MAJOR PROBLEMS OF THAILAND ECONOMIC DEVELOPMENT

APPROVED:

[Signature]
Major Professor

[Signature]
Minor Professor

[Signature]
Director of the Department of Economics

[Signature]
Dean of the Graduate School
MAJOR PROBLEMS OF THAILAND ECONOMIC DEVELOPMENT

Thesis

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By

Aneel Nrimolrat, B. S. C.
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CHAPTER I

INTRODUCTION

Background of Problem

Thailand is considered to be one of the many under-developed nations of the world. The economic problems facing this nation have varied from those facing others because of its people, its culture, its society, and its natural resources. The role of Thailand's economic development has been unguided and unaided; the impressive growth has been achieved without much intervention by the government. Since World War II, the government has found it necessary to play an increasingly important role in economic development. This trend will undoubtedly continue, for many of the more intricate economic problems which Thailand will face in the future are unlikely to be solved except by the initiative of the government. A National Economic Development Board has been set up for planning; the first phase was established during the period 1961-1966, and the second plan from 1967-1971. In addition, the Thai government is receiving international aid and has requested The World Bank to survey its general economic situation.

In terms of economic growth, Thailand has been heavily dependent upon agriculture, which accounts for 85 per cent
of the employment and 75 per cent of its total exports.

Even though Thailand is one of the world's largest producers of rice, that crop accounts for only one-third of its total exports. Other major exports include teak, tin, rubber, kenaf, cotton, tapioca, and sugar cane. To date, the richness of Thai soil has been sufficient to support her crops without the use of fertilizers or other modern agricultural techniques. If, however, Thailand is to enjoy economic growth in the future, efforts must be made to increase agricultural yields by the use of improved farming methods. Today most of Thailand's good rice land is being farmed. Increase in production has been inconsistent, and the volume of rice exports has leveled off after a prolonged period of increase. The most accessible teak forests have been cut and their regeneration will require decades. Uncontrolled cutting of timber by farmers and by illicit lumber operators threatens to cause serious erosion and is endangering the nation's future natural resources.

Realizing the need of industrial development, the Thai government has included industrial growth in its general economic plans. Most of Thailand's industry is operated on a very small scale; only a few concerns employ more than thirty workers. Major problems facing both industrial and agricultural development are the lack of capital investment and the inefficiency of management and manpower.
Statement of Problem

In consideration of the problems in the economic development of Thailand, both non-economic and economic factors must be examined. Economic phenomena are the result of human behavior conditioned and constrained by social and political institutions which have evolved historically. Thus, at all times these factors must be recognized for correct planning of economic development. However, the economic factors, as the results of human practices in daily living, must be coordinated with these non-economic factors and the proper solutions to the Thai situation.

Purpose of Study

This study is an attempt to examine the major problems of economic development in Thailand. It attempts to analyze the important role of both non-economic and economic factors in the development of the country. Hopefully, the Thai government will benefit from the identification of past economic changes and current problems and will be better able to plan its future economic growth.

Scope of Study

This subject is very broad in nature; therefore, the limited study concerns the important problems that may benefit both the economic planners of Thailand and any international organization concerned with the future development of Thailand.
This study is based on both non-economic and economic factors; the non-economic factors are cultural, social, educational, and political in nature; the economic factors include agriculture, industry, power, and transportation. Therefore, according to the nature of this study, the problems will be examined not in detail, but in general.

Sources of Data

Statistical data and information in this study are based upon the texts and statistical reports of several publications of the Thai Government and of International Organizations, i.e., Bank of Thailand and National Economic Development Board; and mostly are the same those being used for planning at the present, UNESCO, and International Bank for Reconstruction and Development. In addition to these sources, the study will draw from a number of books about Thailand in the library of North Texas State University.
CHAPTER II

HISTORICAL BACKGROUND

The Siamese belong to the Thai (Free) race, which about 2,000 years ago lived north of the Yangtze River in the comparatively small area which today constitutes Szechuan Province in Western China. As natural people who loved peace and freedom, they challenged the Chinese supremacy for several hundred years before making peace with China and accepting vassal status in the ninth century A.D. Thereafter, a steady flow of Thais moved southward. One group settled along the upper Salween River and became known as the Shans; another moved eastward into the upper Mekong Valley and called themselves Loas; a third segment traveled directly south from Yunnan into the basin of the Chao Phraya River and became known as Siam. Modern Thailand was called Siam until 1939 and again between 1945 and 1948. The country's history is divided into five major periods, all except the last deriving their names from the capital cities of the eras:


(1) The Nanchao Era, c. 650 A.D.-1253; (2) The Sukhothai Era, c. 1238-1350; (3) The Ayuthaya Era, c. 1350-1761; (4) The Bangkok Era, c. 1767-1939; and (5) The Constitutional Era, 1932—the present time. However, accurate and fairly complete records date only from the Bangkok Era, for the Burmese and Ayuthaya destroyed for the second time in 1876 earlier official records and annuals.  

Most of Thai history is an alternating story of peace and war against neighboring countries until the period of colonization, when all these neighbors lost their independence to the Western Powers. Thailand started westernizing under King Chulalongkorn, who ruled the country from 1868 to 1910. Absolute monarchy was the form of government until June 24, 1932, when constitutional monarchy was introduced through a bloodless coup d'état. 

Thailand has not been recognized as an important nation in terms of international power, either in economy or in military power. Considering the Southeast Asian peninsula, however, Thailand is a nation of importance. Its size and potential are not out of proportion to those of its major neighbors—Burma, Vietnam, and Malaysia. Thailand, a Southeast Asia Treaty

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3 Ibid., p. 21.

Organization member, is of particular interest to the United States of America and its allies. Among the nations of Southeast Asia, Thailand was the only one which retained its freedom during the century of European imperialism.

Geography

Thailand, "Land of the Free," is in Southeast Asia between 6 and 20 longitude North and 97 and 27 latitude. It covers about 200,000 square miles of the Indochinese peninsula; its size is roughly three-fourths that of the state of Texas. It is irregularly shaped, with a long panhandle in the South. It is bordered on the West and Northeast by Burma, on the Northeast and East by Laos and Cambodia, and on the Southeast and South by the Gulf of Siam. Its topography is divided into five main geographic regions--Central, Northeast, North, and South.

Central Region

This region is Thailand's geographic and economic heart and produces most of the country's rice. It consists of about 63,000 square miles. This central area is dominated by Thailand's most important river, the Chao Phraya. This river

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6Department of State Publication, Background Notes, Thailand (Washington, 1967), p. 1
serves as an excellent transportation system, carrying most of the country's produce and rice to market; it also provides rich agricultural soil by depositing alluvium on the central plain.

On the industrial side, this region provides goods for domestic consumption as well as teak and rice for export. The port of Bangkok, Thailand's capital and the country's financial, commercial, and industrial center, is located here. Bangkok transacts most of the nation's trade, and its airport has become an important link between Europe, other parts of the Western Hemisphere, and the Far East.

This central plain of the country comprises a small part of the region's total area, much of which is hilly. Some of the lower sections are covered with evergreen forest or deciduous forest and bush; farming, therefore, requires land clearing. The coastal areas of the region are swamps with huge stands of mangrove trees.

**Southern Region**

This region covers about 20,000 square miles; it is a narrow peninsula extending southward in the form of a panhandle. This area parallels a strip of Burmese territory and is bordered on the South by Malaysia. The mountain ridges extend almost to the sea in some sections of the West coast which, in contrast to the East coast, is indented with many

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small harbors. There are several sizeable coastal plains and lowlands; rice is grown in many areas.

A major agricultural product in this area is rubber, ranking second to rice. Also, large tin deposits are found in this area, particularly in the provinces bordering Malaysia. There is valuable timber in the upland forest; lignite and iron deposits here hold promise for future development.

Northern Region

This region is mostly mountainous and heavily forested, covering about 42,000 square miles. The average height of the peaks in the area is 5,200 feet; southeast of Chiangmai is the country's highest mountain, Doe Inthanon, rising to an elevation of about 8,500 feet. Teak is the region's distinct export. Other useful trees, including pine, grow in the forest covering the lower mountain slopes and hilly regions. Other important regional crops include lac, rice, soybeans, peanuts, and cotton. Some cattle and hogs are raised; and, as elsewhere in Thailand, most households have a few chickens and ducks. Some of the highland areas, not yet under cultivation, offer possibilities for the production of tea, coffee, and certain medicinal herbs.

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8 Department of State Publication, Background Notes, Thailand, p. 1.
10 George L. Harris and others, Area Handbook for Thailand, p. 35.
Northeast Region

The 60,000 square miles of the Northeast Region constitute almost one-third of the country's total area. This region lies between mountain ranges on the West and the Mekong River on the North and East. Drained by the Mekong River system, the area has flat to rolling terrain dotted by hills and a few small lakes. In a large section, water shortage during dry seasons alternates with flooding in rainy seasons. Farming is difficult because of the irregular water supply, poor irrigation systems, and the infertile soil.

This region does have certain sections suitable for grazing cattle and hogs which could be shipped to other parts of Thailand. Compared to the other regions, the Northeast has fewer natural resources, more limited transportation and communication facilities, and considerably less economic development; it is not surprising that the lowest living standard in all Thailand is in this Northeast region.

Climate

Thailand, like all of Southeast Asia, is dominated by the Monsoon. The Monsoon winds are essentially seasonal, blowing from one direction during one part of the year and from the opposite during the other part of the year; seasons in Thailand are divided into the rainy, from May to the end of September, and the dry, for the remainder of the year.

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12 Harris and others, Area Handbook for Thailand, p. 35.
Although there is considerable local variation in the amount of seasonal rainfall, only in the Southern region of the Peninsula is the rainfall adequate for year-round rice cultivation. In other regions, the farmer during the dry season must depend on irrigation. The coldest months are December and January; by April the weather has become hot.  

**Population**

The Thai population is estimated to be over 31 million; the annual rate of increase is high---three per cent. About 12 per cent of the total population live in cities and towns, and the remaining 88 per cent are in the rural areas. The labor force totaled about 16.17 million by mid-1960, of which more than 12.4 million were engaged in agriculture, forestry, and fishing. Of the economically active population, eleven years old and older, 13.7 million were employed; approximately 4.1 million of this age group were considered inactive.  

The principal minority groups are estimated at about 3 million, consisting of Chinese, Malayans, Cambodians, and Lactians. Among these groups, the Chinese are the largest.

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minority group; they are concentrated in large cities and business areas, usually around Bangkok; they play an important role in banking, trade, mining, and in other business activities. 17

17 Harris and others, Area Handbook for Thailand, p. 44.
CHAPTER III

SOCIETY AND SOCIAL STRUCTURE

Thai culture is essentially a synthesis of various cultural patterns and civilizations. The foundation of its indigenous culture has been enriched, inspired, and modified by two great civilizations of the East, India and China.¹ For many centuries the three main threads of Thai culture have been Buddhism, a hierarchical social structure, and cultivation of rice. The three traditional vocations have been government and military service, farming, and religion.² The primary social division of Thailand lies between urban (Bangkok) and rural.

Urban (Bangkok) Social Structure

"All Thai recognize themselves as belonging to a single nation, whose religious, political, social, and economic capital is Bangkok. All Thailand is subordinate to Bangkok."³ The more complex urban society, primarily Bangkok, is related only marginally to the rural society. Therefore, the mobility and finely graded social status, which characterize Thailand, are most clear. There are five criteria of status: economic

² Ibid., p. 95.
³ Ibid., p. 99.
standing, political power and influence, education, outlook on life, and family background. Urban society may be analyzed according to its five classes: old elite, new elite, upper middle class, lower middle class, and lower class. However, the term "class" must be understood not in the sense of restrictive and exclusive categories, but rather in the sense of a group of discrete individuals who, by virtue of various implied and arbitrary criteria, have common prestige.

The large Chinese minority group whose membership may be either Thailand or China-born constitutes around 12 per cent of the population of Thailand. The Chinese and Thai stratification systems, although distinct, are not wholly unrelated to each other, in that occupation, wealth, and education affect social status in similar ways in both ethnic groups. Moreover, at the higher levels, the two communities are beginning to merge, as the ethnic Chinese see advantages in assimilating to Thai culture.

Rural Social Structure

"Rural society is remarkably homogenous throughout the country in terms of economic status and occupational role."

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5 Ibid., p. 53.
7 Wilson, Politics in Thailand, p. 52.
The vast majority of Thai, perhaps as many as 85 per cent, lives in communities ranging in size from 300 to 3,000 individuals. Rural society is characterized by the absence of a clear class structure. There are a limited number of social groups to which individuals can belong or which can be identified; similarly, an individual may play only a few roles. General principles such as respect for superiors, kindness to inferiors, and precepts of Buddhism, rather than definite rules, tend to govern social relationships.  

Within a village, relationships are based primarily on kinship, propinquity, the distinction between monks and laymen, and on membership in the few groups that exist beyond the family. The young are considered to be subordinate to the old, women subordinate to men, and laymen subordinate to monks. Wealth, however, is unimportant in rural society; the villager who is generous and tolerant and who excels in the Buddhist virtues is more highly respected in his community than the wealthy farmer who has fewer of these qualities. Strictly speaking, the Thai tradition does not include the concept of social equality.

People

The first characteristic of Thai culture to strike an observer from the West or from Japan, is the individualistic behavior of the people. The lack of regularity and regimentation of the Thai people, in contrast to a prevailing

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8Harris and others, Area Handbook for Thailand, p. 107.
American characteristic, has caused both indifference and respect toward administrative regularity and industrial time. The strength of Thai "individualism" has lain in the very substantial luxury of resources in which Thai society has developed.

Since their arrival in the Valley of the Chao Phraya River in the thirteenth century, the Thai people have enjoyed a surplus of land resources, the basis for their economic wealth. To this day, population density in heavily cultivated areas of Thailand is below that of comparable areas in China, Japan, Vietnam, or Java. This surplus encourages something of a pioneering spirit and an economic self-reliance among the Thai. Land surplus and low population density are correlated with loosely organized villages and geographic mobility.

In daily living, personal avoidance of regimentation has been influenced by a Buddhist tradition which holds as its central tenet the salvation of person through the accumulation of merit. This accumulation of merit and progress along the eight fold path to enlightenment are viewed as lonely and personal tasks in which, generally speaking, one may not seek assistance. This Buddhist concept of the cosmic role of the

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9 Wilson, Politics in Thailand, p. 45.

10 Ibid., p. 47.
individual certainly reinforces the flexibilities of permitted behavior and mitigates any feeling of social obligation.\textsuperscript{11}

\textbf{Ideological Orientation}

The social order of the Thai generally is very stable; the outlook of the people toward life, institutions, and authority has been generally uniform. The government has been reasonably just and benevolent to most of the people; there has been little cause for demands of radical social transformation; and the nation has suffered none of the damaging consequences of colonial rule. Therefore, the ruling hierarchy did not find it necessary to explain or justify the possession and the use of power. The maintenance of power was not dependent on the consent of those who were ruled.\textsuperscript{12}

Since the popular loyalty to the King and to the nation developed primarily on a paternalistic basis, the vast majority of the Thai tend not to question the fundamental authority of the government.\textsuperscript{13} Moreover, the revolutionists, who had the support of an overwhelming majority of the population in 1932, meant no radical departure from the past. They continued to believe in the inviolability of authority; and by and large, they still remain indifferent to events which have

\textsuperscript{11}Ibid., p. 46.
\textsuperscript{12}Harris and others, \textit{Area Handbook for Thailand}, p. 247.
\textsuperscript{13}Ibid., p. 274.
no immediate bearing on their personal lives. The Thai, both rulers and ruled, have consistently manifested a strong conservative tendency; they tend to be pragmatic and speculative and have, thereby, been able to adapt themselves to the ways of the West without any sense of cultural inferiority. This pattern, reinforced by the Buddhist precepts, has also conditioned the majority of the Thai people to avoid extremes in social as well as political behavior.14

Attitude toward Government

Generally the basic pattern of respect for superiors is learned in the family household and is applied to superiors in the social hierarchy. Few people question the authority or action of the King and the government officials; the Thai people do not feel that the affairs of state are their concern. Government decrees are accepted without question by nearly every citizen.

However, the three minority groups in Thailand’s population have somewhat different attitudes toward the government. Because of the absence of constitutional guarantees to protect their business interests, the Chinese feel most discriminated against by the government. In the Southern peninsula area, the Thai Malay feel the government has not been sufficiently sympathetic to their religious and linguistic difference; the Laos, in the Northeast area, feel

14 Ibid., p. 275.
culturally ignored, as well as economically suppressed, by their Thai rulers in distant Bangkok. \(^{15}\) These conditions and grievances of the three minority groups are not unnoticed by the government; remedial plans are being made to prevent serious social problems from developing.

**Communism**

It has been said that "Thailand is the next target for Communists" or the next hot spot after Vietnam. The communist threat is significantly related to economic development. Militarily speaking, Thailand is a small country with slight chance of overcoming an invasion by a larger nation whose economic and military powers are vastly stronger. However, according to the culture of the Thai people, it is doubtful that communism would be accepted in the country. Even though the Thai people have a very limited knowledge of communism, the individualistic ideas of the people and the abundance of land resources will probably prevent any change to communism. A change in culture and behavior is not normally accomplished through force; it would take years, with no guarantee that it will take hold, at all.

**Social Values**

Although the Thai are a remarkably homogenous people, some basic social variations do exist, such as those between

\(^{15}\textit{Ibid.}, \ p.\ 276.\)
the rural and urban population, between commoners and the old aristocracy, and between the inhabitants of the Central Plain and the other parts of the country. Moreover, the Western influence is remarkably strong in Bangkok and other urban centers. Besides these differences, the Chinese minority group develops from a culture distinctive from that of the Thai. The Malay of the Peninsula are also ethnically distinct from the Thai but are closer to them in basic social values and orientation than are the Chinese. 16 Basically, the values of Thai culture were developed in a predominantly rural society; spiritual development and attainment of merit, individual responsibility, and status rank and authority are the categories of these traditional values. From them may be derived the image of an ideal person as conceptualized by Thai people. 17

Spiritual Development and Attainment of Merit

Most Thai feel that both men and women should be modest, respectful to elders and to social superiors, generous, hospitable, self-reliant, moderate, and serene. Traditionally, for the male population, service in a brotherhood of monks is the main path to social esteem and prestige. An individual devotes himself to the attainment of salvation by personal

16 Ibid., p. 135.
17 Ibid., p. 135.
discipline, meditation, and virtuous behavior. The woman is pictured as a good wife and mother, respectful, obedient and helpful to her husband. Of the values associated with merit making, one of the most important is generosity. Any act of giving, regardless of whether the recipient is a temple, an individual monk, a relative, or a friend, may bring the donor some degree of merit and the accompanying expectation that he will be rewarded; the person must sincerely want to give and must not later view the act with regret.\textsuperscript{18}

**Individual Responsibility**

Individualism is expressed in the feeling that, within wide limits, each person is and should be responsible only to himself; personal freedom of action is highly prized. The individualistic nature of Thai culture, emphasizing self-dependence, is reflected in the patterns of status ranking and authority as well as in other phases of Thai society and social behavior.

The Thai society is an elaborate hierarchy of status in which each individual tends to see himself as above or below, but seldom precisely equal to, those around him. Individualistic values balance any dictatorial exercise of authority by individuals. The superior person in high place must act with tact and some delicacy in order to maintain

\textsuperscript{18}Ibid., p. 136.
the acceptance of his position by his subordinates; the government consequently has found it better to try to persuade and to lead the people than to command them. The Thai expect their leaders to exercise authority; however, the understanding of what constitutes the legitimate exercise of authority is broader than that generally held in the United States.\textsuperscript{19}

Religion

The traditional religion of Thailand is Theravade (doctrine of the Elders), Buddhism, which derived largely from the ancient Buddhist center of Ceylon; it is often called Southern or Hinayana Buddhism. However, the Buddhism of Thailand, like that of other countries, cannot be described clearly and easily; there are many feelings and external practices which have served to supplement its basic concepts.\textsuperscript{20}

The historical background of the religious history of the Thai is relatively unknown, due to the lack of documentation. However, a basic outline covering the period from the third century A.D. can be constructed by using information from India, Burma, Cambodia, Vietnam, and China.\textsuperscript{21}

The central premises of practical Buddhism included the idea that ultimate 'salvation' consists of escape from material existence into a nirvana in which one no longer exists as a sensate individual being. Earthly existence was a

\textsuperscript{19}Ibid., pp. 137-138.


\textsuperscript{21}Ibid., p. 83.
sensitive time of trial and temptation, of reward and punishment. Good was rewarded and evil was punished in the world as well as outside of it, and in the simple pragmatic views of the ordinary man, a person and his future were essentially the consequences of imperfection which binds a man to suffering and rebirth. But there may be a degree of imperfection. The high and mighty deserved their state, just as did the lowly, for a man's progress toward the ultimate is roughly reflected by his immediate state.\textsuperscript{22}

In practical Buddhism, the teaching and interpretation of the doctrine of Buddha are enhanced by many non-Buddhist concepts to provide a complete religion answering most personal and social needs.

Political

"For centuries government in Thailand was autocratic in form and authoritarian in spirit. Power was the privilege of a small elite, part hereditary, part appointed, in no way accountable to the mass of people for its conduct of office."\textsuperscript{23} Thailand's entire political history contains no example of a popular uprising against the established authority. However, the coup d'\textsc{etat} of 1932, which destroyed the absolute monarchy and which introduced constitutionalism, appears to be an ideological rebellion against a system that had become anarchistic; but its deeper roots were in the resentment of military

\textsuperscript{22}William J. Siffin, \textit{The Thai Bureaucracy: The Institutional Change and Development} (Honolulu, 1956), p. 12.

officials who had suffered in status and wealth from the measures of the last monarchy.  

_Historical Background_

In ancient Siam the concept of kingship was paternalistic. The king was the embodiment of all virtue as well as the symbol of authority, and his actions or commands were thought infallible. He could be addressed only in a special language and all persons were required to prostrate themselves in his presence. Sacred and remote, the king stood alone, above the law; he appointed all officials and held the power of life and death over all subjects. In the nineteenth century, the traditional absolutists royalty was altered somewhat by the impact of Western ideas. King Mongkut in 1851 began the slow modernizing process; but it was during the reign of his successor, King Chulalongkorn (1868-1910), that the great development and modernization of the country modified a number of the more extreme features of monarchy. Yet the system of absolutism itself remained untouched; there was no indication of popular dissatisfaction. It was not until the

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24 Ibid., p. 121.

25 Harris and others, _Area Handbook For Thailand_, pp. 299-300.

early 1930's that a few European-educated intellectuals began to question seriously the prevailing pattern of rule. 27

**Thai Constitution**

The Constitution was created in 1932, when groups of middle-level officials in military and civil services organized a coup d'état which ended the control of the royal family over the government and which established a quasi-parliamentary constitution. The origins of this event lie in three trends: a diminishing of the psychological power of monarchy, which was a result of democratic ideas from the West; an increasing resentment on the part of professional officials against royal monopoly; and a worsening in the state of finances as a result of the impending world depression and prior governmental extravagance. 28

The political movement in Thailand since 1932 has been gradually changed. The outstanding philosopher of rebellion, Mr. Pridi Phanomyong (the educator returned from Europe, who was at that time a very powerful government officer) was removed from the new government because he wished to introduce an ideological question into a basically political situation. His radical economic plan of March, 1933, which proposed a system of complete state socialism for Thailand, was rejected by military and civilians alike.

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The government under Colonel Phahol was ended; the change in the balance of power came in late 1939. Col. Phibul Songkarm took over the government and became the Prime Minister; nationalism, military power, and economic advances were emphasized under his leadership. The country's name was changed from Siam to Thailand.\textsuperscript{29}

With the end of World War II, civilian politicians under the leadership of Pridi replaced Col. Songkarm and his military power temporarily. A Western form of government allowed for the creation of political parties and for the holding of elections. Thailand at that time seemed on the verge of a new era of democratic growth and liberalism in politics. However, too many factors mitigated so optimistic a prediction; enthusiasm for democracy and progress, rather than penetrating to the masses, was felt only by a relatively small segment of the new civilian leadership.\textsuperscript{30}

The death of popular young King Anada in 1947 (presumably by assassination) made it impossible for the government under Pridi to pursue long-term policy. The most serious weakness of the new civilian regime was the prevalence of corruption among its leaders; officials, high and low, elected and appointed, became involved in the pattern of personal enrichment. In November, 1947, the civilian government was

\textsuperscript{29}Blanchard, Thailand and Its People, Its Society, Its Culture, pp. 121-123.

\textsuperscript{30}\textit{Ibid.}, p. 123.
removed; groups of officers led by Col. Songkarm again took over the civilian government. During the second Phibul regime, (later he became a marshall) corrupt practices still existed among political leaders; police received a large appropriation; army and police officers were installed in influential positions throughout the government. Thereafter, the ruling clique has been disturbed by serious internal conflict. The army under Gen. Sarit and the police under Gen. Phao entered a period of intensified conflict; Marshall Phibul was not able to balance the contention. Actually, these three leaders had no detectable difference of ideology; their conflict was over power division. In 1958 Field Marshall Sarit Thanarat took personal control of the government, and the country remained under martial law until his death in December, 1963.

The political climate in Thailand during Sarit Thanarat's government has not changed from the past pattern which has prevailed for many decades. From the point of view of economic development, many Western ideas were adopted immediately after he became the leader of the government—the creation of The National Economic Development Board, for one. Difficulty still faced the government in eradicating corruption. Field Marshall Thanom Kittikachorn is the present successor to Sarit Thanarat, having been elected in February, 1969.

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32 Harris and others, Area Handbook for Thailand, p. 7.
General Structure and Problems in Administration

Generally speaking, administrative structure has changed very little since 1932. Under a new form of administration, the King is considered the chief of state; a Prime Minister is the head of government, which consists of a cabinet, a parliament, and an independent judiciary. Administratively, the country is divided into seventy-one provinces, which are further partitioned into district, township, and village. The governor and district officers of each province are appointed directly by the central government; the village leaders are chosen by their fellow villagers.

Thailand's system of public administration has been completely modernized and is reasonably efficient. However, it still has many serious administrative problems, widespread bribery and corruption in the civil services being the most serious.

Bribery and Corruption

The most serious and dangerous practice in Thailand's public administration is the widespread bribery and corruption on the part of the government officials, probably a result of the post-war condition. The price offered to the poverty-stricken official in Thailand after World War II was so high

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33 Department of State Publication, Background Notes, Thailand, p. 3.
34 Ibid., p. 3.
that it more than offset the low salaries, cost of living, and social standards. A few more or less half-hearted attempts were made to eradicate these illegal practices.\textsuperscript{35} The government must take strong action against offenders and encourage raised standards of official honesty.

Salary Structure

The salaries received by the governmental officials are normally inadequate for maintaining an acceptable standard of living and social status. But the present state of the country's finances makes it impossible to increase the salaries to levels commensurate with the rise in living costs.\textsuperscript{36} This inequitable financial situation has caused the continued corruption. Therefore, it is very important for the Thai governmental system to allow and to expect bureaucrats to engage, directly or indirectly, in private business enterprises; otherwise, public administration may continue to be ineffective and bribery and corruption may continue.

CHAPTER IV

EDUCATION

The importance of education in economic development in any nation cannot be minimized. "From the economic and social standpoint, a country's educational system is its means both of perpetuating the value and skills of its population, and preparing for change which progress requires."¹ "Education, in the widest meaning of the term, lies at the heart of development."² The economic upgrading of Thailand, therefore, is integrally related to and dependent upon the upgrading of the educational level of the country. "The quickest and most effective means of accomplishing this upgrading is through the generation of resources for producing educational leaders such as teachers, supervisors, and administrators."³

One of the most important factors in the successful attainment of Thailand's economic development is the availability of trained human resources at every level. This can


only be achieved through the education and training of the citizens in a method which is consistent with the country's economic requirements and social structure. Meeting present and future manpower requirements involves not only training skilled technicians but also evaluating the social and cultural environment of the Thai educational system. No lasting degree of success in the economic improvement of Thai agriculture and industry may be attained without an improved and effective educational system.

**Historical Background**

Before the establishment of the modern school system in Thailand, formal education was provided chiefly by Buddhist monks. In accordance with Buddhist tradition, the students serve for a short time either as novices or as temple boys. With the exception of the sons of wealthy families, who were privately tutored, other children had little or no formal schooling until the latter part of the nineteenth century. The initiative was provided by King Mongkut (1851-68) and his son, King Chulalongkorn (1868-1910), who, having some into contact with representatives of Western powers, were the first to recognize the need for changing the educational situation. In 1871 King Chulalongkorn founded the first institution resembling modern education, a school for the children of the

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nobility. Many of the princes and sons of noblemen went
to Europe for further study. With the establishment of the
Department of Education in 1887 (which became a Ministry in
1892), schools came to be the responsibility of the central
government. In 1921, by royal decree of King Vajiravudh
(1910-1925), primary education of children between the ages
of seven and fourteen was made compulsory. Existing schools
could not accommodate all the children; Buddhist monks are
still providing part of the teaching. Serious enforcement of
compulsory education began after 1935, when the government
decided to expand the democratic ideals of the new regime.
In October, 1960, Prime Minister Sarit Thanarat announced
the country's first Six-Year Plan (1961-1966), which dealt
with both economic development and educational reform.6

Educational System

Thailand’s educational system consists of 24,178 primary
schools, 9,003 secondary schools, 187 vocational schools,
29 teacher-training schools, 9 advanced technical schools,
and 5 universities. Most of the higher educational institu-
tions are located in the central part of the country.7 Com-
pulsory attendance is strictly enforced for children between

5Ibid., p. 173.  
6Ibid., p. 175.  
7The National Economic Development Board, Office of the
Prime Minister, Summary of the Second Five-Year Plan (1967-
ages eight and fifteen. Illiteracy was 46.3 per cent in 1947 and had decreased to 29.2 per cent by 1960. Of the children who were six-years old and older in 1960, 7.4 million gained a fourth-grade level of education; 276,000 reached the tenth-grade level, and 95,000 reached college.  

**Primary and Secondary Education**

Thailand's elementary school system consists of four elementary grades (Pratom I-IV). By law, the children must attend school from the age of eight until the age of fifteen and must complete the work of the fourth grade (Pratom IV). Since the government started providing elementary schools, 90 per cent or more of the children in the compulsory age group were in attendance between 1945-1954. The secondary level has consisted of six years of secondary school (Matayon I-IV). Beyond this level, students attend two years of pre-university school, and then they may continue their studies in the universities. Above primary school, the students also have the right to follow their own inclinations; they may either attend a vocational school or continue in the academic regimen. Three years of junior vocational school lead to senior vocational school. Ninety per cent of the students who continue education beyond the elementary school choose the academic ladder, which alone provides admission to the universities.

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Expansion and Standards of Schools

Although Thailand has succeeded in providing free elementary education for virtually all its children, the number of schools and their standards are still inadequate and ineffective. At the present time, the country's census reports approximately 33.2 million people; it is anticipated that by 1981 the population will increase to 50 million. This will nearly double the government's responsibility for providing education. Moreover, there will be an increase of urgent needs to educate manpower to meet different requirements of the rapid growth in the country's economy. The expansion must be well planned and the standards of the schools must be raised for the future growth of the country's economy.

School Problems and Needs

Shortage of trained teachers.—A serious obstacle underlying expansion of educational systems of the country at all levels lies in the shortage of qualified and trained teachers, especially at the university level. Whatever improvements are made in the teacher preparation programs, the total program should be consistent with the improvements made at the other levels of education. In the establishment of hundreds of new schools each year, the government has in the past drawn on teachers from all possible sources. Immediately after the initiation of compulsory primary education, the monks formed
the largest number of teachers, greatly aiding the expansion of the educational program.

The shortage of trained teachers is a result of the limited number of teacher-training colleges and of low salaries. Salary depends on the individual teacher's qualifications; if the teacher does not have the recommended teacher training, he receives the minimum pay. In big cities, the teacher's income falls within the middle-class range. In rural areas, the teacher is considered to be better off economically because he can supplement his income by growing some of his food. There is, however, a problem in providing rural teachers because the better educated ones prefer to work in urban areas. Teacher training schools are located in Bangkok and other large cities; after studying in a large urban environment, few qualified teachers wish to return to the village.

The majority of Thailand's school-age population does not have an opportunity to continue education after completion of compulsory education; enrollment at the lower secondary level is only six per cent of the total primary school enrollment. This results in an inadequate supply of future teachers. The high proportion of poorly-trained teachers causes the academic failure of a large number of students, especially in lower grades. Provision for better trained
teachers and constant increase in school enrollment are Thailand's most pressing educational needs.\footnote{International Bank for Reconstruction and Development, \textit{A Public Development Program for Thailand} (Baltimore, 1960), p. 179.}

\textbf{Teaching aids.---}Besides the poorly-trained teachers, the system suffers from the lack of teaching materials and equipment. Most of the local and village schools are absolutely deprived of facilities; for example, the students do not have desks, they must memorize the material being taught directly from the blackboard; paper, notebooks, and textbooks are not generally available. There are no pictures, no maps, no models, and the few textbooks are printed on cheap paper and contain no attractive illustrations. The teachers themselves have no equipment; they have been misdirected and misguided. A particular case illustrating both poor material and inadequate teacher training may be seen in the teaching of English. Few of the instructors are qualified or have any immediate knowledge of the language. As a result, the accomplishment of a person who studies English for six years is negligible; by and large, the time spent on the study of foreign language is wasted.\footnote{\textit{Ibid.}, p. 181.}

\section*{Vocational Schools}

Vocational schools have been established to provide training for students who are not intellectually capable or
are not financially able to continue formal academic studies. The student who attends a vocational school is faced with the problem of finding a financially suitable job; most of the opportunities for high-paying jobs are available only for the college graduate. The social attitude toward a vocational occupation is not very impressive; nevertheless, the vocational graduate looks forward toward achieving some position in the government. These graduates are the skilled laborers who will advance the technology of the country. The problems of economic development, as stated in the previous chapters, derive from the lack of brains and tools. Unless the government takes a firm stand in balancing the employment of both vocational trainees and college graduates, the program cannot operate effectively.

Higher Education

The principal need in Thailand's higher education is increased quality so as to provide the opportunity for developing the talents of numerous able young Thai who cannot afford to attend foreign universities or who cannot share the limited program of assistance for foreign studies. The problems in this level include

a. The students need more specialized or advanced training; most curricula are entirely too general; the range of subject matter itself is too narrow.
b. The level of accomplishment in the universities is much lower than it should be, except for the universally acceptable standards of medical schools.

c. Although the student may have the potential to succeed in his career, his education is hindered because he has to use advanced textbooks written in a foreign language; this situation creates for him a language barrier. Even though some textbooks have been translated into Thai, the translator is often unable to clarify and explain the content. The teacher is also faced with the problem of translating some of the textbooks for his courses. The previously mentioned problems of reading and writing English should not be overlooked.

d. The present teaching method is, generally speaking, another weakness in the Thai educational system. Because the student is indoctrinated to follow the professor's ideas, he does not practice individualized thinking; he is restricted to following the teacher's ideas. The privilege was once an objective in the democratic system. Development is conceived as change; change, in the long run is economic,
social, and cultural in quality and quantity. Therefore, in order to develop the economy of a country like Thailand, new ideas are needed so that proper change can occur in the social and cultural aspect of the nation.

c. A large number of college graduates cannot obtain suitable positions because of the limited number of jobs available in their fields of study. Most graduates seek governmental positions with fringe preferment; few select to remain in specialized fields. This misallocation of abilities has resulted in a developing stagnation of the nation.

d. The government is hampered by lack of finances for education. During the last part of the Six-Year Plan, the outlay on education was estimated at 1,800 million baht ($1.00 equivalent to 20.8 baht); about 20 per cent of this amount will have to come from foreign aid and loans.\textsuperscript{11} Also, the Second Plan (1966-1971) has as its goal the increase of school systems throughout the country. Additional sources of revenue must be found.

The establishment of a school system by private enterprise would be a great help to the government, so far as available finances are concerned. But adequate supervision of teacher and student standards is difficult at the present time. Part of the failure in Thai education has come about by unguided and ineffective control of the government over the private school system. Many non-state schools employ unqualified teachers and do not offer adequate classroom facilities because of profit maximization.

Education and Social Structure

A peculiar characteristic of the bureaucracy of Thailand is that one's level of education is the characteristic of the social structure most clearly recognized by the general population. One's ability to succeed and to dominate in a position of rural or urban power has largely depended upon education. Up to the present, the educational system of Thailand has been admirably suited to that end. There has been a great change in the general system in recent years, as in so many other aspects of Thai society; it is now the primary recruiting agency for the elite. 

Recent broadening of the educational system reflects new complexities of government and a process of enlarging the ruling class. At the

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same time, because the educational system touches virtually every Thai, it serves both as an outlet for ambition and a method of screening candidates for important posts.

The educational qualification for upper levels of the ruling class is a university degree or its equivalent; responsible civil service positions and commissions in the armed services and police are open only to university or military academy graduates. Moreover, this educational qualification means that Thailand's ruling class is characterized by a certain degree of Westernization.\textsuperscript{13} The educational system mainly has been adapted from European and from American models, and the curricula reflect the sources. English is part of the course of study. Although the curriculum has been derived from European models, the new university established at Chiangmai, about 400 miles north of Bangkok, is patterned on the American system.

A fact of supreme importance in the social history of modern Thailand is that, unlike other Asian countries that were formerly colonial lands, no frustrated and unemployed educated class has developed. The educated individual seeks a government position, usually considered a traditional occupation; he fits comfortably into the established structure of social organization. Idleness and failure do not stimulate an examination of the fundamentals of that structure of the

\textsuperscript{13}Ibid., p. 61.
ultimate values upon which it is based. In a very real sense, the educated group is a class with a vested interest; consequently, it is conservative and pragmatic rather than radical and speculative.\textsuperscript{14}

\textsuperscript{14}Ibid., p. 64.
CHAPTER V

AGRICULTURE

Agriculture has played a major role in the economic development of Thailand. In 1965 about 80 per cent of the working population was still engaged in agriculture and associated industries. The economy still depends largely upon the production and exportation of four commodities—rice, rubber, teak, and tin. The agricultural products of Thailand account for more than half of the national income and not less than 90 per cent of the total export earnings. The rice production alone supplies almost one-fifth of the gross national product, expressed in terms of money.¹ Thailand had 27 million acres of land under cultivation in 1961, 9 million of which were under irrigation. Between 1961 and 1966, the Thais irrigated another 3 million acres, thereby bringing nearly half of their cultivated land under irrigation.²

Production Techniques

Agricultural techniques in Thailand have not changed substantially from those used hundreds of years ago. Methods

of rice cultivation vary according to prevailing climate, topography of land, and nature of soil. Particularly affected by natural conditions are food crops (fruits and vegetables), sugar cane, tobacco, and rubber products. The farmer's primitive methods of cultivation can hardly be expected to improve unless he is educated in new techniques. Sadly inefficient are governmental services for guiding the farmers in improved production methods.  

Capital Requirements

Cultivation of rice, rubber, and other crops requires capital investment; however, most Thai farmers suffer from inadequate financial support. As a result, middlemen and merchants have gained control of the Thai farmers by means of regulating prices and providing loan assistance.

There are many factors which suggest that the development of agriculture will be the principal impetus to the economic growth in Thailand in the near future. Included in these are the sheer dominating size of Thai agriculture, the untapped agricultural resources, and the fact that nine-tenths of Thailand's exports consist of agricultural products. These are among the many considerations of the agricultural system that should be noted. The patterns of the past situations and recent developments will be discussed in order to evaluate the present status of agriculture.

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4Ibid., pp. 54-55.
Agricultural Education

There are several agricultural colleges in Thailand, but only one, Kasetsart University, in Bangkok, can provide research and instruction in developing and maintaining competent agricultural services. Even so, its standards of education are unimpressive, and the emphasis of its curricula is improper. The staff includes only a few well-qualified instructors; numerous untrained and part-time appointments attempt to compensate for lack of regular faculty. Possibly the greatest shortcoming is the lack of sufficient instruction and experience in practical application of scientific and technical knowledge to particular circumstances of the Thai agricultural situation.5

Research

The development of agricultural research has not been effective; research is needed for the Thai farmers to adapt to scientific knowledge instead of the traditional customs; the research program needs financial support available through national aid and foreign aid.

Financial Problems

The lack of capital investments available for the Thai farmer has been prevalent for many decades. Consequently, the interest rate on the loans is high. The Thai government has done little to control rates of interest; a legal maximum

5Ibid., p. 54.
has been proclaimed; but it has not been enforced effectively. For one thing, commercial banks have not made preparations for lending to farmers; the government has not made a serious effort to establish a direct farm loan program. A cooperative movement was started in Thailand during the second decade of this century; but progress has been very slow, primarily because farmers are conservative and reluctant to accept new ideas. Also, failure to maintain honesty in the administration of the rural cooperatives has hampered any real benefits to the farmer.

Another weakness has been the uncertain financial planning of government development efforts; revenues have not kept up with expenditures. What measures have been taken to improve revenues through taxation and enforcement, have been ineffective; direct and local taxation plans have been particularly weak in the total revenue system.  

Fertilizer

The soil of Thailand, especially in the central plains, is excellent for cultivation of many crops, particularly rice; rubber is a major crop in the southern region. Recent developments of marketable produce include kenaf, cotton, sugar cane, tobacco, fibers, and white food crops (fruits and vegetables). Additional yield from improved seed would be greater and more

\[\text{Ibid.}, \ p. \ 12.\]
certain if seeds were used in combination with suitable fertilizers under satisfactorily controlled conditions. At present, fertilizer is used only rarely; the natural fertility of the soil has been depleted because of excessive cultivation over a period of years. Necessary improvement of soil conditions through the use of fertilizers has been impossible because of the high prices.

Moreover, there is the additional problem that, under the flood irrigation pattern which is characteristic of much of Thai ricelands, the water flows from one paddy to another. Hence, part of the fertilizer is carried to lower lands. This is another area where agricultural research could be of great benefit.

Irrigation

Irrigation will play a major role in the agricultural growth in the future. According to the Mission from the International Bank for Reconstruction and Development, the use of irrigation will greatly increase the yield on existing and future cropland.

Some projects have already been established; these are primarily in the Northeast and are inadequate in scope. The Yanki Dam project in Northern Thailand has not been in operation

7 Ibid., p. 67.
8 Ibid., p. 37.
9 Ibid., p. 37.
long enough for its effectiveness to be evaluated. Existing projects show some mistakes have been made, revealing inadequate preliminary investigations. An advance study of complete valley conditions and river records over a sufficient period of time must be made before additional projects are undertaken. 10

In the highlands region in Northern Thailand, the land does not accumulate water during the rainy season; there is a subsequent shortage during the dry season. In the central plain area, floods during the rainy season destroy crops; but these fields drain quickly and again, there is drought. The lowlands of the northeastern region have especially been isolated from agricultural programs, and the farmers there have the lowest per capita income in Thailand. Geographically, this region represents the largest area of the country. If sufficient water can be provided for this region, the total Thai agricultural yield, and exports, will rapidly increase.

CHAPTER VI

MAJOR AGRICULTURAL PRODUCTS

Rice

The economy of Thailand is not only predominantly agricultural, it is primarily a rice economy. Rice production has been the main economic activity of the Thai people from time immemorial. It accounts for about one-third of total exports and supplies the source of 80 per cent of employment. Once Burma was the only exported of rice volume larger than that of Thailand; but now Thailand is the world's largest, with an annual export of one-ninth million tons of milled rice. Even so, Thailand still faces the problems of quality and quantity of production and government regulation.

Quantity and Quality

The increase in quality and quantity of rice affects the price and amount of the export market. Some decline may be expected in relation to the importance of rice as a staple, but this decline need be only relative if advantage is taken of the large technical possibilities for expansion in production. A minimum practical aim should be a rate of increasing production in balance with internal consumption, while at least maintaining the present export surplus in normal rice years. Through irrigation and other measures, it
is technically possible to improve the quality and increase the quantity of rice. There are no indications of an over-surruplus, either for native consumption or for export market. Market development may well justify rice export from Thailand in even larger than present volume. Whatever general program is undertaken, there must be practical assistance for the local farmer. The problem is that any substantial scheme would require considerable investment, effort, technical knowledge, and administrative capacity. Thai rice, like many other farm crops, varies widely in quality and is not uniformly graded. The poorly organized system of commerce allows for low quality rice to be mixed in with higher grades; some decline of volume and prices of Thai rice in the world market is due to these inadequacies.

**Government Regulation**

Recently, there has been a large tax, duty and premium, imposed on Thai rice exports. By means of some regulations during high-price years, the government has oversold and not allowed sufficient rice supply for internal consumption. On the whole, it seems likely that the tax does not act as a serious deterrent; removal of it would bring little if any benefit to the farmers. Government revenues would also be depleted by removal of the rice tax, even though it did tend to reduce the price within the country. Elimination or a substantial reduction of the export tax is inadvisable for
the present time, except as necessitated by external market conditions.

**Marketing System**

In Thailand, marketing of paddy has to pass through the hands of many middlemen who set aside for themselves a big margin of profit. This inevitably means that farmers receive relatively low prices for their paddy. There are several causes of this situation; in the first place, farmers usually run short of capital before harvest; they borrow cash under contract from merchants; the repayment of such debts is often in kind; the small amount left for the farmer is not enough to be sent to the central market for better prices in view of the high cost of transportation and low bargaining power. Under such conditions, the farmers are obliged to dispose of their small marketable surplus to local middlemen. At this "unfair and dishonest" point, merchants buy by volume and sell by weight, thus pocketing between four and fifteen per cent of the volume without paying for it.¹

**Rubber**

Besides rice, rubber is a major export for Thailand. In recent years, Thai's rubber production has been rapidly increasing and now ranks third largest in the world.

The large potential of rubber in Thailand lies in an expanding world market demand, in prospects that natural rubber can continue to compete successfully in this market, in the existence of improved varieties that can increase Thailand’s yield per rai (2½ rai = 1 acre) by three or four times, and in the unused land suitable for rubber in southern Thailand.

Although in recent years the amount of rubber production has been increased, the future growth of Thai rubber production anticipates many problems.

Pattern of Production

Considering the problems of rubber production in Thailand, most of the total production has been operated by small holders. Most of the farmers have not been able to extend the size of plantations due to the high capital requirements and the inferior quality of many of the planted trees. Because these trees take from six to seven years to mature, it is difficult to detect inferior trees. "In Malaya and Ceylon, the governments are considering a small holder plantation program based on substantial inducement to replace old trees with new varieties." 3

The argument for government intervention has more point with respect to rubber. The long-run future of natural rubber is uncertain, depending on unpredictable results of rival scientific research, genetics and chemistry on uses and cost of production of natural synthetic rubber respectively. The course of future potential Thai

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3Ibid., p. 75.
rubber production will depend on the age and structure of trees and on the pace of replanting. At present the Thai rubber industry occupies about a million acres 2.5 million rai. Immature trees, which are not tapped before the age of six or seven years, are variously estimated to occupy 150,000 to 200,000 of these acres.

Capital Investment

"It is often stated that the shortage and high cost of credit are the major impediments to agricultural development."5 Many of the small rubber producers in Thailand have been suffering from inadequate financial resources and lack of credit available for their production. The credit provided to the rural producers is limited because of inadequate capital investment; the small producers have become obligated to deliver a part of their crops to their creditors. As suppliers, the farmers are restricted in their freedom to select among alternative bids or to withhold their supply in order to speculate on future prices. This results from "the real thrust of this argument regarding the relatively unimportant role of agricultural credit ... production techniques over roughly a century have not required impetus, the farmers had to acquire with cash beyond what the existing credit system and his own easy income finance."6

4Muscat, Development Strategy in Thailand, p. 128.
5Ibid., p. 131.
6Ibid., p. 135.
Marketing

Another problem of Thailand's rubber production deals with the very small amount of rubber that has been used in production within the country. Most rubber for Thai industry has been imported. World fluctuation in prices demands a survey of outlook and demand of the world rubber market; such information is inadequately provided to the rubber producers. This uncertainty of world market price adds to the many problems in the Thai rubber production.

Forestry

The forest has accounted for a great deal of the agricultural production in Thailand. Other than the lumbering that the vast forests allow, water conservation and flood prevention are yoked with the forests. In Thailand "forestry resources provide many benefits for the economy. In 1965, earning from export teak was about 200 million bahts (§1.00 is the equivalent of 20.8 bahts)." The problems of forestry largely lie with the government regulations. The exploitation of trees without intense control by the government will bring great problems. Although a patrol system has been adopted, efforts at control have been largely unsuccessful because illegal felling supplements meager incomes. Hill

tribes have a shifting cultivation pattern which also adds to the confusion.

Livestock

Livestock breeding in Thailand has always been a small-scale operation without interest among the farmers. The livestock problems include animal disease, inadequate veterinary services, and breeding difficulties. Most of the farmers cannot support themselves on this occupation.

Fishing

The most crucial problem is the danger of the depletion of fish in fresh water. Very few fishermen have restocked in fresh water; modern techniques and equipment even in sea fishing are scarcely existent. And, as yet, there is no satisfactorily developed export market nor a highland market for sea products.

Rural Cooperative Movement

An important obstacle to Thai economic development in rural areas has been the shortage of credit available to

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8Ibid., p. 27.
10The National Economic Development Board, Office of the Prime Minister, op. cit., p. 25.
11International Bank for Reconstruction and Development, A Public Development Program for Thailand, p. 84.
farmers who grow crops mainly for their own consumption.

Cooperative credit groups, formally or informally organized, offer a valuable form of credit extension in temporary need or crop disaster.

Formal cooperative organizations in Thailand were first established in 1871, with the advice of European concerns. By 1956 there were 10,432 unlimited liability cooperative credit societies with 410,673 members. These are mainly financed by The Bank of Cooperatives operated by the national government. Still the movement is too small to meet the needs of the members. Again, the most serious problem in the major expansion and success of rural cooperative groups includes low salaries, meager sources of capital, temptation to venality among officers and members, and a shortage of educated and trained personnel at the local level.


Fig. 1--Map of Thailand
CHAPTER VII

INDUSTRY

Industry in Thailand at the present time is growing; the contribution of manufacturing to the total economy has risen from 12.6 per cent in 1950 to 14.5 per cent in 1960. Available post war data on principal industries show a generally rising trend in production but no balance of industry. On the whole, Thailand must continue to depend on imports for its manufactured goods. The rate of further industrial development will largely depend on Thailand's abilities to overcome the deficiencies in transportation, power, and communication, the insufficiency of domestic capital, which generally prefers short-term investment rather than long-term industrial venture, and a shortage of skilled technicians and managerial personnel essential to profitable operation.\(^1\) Solution of these handicaps will not bring about the transformation of Thailand into an industrial nation in the foreseeable future, but it will enhance the excellent potential for diversification of Thai economy by future development of manufacturing.

\(^1\)International Bank for Reconstruction and Development, A Public Development Program for Thailand (Baltimore, 1959), P. 35.
Pattern of Industry

Most of the industrial activities in Thailand are undertaken by a private sector on the basis of individual entrepreneurial initiative.

The structure of Thailand's industry is similar to that of most other eastern countries. The bulk of the activities takes place in the large number of small and medium-sized establishments producing a great variety of goods and services, often of mediocre quality. Much family labor is used. Standards of hygiene and safety in workshops are generally low.²

"According to the Ministry of Industry, there are 30,672 registered factories throughout the country, most of which are small-scale industry establishments; only 5 per cent employ over fifty people."³ A demographic survey carried out recently showed that 85 per cent of population is engaged in agriculture, forestry, and fishing. Only 2 per cent are engaged in industry. Most of the large-scale industries have been under foreign management, while the modern ones have been established directly or indirectly by various government agencies. The larger establishments include tin mining, cement, sugar, tobacco, rice milling, soap, and weaving. Industry in Thailand has moved forward from a very small beginning; still, it is relatively small in relation to total output and employment.

²Ibid., p. 88.

Capital Investment

Like agriculture, Thai's industry continues to need capital investment. The credit facilities provided by private corporations are very limited; growth of small industries has undoubtedly been self-financed. Characteristic of the native industrial economy is borrowing from private non-institutional sources at a high interest rate; foreign investors, on the other hand, are able to operate with adequate working capital. In order to make low interest credit facilities available to small industries, a state-owned industrial bank was formed in 1953; but its record has not been satisfactory.

Management

Expansion and growth of Thai industry has been restrained because of an only recently realized problem—lack of experienced management. Many of the Western industrial methods of operation have been applied, such as production control and planning, quality control, salesmanship, marketing, personnel management, office management, etc. However, to encourage and to promote industries in Thailand, especially the small-scale industries, the marketing organization needs to be well set up. Many of the investors and financeers limit and lighten their capital investment and loans for industry because of the risk of uncertain market demand in their manufacturing products.
Skilled Labor

The shortage of skilled laborers and technicians in Thailand industry is perhaps the result of insufficient training and poor planning in the educational system.

Government Role in Industry

During the past twenty-five years, the Thai government has played a major role in industry and has engaged directly and indirectly in a large number of commercial enterprises. Measured in terms of personnel or capital employed, the government share in manufacturing is small in comparison with the aggregate number of private establishments; nevertheless, its influence in industry is disproportionately large.\(^4\) In manufacturing, the government has a legal monopoly in cigarettes, and in various heavy industries such as gunny bags, Siam Cement Company, which is the largest single manufacturing enterprise in the country, sugar, etc. Involvement of the government in industry is due to military purposes, revenue concerns, and to the unwillingness of private enterprises to risk capital. Recently there have been several Ministries directly engaged in manufacturing activities of one sort or another, namely Industry, Defense, Agriculture, Finance, and Health.

Control is normally in the hands of the Board of Directors consisting of high-ranking military or naval officers and influential politicians, but effective direction is exercised by management officials of the Ministries, with the factory manager having little authority.\(^5\)

In general, the practice and result of these operations were unsatisfactory in commercial standards; the mission from the World Bank, surveying the economic situation in Thailand has suggested the abolition of government enterprise.

Another vital consideration is the extensive involvement of leading Thai politicians in private enterprise. Whether or not their personal capital was obtained legitimately raises problems of conflict of interest; the total effectiveness of governmental interest in business suffers as a consequence. Usually, Western ideology and practice of participation in private enterprise by the government and politicians tends to be highly inimical to the confidence of risk and loan capital.

In government circles and among the influential foreign official community involved in international or bilateral aid and research, the importance of this distinction between state and personal involvement is often overlooked; and the continued existence of monopoly of government manufacturing enterprises often draws under attention as a presumed major institution problem adversely affecting investor confidence abroad and slowing the growth of the manufacturing sector.\(^6\)


Promotion

Since 1950 there has been a concentrated drive to promote private enterprise; the first Six-Year Plan 1961-1967 included the policy that the government was not to engage in new enterprise in competition with private business, either directly or indirectly. Unfair competition has largely been the result of Thai industrial structure with its history of small scale operation. The advantages of big industrial firms include means of financial resources, power in markets, and production costs resulting in lower prices of goods; the effect has discouraged small firms. Also, the participation of government officials in private enterprise usually creates unfair competition, because of the political power these people have. Therefore, in general, the climate for private enterprise has not been favorable, even though the government has frequently declared its recognition of the needs for encouraging private industry and for attracting foreign capital. Private enterprise has not perhaps realized how governmental policies adopted for seemingly sufficient reasons have run counter to these aims.

Restriction

The complications of the government policy and the restrictions issued for promotion in industry results from the fact that a great part of manufacturing establishments in the
country are owned and controlled by Chinese. The discriminating policy of encouraging industry might lead to a dangerous predominance of the Chinese community in this field and in the whole economy. The problem is a difficult one. Excluding Chinese from the benefit of government help is unlikely to produce healthy economic results; one helpful solution to the problem appears to be further assimilation of the Chinese into the Thai community.

A recently issued governmental regulation broadly states its purpose—"to control factories in order to develop the economy and ensure public safety, welfare, and health."? The proper issue of the act has been overlooked; permission for industrial establishments and foreign capital investment regulations have been restricted beyond necessity and are unfavorable to the applicants. At bottom, Thai leaders strongly fear imperialistic power and control of the country either by economic or military means.

Natural Resources

The development of industry and modern technology largely depends on the availability of mineral resources and fuel; Thailand is confronted with a lack of these resources. During the past a limited number of geological surveys have been made, and these with the assistance of foreign organizations.

Geographically, a large part of the country is still waiting to be surveyed because of the scarcity of capital investment and technical know-how. Complete and honest surveys may reveal that Thailand does have mineral and fuel resources adequate for industrial expansion. The government is directly in charge of the promotion of the surveys.

**Mining**

The importance of various sectors of the local mining industry to the Thai economy has rapidly increased. In 1965 the export earning from tin alone amounted to 1,164 million baht ($1.00 equivalent to 20.9 baht), compared with 833.7 million bahts in 1964. Tin is the fourth largest export after rice, rubber, and maize. If the world price is maintained, tin can be expected to reach an even higher level in the future. Other outputs of mineral products such as manganese, lignite, and iron are also increasing.

Table I illustrates these figures expressed in terms of money. The table shows the four products, tin, manganese, iron ore, and lignite, and the rapid increase of the products from 1953 to 1963.

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9. Ibid., p. 35.
TABLE I—Continued

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<tr>
<td>292,445</td>
<td>379,775</td>
<td>495,853</td>
<td>609,665</td>
<td>655,400</td>
<td>712,365</td>
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<td>1,575</td>
<td>646</td>
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<td>852</td>
<td>4,637</td>
<td>7,010</td>
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<td>796</td>
<td>328</td>
<td>620</td>
<td>7,148</td>
<td>6,434</td>
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<td>7,211</td>
<td>8,763</td>
<td>8,623</td>
<td>8,672</td>
<td>10,818</td>
<td>10,966</td>
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</tbody>
</table>
Production of tin, as shown below, has been steadily increasing. Export quota restrictions have been lifted, and the price of tin became more favorable. This increase in tin production can be considered consistent, except in 1958 to 1959 when a tin export restriction was introduced by the International Tin Council.

**TABLE II**

**TIN PRODUCTION FROM 1951-1963**

*(in long tons)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Tin-in-Concentrates</th>
<th>Year</th>
<th>Tin-in-Concentrates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>9,503</td>
<td>*1958</td>
<td>7,718</td>
</tr>
<tr>
<td>1952</td>
<td>9,479</td>
<td>*1959</td>
<td>9,684</td>
</tr>
<tr>
<td>1953</td>
<td>10,126</td>
<td>1960</td>
<td>12,081</td>
</tr>
<tr>
<td>1954</td>
<td>9,776</td>
<td>1961</td>
<td>13,271</td>
</tr>
<tr>
<td>1955</td>
<td>11,023</td>
<td>1962</td>
<td>14,651</td>
</tr>
<tr>
<td>1956</td>
<td>12,481</td>
<td>1963</td>
<td>15,584</td>
</tr>
<tr>
<td>1957</td>
<td>13,528</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The importance of tin production to the country's economy and as an earner of foreign currency can be seen in the table on the following page. The value of tin exported from 1957 to 1963 is illustrated.

TABLE III
VALUE OF TIN EXPORTED FROM 1957-1963
(As Percentage of Total Exports)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Tin Exported</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>6.89</td>
</tr>
<tr>
<td>1958</td>
<td>4.54</td>
</tr>
<tr>
<td>1959</td>
<td>5.02</td>
</tr>
<tr>
<td>1960</td>
<td>5.76</td>
</tr>
<tr>
<td>1961</td>
<td>6.17</td>
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<tr>
<td>1962</td>
<td>7.19</td>
</tr>
<tr>
<td>1963</td>
<td>7.32</td>
</tr>
</tbody>
</table>


Most of the existing mines are situated on the Kra Peninsula near the Burmese mountain ranges. Before the war, recovery was principally by means of dredges working in the alluvial deposits of well-defined stream channels. Gravel pumping in small place deposits accounted for a growing share output. Because of the rapid depletion of inland mining areas, the future of tin mining industry in Thailand depends more and more on off-shore prospecting and dredging. This off-shore drilling is at the present time concentrated near the Ranong-Puket coast. Mining of tin in the deep open sea may be considered a new era in Thailand mining.\[11\]

\[11\] Ibid., p. 4.
Fuel

Wood and charcoal are still the chief fuels in Thailand. The charcoal burning is carried out wherever there is a forest; often it is a part-time occupation of rural workers. Rising imports of liquid fuels are gradually causing a decline in the commercial use of charcoal.

Lignite

Deposits of lignite have been found in many parts of the country, but only two or three have been surveyed; and only one, at Mae Mok in Changwad Lampang, is being exploited. Generally, lignite has been used for thermal power.

Oil

Oil deposits have been discovered and surveyed, primarily by foreign technicians, but no substantial development and production have taken place. The only working fields of petroleum account for eight per cent of the total import value; natively refined oil cannot compete in quality with imported products.

Electric Power

The chief power resources of Thailand lie in the large hydroelectric potential of its extensive river system. An electric power expansion program has been under way to remedy the power shortage which has constituted an obstacle to industrial development. In spite of Thailand's hydroelectric
potential, the expansion of generating and distributing facilities has lagged behind the demand for power. Electricity production has been gradually increased in recent years, mainly around Bangkok and Thornburi, where about 75 per cent of its total power is consumed. However, in 1957, construction of a major hydroelectric project was initiated at Yanhee, some 260 miles north of Bangkok on Ping River. This emphasis on power development finds ample justification in the present and prospective needs of the economy for electricity.

Transportation

Inadequacy of transportation facilities and communications has created a big problem in the agricultural and industrial development of Thailand. The problem of transporting the agricultural products to the central markets from rural areas was noted in an earlier chapter. Centralization of major industries is usually located around Bangkok and Thornburi areas in the central part of the country due to the high cost of transportation. Moreover, land costs in these areas have risen sharply.

Pattern of Transportation

The railway is the only year-round means of inter-regional transportation in the country. It primarily has been built up for the purpose of delivering rice to its market. River and canal transport is limited to the waterways of the
central plains. Highways, until recently, were built primarily as feeders to the rail and waterways and are unsuitable for heavy traffic and all weather use. A few modern roads and bridges link principal cities and regions of the country. Bangkok's large modern airport is a major international center and hub of Southeast Asia, with frequent flights to all parts of the world. Freight carried by rail, river, and canal constitutes 70 per cent; least movement is attributed to airways. The internal air transport system is operated on a relatively small scale. However, participation in international and internal air transportation is being expanded.

Roads.—The existing highways are still far below modern standards; they are too narrow and are limited to dry season use or to small loads. This often causes many districts to be cut off from the rest of the country, especially during the rainy season. The primary and secondary highways, according to recent records of the National Highways Network, contain about 9,500 kilometers, of which about 5,000 are lateritic and gravel or earth-type surfaces. The provincial and rural highways total about 20,000 kilometers, the majority of which are substandard and are considered impossible during the rainy season.

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Water transportation.--The facilities being used in water transportation are in the central plain of the country. Most of the other regions have dependable water transportation only during the rainy season. However, since 1963 improvement of the inland water transportation system has been in progress. It is expected that survey and improvement of the total system will provide a great help to transportation because of the low cost and large amount of traffic.

Administration and Financial Resources

The administration of the transportation systems includes extension, improvement, and maintenance necessary for more efficient operation. Most of the rural areas have been isolated; many of the important resources and products are not being utilized because of high costs of transportation. The poor transportation system prevents investors and manufacturers from raising capital for use in remote areas. The poor condition of the existing systems is a constant financial problem; capital is needed for repair as well as for new construction.
CHAPTER VIII

CONCLUSIONS AND RECOMMENDATIONS

Economic development of Thailand is inevitably concerned with non-economic factors; it is reasonable to say that economic values cannot be separated from social attitudes, of which status particularly is a mingling of religious, political, and economic values. Culture, society, and politics are three prime factors determining the receptiveness of the people of Thailand to economic change and progress. Abundance of land resources fundamental for economic progress has relatively slowed the technological advances of this predominantly agricultural nation. Although present population density is low in comparison with that of China or of Japan, an annual increase of three per cent in population growth indicates the need for careful long-range economic planning.

Education is one of the keys to the success of the development of the nation. Generally speaking, the basic problem of most underdeveloped countries is not the poverty of natural resources alone, but rather the lack of skilled human resources. Thailand's educational system has been criticized because much of the school age population does not have an opportunity to continue formal schooling due to inadequacy of available schools.
low academic standards, and shortage of trained teachers.
The country needs to formulate a strategy for the education
and utilization of its human resources; this strategy should
be based on the character and tradition of its people, the
present stage of the country's development, and the opportuni-
ties available for Thailand's advancement. Educational patterns
of highly advanced countries should not necessarily be copied.
The adoption of any total educational plan should be appro-
priate to the people's traditional values and in keeping with
proposed economic development. In any country, developed or
underdeveloped, education can become socially malignant if the
people do not have either the opportunity or the incentive to
use their learning and preparation.

The government of Thailand has strongly emphasized the
importance of formal education in the country even though the
financial problems of supporting a satisfactory educational
system are still largely unsolved. Thailand should not hope
to temporize in respect to allocation of funds for education
nor should it expect to deal with educational needs as they
arise. The total program must be shaped realistically as a
central point in economic development in Thailand.

Political

Economic development is a broad goal to which the Thai
government is earnestly committed. Many real problems are in-
herent in the pursuit of this objective, and many other problems
confronting the society and its government in the years ahead can only be met, or perhaps to some extent avoided, by economic development.\footnote{Joseph L. Sutton, Problems of Politics and Administration in Thailand (Bloomington, 1962), p. 125.} Although there is a serious need for the further development of its economy in the years ahead, Thailand's economic problems are not the grim efforts for sheer survival which now confront some of the other Asian nations. Thailand has basically a healthy economy which will either continue to be undeveloped, or will be strengthened in coming years.\footnote{Ibid., p. 126.}

Thailand is very fortunate in that there is little or no political or social unrest among the people and there are few of the dire problems of unemployment, distress, famine, drought, and pestilence. The people are tolerant, contented, and easy to govern; they have a high respect for authority. There is little abject poverty. Although Thailand's system of public administration has been modernized, the very serious administrative problem of eradicating widespread bribery and corruption in the civil services still exists. Strong action against these illegal practices must be taken; however, the low salaries of officials and the general post-war financial conditions must be alleviated first.

**Agriculture**

In view of the generally unplanned and unaided agricultural economy, Thai farmers largely depend upon nature for...
growing their crops; fortunately, the climate is favorable and land resources are abundant. Presently, agricultural products are sufficient for both home consumption and export surplus; but if the annual rate of population growth continues, Thailand will cease to have a rice surplus within the coming years. Traditional farming practices must be abandoned in favor of new and more scientific farming methods and production techniques if this critical situation is to be avoided. Research is needed for the adaptation of established scientific knowledge to traditional skills and customs of the farmers. Capital investment in the agricultural economy must consider the demands of the future rather than immediate seasonal needs.

Of the major agricultural products, rice and rubber account for the largest part of export earnings. Elimination of internal problems in producing and marketing will increase both the internal and the export yields of these major products. Approximately half of the land is under cultivation; the establishment of an efficient irrigation system requires large amounts of capital, most of which may be provided by foreign aid. Areas in the Northeast and South which are not suitable cropland for rice and rubber offer the opportunity for development in livestock and fishing. Cooperative organizations would be another significant attempt to remedy the marketing problems of agriculture and to help the farmers obtain loans and apply technological advances.
Although economic development is sometimes regarded as synonymous with industrial development, there are a number of factors that suggest agriculture is the most important sector of the Thai economy and will continue to be so for many years. These indicators include the dominating size of agriculture, the limitation of non-agricultural resources, and the maintenance of stability of the Thai social structure and political system with its link to the traditional agrarian pattern of life. Careful land use planning, a systematic program of public capital investment designed to expand the arable land base, and a competent effort to facilitate agricultural growth by education and research seem to be the very foundation of economic development of the nation.

Non-Agriculture

Other than agriculture, it is not particularly surprising to find that Thailand is a land of small family enterprises. Manufacturing, usually a more significant component in a developed economy, is on a small scale in Thailand. The traditional way of agrarian living and the lack of mineral resources such as oil and iron have slowed the normal industrial development of the economy. Statistics reveal that an imbalance of payments exists because Thailand has imported most of its manufactured goods. Current problems of industrial development in Thailand are basically like those of her neighboring countries—shortages and inefficiency of transportation, lack of skilled
labor and technicians, and ineffective and untrained management.

Although the larger portion of total manufacturing is in the hands of private enterprise, and these are small operations, the government of Thailand has dominated heavy industry. Government interference with private industry and manufacturing has been criticized by the mission of the World Bank; it suggested the abolition of government enterprise and the disinvolvement of Thai political figures in private business. Although in 1954 the government issued the first legislation designed to encourage private investment in industry, the practice of government involvement continues; a policy statement alone seems inadequate. Again, the first Six-Year Plan (1961-1967) included the policy statement that the government was not to engage in new enterprise in competition with private businesses either directly or indirectly.

Viewing the total situation, the urgent and immediate needs of self-sufficiency should, of course, be met before Thailand can attempt full industrial output. Technological development alone will not assure the economic stability of the nation and must not be achieved at the cost of the motivation and incentive of the Thai people; it is a necessary, but not the only, factor in total economic development.
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Thailand, one of the nations comprising Southeast Asia, is a member of the large group of countries not yet industrialized. It is seeking to find ways of promoting economic growth, so as to raise the incomes of its people.

Like many such nations, it faces both non-economic and economic barriers to growth. Among the more serious non-economic factors may be mentioned education of an inadequate type, a high rate of population growth, and various cultural factors, including religion, which hamper solution of its growth problems.

Agriculture is the economic activity in which most of the population of Thailand are engaged. Rice cultivation is the most important sector of Thai agriculture. From this crop, the people obtain the principal component of their food supply, in addition to an important export surplus. Much of the best rice growing land, however, is already under cultivation. The backward techniques now in use in rice growing need to be replaced by better varieties, use of more fertilizer, extended and improved irrigation, etc.
Lumbering, mainly the cutting of teak wood, is also an important source of income from natural resources. Current cutting methods are destructive, and need correction.

Other economic activities include mainly small, craft type, industries. These, too, need introduction of better technical methods, more capital, and better management.

The Thai government has sought to aid growth by development of economic plans for the nation, but these, so far, have not worked well enough. Planning has been poorly done, there has been too much bribery and corruption in the government, and not enough capital has been available.

Despite these various handicaps, Thailand is continuing its struggle for more growth. It is beginning to realize the importance of education and industry, as well as an improved agriculture, if it is to move forward.

The development outlook is, over all, a hopeful one.