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**GOVERNMENT OF THAILAND**

**NATIONAL ECONOMIC DEVELOPMENT PLAN**

**1961-1966**

**SECOND PHASE 1964-1966**



**NATIONAL ECONOMIC DEVELOPMENT BOARD  
OFFICE OF THE PRIME MINISTER**

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## INTRODUCTORY REMARKS

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Since the coming to power of the Revolutionary Government, the promotion of the economic and social welfare of the people of Thailand through more rapid economic development has been a keystone policy. Under the leadership of Field Marshal Sarit Thanarat, the previous Government clearly recognized that growing national economic prosperity without inflation would increase not only the real income level and living standards of the Thai people, but would enhance national security and political stability. The earlier achievement of a more equitable social system and fuller development of the national culture would also be possible.

Economic development is essentially a process of increasing the rate of self-sustaining economic growth. This requires the healthy growth of economic capacity which, in turn, necessitates the mobilisation of capital and of natural and human resources in conjunction with sound economic and planning policies and execution. Accordingly, the Government of Thailand established the National Economic Development Board in July 1959 to recommend an integrated, economically sound development plan incorporating specific development objectives and targets, based upon appraisal of available resources and upon careful studies of development projects and performance. The Office of the National Economic Development Board was set up to carry out the necessary tasks under the supervision of the NEDB Executive Committee, the latter comprised of technically qualified persons appointed by the Council of Ministers. On the first of January 1961, His Majesty the King graciously proclaimed the adoption of National Economic Plan for 1961-1966.

✓ The Plan was set forth in two phases, 1961-1963 and 1964-1966. The major reason for the division was to be able to apply the experience gained during the first period in improving the planning for the second period. ✓

A review of progress during 1961-1963 shows that Plan targets were achieved with satisfactory results in terms of the overall objectives. More than anyone, Field Marshal Sarit was responsible for this accomplishment and for the recent rapid economic progress enjoyed by this country. During his lifetime his resolution was ever firm to develop the national economy as rapidly as possible for the greater satisfaction of the material and spiritual needs of the people of Thailand. Unfortunately, he is not with us to witness the result of his vision and leadership.

The National Economic Development Plan for the second period (1964-1966) was prepared in accordance, generally, with the policies and directives of the original Plan. However, programmes, projects, targets and various statistical data have been substantially improved. The major goal is to increase the per capita real income of Thailand at a rate of not less than 3 percent per annum. The expansion of economic activities in the private sector through public development expenditures in power, irrigation, communications, agricultural extension, community development, education, public health and various social services is a key development policy. Within the course of this Plan, two major irrigation undertakings, namely, the Mae Klong and Nan River Projects, will be initiated; the improvement and construction of national highways and provincial roads under plans extending for eight and six years, respectively, will be started; and electric power from the Yanhee Dam and the Krabi electric thermal plant will be generated. Universities at Chiangmai and the Northeast will also be opened, and many other major projects will be carried out. A total in excess of 20,000 million baht in public funds has been estimated for the 1964-1966 economic development budget, including both internal and external sources. In addition, every effort will be made to attract private investment funds both at home and from abroad. At the same time, the Government will continue to maintain the nation's financial and economic stability.

Field Marshal Sarit left no more important heritage to Thailand than the National Economic Development Plan. My Cabinet and I are dedicated to this Plan and are determined to do our utmost to accomplish its objectives and targets.

I thank the Committee, the Advisory Group and the Executive Committee of the National Economic Development Board and all Government authorities for helping to prepare this revised National Economic Development Plan. I also urge all Govern-

ment authorities and responsible officials to devote themselves to the development tasks for the benefit of our beloved nation. I finally appeal to all citizens to cooperate with the Government by working diligently for their own benefit and in behalf of the entire nation.

A handwritten signature in black ink, reading "T. Kittikachorn" with a long, sweeping horizontal stroke extending to the right.

(Field Marshal T. Kittikachorn)

Prime Minister

Chairman of the National Economic  
Development Board

January, 1964

## Preface

Thailand's first National Economic Development Plan, which covers a period of six years, 1961-1966, was graciously proclaimed by His Majesty, the King Bhumibhol Adulayadej, on the 1st of January, 1961. This Report sets out afresh the objectives, policies and programmes of the Plan; it records in general terms the progress achieved during the past three years; and it describes in some detail the targets set, the expenditure envisaged and the specific projects and programmes proposed to be undertaken during the remaining three years. It also attempts to put the present Plan in the perspective of a scheme of long-term development extending over the next 10-20 years.

At this midway stage it can be said with confidence that progress has so far been well up to expectations. But the gratifying results achieved cannot be attributed wholly to the efforts of the Government and people of Thailand. Favourable weather conditions and a keen world demand for an increasing number of the country's products have been important factors in the economy. If the recent rate of progress is to be maintained or surpassed, greater development expenditure, and, therefore, greater mobilisation of resources by Government, and greater productive effort by the people of Thailand will be called for.

This Report, which embodies the revised Plan, was considered in its Thai edition and approved on the 18th of December, 1963 by the National Economic Development Board presided over by the Prime Minister. The Cabinet on the 7th of January, 1964, approved the adoption of the revised Plan for the second period 1964-1966, to be effective the 1st of January, 1964. The present English edition incorporates the essential substance of the Thai version and, in addition, corrections and other modifications based on information received after the latter went to press.

## Explanations

1. The National Economic Development Plan covers the period from January 1, 1961 to September 30, 1966, inclusive. This period includes six fiscal years, namely, January 1-September 30, 1961, and the five succeeding 12-month fiscal years beginning October 1 and ending September 30. The financial and international trade data are expressed on a fiscal year basis, with adjustments, however, in the 1961 fiscal year when required for purposes of 12-month comparisons.

2. Gross national product, income and capital formation data are on a calendar year basis, that is, from January 1-December 31. Agricultural production data, generally speaking, are on a crop year basis, but industrial, mineral and other production data are for calendar years.

3. Reference is made in the Plan to Changwads or Provinces, of which there are 71 in Thailand, and to Amphurs or Districts, of which there are approximately 500.

4. The maps and related data in this Report are not necessarily in agreement since the latter information is more current.

5. Values are expressed in baht which may generally be taken as the equivalent of 21 baht to the U.S. \$1.00.

6. B.E. 2504 refers to the 1961 calendar year, B.E. 2505, the 1962 calendar year, etc.

7. Rai is a unit of measure equivalent to 1,600 square, or approximately 0.4 acres.

**PART I - THE PLAN AND ITS ACHIEVEMENT**



# Chapter 1

## Thailand's Economic Situation and Long-Term Outlook

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1. A study of Thailand's economic situation during the past ten years reveals that the country enjoyed a satisfactory rate of economic growth during the period. The national income increased at the rate of approximately 5 percent per annum, permitting an annual rise of more than 2 percent in per capita income. Capital formation grew at an increasing rate, constituting close to 18 percent of the gross national product in the latter years. International trade, a most vital element of the national economy, more than doubled during this period, the annual level of exports rising from 4.6 billion baht in 1952 to 9.5 billion baht in 1962, while the level of imports increased during the corresponding period from about 5.5 billion baht to 11.5 billion baht per year. Although there were annual deficits in the balance of trade, there were no serious balance of payment difficulties since the gap in foreign exchange requirements was covered by foreign grants and loans, private foreign investments, and existing foreign exchange reserves.

2. The expanding international trade, coupled with the Government's recent encouraging performance in tax collection and its sound fiscal policies, succeeded in assuring the financial stability conducive to economic growth. This enabled the Government in October 1963 to establish the par value of the baht at 20.80 to the U.S. dollar.

✓ 3. There were, however, some years during the past decade when the economy experienced some depressive events, e.g., a decline in primary export prices in 1953 and 1957 and a big fall in agricultural production in 1957/58. The fact that the recovery and expansion both in production and export could take place in a remarkably short period of time despite the accompanying rapid population increase well illustrates the great growth potential of the country. Another indication is that during recent years, apart from the traditional exports (rice, rubber, tin and teak), other products have been gaining in economic importance, particularly new agricultural export commodities resulting from Thailand's crop diversification policy. On the other hand, the trade gap has widened as the development efforts of the Government of Thailand and other factors have sharply increased the demand for imported capital and other goods. This trend is being closely watched and measures are being taken to reduce the trade disparity without adversely affecting the growth of the economy.

## Basic Economic Problems

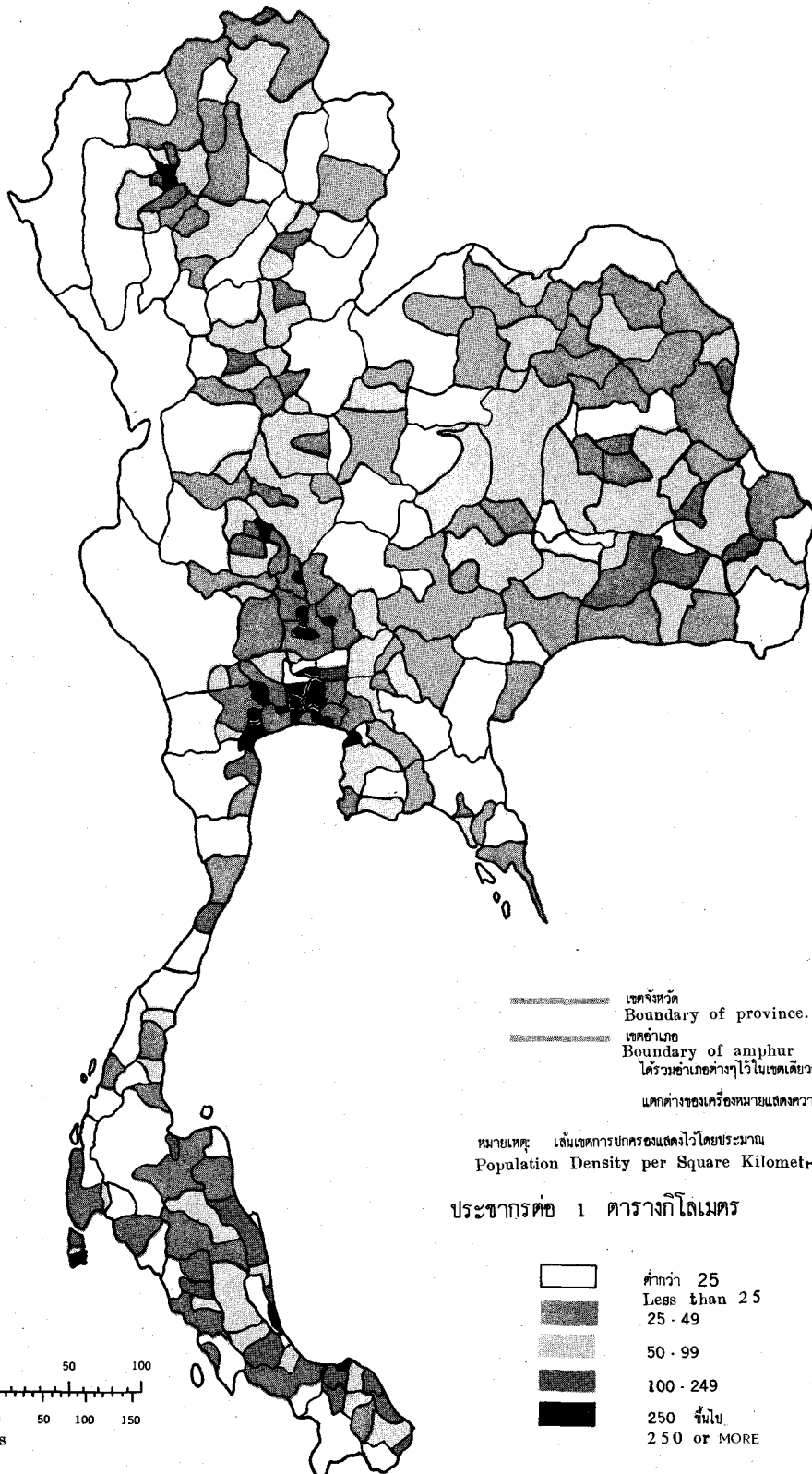
4. Although the economy is growing, some basic economic problems exist, such as the rapid rate of population growth, the danger of unemployment, low agricultural and industrial productivity, high cost of capital, and the growing need for conserving the natural resources.

5. The rate of population growth has been steadily increasing. If the current rate of over 3 percent per annum continues, the present population of 30 million will have reached a figure of about 50 million by 1982. The bulk of this population (approximately 46 percent) will be below 15 years of age. This rapid increase in population will naturally aggravate the existing basic problems, making it a more exacting task to raise the standard of living and the level of national income in the years ahead. The higher the rate of population growth, the higher the required rate of increase in the national income. The increase in the volume of investment, which is one factor determining the increase in national income, will thus have to be at a correspondingly higher rate, requiring in turn an increase in savings. To increase savings significantly is difficult in a country with a low per capital income like Thailand. If Thailand attempts to raise the level of per capital income by an annual rate of 3 percent, its savings will have to be increased from the present rate and investment choices will have to be made in a more prudent and judicious manner than has so far been the case in order to increase the efficiency of capital use

6. Unemployment has not yet become a serious problem in Thailand where a vast majority of the population live in the rural areas. Although rural underemployment due to seasonal and other factors may exist, the present ratio of population to cultivated land is not yet too high to prevent reasonable economic returns in agriculture. A portion, or even a majority, of the population increase may continue to earn a livelihood from farm or rural employment created by the extension of cultivated land and more intensive cultivation. However, if the current rate of population growth remains unchecked, unemployment could become a more serious problem in the not too distant future, because traditional ways of providing employment opportunities will not be adequate. New employment opportunities will have to be created on the land, in industry and in tertiary occupations, involving increasingly heavy and costly investments as the easier and cheaper means of creating employment becomes exhausted. This means that the economy will have to be diversified and that the proportion of the labour force in occupations other than agriculture will have to rise.

7. Production of goods and services in Thailand is generally characterized by a low level of productivity. Yields of almost all major crops (rice, rubber,

แผนที่แสดง  
ความหนาแน่นของประชากรเป็นรายอำเภอ พ.ศ. 2503  
Population Density per Amphur B.E. 2503.



sugar-cane, kenaf) are unduly low. Many manufacturing industries are being protected in the face of a complex of problems and difficulties. Transport services are not efficient with respect to convenience and unit cost. Measures for improving productivity and management will have to be taken, along with the expansion of the production of those goods and services where low unit cost of production can be attained so as to promote greater consumption and wider markets and to ensure that Thai products remain competitive in the world market.

8. The growth of population has brought about a change in the balance between population and natural resources. This has been accentuated by the pace at which natural resources have been exploited. Valuable forest and known mineral resources are being rapidly exhausted and the old balance can never be restored now by conservation or fresh discoveries. A recent forest survey discloses that forest resources are less than previously estimated. Unit cost of lumber production is going up and the volume of teak ready for cutting is going down. The best tin deposits are nearly exhausted and the stage has not yet been reached when other newly discovered mineral deposits, apart from non-metallic minerals such as gypsum and lignite, can be worked on a commercial scale. The depletion of natural resources underlines the need for measures of conservation and for extensive prospecting with a view to uncovering fresh mineral deposits. Particularly urgent is the need to preserve watershed areas and soil fertility through forest conservation and other land management measures.

9. Apart from the important problems mentioned above, there are other pertinent problems: the uncertainty of foreign markets for major exports, the imperfections of the marketing and transportation systems, the low level of savings, lack of skilled manpower, and an anachronistic civil service system. These problems have themselves contributed to low level of production of goods and services, high production costs and undue wastage. In the face of rapid population increase, they would, if unresolved, seriously retard economic growth.

### **Long-Term Economic Prospects**

10. It is clear from the present economic outlook and problems that to maintain a rapidly growing population at a higher standard of living will require further development of economic activities and natural resources and greater diversification of the economy, involving a steady shift of the labour from agricultural to industrial and tertiary occupations. Considerable development in these fields is still possible at not excessive cost. The main lines of development of the economy are briefly sketched below.

## **Agriculture**

11. The land is still Thailand's greatest natural resource. At present little more than 20 percent, or about 70 million rai, is under cultivation; of this only about one-seventh is covered by irrigation projects completed or under construction. There is much potential for agricultural development which could be realized by extension of the cultivated area, extension of irrigation and flood control and the introduction of fertilisers and new cropping patterns. Future emphasis, however, will be more on increasing productivity than on expanding the area under cultivation.

12. **Extension of Cultivation:** It is estimated, on the basis of land classification, that an additional 50 million rai could be brought under cultivation if there is a need for further extension. But it is envisaged that since the currently cultivated lands do not yet give satisfactory returns and there is still room for much improvement in the yield from these, only an additional 30 million rai or so would be brought under cultivation in the next 20 years if need be. There would then be about 100 million rai of cultivated land and the rural labour force would probably constitute roughly 70 percent of the total working population.

13. **Extension of Irrigation:** At present about 10.4 million rai are estimated to be under irrigation. But full utilisation of these irrigation facilities has not yet been achieved. Other major irrigation projects which are under construction or at an advanced stage of planning should be able to provide controlled irrigation to not less than an additional 10 million rai. The full utilisation of these facilities would reduce flood and drought hazards, make possible a double-cropping system and more effective use of fertilisers, thus bringing about higher overall agricultural production.

14. **Use of Fertilisers:** The use of fertilisers is still limited. At present the farmer cultivates and harvests a rice crop from his land year after year, but puts very little back into it. This is one of the reasons for the low yields. But if a regulated supply of water were assured to him and the present low prices of rice were allowed to rise (or, alternatively, if fertilisers were supplied at subsidised rates), the application of fertilisers would become a paying proposition and at a conservative estimate would increase yields by 30 percent. So far fertilisers have been applied only to a small area, but there are indications that the demand for them will rise rapidly if the conditions indicated above are realised. Broadly speaking, it is by raising yields through regulated water supply, the use of fertilisers and the adoption of improved cultivation techniques that the production of rice will be increased over the next 20 years rather than by extending the rice acreage, though this may still play some part.

15. **New Cropping Patterns:** New cropping patterns, including crop rotation and diversified planting, have begun to have an appreciable effect. Production of such field or upland crops as maize, cassava, sugar-cane and kenaf has risen sharply. Other crops which with the spread of irrigation may be much increased are beans, tobacco and cotton. Potentially, cotton can be grown on a scale sufficient to meet the whole domestic demand. In the Northeast region, where much of the higher lands are not being cultivated, a considerable acreage could, with advantage, be sown with maize and sorghums and the produce used for feeding livestock. The future of rubber production hinges upon the rate at which the programme for replanting with improved varieties 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. As for tea and coffee, there is room for considerable expansion of the areas under these crops to meet growing domestic demand.

16. **Animal Husbandry, Fishing and Forestry:** Animal husbandry and fishing are expected to make steady progress. As regards the latter, major emphasis will be laid on marine fishing. Both livestock and fishing have good export prospects. With respect to forestry, production is likely to decline over the next 20 years since the natural forests have been rapidly depleted of valuable timber and plantation forestry has not yet been introduced on any considerable scale. Apart from the conservation of forest cover in watershed areas, and tight control of forest exploitation, large-scale plantations of pulpwood for paper, softwood for matches and of other commercial species should be undertaken, although this will entail heavy investment and a long gestation period. At least 40 percent of the total area of the country needs to be declared conserved forest territory without delay.

### **Industry**

17. Although industrial production has been rising fairly steadily during the past decade, it still accounts for only about 13 percent of the country's total output. Most industries are of small and medium scale, many of which are family concerns employing little outside labour, and are predominantly ancillary to agriculture and forestry, such as rice milling, saw milling, flour milling and sugar refining. Lack of an internal market big enough to attract large-scale industry, lack of managerial and technical skill, high cost of capital, lack of certain essential mineral resources, lack of cheap power, poor transport facilities, and lack of orientation among the Thai labour force towards industrial discipline, are among the many handicaps which have prevented a spectacular industrial growth. However, many of these handicaps are likely to be gradually overcome. The growth of the population will in itself cause internal demand for the products of many industries to rise. Development of managerial and

technical skills will provide industries with a trained and well-disciplined labour force. Promotional incentives now being offered to investors will result in greater investment in industry.

18. Existing light industries will in the long run greatly expand and many new ones will be established. Increased agricultural output and rising income will lead to a growth of industries concerned with the processing of agricultural commodities and the preparation of foods, textiles, paper-making and fertilisers. Greater demand for housing and for construction will make possible large increases in the production of cement and other building materials. The establishment of a number of new chemical industries can be envisaged as a result of the growth of industries, using basic chemicals. Finally, there should be a great development of light engineering and electrical appliance industries.

19. 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.

20. Over the next 20 years public utilities, such as electricity and water supply, welfare housing and social services will have greatly to expand to keep pace with the increase in the population and with the growth of industries and other activities. The expansion of public utilities will itself act as a stimulus to the growth of other activities. Inexpensive power will become available when hydro-electric projects which are now under construction or in the planning stage are completed. It is estimated that within the next 10 years, the total power generating capacity will increase to at least 1 million kw and that the rise in demand for power will be commensurate with the electricity supply.

21. The current demand for transport and communication services is far more than can be met by existing facilities. As other activities expand, the shortage will become increasingly acute and may turn out to be a serious bottleneck to the future economic development of the country. A crucial task for the next 10 years will be the development of rapid, inexpensive and convenient transport and communication facilities. There is an urgent need for the development of highways, feeder roads, sea-ports, railways, road and waterway transport services, and of post and telecommunications. All these projects can be fully accomplished in only distant years. It is estimated that 6,000 kms of highways and 3,000 kms of feeder roads will have been constructed and improved within the next 10 years. Even with this additional road network, inland transport facilities will still fall short of the demand which will have greatly risen by the end of the same period.

22. The expansion of activities such as outlined in the foregoing paragraphs will create more employment opportunities for the labour force. Irrigation and power projects and road construction will automatically create more jobs, apart from providing greater employment opportunities in agriculture and industry as a result of their benefits. Furthermore, the chain effect will spread to the tertiary occupations such as trading, financial and other professional services where employment opportunities will be created in a multiplied fashion. But this considerable progress and expansion presupposes a greater scope and a higher level of vocational education. According to the 1960 population census, literacy is already nearly 90 percent in the 10-19 age groups and the 29 percent illiteracy rate for the total population is mainly attributable to those over 40 years of age. An even higher percentage of literacy will be achieved 20 years from now through the development of education. A majority of this literate population will have received at least a 7-year course of primary education and will provide a broad base of educated citizens necessary for further economic development. Also simultaneously there will be increasingly greater demand for trained labour equipped with adequate technical skills. Thus investment in vocational education will be of high priority in the years to come.

23. Thailand's public health and medical services will compare favourably with other countries in Southeast Asia. There will be more medical research institutes, large and well-equipped regional hospitals, and three institutions of higher learning in medical sciences. Serious diseases will be eradicated or brought under effective control. Every area of population concentration will have health clinics and mobile health units will provide extension services.

24. In the next 10 years trade will also expand. The value of exports should increase, with upland crops playing an increasingly greater role since there will still be great demand for these crops in the foreign markets. The value of rice, teak and tin exports is likely to increase at a modest rate the value of teak exports in particular may even decline. The value of imports is also likely to grow with machinery, petroleum products, transport equipment and chemicals gaining ever more increasing importance, but with a probable relative decline in the value of imported textiles, paper, and other manufactured consumer goods as domestic production of the latter commodities increases.

25. Assuming the anticipated rates of growth of economic activities sketched above, and assuming no seriously disruptive or retarding factors, Thailand's national income could and should be doubled within the next 15 years. To raise the national income to such a level requires greater economic development efforts, greater



and more efficient investment and higher savings. The Government will play a crucial role through its borrowing and taxation policies and by maintaining economic and financial stability to permit a smooth and continuous functioning of the economy. The development projects in the public sector, which will greatly influence the course of the development of the economy as a whole, will have to be carefully scrutinized in terms of economic feasibility and priority. Thus in implementing the Six Year Economic Development Plan (1961-1966) consideration must be given to those policies and methods of operation which will be most conducive to the fulfilment of the Plan targets.

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BURMA

LAOS

VIETNAM

THAILAND

CAMBODIA









GULF OF SIAM

MALAYSIA

# PHYSIOGRAPHIC REGIONS OF THAILAND

Based on evaluation of Climate, Soil,

Vegetation, and Geology.

- I A  CENTRAL VALLEY
- I B  "
- II A  NORTH AND WEST HIGHLANDS
- II B  "
- III  KHORAT PLATEAU
- IV  SOUTHEAST COAST
- V A  PENINSULA (SOUTH)
- V B  "

## Chapter 2

### Development Objectives and Policies

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✓ 1. The primary objective of the National Economic Development Plan is to raise the standard of living of the people of Thailand. This succinct statement appears to suggest a purely material goal, without regard to social, cultural and aesthetic values. But while material well-being may be an end in itself, it is also, and more importantly, a means to a further end in so far as it enables all citizens to lead fuller, more creative and happier lives. "Raising the standard of living" must, therefore, be construed in this wider sense.

✓ 2. 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 the Plan period (1961-1966), but extend into the future for the well-being of generations to come.

3. It is believed that in Thailand increased output will be most readily secured through the spontaneous efforts of individual citizens, fostered and assisted by Government, rather than through Government itself entering directly into the field of production. The key note of the public development programme is, therefore, 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, which have this objective in view. Over the next three years the construction of irrigation works, the building and improvement of roads and other means of transport, the provision of inexpensive electric power, and other physical "infrastructure" projects will claim the bulk of Government expenditure. Agricultural extension and research, technical training, vocational education and other projects to extend technical knowledge will likewise take a high share of Government investment. 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. Government will also undertake to provide for the expansion of social services.

✓ 4. Measures to promote increased agricultural production and of higher quality, are assigned first priority in the Development Plan, since agriculture is Thailand's most vital economic activity and over four-fifths of the labour force draws its livelihood from the land. Agricultural output has increased over the past few years at an average of better than 4 percent per year. There were, however, some special factors accounting for this favourable rate of increase, the effect of which has now begun to wear off. It is expected that over the next three years, the rate of increase will level off to a little over 3 percent per annum, but that thereafter, as a result of new irrigation facilities, improved communications, extension of agricultural services, increased private investment in farm equipment and further diversification of crops, it will rise again to at least 4 percent.

5. Industry at present still plays only a relatively small part in Thailand's economy, but an important objective of the development plan is to promote industrial expansion. This is proposed to be effected by the encouragement of private initiative, consistent with the public interest, and by the creation of a climate favourable to industrial investment both domestic and foreign. Government will promote savings and through various measures seek to stimulate an increased flow of savings into private industries. The growth of industry in the private sector will be further stimulated by a variety of aids and incentives, including an ample supply of inexpensive power, loans on favourable terms, the establishment of industrial estates, tariff protection when justified, tax relief and a minimum of restrictions and controls. Extensive surveys of national resources will be undertaken by Government to provide valuable information for future industrial development; and programmes designed to improve managerial efficiency both in public enterprises and in the private sector will be enlarged and improved. Government enterprises will be restricted to those which already exist. In course of time there will be a great industrial expansion in Thailand and industry will account for a growing share of the gross national product; over the short period of the next three years a moderate growth in industrialization can be hoped for. The main effort will be to lay a solid foundation for subsequent development.

6. The Government will promote commercial competition in the private sector within proper limits. It is expected that free competition will have beneficial results on prices. At the same time, the Government will have to control and regulate the commercial system to ensure such free competition, and to prevent the establishment of monopolies or other business combinations which exploit producers or consumers. In foreign trade, the Government will promote exports without, however, harmfully affecting the living standard of the people. Controls will be necessary on the standard and quality of Thai export products, on export monopolies, and on damaging competition for foreign markets. Thailand will want to cooperate with other countries supplying

similar primary products in the maintenance of the prices of these commodities in world markets. Another important element of commercial policy is to encourage Thai nationals to participate more actively in trade and general commerce. The State will also promote market analysis both domestic and foreign, and will assist small Thai businessmen by establishing increased credit facilities.

7. A rising level of per capita output, if it is to be sustained, will call for more efficient employment and higher productivity of the available labour force. The total population of Thailand is at present about 30 million, In ten years time it is likely to be 10 million more. In order to provide a rising standard of living for this growing population an increasing number of productive employment opportunities will have to be found for persons of working age in both rural and urban areas; and this, in turn, will demand increasing measures to promote technological advance. There is, in other words, a need to integrate the Education Plan with the National Economic Development Plan. During the next three years, therefore, while general education will be improved, emphasis will be placed on the expansion and improvement of vocational education and technical training so that as soon as possible the requirements of trained personnel of different types can be met from within the country and the basis provided for continuing technological progress. Attempts will also be made through a Manpower Planning Programme to assess the requirements of different categories and levels of technical skill and knowledge with a view to adjusting the supply of human resources to current and future employment requirements. Manpower planning will be closely coordinated with economic planning and will provide a sound basis for improvements in human resources utilisation.

8. The gross national product is expected to increase at about 6 percent per annum over the next three years. It would be a serious mistake to seek a higher rate of economic growth at the risk of impairing the country's credit and purchasing power of the baht. Maintenance of financial stability is a cardinal point of Thailand's economic policy. Outlays on development must be closely related to the financial resources available to Government so as to avoid inflationary effects. It is considered that such a policy will not only be most conducive to steady and sustained economic development, but is a fundamental requisite for the welfare of the country. A decline in the value of money generally results in lower real income for the mass of the people, restricting their consumption and making it even more difficult to build savings. Maintenance of a stable currency, though not the most spectacular, is one of the most important means of ensuring that the underprivileged derive real benefits from a programme of national development and that apparent gains are not all the while insidiously cancelled.

9. There are, however, other ways also in which a wide and equitable diffusion of the benefits of economic development is sought to be secured. Public development projects have been designed to cover as many areas of the country as possible, and have also been adapted to meet the particular needs of the different regions. The varied agricultural programme, including irrigation projects and improvements in technology, the feeder road programme, community development, rural health and educational development programmes will by their very nature benefit the many millions of small farmers who constitute the majority of the population.

✓ 10. Thought has been given to the problem posed by the evergrowing concentration of population and economic activity in Bangkok which tends to widen further the gap between the levels of development in the Capital City and in the rest of the country. Government has therefore paid special attention to planning geographical distribution in such a way as to develop a number of medium size towns in order to prevent excessive concentrations in the Bangkok area and to spread the fruits of economic development more widely throughout the population. Plans for the development of each of the major regions of the country have been or are being formulated and integrated with the overall Plan. It is proposed first to start with major towns in various regions, making them development centres for these regions through establishing advanced vocational and college education facilities, encouraging the establishment of industries, improving basic facilities, and other means.

11. A wide spectrum of the population will share the benefits of expanded social services. The newly enacted social security legislation will provide a basis for improving labour welfare, special efforts will be made to increase water supply in villages, to improve rural health and village sanitation, to expand hospitals and health services in crowded areas, to provide housing for low income groups in Bangkok, and to improve the condition of the hill tribes. Private enterprise will be encouraged to join with Government in improving the social welfare of the population.

✓ 12. To ensure effective implementation of the Development Plan public administration in all fields will have to be improved. Measures are being taken to provide more effective and extensive training in various phases of administration at all levels for those in the public services. In particular, technicians and administrators involved in development project execution need to coordinate closely their efforts so as to avoid duplication and overlapping and to obtain the best results.

13. In the process of accelerating development, the Government shoulders the largest burden of the expenditure which it finances through revenues and domestic and foreign borrowings. More domestic financial resources must be mobilised and various measures are being taken to improve tax administration, including the revision

of the Revenue Code, and to increase sales of Government bonds and other securities. It may also become necessary during the coming years to change existing tax rates or to introduce new taxes which are not harmful to the economy to finance development expenditures. In the foreseeable future, however, more resources will be required for development than domestic savings could supply. In recent years considerable assistance has been received from abroad both in the form of loans and grants. Consistent with the need to ensure that the burden of external loan repayments does not become too heavy and that foreign exchange reserves are of sufficient size in case of emergency, it will continue to be Government's policy to seek both technical and capital assistance from abroad. In particular, external loans will be sought for projects requiring importations of supplies and equipment.

14. Since the Plan expenditures in the public sector will be mainly designed to encourage and facilitate increased output by the private sector, it is difficult to forecast the economic benefits and other economic results in precise arithmetical terms. The impact will depend largely on the response of millions of individuals, engaged in their own daily round of work, to the new opportunities created for them by public sector outlays. It will also depend, to some extent, on price factors which lie beyond the control of the Government of Thailand, since some of the principal products of the country, such as rice, rubber and tin, enter largely into international trade. On the assumption, however, of a favourable response by Thai citizens and reasonable stability of world prices, it is considered that the projects and programmes envisaged in the public sector will contribute to securing a rate of growth in the gross national product of about 6 percent per annum over the next three years. Since population is estimated to be rising at the rate of approximately 3 percent per annum, an increase of 3 percent per annum in per capita income would be attained, and this achievement is viewed as the overall objective of the National Economic Development Plan.

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## Chapter 3

### Progress During the First Half of the Six Year Plan

1. Thailand's first national economic and social development plan became effective on January 1, 1961, and covered a period of six fiscal year. The first half of the Plan period was completed on September 30, 1963 and the second half will end on September 30, 1966. The Plan relates only to the development activities of the Central Government, the public enterprises and the local governments.

✓ 2. Planning for the first three years (1961-1963) did 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. Lack of data and information needed for more adequate planning caused it to be somewhat sketchy and at best preliminary. 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.

### Development Spending

3. As set forth in the original Plan, expenditures on economic and social development during the six-year period were projected at 21,268 million baht with nearly a third of this total consisting of disbursements of foreign loans and grants. Of the projected total development outlay, 10,448 million baht, or slightly less than half, was earmarked for expenditure during the first three fiscal years, with 56 percent of the financing (5,828 million baht) expected to come from domestic public funds and the remainder (4,620 million baht) from foreign loans and grants. The 5,828 million baht of planned domestic financing during 1961-1963 included 5,488 million baht in Budget appropriations and 340 million bath in anticipated earnings of state enterprises.

4. The Plan originally contained no sector breakdown of the total domestic and foreign financed public development expenditures; only the Budget financed portion of the total expenditure was subdivided by sector, as presented in the table below.



**Table 1**

PLANNED AND ACTUAL BUDGET FINANCED PUBLIC  
DEVELOPMENT EXPENDITURES, F.Y. 1961-1963

(In millions of baht)

|  | Original<br>planned Budget<br><u>expenditure</u> | Actual<br>Budget<br><u>appropriation</u> |           |
|--|--|--|-----------|
| Agriculture and cooperatives                           | 1,434  | 1,424                                    |           |
| Industry and mining (includ. commerce<br>and services) | 451  | 821                                      | ( 389 )   |
| Power  | 244  | 503                                      | ( 312 )   |
| Transportation and communications                      | 1,687  | 1,602                                    | ( 1,543 ) |
| Education  | 732  | 560                                      |           |
| Health   | 202  | 229                                      |           |
| Community facilities and social welfare                | 395  | 637                                      |           |
| Thai counterpart funds                                 | —  | 400                                      |           |
| Reserve  | 343  | —  |           |
| <b>Total</b>   | <u>5,488</u>                                     | <u>6,176 *</u>                           | ( 5,495 ) |

\* Of this total, 681 million baht was actually appropriated to certain state enterprises for debt repayment and payment of customs duties and business taxes. The net figures are shown in parentheses and, when combined with the remaining figures in the column, add to 5,495 million baht. Moreover, 291 million baht of General Fund development grants to local governments are included with "Community facilities and social welfare."

5. It appears that 6,176 million baht was appropriated for development purposes by the Central Government during 1961-1963 to the Ministries and other Government agencies and state enterprises. As noted in the table, however, 681 million baht was for the repayment of foreign debt incurred by state enterprise and for the payment of internal tax obligations. Hence, the net aggregate appropriation for development spending for the first half of the Six Year Plan was actually 5,495 million baht.<sup>1/</sup>

6. The 10,448 million baht of expenditure planned during 1961-1963 under the Development Plan, which, as pointed out in paragraph 3, covers anticipated Budget appropriations, profits of state enterprises, and disbursements of foreign loan and grants, may be compared with actual financed expenditures, by major source, in millions of baht :-

|  | Plan<br>financing<br><u>expectation</u> | Actual<br>financing<br><u>financing</u> |
|--|---|---|
| Central Government appropriations (excluding<br>General Fund development grants and Thai<br>counterpart funds) | 5,488                                   | 5,485                                   |
| Profits of state enterprises   | 340                                     | 1,493                                   |
| Foreign loans and grants   | <u>4,620</u>                            | <u>4,060</u>                            |
| <b>Total</b>   | <u>10,448</u>                           | <u>11,038</u>                           |

<sup>1/</sup> This net amount and the planned Budget appropriation are almost identical in magnitude, but this should not obscure the fact that not only are several of the Budget sectoral allocations at wide variance with the planned spending, but the Budget appropriations include 400 million baht in Thai Government counterpart fund contributions and, moreover, under the category "Community facilities and social welfare," 291 million baht in General Fund (Central Appropriation) grants for development undertakings by municipal and other local governments. Neither of these two elements was incorporated in the original Development Plan and, if subtracted from the 5,495 million baht "net" figure, a total of 4,804 million baht remains. This latter Budget appropriated sum represents the actual financed expenditure of the Central Government for economic and social development purposes within the original Development Plan framework and may be compared with the estimated total disbursement which, on the basis of data available at the Comptroller-General Department and other information, is in the magnitude of 4,500 million baht.

The 11,038 million baht total includes the 681 million baht appropriated by the Central Government to state enterprises for the repayment of foreign debt and to meet internal tax obligations and, hence, overstates the actual development spending by this amount. On the other hand, this total is understated by excluding the Thai counterpart funds in the amount of 400 million baht, the Central Appropriation for local development grants amounting to 291 million baht, and self-financed development outlays of the municipalities and other local governments which are estimated at 628 million baht. In Table 2 below, these various factors are taken into account and result in a net figure of 11,677 million baht. This total may be taken as the best available aggregate approximation of financed public development spending during the first half of the Six Year Plan.

**Table 2**

**FINANCING OF PUBLIC DEVELOPMENT EXPENDITURES DURING F.Y. 1961-1963**  
( In millions of baht )

| Financing  | Amount               |
|--|----------------------|
| <b>Domestic sources</b>  |                      |
| National Budget ( net )  | <u>5,495</u>         |
| Central Government Plan expenditures                           | 4,804                |
| Thai counterpart funds   | 400                  |
| Local development ( General Fund ) grants                      | 291                  |
| Reinvested earnings of state enterprises                       | 1,494                |
| Self-financed development spending                             |                      |
| ( Municipalities and other local governments )                 | <u>628</u>           |
| Subtotal   | 7,617                |
| <b>External sources</b>  |                      |
| Foreign loans and supplier credits                             | 2,199                |
| Foreign grants ( including U.S. counterpart fund withdrawals ) | <u>1,861</u>         |
| Subtotal   | <u>4,060</u>         |
| <b>Total</b>   | <u><u>11,677</u></u> |

7. It is noteworthy that during 1961-1963 domestic sources financed around 65 percent (7,617 million baht) of the total estimated public development expenditure. Foreign loans and grants paid for the remaining 35 percent (4,060 million baht). Secondly, whereas the original Plan, as previously mentioned, had anticipated that state enterprises would finance 340 million baht of development expenditure during this period from their own resources, they apparently made available 1,494 million baht, or over four times this amount. Further, the contribution by local governments out of their own resources is quite significant, accounting for an estimated 628 million baht, or 8 percent, of the domestic financing of the public development outlay for this period.

8. In the chapter that follows, the revised consolidated public development spending plans for 1964-1966 are compared with 1961-1963 not only by financing source but by sector. In the meantime, it is of interest to comment briefly on the distribution of Budget financed expenditures as presented on a sector basis for 1961-1963 in Table 1. The transportation and communications sector accounted for approximately 26 percent (1,602 million baht) of the Budget appropriations; estimated expenditures in this field were only slightly below the Plan expectation. The second largest Budget outlay (1,424 million baht) was for the development of agriculture and cooperatives, a sum representing about 23 percent of the total and approximating the magnitude called for in the original Plan. Industrial and mining development (including commerce and services) accounted for more than 13 percent (821 million baht) and power development for approximately 8 percent (503 million baht) of Budget appropriated funds. Budget support for these two sectors, particularly for the state enterprises whose requirements, as noted, included obligations for foreign debt repayment and payments of customs duties and business taxes, was 286 million larger than had been estimated, even if the 343 million baht in Budget reserve funds are included. In respect to the 637 million baht in Budget appropriations for community facilities and social welfare, the expenditure by Central Government agencies, mostly on expansion and improvement of water supply systems, was less than expected. However, public welfare assistance programmes, including self-help land settlement and hill-tribe development activities, required more funds than anticipated. Moreover, as previously explained, 291 million baht of expenditure represents Central Government Fund grants to local governments that were not included in the original Plan allocations. In the field of education, Budget appropriations for development purposes appear to be below Plan expectations. However, this divergence stems from the definition of development expenditures that was followed, which was not precise. Actually, Budget allocations for education, including projects that are clearly developmental, increased significantly during 1961-1963. Had the definitional problem been overcome, the appropriation for education development as such would be considerably higher. In the health sector, Budget appropriations slightly exceeded original targets.

9. Finally, it may be observed that the 400 million baht of Thai counterpart funds appropriated through the Budget to match foreign grant assistance and for which a breakdown by sector is not available, were utilized for developing the country's resources, particularly in the field of agriculture, transportation and communications, health and sanitation, education, public administration, and community development.

10. A more comprehensive account of developments by economic sector during the first half of the Six Year Plan is presented in later chapters of this report. However, some of the more important production gains made during this period as compared with original Plan expectations, and other indications of economic progress, are briefly sketched below.

### **National Output and Income**

11. The expansion in public investments in conjunction with increased private investments and other favourable factors led to steady and significant growth in the nation's total production of goods and services and in the national income during 1961-1963. The average growth in output during this period is estimated at around 6 percent annually and compares with the national growth targets proposed in the original Plan of 5 percent per year. However, the Plan target is in terms of real output, that is, after adjustments for price changes, and the available data apparently indicate that in real terms the average annual growth rate during these years was comparatively lower.

12. The rate of increase in per capita real income in the years prior to the Plan was believed to approximate 2 percent per year and, with the population presumed to be growing at 2 percent each year according to estimates available prior to the 1960 population census, a 3 percent rise in per capita income per year was thought to be feasible. The census of 1960 revealed that the population was actually increasing at a rate of 3 percent per year. Thus, despite the increase in output during the past three years, it may not have been of sufficient magnitude to achieve a 3 percent annual gain in per capita income.

### **Agriculture**

13. Agricultural development on the whole made satisfactory progress during 1961-1963 even though some governmental projects were slowed down by technical problems, difficulties in preparing foreign loan applications and other obstacles. The Bhumipol Dam will be completed in 1964 according to schedule. The construction of the Khang Kajan, Lampow, Lam Praplerng and Mae Tang irrigation projects was underway by 1963 and the Mae Klong and Nam Nan projects were in an advanced preparatory stage. The construction of distribution ditches and dykes in the area of the Greater Chao Phraya project was started in 1963 for delivery of water to an area of 700,000 rais.

14. Agricultural production, especially the major crops, by 1962 had generally surpassed the targets set in the original Plan, mainly due to favourable weather conditions, as may be seen in Table 3.

15. Rice production in 1961 was 800,000 tons higher than was originally estimated. With favourable weather prevailing, production in 1963 was estimated to be 1,400,000 tons higher than the original Plan target of 8,100,000 tons.

16. Maize production in 1962 was about 665,000 tons, or more than twice the volume of output in 1959 and was expected, in 1963, to exceed the original target by about 7 percent.

17. Cassava production in 1962 reached 2,077,000 tons and the 1963 output is estimated to total 2,200,000 tons, or nearly double the original Plan target. This enormous gain is due to expanded foreign markets which stimulated a shift from sugar cane cultivation to cassava.

18. In 1962 rubber production reached 195,000 tons and in 1963 it was expected that the production would be 3,000 tons higher since foreign demand was still fairly steady. While the rapid rise in rubber output reflects the coming into production of new trees planted during and immediately after the Korean War, the replanting of rubber acreage with high yielding trees under the Government's recently inaugurated replanting program is making only slow progress.

19. Teak production during recent years has shown a strong downward trend and by 1960 had declined to 154,000 cubic meters. In 1961 output decreased to 106,000 cubic meters, and despite an increase of 17,000 cubic meters in 1962 production in 1963 is not expected to exceed 100,000 tons. These figures indicate a slower rate of decline than had been expected. The production of yangwood and other timber has progressed satisfactorily

**Table 3**  
**AGRICULTURAL PRODUCTION AND TARGETS, 1959-1963**

| Item                      | Unit               | Production |       |       |       |       | Plan target 1963 |
|---------------------------|--------------------|------------|-------|-------|-------|-------|------------------|
|                           |                    | 1959       | 1960  | 1961  | 1962  | 1963  |                  |
| Paddy                     | (000 M.T.)         | 6,770      | 7,834 | 8,247 | 9,254 | 9,500 | 8,100            |
| Maize                     | (000 M.T.)         | 317        | 544   | 598   | 665   | 675   | 634              |
| Cassava                   | (000 M.T.)         | 1,083      | 1,222 | 1,726 | 2,077 | 2,200 | 1,250            |
| Rubber                    | (000 M.T.)         | 174        | 171   | 186   | 195   | 198   | 185              |
| Teak                      | (000 cubic metres) | 163        | 154   | 106   | 123   | 100   | 130              |
| Other woods               | (000 cubic metres) | 1,050      | 1,112 | 1,177 | 1,220 | 1,286 | 1,270            |
| Marine & fresh water fish | (000 M.T.)         | 206        | 209   | 306   | 312   | 335   | 310              |

Preliminary

## Industry and Mining

20. The industrial and mining production targets originally set forth in the Plan have, in general, been surpassed due to promotion schemes and growing domestic demand. The performance for key industrial products is presented in Table 4.

21. Cement production in 1962 surpassed 965,000 tons, which is twice the level of 1959 production and 243,000 tons higher than the planned target.

22. A new statistical survey for the cotton textile industry was carried out to obtain more current data on the operations of Government textile factories and private mills. It was found that production in 1962 had increased by 25 percent over 1961 to 109 million square yards and was supplying about half of the total domestic requirements. Based on estimated production of 70 million square yards in 1959, the Plan target was set at 140 million square yards for 1963.

23. With new plants coming into operation, production of gunny bags reached almost 11 million units in 1962, which is about double the output in 1959. The Plan objective for 1963 was  $7\frac{1}{2}$  million bags.

24. Production of sugar reached a level of 151,000 tons in 1962, a gain of about 88 percent over 1959. The period 1959-1962 was one of plant expansion in this industry and of over-production relative to domestic market demand. A decrease in production to around 130,000 tons was expected in 1963 which would still be about 60 percent above the original Plan target.

25. Paper production rose to 5,860 tons in 1962 and was more than twice the 1959 output. Production in 1963 was expected to increase further but it was anticipated that output would be well below the target of 6,400 tons because the Bang Pa-in Paper Mill has not been able to operate at full capacity.

26. In 1962, 10.5 million cigarettes were produced, or 25 percent more than in 1959. Production was expected to increase still more in 1963 and will come close to the planned target of 12 million.

Table 4

## INDUSTRIAL AND MINING OUTPUT AND TARGETS, 1959-1963

| Item                | Unit                    | Production |        |        |        | Plan target 1963 |
|---------------------|-------------------------|------------|--------|--------|--------|------------------|
|                     |                         | 1959       | 1960   | 1961   | 1962   |                  |
| Gunny bags          | (000 units)             | 5,060      | 6,869  | 8,835  | 10,992 | 7,500            |
| Sugar               | (000 M.T.)              | 80         | 102    | 120    | 151    | 87               |
| Paper               | (000 M.T.)              | 2,600      | 2,741  | 3,627  | 5,860  | 6,400            |
| Cigarettes          | (000 units)             | 8,439      | 8,875  | 9,783  | 10,500 | 12,000           |
| Cement              | (000 M.T.)              | 482        | 440    | 810    | 965    | 723              |
| Cotton textiles     | ( million<br>sq. yds. ) | n.a.       | n.a.   | 87     | 109    | 140              |
| Tin-in-concentrates | (M.T.)                  | 9,840      | 12,275 | 13,468 | 14,800 | 14,000           |
| Gypsum              | (M.T.)                  | 8,000      | 13,000 | 12,000 | 21,000 | 15,000           |
| Lignite             | (000 M.T.)              | 141        | 108    | 163    | 195    | 420              |

n.a. Not available.

### Minerals

27. In general, the production of minerals in 1962 was significantly above 1959-1960 levels, with output of tin-in-concentrates approaching 15,000 tons, lignite production 195,000 tons, and gypsum 21,000 tons. The output of lignite was almost 40 percent higher than in 1959, but was not expected to reach the planned target of 420,000 tons in 1963, since the use of lignite as fuel is not as extensive as was originally assumed. Gypsum and tin production, on the other hand, were expected to be above the planned levels in 1963.

### Electricity

28. The growth of electrical energy has been satisfactory and with installed capacity at 334,000 kw in 1963 the Plan target of 370,000 kw was almost achieved.

### Communications and Transport

29. Newly constructed and reconstructed national highway of about 500 km were built during this period but, in general, highway construction and improvement fell behind schedule between 1961-1963. This was due to delays caused by lack of supplies, equipment and personnel, and to slow progress in the acquisition of land. The construction of all US-aided highway projects was delayed con-



siderably. In 1962 a new 8-year highway programme was launched to replace the original programme. The construction and improvement of feeder roads also failed to make satisfactory progress because of the heavy concentration on maintenance and repairs of the existing roads and because a definite programme had not been worked out. A comprehensive study and survey is being undertaken as a preparatory step toward the improvement and construction of new and better feeder roads for the country.

✓ 30. The railway improvement programme between 1961-1963 was financed by a loan from the World Bank. The construction of a new line between Suphanburi-Nong Pladuk has been completed and the Kaeng Khoi-Buayai line, financed by a loan from West Germany, is now under construction.

✓ 31. The programme for improvement of post and telegraph offices in Bangkok and Thonburi as well as in the provinces did not proceed as scheduled. The telecommunications programme has also been slightly slowed down largely due to difficulties in the feasibility survey and delays in loan negotiations. Nevertheless, installation of telecommunications in the 1st, 2nd, and 3rd zones (Central, Eastern, and Northeastern Regions), begun in 1962, was expected to be completed in 1964, /

### Health

32. In the field of public health the expansion and improvement of health services is moving ahead of targets. The completion of new hospitals and modernization of existing ones will provide more facilities and additional beds for the increasing number of patients. Health programmes, especially the control of epidemics, such as small pox and cholera, and the eradication of yaws are proceeding satisfactorily. Malaria eradication and the control of T.B. are being carried out according to the Plan. Local health and village sanitation, for which assistance is being given by the U.S. Government, are being expanded in almost every province. The construction of health centres is, however, progressing slower than envisaged due to the lack of doctors and nurses.

### Education

33. Although the Development Plan set forth no specific targets in the field of education, the Budget allocations for financing parts of the National Education Plan (560 million baht) were utilized especially for education improvement and research programmes. In general, the education programme made satisfactory progress, especially in higher education.

## Chapter 4

### Revision of the National Economic Development Plan, 1964-1966

✓ 1. At the time when the Six Year Plan was announced the Government also stated that it would undertake the revision of the Plan for the second period (1964-1966) in order to make it more complete and up-to-date. For this purpose, more adequate data and information would be secured for individual projects through the following-up and analysis of the performance of the Plan in the first period, taking also into consideration the changes in economic and social conditions since the announcement of the Plan.

2. The salient features of the Plan for 1964-1966 as revised and improved are described below:-

✓ a. The formulation of projects, determination of developmental policies and the estimation of public sector resources and expenditures are very much improved as a result of the availability of more adequate, comprehensive, and reliable data which since 1961 the office of the National Economic Development Board, with the cooperation of various governmental agencies concerned, has helped to assemble to meet the planning needs.

b. The original Six Year Plan covered only the resources and expenditures of the Central Government whereas the revised Plan for 1964-1966 incorporates also the development resources and expenditures of public enterprises and local governments. Moreover, this consolidated account is also presented for 1961-1963. Thus the Plan as revised not only pertains to the overall public sector in the real sense but permits a ready comparison of the first period with the projected second half.

✓ c. Development targets and policies are presented in a clearer and more comprehensive manner thus providing a strong basis upon which consistent developmental measures and projects can be undertaken.

d. In revising the Plan the Office of the National Economic Development Board has made a projection of Thailand's economic potentials and changes in the country's economic structure into the time period 15-20 years hence so that the Plan can be kept in a proper long-term perspective.

✓ e. In the revised plan for F.Y. 1964-1966 the sources of funds for developmental uses are presented in more detail, including not only a detailed breakdown of budgetary funds but also of foreign loans and grants, and of funds from other sources such

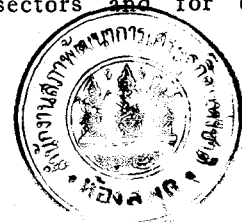
as profits of public enterprises and local government revenues. The estimates are a result of a long and thorough series of discussions with the various agencies concerned.

f. Since the Thai Government subscribes to the doctrine of growth with stability, the country's financial position during the next three years has been thoroughly appraised. In the light of this appraisal it is envisaged that Government's developmental effort on the scale now proposed can be undertaken without fear of engendering inflationary pressures which would have serious repercussions on the country's economic growth and international position.

g. International trade and payments play a vital role in the economic development of under-developed countries. Thus sound planning requires that total foreign exchange earnings and requirements be estimated as a part of the target setting process to prevent foreign exchange shortages which may prove a serious bottleneck to the accomplishment of the planned objectives. For this purpose the NEDB, in collaboration with the Bank of Thailand, has made estimates of foreign exchange earnings and requirements as well as projections of the balance of payments for 1964, 1965 and 1966. The appraisal of the foreign exchange earning capacity and of the balance of payments situation will materially contribute to the sound formulation of monetary and fiscal policies and can, besides, provide a better basis for approaching foreign countries for loan or grant assistance.

✓ 3. Since the announcement of the original Six Year Plan, projects initiated, formulated, and proposed by all agencies concerned with the country's economic and social development have increased both in number and in quality. There is a greater awareness that these projects must be viewed in the context of a dynamic economy in the process of rapid growth. There is increased understanding of the importance of plan implementation at every level in its broader aspects, such as the mobilization of resources, the improvement of the administrative process, supervision and coordination, etc.

✓ 4. Despite the many improvements that have already been made, the development plan for 1964-1966 still contains a number of imperfections. The NEDB will definitely take upon itself the task of further refining the Plan. In particular, attempt will be made to establish a more effective system of progress reporting and performance evaluation. Serious attention will need to be given to the burden or liability of the development undertakings completed during the Six Year Plan period. The annual recurring costs of operating and maintaining development schemes will constitute a heavy and growing drain on the Budget and on other resources of the country. Also, much work will need to be done in the harmonizing of manpower planning with economic planning, the widening of the coverage of planning to include economic activities in the private sector, and the establishment of the functional relationships among projects, policies, measures and anticipated targets both for individual sectors and for the



economy as a whole, the targets for the latter being expressed in terms of the increase in national production and income, living standards, and other significant indicators of economic and social progress.

### **Consolidated Public Sector Plan 1964-1966**

5. The revised Plan establishes a public development spending target during 1964-1966 of 20,300 million baht, an increase of about 74 percent over the 11,677 million baht of estimated expenditure during 1961-1963. Comparing these figures with the original estimate for the first half of the Plan, as stated in the previous chapter, of 10,448 million baht and the estimate for the second half of 10,820 million baht, we find the revised Plan represents not only a marked expansion in development spending during 1964-1966 but a significant extension of public planning effort and responsibility. This expenditure will be incurred on more than 200 development projects of high priority which have been approved for inclusion in the national economic and social development plan. Details of these projects are found in the respective sector programmes in this report. The estimated revised expenditures on the development projects during 1964-1966 are presented in the table below by principal economic sector and by major financing source.

**Table 1**

#### **REVISED PUBLIC DEVELOPMENT PLAN EXPENDITURES, F.Y. 1964 - F.Y. 1966**

( In millions of baht )

| Sector                                  | Domestic resources |              |               | External resources |                |              | Total         |
|---|--------------------|--------------|---------------|--------------------|----------------|--------------|---------------|
|   | Central Gov't      | Other        | Total         | Foreign loans      | Foreign grants | Total        |               |
| Agriculture and cooperatives            | 2,022              | 80           | 2,102         | 729                | 144            | 873          | 2,975         |
| Industry and mining                     | 455                | 444          | 900           | 230                | 67             | 296          | 1,196         |
| Power                                   | 566                | 244          | 800           | 810                | 25             | 987          | 1,798         |
| Transport and communications            | 3,902              | 712          | 4,614         | 2,014              | 377            | 2,391        | 7,005         |
| Education                               | 1,169              | -            | 1,169         | 433                | 204            | 637          | 1,806         |
| Health                                  | 647                | -            | 647           | 145                | 183            | 328          | 975           |
| Community facilities and social welfare | 1,688              | 1,341        | 3,029         | 475                | 241            | 717          | 3,745         |
| Unallocated                             | 450                | -            | 450           | -                  | 350            | 350          | 800           |
| <b>Total</b>                            | <b>10,899</b>      | <b>2,822</b> | <b>13,722</b> | <b>4,988</b>       | <b>1,591</b>   | <b>6,578</b> | <b>20,300</b> |

Numbers are rounded and do not necessarily add to totals.

6. The estimated development spending in the public sector during 1964-1966 of 20.3 billion baht constitutes 9 percent of the gross national product of Thailand estimated for this period. The corresponding proportion in 1961-1963 appears to be 3 percent smaller. Further, it is estimated, on a rough basis, that 1964-1966 public development domestic and foreign spending will account for about a third of the total current and capital spending of the Central Government, public enterprises and local governments. The corresponding proportion in 1961-1963 is estimated at around 28 percent. This acceleration in development spending indicates clearly the Government's firm determination to bring higher living standards to the Thai people by stepping up the rate of national economic growth through increased public investments.

7. The preponderant emphasis is on infrastructure projects, as seen in Table 2 below. Estimated expenditures on transportation, communications and power development projects alone amount to 8,803 million baht, approximately two-fifths more than in 1961-1963. They account for over 43 percent of the total, a somewhat smaller proportion than in 1961-1963 when spending reached an estimated 5,508 million baht (excluding Budget grants to state enterprises for foreign debt repayment and payment of customs duties and business taxes). This heavy concentration on infrastructure development, a fundamental policy of the Government of Thailand, is considered basic to the long-term healthy growth of Thailand's expanding economy. The physical environment in which private enterprise, in particular, can most rapidly grow is immeasurably improved by Government large scale-investments in this area,

**Table 2**

**TOTAL PUBLIC DEVELOPMENT SPENDING IN F.Y. 1961-1963  
COMPARED WITH PROJECTED SPENDING IN F.Y. 1964-1966**  
(In millions of baht)

| Sector  | F.Y. 1961-1963<br>Estimated |              | F.Y. 1964-1966<br>Projected |              |
|---|-----------------------------|--------------|-----------------------------|--------------|
|   | Amount                      | %            | Amount                      | %            |
| Agriculture and cooperatives                          | 1,647                       | 14.1         | 2,975                       | 14.7         |
| Industry and mining (including commerce and services) | 965                         | 8.3          | 1,196                       | 5.9          |
| Power   | 2,341                       | 20.0         | 1,798                       | 8.8          |
| Transportation and communications                     | 3,167                       | 27.1         | 7,005                       | 34.5         |
| Education   | 685                         | 5.9          | 1,806                       | 8.9          |
| Health  | 390                         | 3.3          | 975                         | 4.8          |
| Community facilities and social welfare               | 1,723                       | 14.8         | 3,745                       | 18.4         |
| Unallocated   | 761                         | 6.5          | 800                         | 3.9          |
| <b>Total</b>  | <b>11,677</b>               | <b>100.0</b> | <b>20,300</b>               | <b>100.0</b> |

Numbers are rounded and do not necessarily add to totals.

✓ 8. The estimated expenditure on developing the transportation and communications system shows the greatest absolute increase of all the sectors, more than doubling from 3,167 million baht to 7,005 million baht. Highway expenditures are to be sharply increased under the Eight Year Highway programme (1963-1970) which, when fully implemented, will give Thailand an inter-regional network of standardized and all-weather roads. Feeder roads linking production units with markets will also be built and extended in a number of changwads. Other undertakings given priority during 1964-1966 are the construction and improvement of railways, the interregional telecommunications project, and preliminary work in connection with the building of a second civil airport.

9. The Government's concern with promoting individual enterprise, well-being and growth is reflected further in the relatively large share of expenditure allocated for improving the educational system, public health, social welfare, and community facilities such as water supplies, sewage disposal, etc. Expenditure for this combined group of activities is estimated at 6,526 million baht, or almost a third of the total projected public development outlay. In 1961-1963 the corresponding expenditure was roughly two-fifths as large and, moreover, represented less than 25 percent of the total.

10. Expenditure on agricultural and cooperative development is expected almost to double from 1.6 billion baht to around 3 billion baht. Although this increase is not reflected in a significant improvement in agriculture's relative share, which is less than 15 percent of the total, the enlarged allocation is nevertheless evidence of the Government's strong determination to develop the agricultural sector to the utmost. Many agricultural undertakings are designed to promote increased output which will result not only in increased exports and foreign exchange earnings but will also provide essential raw materials for the country's expanding and new industries. Moreover, the relatively greater emphasis being given to the development of the transport and communication systems will benefit agriculture as a whole by providing improved and new outlets for agricultural produce, reducing costs of production, and stimulating over-all agricultural production. The increased agricultural incomes will permit growth in industry, trade and other activities.

11. Estimated outlays on industrial and mineral development of 1,196 million baht constitute about 6 percent of the total public development spending in 1964-1966. This sector's share of the total during the first half of the Plan period was slightly higher although estimated spending was less in magnitude. The Government of Thailand, as already mentioned, is strengthening the private enterprise sector by environmental and other improvements. The relative decline in direct public spending on industrial development

reflects, in the main, a decision to allocate a smaller proportion of Budget resources to state enterprises; it by no means should be taken to imply a decline in Government interest in promoting private industrial development.

12. The Central Government agencies will have a much larger role, absolutely and relatively, in total development spending during the second half of the Plan than during the first half. Their development expenditure, including both Budget funds and foreign loans and grants, will about double in magnitude and will account for two-thirds of the total public development spending, compared with less than three-fifths of the total during 1961-1963. In contrast, the state enterprises, which accounted for a third of the total in the previous period, are expected to account for less than a fourth in the second half. Their estimated expenditure on development projects is expected to increase about 22 percent to around 4.8 billion baht, compared with 13.7 billion baht for Central Government agencies. It is anticipated that the state enterprises will succeed in employing in development projects about the same volume of profits as during 1961-1963 but will be less dependent on the National Budget for funds. This expectation of a relative decline of the public enterprises in the overall development spending pattern and outlook reflects Government's policy to reduce the drain on the Budget by state corporations and otherwise to restrict their operations to carefully prescribed fields in the public interest.

**Table 3**

DEVELOPMENT SPENDING OF CENTRAL GOVERNMENT AGENCIES, PUBLIC ENTERPRISES AND LOCAL GOVERNMENTS, INCLUDING FOREIGN LOANS AND GRANTS, F.Y. 1961-F.Y. 1966

(In millions of baht)

| Fiscal Year | Total  | Central Government Agencies | Public enterprises | Local governments |
|-------------|--------|-----------------------------|--------------------|-------------------|
| 1961        | 2,837  | 1,610                       | 1,036              | 191               |
| 1962        | 3,902  | 2,290                       | 1,286              | 325               |
| 1963        | 4,939  | 2,959                       | 1,578              | 402               |
|             | 11,677 | 6,860                       | 3,899              | 918               |

(continued on next page)

| Fiscal year      | Total  | Central Government Agencies | Public enterprises | Local government |
|------------------|--------|-----------------------------|--------------------|------------------|
| <b>Projected</b> |        |                             |                    |                  |
| 1964             | 6,311  | 3,621                       | 2,201              | 490              |
| 1965             | 7,001  | 4,709                       | 1,679              | 631              |
| 1966             | 6,986  | 5,392                       | 878                | 716              |
| Total            | 20,300 | 13,722                      | 4,758              | 1,819            |

Numbers are rounded and do not necessarily add to totals.

13. These projected changing relationships may be ascertained from Table 3. Further it appears also from this table that estimated development spending by municipalities and local governments is of increasing importance. It is estimated that they will spend 1,819 million baht in 1964-1966 as compared with 918 million baht in 1961-1963. This near doubling of development expenditure would increase their share from 8 percent to 9 percent of the total public development outlay.

14. Savings, tax revenues and other domestic receipts including borrowings are expected to finance approximately 68 percent of the total revised development plan requirement, compared with around 65 percent in 1961-1963, and foreign loans and grants the remainder. The domestic sources, as shown in Table 4, include in the total of 13,722 million baht the sum of 3,712 million baht in deficit financing expected to be necessary to close the financial gap between estimated available resources and expenditures during 1964-1966. Deficit financing was not required in 1961-1963 when domestic sources provided 7,617 million baht for the financing of public development. In 1961-1963, after providing for normal expenditures including defense, debt service and, through the "development Budget," 681 million baht of foreign debt repayments and internal taxes of state enterprises, the Central Government itself was able to make available 5,495 million baht in real domestic resources for financing development, the balance coming from the public enterprises and local governments. The estimates for 1964-1966 assume that, excluding deficit finance, 7,188 million baht in **real** domestic resources of the Central Government (i.e., 10,900 million baht minus deficit financing of 3,712 million baht) will be available for development spending, or about 30 percent greater than in 1961-1963. More real resources would be available for development were it not for an anticipated increase of around 44 percent in normal administrative and defense expenditures plus debt repayments and service charges, that is, from an estimated 17.5 billion baht in 1961-1963 to approximately 25.3 billion baht in 1964-1966.



**Table 4**  
**FINANCING OF PUBLIC DEVELOPMENT EXPENDITURES**  
(In millions of baht)

| Source  | F.Y. 1961-1963<br>Estimated | F.Y. 1964-1966<br>Projected |
|---|-----------------------------|-----------------------------|
| <b>Domestic</b>   |                             |                             |
| Revenues  | 6,214                       | 7,460                       |
| Government bonds and Treasury bills<br>(non-expansionary) | 2,496                       | 2,550                       |
| Non-budget transactions                                   | 611                         | -                           |
| Deficit finance (Surplus -)                               | <u>- 1,705</u>              | <u>3,712</u>                |
| Subtotal  | 7,617                       | 13,722                      |
| Whereof :   |                             |                             |
| Central Government  | 5,495                       | 10,900                      |
| Public enterprises  | 1,495                       | 1,481                       |
| Local governments   | 628                         | 1,341                       |
| <b>Foreign</b>  |                             |                             |
| Loans   | 2,199                       | 4,988                       |
| Grants  | <u>1,861</u>                | <u>1,591</u>                |
| Subtotal  | 4,060                       | 6,578                       |
| <b>Total</b>  | 11,677                      | 20,300                      |

Numbers are rounded and do not necessarily add to totals.

15. The 7,460 million baht of domestic revenues shown in the table for 1964-1966 includes 4,637 million baht representing the estimated Central Government revenue surplus, that is, the difference between Central Government taxes and other revenues on the one hand and ordinary expenditures, administrative expenses, debt repayment and service charges on the other. In 1961-1963 the revenue surplus for development spending amounted to 4,766 million baht. To achieve the 1964-1966 goal of 4,637 million baht in surplus revenues for development in the face of rising normal government expenditures necessitates the imposition of ceilings on such expenditures and the mobilization of additional taxes and other revenues. Total Budget

revenues of nearly 30 billion baht, or 7.6 billion baht more than in 1961-1963, are anticipated in 1964-1966, including almost 1 billion baht in revenue resulting from changes in the tax system and improved tax collection and administration.

16. Included with the Central Government's estimated domestic resources for development spending in 1964-1966 are 2,550 million baht in bonds and Treasury bills, excluding purchases from the Bank of Thailand. Improvements now underway in the efficiency of the Government Savings Bank and savings promotion schemes are expected to increase this bank's ability to purchase Government securities. The record increase of fixed deposits in commercial banks induced by higher interest rates authorized by the Commercial Banking Act (1962) is expected to lead also to increased purchases by these banks of Government bonds and Treasury bills. Moreover, the 8% interest now offered on Government bonds and their income tax exemption feature are attracting, and may be expected to continue to attract, more purchases by both individual and institutional investors. It may be that the combination of these measures will result in higher sales of Government securities than has been estimated.

17. The deficit financing of 3,712 million baht during 1964-1966 is to be covered partly by borrowings from the Bank of Thailand and is not likely to create serious inflationary pressure on the economy. The magnitude of such borrowings is being restricted to not more than 1,000 million baht annually and is regarded as a reasonable safe limit and has been set as a ceiling. Thailand has been experiencing an expansion in the money supply made necessary by the rapid increase in economic activity. While the money supply will continue to expand along with economic growth, the Government will not resort to excessive borrowings from the Bank of Thailand that would result in price increases threatening the country's economic stability and living standards and its international position.

18. Supplementing the domestic funds of the Central Government, as noted, are the resources of the public enterprises and local governments after providing for normal and other non-development spending. These resources constitute an important element of the total resources for development. They are estimated at 2,822 million baht in 1964-1966, or a fifth of the total domestic development resources, and compare with 2,122 million baht in 1961-1963, the gain of one-third coming from the growing revenues of the local governments.

19. Finally, the estimates of domestic resources likely to be available for development cannot take account of unforeseeable emergencies which may occur. The

predictions of Government revenues appear feasible and could be exceeded; on the other hand, they rest on assumptions of favourable crops, continued business expansion, relatively stable prices, etc. Further, they assume that non-development spending can be constrained within necessary limits and that the Government will vigorously pursue measures to accomplish this.

20. The foreign financing envisaged for 1964-1966 of 6,578 million baht is composed of existing and prospective loans and supplier credits of 4,988 million baht and of existing and prospective foreign grants amounting to 1,591 million baht. The estimated external loan financing is more than double the 1961-1963 level, whereas the estimated foreign grants, reflecting the tapering off of United States grant assistance, is about 15 percent below the estimated 1961-1963 level. Of the 4,988 million baht in foreign loan disbursements, approximately three-fifths are for utilization by Central Government agencies and the remainder by the public enterprises. The proportions were markedly different in 1961-1963 when almost three-fourths of the foreign loan financing went for public enterprise development activities. While the estimated foreign financing is roughly 60 percent larger in amount than in the first half, the Government's policy of becoming increasingly self-reliant in financing public development programmes is evident from the fact that the anticipated foreign loans and grant expenditures of 6,578 million baht represent a smaller percentage of the total estimated resources than in 1961-1963.

21. Since Thailand is a free-economy in which economic choices are made by free individuals and since agriculture upon which the economy is built is predominantly dependent on climatic conditions and world markets which are characterized by uncertainties and continuous changes, the forecast of the accomplishments of the Plan can be no more than a rough estimation. Nevertheless, assuming a fairly smooth implementation of the development projects, normal climatic conditions and no large deviations from the assumptions adopted in regard to world markets, the following forecasts can be made of the results that effective implementation of the Plan will help accomplish by the end of 1966 in different fields.

### **The National Income and Capital Formation**

22. During 1960-1963 Thailand's total production, expressed in constant (1962) prices, increased by an estimated 28 percent. This averages out to around 7 percent per annum, but the increase from year to year has been uneven. The achievement of this growth in real output during the past four years is attributed mainly to a dramatic

expansion in exports and to booming manufacturing and construction activity. Although by 1963 exports had levelled off, heavy public development investments during 1961-1963 and continuing on an even large scale during 1964-1966, together with improved production techniques, provide the basis for assuming that the gross domestic production of Thailand can be expected to grow at an average annual rate of around 6 percent during the second half of the Plan period. The gross domestic output would rise to 77.0 billion baht in 1966 and would be a fifth larger than is estimated in 1963. With the population growing at 3 percent a year, per capita income in real terms, expressed in 1962 prices, would increase by approximately 3 percent a year.

23. Total gross private and public fixed investment (including allowances for depreciation and repairs of old equipment) reached 32.8 billion baht and accounted for about 18 percent of the gross domestic product during 1961-1963, according to present estimates, which may, however, be too high. The corresponding investment is expected to rise during 1964-1966 to 40.6 billion baht, or by almost 25 percent, because of anticipated increased capital spending on the part of both the private and governmental sectors, and would constitute approximately 19 percent of the total production of the country. These relatively high ratios of fixed capital formation, if actually attained, would be expected to lead in future years to even more dynamic growth than in the past.

24. All development expenditures, it should be observed, are not included in the estimates of capital formation since many development activities, for example, research, agricultural extension work, and social welfare projects, do not lead to the formation of physical assets.

### **Changes in the Economic Structure**

✓ 25. Thailand's economy, as may be expected, is undergoing structural changes. Agriculture's share in the gross domestic product has been declining and during the first half of the Six Year Development Plan period, as appears from the table below, has decreased still more, falling from an estimated 37 percent in 1961 to around 36 percent in 1963. On the other hand, industry, especially manufacturing, and power, communications and transportation are gaining greater importance. As a percentage of gross domestic output, industrial production, including all manufacturing, mining, and construction, has increased from 19 percent in 1961 to 20 percent in 1963. The transportation and communication sector accounted for 8 percent of the estimated value of the total output in 1961 and almost 9 percent in 1963. Wholesale and retail

trades and other services, which contribute 35 percent of the estimated value of Thailand's total production, have as a group shown no significant change in relative importance during the past three years.

**Table 5**

**ESTIMATED GROSS DOMESTIC PRODUCTION OF THAILAND, IN 1962 PRICES**

| Sector                       | billion baht |              |              | Percent of total |             |             |
|------------------------------|--------------|--------------|--------------|------------------|-------------|-------------|
|                              | 1961         | 1963         | 1966         | 1961             | 1963        | 1966        |
| Agriculture                  | 21.74        | 23.30        | 25.58        | 36.9             | 35.9        | 33.2        |
| Industry                     | <u>11.47</u> | <u>13.01</u> | <u>16.42</u> | <u>19.4</u>      | <u>20.0</u> | <u>21.3</u> |
| Manufacturing                | 7.11         | 8.31         | 11.06        | 12.0             | 12.8        | 14.4        |
| Construction                 | 3.47         | 3.67         | 4.21         | 5.9              | 5.7         | 5.5         |
| Mining and quarrying         | 0.89         | 1.03         | 1.15         | 1.5              | 1.6         | 1.5         |
| Electricity and water supply | 0.23         | 0.31         | 0.49         | 0.4              | 0.5         | 0.6         |
| Transport and communications | 4.91         | 5.75         | 7.65         | 8.3              | 8.9         | 9.9         |
| Trade and services           | 20.65        | 22.54        | 26.88        | 35.0             | 35.0        | 34.9        |
| Total                        | 58.99        | 64.91        | 77.01        | 100.0            | 100.0       | 100.0       |

The estimates are on a January-December calendar year basis.

Numbers are rounded and do not necessarily add to totals.

26. These structural trends are expected to continue during the second half of the Plan period with agriculture's share in the value of total gross domestic production dropping to an estimated 33 percent in 1966, industry, power, communication, and transport continuing to play increasing roles, and trade and services tending to maintain its relative position. It should be noted that while agriculture's relative importance will continue to decline, agricultural output is expected to rise in value from 23.3 billion baht in 1963 to 25.6 billion baht in 1966. To say that the relative share of agriculture is expected to decline is another way of stating that industry and other sectors will be increasing at more rapid rates. The share of manufacturing, for example, will have risen from 12.0 percent in 1961 to 14.4 percent in 1966. What the comparisons reveal is a significant and well-known economic phenomenon characterizing healthy economic growth. While expansion of the total production is assuredly an

important goal of economic development, expansion unaccompanied by diversification may not be wholesome to the stability of an economy which depends excessively on one or a few products. Thus the fact that industry is playing an increasing role in the economy of Thailand is not only a measure of the success of the industrial development programme but is also indicative of a sounder and more stable economic base which is another important objective of the economic development Plan.

27. Apart from making efforts to accelerate the development of the country in order to raise the overall national income and maintain healthy economic stability, the Government has also been anxious to bring the fruits of the economic growth to the Thai people in all regions of the country. With this purpose in view the Government has set up a number of committees for each region, whose responsibility it is to draw up development plans for the respective region. Thus there are the Committee on the Development of the Northeast, and others on the North, the South, the East and the West. With respect to the Northeast, the Government aims at raising the living standard of the population of this region, which constitutes as much as one-third of the total population of the Kingdom, to the same level enjoyed by the rest of the country. For this purpose a Northeast Development Plan was drawn up and its main features are integrated in the National Economic Development Plan. Development plans for other regions are being worked out and will later be integrated in the national plan.

### **Balance of Payments**

28. The years 1964-1966 will witness a slower expansion in Thailand's exports and a continued sharp growth in imports with the latter increasing, according to present expectations, to 47.9 billion baht during the period, or by 10.6 billion baht compared with 1961-1963. However, higher foreign exchange earnings on goods and services and larger receipts from foreign loans, grants, and private investments are expected during 1964-1966 to result in only a slight decline, about 60 million baht, in official foreign exchange reserves, which will not adversely affect the financial and economic stability of the country. Thailand was fortunate in having no balance of payments difficulties during the first three years of the Six Year Plan period; on the contrary, a combination of favourable factors added 4,559 million baht to the foreign exchange reserves. The original Plan contained no balance of payment projections so that a comparison with actual results is not possible. Tables 6 and 7 below and the accompanying text summarize the balance of payments situation during 1961-1963 and provide the estimates and main assumptions underlying the projections for 1964-66.

29. During the first half of the Plan period the value of exported goods and services totaled 34,284 million baht, showing an average rate of increase of approximately

8 percent per annum, while the value of goods and services imported into the country (including imported goods and services financed by foreign loans and grants) amounted to 37,334 million baht, showing an almost similar average rate of increase. Of the total value of import payments, 24,048 million baht consisted of non-capital goods (i.e., of consumption goods, gasoline and related products, and raw materials) and expenditures for debt repayment, interest and other debt charges, and other services. During the 1961-1963 period export earnings less non-capital import expenditures left a surplus of 10,236 million baht available for importing capital goods and services. The value of imported capital goods and services during this period was actually 13,286 million baht and was financed with 7,609 million baht in foreign grants and loans and private investment, and with 5,677 million baht in other resources owned by Thailand. This left a balance of payments surplus of 4,559 million baht which was added to the foreign exchange reserves.

**Table 6**

**BALANCE OF PAYMENTS OF THAILAND, F.Y. 1960-F.Y. 1963**

(In millions of baht)

| Item  | 1960 <sup>a/</sup> | 1961 <sup>b/</sup> | 1962 <sup>c/</sup> | 1963 <sup>c/</sup> | Total<br>1961-63 |
|---|--------------------|--------------------|--------------------|--------------------|------------------|
| 1. Foreign exchange earnings on goods and services          | 9,340              | 10,970             | 11,661             | 11,653             | 34,284           |
| 2. Receipts of foreign grants, loans and private investment | 2,111              | 1,920              | 2,600              | 3,089              | 7,609            |
| Total receipts  | 11,451             | 12,890             | 14,261             | 14,742             | 41,894           |
| 1. Payments on imports of non-capital goods and services    | 6,891              | 7,674              | 7,932              | 8,442              | 24,048           |
| 2. Payments on imports of capital goods and services        | 3,884              | 3,704              | 4,613              | 4,968              | 13,286           |
| Total payments  | 10,775             | 11,378             | 12,545             | 13,410             | 37,334           |
| Change in foreign exchange reserves                         | 676                | 1,511              | 1,716              | 1,332              | 4,559            |

<sup>a/</sup> : Jan.-Dec. <sup>b/</sup> Oct.-Dec. 1960, Jan.-Sept. 1961 <sup>c/</sup> Oct.-Sept.

30. The favourable balance of payments situation during the first half of the Plan period can be said to have been the direct result of the change in the export structure during the past four to five years. Traditionally, major exports of Thailand centered around a few products such as rice, rubber, tin and teak. Recently the exports have been diversified; such products which formerly were of negligible importance, like maize, kenaf and cassava, become leading exchange earners in the course of the first three years of the Plan period. This strongly indicates that the developmental efforts toward the diversification of the economy have begun to bear fruit. Another factor contributing to the favourable balance of payments situation was the gain in the terms of trade during this period. Finally, the sizable increase in foreign loans and grants and private foreign investments during the 1961-1963 period also contributed to the country's strong financial position.

31. The balance of payments projections in the table below reveal that during the second half of the Plan period earnings from the export of goods and services have been estimated at 37.6 billion baht, which on an annual basis averages approximately 12.5 billion baht. This compares with around 34.3 billion baht or an annual average of 11.4 billion baht during the first half of the Plan period. The projection of the general trend of exports during the years 1964-1966 assumes that all export commodities (except teak) will increase in quantity but that price trends will vary. Rice export prices are expected to decline from the recent high levels. Natural rubber prices also are expected to fall due to keener competition from synthetic rubber. The price of tin is not likely to decrease below the 1963 level, teak prices may be expected to advance slightly, while the price of other commodities are assumed to remain at approximately their 1963 averages. The rate of increase of the value of exports (1963 = 100) is estimated at about 4 percent per annum, which is half the rate of increase experienced during 1961-1963.