500 ECONOMIC MATTERS - THAILAND 1960



C.F.

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THE CASE FOR ACCELERATING THAILAND'S ECONOMIC DEVELOPMENT

Owing to a fortunate combination of political, geographic and economic factors, Thailand presents a unique opportunity to demonstrate to Asia and the rest of the world how accelerated economic growth and possibly a "breakthrough" can be accomplished in a free economy.

1. Political Setting With its long history of independence, basic political stability and close identification with the United States and the Free World Thailand is the Asian cornerstone of SEATO, has worked closely with the United States in the United Nations, provided troops for Korea and has worked closely with the United States to create stable conditions in Southeast Asia. It is a consistent friend of the United States and the cause of freedom. Thailand has become a cross-roads of Asia, the diplomatic and transportation center of the Orient, and a key world meeting place.

2. Strategic Setting Thailand has often been called the "cork in the bottle" of Southeast Asia. If Thailand were to be lost to the Free World the rest of the area would be swallowed up very quickly. By the same token, the stronger Thailand becomes, politically and economically, the better able it will be to help meet the threat of Communist aggression or subversion in the whole area.

3. Economic Setting Thailand has a stable currency, a sound fiscal system, little inflation, a desire for private investment and expansion, and a record of meeting its obligations. Physically, it has a good railway, a large inland waterway and irrigation system, an adequate ocean-going seaport, a fine major airport and an improving road system. It also has a rapidly growing electric power, expanding educational facilities, an improving skilled and semi-skilled labor supply, and an improving government administrative system. Important are Thailand's surpluses of food for export and land for expansion of population and economic growth.

4. Prospects for Economic Development Thailand's per capita GNP is about $100 and is believed to be increasing at about 3 per cent per year. Overall growth in GNP is about $100 million a year probably indicating a rate of internal investment of about $300 million per year. Foreign aid and investment is obviously a very small percentage of this figure (10 to 15 per cent). Thailand thus has a capacity for substantial growth, but not at a rate adequate to satisfy Thai aspirations or to raise the general standard of living much above the subsistence level for many long years to come. Nevertheless, the Thai economy appears to have within it most of the conditions which would permit accelerated domestic and foreign investment and consequent accelerated growth given the operation of certain catalytic factors which would have to come from outside. These factors would be similar in nature to the "carrot and stick" approach recently adopted for Taiwan and would consist of increased availabilities of loan and grant aid and technical assistance

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dependent on matching financial contributions and a wide range of internal administrative actions designed to further stimulate investment and economic activity.

5. Why Thailand? Because of the very fact of its economic and political stability, Thailand promises to return not only more economic development per dollar but also more strategic benefits and more long term assurance of political support. It is the only country (except Malaya) in the region which provides a suitable base for accelerated development, is one of the few in Asia and perhaps in the world with the characteristics which give promise of success. It could provide a "show window" in Asia of successful development in freedom which would compare favorably with Chinese Communist development under very different conditions.

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