that delays are encountered in realizing the results of revenue measures, some use of reserves would meanwhile be feasible in view of Thailand's comfortable foreign assets position. It is also advisable that while Thailand can afford substantial further external borrowing on conventional terms, it would be preferable if part of its external financing requirements could be met without adding to foreign payments in the next decade or so. All these will be for the purpose of the national development.

As financial stability was the main consideration of the Government in making expenditures and raising revenues, Thailand managed to avoid inflation which plagued other developing countries.
Although both investment and consumption grew rapidly, there was no adverse impact on the stability of the economy; the general price level showed only a slight increase. Despite the fact that investment involved the importation of machinery and equipment, resulting in a deficit in the balance of trade, the balance of payments was in surplus each year. Consequently Thailand's international reserves rose each year to reach a total of Baht 8,150 million in September 1960, which brought about both external and internal confidence in national currency.

In conclusion, Thailand's economic evolution, during the decade following the year 1950, underwent quite a steady change, and was among the better ones in Asia. Over the past decade the economy has grown at an average 5 percent a year, with substantial gains in agricultural production due mainly to diversification, and with an industrial sector which, though small, is expanding rapidly in relative importance in the economy. Export production has been fairly dynamic in the direction of a more varied pattern of primary products with a lesser dependence on rice, and this in combination with substantial foreign assistance and conservative financial policies have contributed to a favourable payments and exchange position and a strong currency.

Gains in output have been sufficient for a rising level of average per capita income in spite of rapid population growth, and the potential for continued growth is considerable. Much of the growth
in Thailand's output can be attributed to private initiative, not only in industrial and service activities but in the diversification of agriculture as well.

Public investment has, of course, contributed to development, especially through transportation, irrigation and power programmes. However, the private role in development has over-shadowed that of the Government largely because of limitations of public development capacity.

Official aims in these directions are so high and appear excessive in relation to capacities, but a less ambitions public investment extension by perhaps 50 percent over five years does not seem an unreasonable expectation. Financing of this, at a time of probably lagging export growth rates, is likely to require a larger domestic revenue effort as well as continuing official external assistance at about $50 million a year.

In countries like Thailand, however, good luck and good management still do not earn sufficient resources for development. Grants and loans are needed from international bodies and from foreign countries. Foreign private investment is also necessary. The figures in the first part of this chapter show the extent to which the Six-Year Plan depends upon foreign resources. Technical skill of all sorts must also be borrowed or imported. More important still, a project approved for
loans by an international lender or a friendly foreign country usually has the benefit of a second opinion and its soundness is normally reassured.

In summary, Thailand could afford to borrow much of this on conventional terms in view of the fairly moderate service burden of present external debt. At this level of external financing requirements, however, there are also reasonable grounds for some assistance on special terms in view of Thailand's probable continuing dependence on net capital inflows for a long time if recent rates of economic growth are to be maintained.

Thus, commenting on the tremendous economic growth of Thailand during this period, Paul Hoffman, who administered the Marshall Plan for the reconstruction of Western Europe, predicted that Thailand would reach economic "take-off" in the 1970's. By any form of analysis, the conclusion must be that the activities of the Thai people have been the basis of their own prosperity over the past fifteen years.