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MEMORANDUM OF CONVERSATION

DEPARTMENT OF STATE POLICY DIVISION OF COORDINATION
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DEPARTMENT OF STATE
MESSAGE CENTER

American Embassy, Bangkok,
October 12, 1949

ACTION
is assigned to
DC/R

Participants:

H.S.H. Prince Vivattana Chakrabandhu
Minister of Finance

and

Edwin F. Stanton

Subject: Discrimination against Imports from the United States.

During the course of a conversation with Prince Vivat this morning I brought to his attention the fact that the selling of sterling by the Bank of Thailand at a fixed rate slightly lower than the open market rate, whereas no such support was given for the dollar, constituted discrimination against imports from the United States. I said this situation had been a matter of concern to the Embassy for some time and had been made the subject of frequent complaints by American businessmen and others interested in imports from the United States. I also pointed out that such discrimination was in contravention of the existing United States-Thai Commercial Treaty which guaranteed non-discrimination and most favored nation treatment. I asked him if some remedy could not be worked out.

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Prince Vivat said that he too, realized that the inability of the Bank of Thailand to offer dollars at a fixed rate constituted a definite obstacle to importers of goods from the United States. He said he wished he had an easy solution, but that unfortunately he did not see what the Bank could do in view of the deteriorating dollar position which he said had reached a "shocking" point. He told me that in 1948 the inflow of dollars into the Bank of Thailand approximated 5.5 million dollars a month; that for the first few months of 1949, while ECA purchases of relief rice for China were still being made, the inflow was approximately 2.2 million dollars a month; but that the situation was now very alarming to him because the inflow during the past few months dropped to around 600,000 dollars a month. He said this latter sum was hardly enough to meet existing commitments and that if the dollar inflow did not improve he was much afraid the Government would not have sufficient dollars even to meet current petroleum purchases. His Highness said he would be glad to let me have pertinent figures from the Bank of Thailand in substantiation of his statements to me. He said in these circumstances it would be very difficult for the Bank of Thailand to undertake to supply dollars for general but approved imports even at a rate just slightly below the current open market rate. Prince Vivat further stated that the reason why the Bank was in a position to sell sterling at a fixed rate slightly below the current open market rate was simply because 80 percent of their exports of rice went to sterling areas and that intake of sterling was so large they were glad to "get rid of some of it".

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There ensued some general discussion on this problem and Prince Vivat pointed out that with the return of the gold to Thailand it should be possible, in conjunction with the International Monetary Fund, to fix a new par value for the baht. I inquired how such a par value would be determined. He said a new par value of the baht must be fixed to a gold standard but indicated that the fixing of such a standard presented many complex problems. I remarked that I thought the experts from the Fund could be of great help in reaching a satisfactory solution of this problem. Prince Vivat agreed and said that the Fund's experts would be asked to come to Bangkok and review the whole situation.

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