

# OVERVIEW

**Toshiaki Hayashi**

## **Steady Development Orientation of Resource Rich Country**

Since the first economic development plan was launched in 1961, the Thai government persisted in keeping moderatism, i.e., gradual economic progress. In spite of that, Thai economy has been performing quite a high economic growth throughout the last three decades, seven to eight percent per annum. In the light of Japan's and other East Asian NIC's spurts or dashes in economic and technology progress, Thailand's experience is not remarkably outstanding. In reality, the Thai economy has doubled national income a decade for three periods successively, expanding the size of its economy to eight times in only three decades.

The prime mover of the Thai economy has been mostly the process of primary products supported by an endowment of national resources; so it is not the same as that in the east Asian countries. In 1960s through 1970s, the manufacturing industries were basically domestic market-oriented. With an attempt to protect the import substitution industries, the economy has grown up rather slowly.

Along with the development of natural gas in Siam Bay in early 1980s, heavy and chemical industrialization were planned; but Thai economy was faced with unprecedented instabilities both in domestic and international balances, caused by the sharp commodity prices drop induced by the oil Glut. On reflection to the circumstances, the 6th development plan during 1986 to 1991 set the major objectives to an improvement of quality rather than quantity expansion, to more agro-based and small and medium industries development rather than heavy/chemical industrialization, revitalization of the private sector over Government's initiatives. Targeting the overall economic growth rate at 5 per cent per annum, more steady development orientation was so clearly intended.

## **Impacts of Economic Internationalization**

In 1980's economies in the Western Pacific Rim have intensified trade conflicts between the United States of America, international adjustments of currency values and thereby industrial adjustments were caused. Unforeseen massive foreign direct investments from Japan and Asian NIE's started, those industries that lost international competitiveness were transplanted to the neighboring countries, a great portion of the investments was directed to Thailand because its investment climate was relatively better than others. Owing to these circumstances, Thai economy has outperformed two digits economic growth rate at 10.5 per cent per annum; i.e., more than double of the Government's target during the sixth development plan period.

The seventh development plan (1991-1996) was prepared in the midst of a foreign investment rush and economic bubbling like a sharp rise of property prices. The plan's major objectives were set very steadily on stable economic growth that are sustainable; distribution of economic development and its fruits to rural provinces; improvement of human resources and quality of life; and conservation of the environment. Since then in spite of the political turmoil in May 1992, and recession in the developed countries, annual economic growth rate of around 8 per cent is being achieved.

## **Widening of Regional Disparities and Impoverishment of Rural Economy**

In spite of its very sound moderatism, Thai economy has sustained relatively high economic growth rate. Thailand shows a good performance among the developing countries; however, more contradictions occur in the development process. The most serious worry and important task of the present democratic government is the widening gap of income disparity. Between the most rich 20 percent of the households and the poorest 20 percent of the households, there exists more than 10 times of income disparity, and the gap is in widening tendency.

In contrast to the rapid economic expansion at the concentrated growth pole, the Bangkok and the surrounding areas where relatively social

infrastructures are well provided, thereby the most of the foreign firms invest in, a setback of the agricultural sector and impoverishment of rural farmers are being observed in Northeast Thailand. Prices of cash crops for export are falling. Environmental destruction by excess land reclamation and forest clearing in the last three decades are becoming the causes of abnormal weather and a dry up of water resources, thereby making agriculture very unstable. Debts of rural households increased and many of them lost the land mortgage. Out migration of household heads and young labor force also causes a break up and scattering of families, lowering economic conditions of rural women and children. a moral downgrading will thus become a focus of the society and if this problem is not solved, the whole social security and stability will be lost.

### **Political and Social System in Thailand**

The top-down governing and development regime has ever met many democratization movements since 1930s. The present Chuan's government started earlier than the present Hosokawa's of Japan, but there seems many analogies, coalition out of the old political parties, intention of substantial political reform, distribution of political and economic rights to the provinces, putting emphasis on quality of life, etc.

The Chuan's government has set up a special committee to counsel the improvement of farmers' living standard and to accelerate industrialization and revitalization of provinces, allocating 47 percent of the central governments annual budget for rural development. In April 1994, BOI has revised the zoning for investment incentives, to provide more incentives to the Zone 3, other than Bangkok and surrounding areas. The major incentives are the exemption of income tax for 8 years, exemption or deduction of import duty of machinery and materials, minimum investment amount was downed to a million Baht to encourage small- and medium-scale industries. Since then a substantial portion of investments went to Zone 3, mainly by local ventures to more resource based, light industries and services.

## **Tasks Ahead**

Industrialization in Thailand is now entering a new phase; next to the Asian NIEs manufacturing export base is being formed. This trend is seen in electrical and electronics fields expanding its production and export volumes and at the same time upgrading and improving the quality of the products. As to automobile industry, one million car production base is being prepared in mid-term. These two related supporting industries like metal processing and plastics moulding are gradually expanding, by both foreign investors and local ventures. Moreover, most upstream material industries like petrochemicals and steel/metal related industries also grew up rapidly, giving more diversification horizontally and vertical integration in the industrial structure. In due course of globalization of economy, domestic justification and international rationality are to be both pursued, especially in face of the ASEAN regional cooperation, i.e., AFTA schemes.

Other than the regional economic disparities, distortions in development are seen in heavy traffic jams in Bangkok Metropolitan areas where lacks mass transit systems, relative lags in environmental preservation and anti-pollution measures, and in shortage of manpower causing very ridiculous wages/salaries' structure among the sectors, occupations and intergenerationally.

Aspiration towards smaller and more efficient governing seems very sound, but in the light of very high economic growth, there naturally exist darker shades. So the proper resource allocation and problem shooting with proper timing by the government is most important.