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FROM - AID/WASHINGTON

SUBJECT - AID/W Comments on the Draft Multiyear Strategy Paper for Thailand

REFERENCE - (A) TOAID A-2046 (B) EMBAIR A-701, Feb. 10, 1967

AID/W has reviewed and discussed the Mission's draft Multiyear Strategy Paper (MYSP) and offers the following comments and suggestions for consideration by the Mission in integrating the MYSP into the Program Memorandum.

In view of the delays which have already taken place the due date for the full Program Memorandum has been shifted to July 14.

General Comments:

1. The objectives section of the paper is good. However, it seems to us that it takes for granted certain assumptions which might usefully be set forth explicitly as the framework for AID programs. As we see it, the basic environment in which the AID efforts are being undertaken can be summarized in the following propositions:

It is in the U.S. national security interest that Southeast Asia remain an independent area free of either direct or indirect domination by Communist China or North Vietnam.

If the area is to remain independent and free of Communist domination U.S. military support is required to preclude direct aggression. In addition, it is necessary to assist the governments of the area to create government structures and societies capable of resisting the immediate as well as the long term subversive and insurgent pressures being brought to bear by Communist China and North Vietnam.

(2)

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We wonder whether a more satisfactory proposition would not be that the most complete response to the threat of insurgency is more effective and ultimately more responsive government. Two of the primary responsibilities of government are indeed protection of life and property and the promotion of production, i.e., economic development. But a wider range of government services and functions is involved, to our mind. We should, it seems to us, focus our attention on aiding and encouraging the RTG to improve its entire range of government services in rural areas to the end that rural citizens increasingly become aware of a functioning and - hopefully - beneficient government. Obviously, we will concentrate much of our energy on protection and production, but we should not lose sight of the broader political development which is necessary to meet the long-term threat of insurgency. Indeed the Mission is working already on the problems of local government administration, and on improving health and education services as part of this broader government improvement effort. Therefore, the issue we are raising here may be one largely of semantics rather than substance.

4. As a logical corollary of this we believe the Program Memorandum would benefit from a discussion of the political development objectives we are seeking in Thailand, not only at the national level but also at province and even village level. Although we would not necessarily agree that they are all realistic, the draft MYSP does very well at presenting quantitative goals and targets. However, there is not much examination of the qualitative, institutional changes needed to achieve U.S. objectives. We recognize that in order to accomplish the "qualitative" goals involved in political and institutional change, specific "quantitative" activities must be undertaken. But there is a risk that the relationship between the two may become blurred. Obviously, our ultimate goals are not/the construction of a given number of roads, dams, etc. Basically, we are attempting to "involve" the Thai government in the problems of its rural citizens on an increasing scale. To do this we must support the RTG with equipment and advice. Yet, it is conceivable to us that there is a risk that too much concentration on the physical side, i.e., the construction, the equipment, etc. may even distract both us and the Thai from our main task of altering the traditional patterns of the Thai government's role in rural areas.

Thus, this balance between the quantitative accomplishment and qualitative political and institutional changes seem to us to be an important one which should be kept in mind in developing long-term program objectives. In pursuit of this balance, the Program Memorandum should attempt to spell out, as specifically as possible, the qualitative political and institutional changes which should result from certain quantitative accomplishments.

5. The draft MYSP is glowing in its endorsement of the RTG's self-help efforts and determination. AID/W has also been very impressed by the budgetary and financial skill shown by the Thais. The paper implies that the RTG is already doing all we can expect of it in the way of self-help and self finance. Yet the IBRD team recently concluded the RTG should do more than it is in raising increased revenues. It also expressed doubts that the 2% budget deficit cited on page 15 of the MYSP will be nearly that large. It appears to us that RTG

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Thailand is and will continue to be the predominant power on mainland Southeast Asia and its stability, independence and cooperation are essential to securing U.S. interests in the area. Not only is its cooperation needed for U.S. military efforts in Vietnam but the long term economic viability and development of mainland Southeast Asia will benefit greatly if not actually be dependent upon Thailand's continued vigorous development.

Therefore, AID objectives should be to assist the Thai Government in coping with the immediate pressures of the Communist-supported insurgency and at the same time aid in building a society and political structure capable of dealing with such pressures in the future.

For the present, at least, Thailand's growth is not primarily dependent upon U.S. AID ~~XXXX~~/financial resources. Thailand has within its own control and from other donors adequate financial resources to meet the foreign exchange requirements of most of its development. Obviously, however, Thailand's capacities for development are limited by shortages of skilled manpower and managerial talent. Therefore, U.S. assistance will focus primarily on: (a) aiding Thais in dealing with the immediate problems of insurgency; (b) strengthening of Thai ministries and agencies in order that they may deal more effectively with Communist pressures; and, (c) persuading the RTG to institute an overall redirection of its internal resources, in favor of the backward areas threatened by the incipient insurgency.

Although not stated, this rationale is implied by the Mission paper. You may wish to consider integrating it with the material already contained in the objectives section.

2. We agree, of course, with the central focus of the MYSP on the problem of insurgency. The paper, however, tends to concentrate on manifestations of the insurgency and on its external sources and does not contain much examination of the internal weaknesses of the Thai government and society which the insurgents can exploit in building their movement. The paper could also usefully contain somewhat greater examination of how the leverage offered by the AID effort should be used to press the RTG toward meeting its rural problems. We assume, of course, these questions will be dealt with primarily in Part II of the Program Memorandum, but it might be useful to focus on them briefly in the MYSP as well.

3. In this connection we are attracted by your framework of protection and production as a basic response to villager needs. We agree on the importance of both. Yet we also feel this dichotomy may be too limited. It tends to imply that improved living standards will bring improved security and improved national loyalty. While there is doubtless some relationship between these two factors we doubt that it is a direct one.

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expenditures for police, when compared with overall budget increases are not rising as fast as is warranted in the situation facing the RTG in the Northeast.

There are, doubtless, explanations for these apparent discrepancies. Certainly there are practical political limits on how fast a government can move in raising its budget and revenue levels. However, a more critical examination of RTG self-help performance would be a valuable addition to the Program Memorandum.

6. The draft MYSP indicates that the Mission believes a level of U.S. economic assistance approximately the same as that projected for FY 1968 will be required for at least five more years. However, the paper does not present a rationale for arriving at this conclusion other than the statement that the Mission does not "see in what way a significant reduction in our program would contribute to the achievement of U.S. objectives in Thailand and to Thai support for U.S. objectives in SEA." A more carefully argued and supported case than this is needed. We are aware that the usual economic measurements of requirements do not apply in the case of Thailand, but it is clearly desirable to devise some sort of analytical framework by which to judge what is the minimum level of U.S. assistance needed to achieve our objectives in Thailand. We assume it will be contained in Part II of the Program Memorandum.

7. The draft MYSP provides that for both ARD and Civil Police the RTG will assume one-half the costs of imported equipment by 1976 1972 and the total cost by 1977. On the face of it this schedule for shifting the foreign exchange burden of these programs seems too slow, especially when it is combined with the Mission assumption that current levels of U.S. aid will be required for the next five years. We will look forward to reviewing the reasoning underlying this assertion in Part II of the Program Memorandum.

Specific Comments:

1. As indicated earlier the MYSP does well at setting quantitative goals in both the security and development areas. We recommend that Mission attempt also to work out a broader series of realistic targets for RTG self-help efforts in the Northeast which can be used to measure progress and RTG self-help performance. We have in mind such things as size of RTG budget expenditures in the Northeast (as compared with other areas); the number and quality of RTG personnel assigned in the area, particularly from the technical agencies and police; numbers of people reached by RTG programs and personnel; the numbers of the population served by the road network, the numbers of children in school; etc. An effort of this sort would, of course, benefit from the establishment of benchmark data. We are aware that the Mission has already worked on an effort of this sort, but we don't know how extensively. We wish to encourage it.

2. The draft MYSP on page 10 mentions that protection units of police-led villagers will be established. We wish to register our hearty endorsement of the principle of basing village security units on the regular police forces rather than on the Department of Local Administration or on some ad hoc arrangement.

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3. While it is true that Thailand is not yet experiencing population pressures on land or food supply, these are not sufficient measures of the seriousness of Thailand's population problem. The fact is that Thailand has one of the highest rates of population growth in the world. The situation is made more serious by the fact that the RTG has not yet faced up to the problem. USOM/Thailand has demonstrated its awareness of the seriousness of the Thai situation by its preparation of the chart series illustrating quite dramatically the limiting effect of rapid population growth on Thailand's economic and social development. Yet the MYSP makes only passing reference to this problem by indicating on page 2 that Thailand is "still relatively under-populated" and on page 18 that there is "some Thai interest in family planning." AID/W regards the Thai population growth rate as a serious problem which should be dealt with by the Mission both by using its influence on the Thai Government and by giving consideration to ways in which the problem can be attacked outside the usual government-to-government channels. Therefore, the Mission is requested to address itself more extensively to the subject of population growth in Thailand in its Program Memorandum and to outline a Mission strategy for approaching the problem.

4. AID/W would like to receive the Mission's assessment of the role Thailand can play in meeting world food deficits in the future and, in turn, the role AID should play in encouraging the RTG in this regard.

5. We are pleased to note the Mission's concern regarding the potential impact of the USOM's programs on power shifts within the RTG. We applaud the USOM's efforts to broaden its impact beyond the Ministry of the Interior to the technical ministries which must contribute extensively and willingly if our rural development efforts are to succeed.

6. On page 15 the MYSP asserts that over 60% of the Thai budget has been devoted to economic and social development in recent years. Reference B, in its discussion of the FY 67 Thai budget, reported that the total investment expenditures would reach a new high of 33.8%. We would appreciate an explanation of how the "over 60%" calculation was arrived at.

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