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TO : Department of State

: 20 / 71

FROM : Amembassy BANGKOK DATE: July 12, 1971

SUBJECT : Speech by Minister of Economic Affairs Bunchana Atthakor

REF :

FOR STATE AND COMMERCE

Attached are four copies of a speech given by Bunchana Atthakor, Minister of Economic Affairs, at a luncheon meeting of Foreign Commercial Officers in Bangkok on July 2, 1971.

The Minister's main points were:

1. Thailand has pursued a liberal foreign trade policy. Whether it can be continued, however, will depend basically on overcoming the nation's balance of payments problem which has developed in the past two years.

2. Unless Thailand can substantially increase its exports, the country cannot correct its balance of payments deficit and at the same time continue its non-restrictive import policy.

3. Rice has traditionally been Thailand's export mainstay, but foreign exchange earnings on rice exports have declined because of rice sales by certain industrialized countries. These non-commercial sales, on concessionary terms or heavily subsidized, are detrimental to exports by developing countries such as Thailand.

Enclosures: as above.
Speech given by Minister Bunchana Atthakor (3)

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FORM DS-323 10-64

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COMAT:DCLacey:ss	6/9/71	542	ECON:WGabbat

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Enclosure
Bangkok A-288
7-12-71

(A Speech delivered by His Excellency Bunchana Atthakor, Minister of Economic Affairs, at a Luncheon Meeting of the Commercial Officers of the various Embassies in Bangkok at the Erawan Hotel, July 8, 1971)

Mr. Chairman, Ladies and Gentlemen ;

1. I should like to express to you my sincere thanks for your kind invitation to this luncheon and to give me the opportunity to say a few words about the current trade problems and trade policy of Thailand.

-- As you probably know, I have just returned from a visit to various countries in Eastern Europe as leader of the Thai Economic and Trade Mission.

-- I guess some of you may wonder whether there will be any change in our foreign trade policy after my visit to these countries.

-- I therefore would like to state at the outset that our foreign trade policy has always been based on the principles of mutual benefit and non - discrimination.

-- It is also our policy to trade with all friendly countries regardless of their social and political systems.

-- As you may be already aware, our foreign trade system is very liberal; there are very few restrictions in regard to importation and exportation.

-- Our foreign exchange system is also very liberal and the principles of the International Monetary Fund have been strictly observed.

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-- After careful consideration of the prospects of trade and payments of Thailand in the 1970's, it has been concluded that the deficit in the balance of payments of Thailand will continue to grow rapidly in the years ahead if no immediate steps are taken to rectify the situation.

-- The deterioration in the country's balance of payments, if not averted, will no doubt seriously affect the economic development of the country during the present decade.

-- It is mainly for this reason that export development and promotion has been given high priority in the nation's third five-year Economic and Social Development Plan, which is due to commence in 1972.

4. In this connection, I believe it is worthwhile to stress a few points concerning Thailand's current trade problems.

-- The most important current trade problem lies in the rice trade.

-- Inasmuch as rice is the mainstay of the Thai economy, any adverse effect on the production and trade in rice will inevitably bring about a serious repercussion not only on the national economy as a whole but also on the standard of living of Thai farmers who comprise the majority of the population.

-- The low central plain of Thailand, which has been known to be the rice bowl of the country for centuries, is especially suitable for rice culture, as the land is usually flooded with plenty of water during the monsoon season.

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4. Thailand naturally hopes to increase exports of manufactured goods, but it may not be able to do so if industrialized nations place restrictions on purchases of Thai goods. One industrialized country, for example, has asked the Thai Government to exercise self-restraint on the export of a manufactured product even though its import level of that product from Thailand constitutes no more than 0.05 per cent of its total imports of that product. Should Thailand not limit its exports "voluntarily", that country will simply impose a quota for Thailand unilaterally. (Without mentioning the product or country, this point was an obvious reference to Thai exports of nightwear to the United States.)

5. "In conclusion", the Minister said, "I wish to stress that as circumstances change, trade policy will have to be changed accordingly."

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Enclosure
Bangkok A-288
7-12-71

(A Speech delivered by His Excellency Bunchana Atthakor, Minister of Economic Affairs, at a Luncheon Meeting of the Commercial Officers of the various Embassies in Bangkok at the Erawan Hotel, July 2, 1971)

Mr. Chairman, Ladies and Gentlemen :

1. I should like to express to you my sincere thanks for your kind invitation to this luncheon and to give me the opportunity to say a few words about the current trade problems and trade policy of Thailand.

-- As you probably know, I have just returned from a visit to various countries in Eastern Europe as leader of the Thai Economic and Trade Mission.

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Bangkok

-- Although Thailand is not a member of the General Agreement on Tariffs and Trade, its conduct of trade already exemplifies the general principles of GATT.

2. Mr. Chairman, Ladies and Gentlemen, you may have already gathered from what I have said so far that Thailand is indeed a free trade country.

-- The industrialized countries have received the most benefits from our liberal trade policy.

-- How long Thailand can pursue this liberal trade policy depends mainly on the magnitude of the problems which we have to face during the next few years.

-- It is regrettable to note that these problems are not inherent in our economy, but they are the results of the international environment over which Thailand has no control.

-- This international environment is shaped up mainly by the activities of the industrialized countries.

-- Whether the international environment will be conducive to world trade expansion depends therefore very much on the "political will" of the industrialized countries in the years to come.

3. In the past decade, Thailand had practically no problem as far as its balance of payments is concerned.

-- However, in 1969 and 1970 Thailand began to incur a deficit in its balance of payments amounting to about 49 million and 134 million U.S. dollars respectively.

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-- After careful consideration of the prospects of trade and payments of Thailand in the 1970's, it has been concluded that the deficit in the balance of payments of Thailand will continue to grow rapidly in the years ahead if no immediate steps are taken to rectify the situation.

-- The deterioration in the country's balance of payments, if not averted, will no doubt seriously affect the economic development of the country during the present decade.

-- It is mainly for this reason that export development and promotion has been given high priority in the nation's third five-year Economic and Social Development Plan, which is due to commence in 1972.

4. In this connection, I believe it is worthwhile to stress a few points concerning Thailand's current trade problems.

-- The most important current trade problem lies in the rice trade.

-- Inasmuch as rice is the mainstay of the Thai economy, any adverse effect on the production and trade in rice will inevitably bring about a serious repercussion not only on the national economy as a whole but also on the standard of living of Thai farmers who comprise the majority of the population.

-- The low central plain of Thailand, which has been known to be the rice bowl of the country for centuries, is especially suitable for rice culture, as the land is usually flooded with plenty of water during the monsoon season.

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-- Nature has endowed this land of ours with the most favourable factors for rice production, and this has enabled Thailand to be one of the lowest cost rice producing countries in the world.

-- The principle of comparative advantage in international trade in this case, however, has not helped Thailand much in recent years, because rice has been dumped on the international markets in the form of subsidized exports as well as in the form of surplus disposal.

-- The export of rice by industrialized countries is being increasingly subsidized to the detriment of normal commercial exports from developing countries.

5. In order to make my point clear, I would like to give an example of the sale of rice by one industrialized country.

-- In the past several months, this particular country has paid a subsidy as high as 135 U.S. dollars to its rice exporters for every ton of rice exported to the markets in Asia and Africa, while the rice sold has been quoted for less than 80 U.S. dollars per metric ton, f.o.b..

6. Mr. Chairman, I think many will agree with me in feeling that one can make this kind of [illegible] they does not seem to get along well [illegible] whatsoever from the principle of trade conduct.

-- The General Agreement on Tariffs and Trade or what is briefly called GATT strictly prohibits the dumping of industrial products, but it has very little to say about the conduct of trade in agricultural produce.

-- No wonder therefore when the GATT is often referred to as "the rich man club."

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7. Superimposed on the difficulty of commercial trade in rice is the trade in concessional terms or what is commonly known as surplus disposal:

-- It is quite natural that buying countries would prefer to buy rice on concessional terms rather than on normal commercial terms;

-- Having bought rice under concessional terms, these countries can be in a very strong position to dictate the terms for buying rice from us in the commercial markets.

8. Again in order to make my point clear, I would like to draw your attention to the fact that at present there are a few developing countries which are proposing to buy Thai rice with the condition that the Thai side must buy their machinery, equipments, etc. in return.

-- This bilateral balancing of trade or barter arrangement has been held in high estimation not only by centrally planned economies but also by many developing countries receiving large amount of aid from industrialized countries.

-- Some developing countries have been able to make rapid progress in industrialization, because on the one hand they have been able to restrict imports of like products into their countries, and on the other hand the burden on agriculture has been made lighter by the aid received from industrialized countries.

-- As a matter of fact, many of these countries are now having excess production capacity in their industries.

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-- to solve this problem of excess capacity, these countries are seeking wider markets abroad and the easiest way out is to insist on barter arrangement;

-- it is therefore manifestly clear that while the industrialized free-market countries are preaching to the developing countries about the benevolence of multilateral trade, they have inadvertently encouraged barter trade in the process of their own activities.

9. In view of the difficulty confronting Thailand in its trade in agriculture, the possibilities for the promotion of manufactured goods for export are being increasingly looked upon now-a-days.

-- In fact Thailand has now been able to export some manufactured goods already, attributable mainly to the sufficiency of labour and comparatively low wages.

-- However, as Thailand begins to look for opportunities for exporting its industrial products with a view to rectifying its balance of payments deficit, it has to face severe import restrictions from many countries.

10. It was recently reported that one particular industrialized country, with which Thailand has an annual trade deficit of more than 100 million U.S. dollars, has asked the Thai Government to exercise a self-restraint on the export of a certain product to that country, notwithstanding the fact that the total amount of the product exported by Thailand constitutes no more than 0.05 percent of the total imports of such product by the said country.

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-- It has also been made clear to the Government of Thailand that if the imposition of a self-restraint on the export of such product is not forthcoming, the authority of that industrialized country will unilaterally impose a quota on the importation of such product from Thailand in whatever manner it deems appropriate.

-- It is all the more surprising when considering the fact that for many decades the same finished product together with its raw materials has been imported from that country into Thailand freely and in a very substantial amount.

11. Mr. Chairman, Ladies and Gentlemen, while Thailand is suffering a trade deficit of more than a hundred million dollars annually with that industrialized country, one can hardly understand how it is possible for Thailand to be asked to limit its export of a certain product while it has only begun to export on an experimental basis and in a negligible amount.

-- It is hoped that those who are responsible for the formulation of trade policy will always bear in mind that in bringing about closer trade relations between countries, statesmanship and political goodwill will ultimately prevail over any short-sighted self-interest pursuit.

12. In conclusion, Mr. Chairman, I wish to stress that as circumstances change, trade policy will have to be changed accordingly.

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-- However, the most important thing to be borne in mind is that mutual benefit must be the goal for trade relations;

-- As we are living in a world of interdependence, peace and happiness cannot be divided between the have and have - not nations;

-- Only if the developing countries are allowed to increase their exports, can they increase their imports from the developed countries, for international trade is indeed a two-way traffic;

-- Let us therefore work closer together so that peace and prosperity can be achieved for all mankind;

Thank you;

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