

**Country Study for Development Assistance
to the Kingdom of Thailand
“Basic Strategy for Development Assistance”**

January 1989

**Country Study Group
for Development Assistance to the Kingdom of Thailand
organized by the Japan International Cooperation Agency**

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Contents

PREFACE

FOREWORD

I . BASIC STRATEGY

- | | |
|--|----|
| 1. Thailand and Japan : Further Cooperation | 1 |
| 2. Issues for Economic Development in Thailand | 3 |
| 3. Priorities in Development Assistance | 9 |
| 4. Proposals for Cooperation | 26 |

II . SUMMARY OF ANALYSIS

- | | |
|---|----|
| 1. Macro Economy and Development Program | 35 |
| 2. Sectoral Analysis | 40 |
| 3. Current Japan's Assistance to Thailand | 50 |

ANNEX

PREFACE

The yearly expansion of Japan's Official Development Assistance (ODA), and the diversification of the needs of the recipient countries, have made it imperative that Japan's development assistance be extended systematically, effectively, and efficiently.

For this purpose, JICA has decided to make research on the most suitable form of development assistance to each recipient country by gathering the wisdom of experts and scholars from a wide range of fields. Following research on the Philippines, JICA established the Country Study Group for Thailand, one of the major recipients of Japanese development assistance.

The group consisted of six members, and was chaired by Yasuhiko Torii, a professor at Keio University. To give assistance to each of the members, a task force, comprised of development specialists and staff members of JICA, was established at the Institute for International Cooperation, JICA.

The group began its first research meeting in August 1987 and held 8 research meetings, including field study in Thailand, until December 1988, in order to have intensive discussions on the relevant issues. This report is compiled on the basis of research output. JICA intends to refer to the various important recommendations of the report not only in the implementation of

development assistance but also in the formulation of guidelines for cooperation. Furthermore, JICA plans to distribute the report to other aid agencies, hoping that it will be utilized on a much broader scale.

JICA is deeply indebted to Professor Torii and the members of his study group for putting together this report, and would also like to express our appreciation to all of the people who contributed to the discussions.

January 1989

Japan International Cooperation Agency
Kensuke Yanagiya
President

FOREWORD

Thailand ranks with China and Indonesia one of the major recipient countries of development assistance from Japan. And, from Thailand's viewpoint, Japan extends more development assistance than any other country, and plays a significant role in economic and social development of Thailand.

In recent years, the rapid expansion of Thailand's economy and close economic cooperation between Thailand and Japan have given rise to the necessity to review the basic direction of Japan's development assistance, with due consideration to the medium and long-term prospects of the Thai economy.

The Country Study Group (Thailand) was commissioned by the President of the Japan International Cooperation Agency (JICA) to review the performance of Japan's development assistance to Thailand thus far and to analyze the present state of the Thai economy and the trends of its development policies. For one year beginning in from August 1987, the Study Group discussed at length the direction that Japan's development assistance towards Thailand should take, and including field study in Thailand itself.

This report was prepared on the basis of the outcome of those discussions, with the assistance of a task force organized by

the staff-members of JICA and development specialists in international cooperation.

January 1989

Japan International Cooperation Agency

Kensuke Yanagiya

President

Country Study Group (Thailand)

Yasuhiko Torii

Chairman

I . BASIC STRATEGY

1. Thailand and Japan : Further Cooperation

Thailand is one of the most important recipient countries of Japan's Official Development Assistance(ODA). In the last several years Thailand has succeeded in rapid industrialization and export of manufactured products, transforming from the stage of primary product-based exporting country to that of industrial product-oriented middle income country. It can be assessed that the Japan's active economic cooperation with Thailand for the past 20 years or so has contributed toward such remarkable development of the Thai economy.

Under such development of the Thai economy, economic cooperation between Japan and Thailand has entered a new dimension. For this reason Japan's ODA and private economic cooperation must be reconsidered in order to have new outlook and measures. The Japan's ODA had been extended first as an aid to underdevelopment of the Thai economy in the 1960s, and moved to assist the country's industrialization policies in the 1970s. In coping with her self-sustaining development in the latter 1980s, it has become necessary to shape Japan's development cooperation with wider perspective in order to enhance mutual understanding and maintain the economic coexistence.

The importance of Japan's economic cooperation will not diminish despite the Thailand's success of industrialization and

economic development. Rather, Thailand will become an increasingly important nation for Japan's economic cooperation for the following reasons:

1) Japan must pursue the modality of cooperation and coexistence with the rest of the world. It is fundamental for Japan in this regard is to develop mutual understanding with a wide variety of countries in all areas of politics, economy and culture. Thailand is one of the most important countries in the promotion of the mutual understanding between Japan and Asia.

2) As neighboring countries proceed economic development, the economic interdependence between them and Japan will become closer and the mutual benefits will increase. On the other hand, conflicting interests and disharmony will tend to emerge. Thailand can play a crucial role in maintaining the harmonious economic relationship between Japan and the rest of the Asian countries.

3) Thailand now is expected to play an unprecedentedly important role in the international economy which is under multi-dimensional disequilibrium. Overcoming its frangibility peculiar to the initial stage of industrialization, Thailand's economy must be developed further by coping effectively with the protectionism of industrialized countries and the sharp fluctuation in the exchange rate, interest rates and prices of primary commodities, etc.. In so doing, Thailand would

contribute greatly to the stabilization and expansion of the Asian market.

4) Asian regional stability is imperative to Japan. Such stability will be achieved through political stability, avoidance of regional conflicts and resistance to external pressure. Japan is highly concerned with the Thailand's domestic political stability as well as her role in stabilizing Indo-China and ASEAN regions.

2. Issues for Economic Development in Thailand

Under the 6th (1987-1991) Five Year National Economic and Social Development Plan, Thailand is actively promoting structural adjustment and export-oriented industrialization. In addition, due to the external factors such as the falling of baht against yen caused by the exchange rate fluctuations after 1986, low interest rates in world market and decline of oil prices, it has gained export competitive power beyond past anticipation. On the other hand, while the baht exchange rate against dollar tends to rise due to the U.S. pressure, the export competitiveness is coming true by offsetting negative effects of exchange rate.

Remarkable expansion of the Thai economy led by the export of industrial products has been accelerated after 1986 owing to the above-mentioned external factors rather than the internal momentum. Such a growth has a short history of only

two years so far. She must still overcome many problems to proceed further its industrialization.

In the next 3 years until 1991 which is the end of the period of the current Five Year Plan, self-reliance by Thailand itself is required as she enters the stage of take-off, and economic cooperation by Japan, other donor countries and various international organizations must be coupled with her initiative.

2-1. Finance

The Thai government's confidence in further development is shown in the 17.2% increase of the 1988/89 national budget which took effect in October 1988. However, the greatest item is still repayment of debts which shares 23.31% of the entire budget. The debts hence have become a pressing burden on the country's financial management. Thailand's savings ratio is still very low compared with the Asian NIEs and this is reflected in a chronic investment-savings gap causing a great deficit in the government sector. This imposes serious constraint on her efforts to attain self-reliant development. It is therefore important for Japan to extend economic cooperation to Thailand to assist her development efforts.

2-2. Structure of Economy

The undergoing industrialization has been proceeded with a small number of leading sectors such as textile, electronics agro-industries and so forth. These leading industries are excessively

concentrated in the industrial complex in and around metropolitan Bangkok with well-developed infrastructure, forming an enclave. The industrial structure is marked with insufficient development of supporting industries. In regard to upgrading the industrial structure, it is imperative to develop the relevant small scale industries as supporting sector. This will also be an important policy issue for promoting regional development and creating employment opportunities. In addition, it is necessary to develop urgently the local infrastructure in order to decentralize industrial activities to the surrounding regions and local core cities and to promote small scale industries in local areas.

2-3. Infrastructure

In order to further industrialization, Thailand's needs to improve and expand its existing infrastructure and develop more sophisticated infrastructure (advanced communication and information networks, modern international airports, integrated road networks, modern ports and harbors with container facilities, etc.) being compatible with the new stage of industrialization. The industrial roads in metropolitan Bangkok and Khlong Toey Port are excessively congested and the existing industrial infrastructure is incapable of coping with the rapid expansion of economic activities. These bottlenecks hamper the efficient economic management and become constraint to the industrialization which is beginning to take-off. The progress of the Eastern Seaboard Development Plan financed by Japan's

loans is lagging behind the current unprecedented investment boom. However, this is a highly significant and necessary plan as an initial thrust for the development of sophisticated infrastructure which is relevant to the export-oriented industrialization strategy.

In view of Thailand's current high economic growth, there are advocates that discourage the provision of assistance for infrastructural development. However, Thailand will still need to receive further economic cooperation from Japan in order to develop the higher-grade infrastructure, to improve the existing industrial infrastructure and to ensure their integrated and efficient management, which will be indispensable for making the industrialization successful.

2-4. Disparity

With the progress of industrialization, income disparity between agriculture and industry as well as regional disparity between urban and rural areas are rapidly expanding. This fact could leave not only serious problems for further economic development but also hinder industrialization itself by restraining the domestic demand. It will be necessary for Thailand to promote vigorously the policies for the expansion of domestic demand by leading momentum of the export-led economic growth to upgrading the domestic industrial structure, and increasing the income levels in the local and rural areas.

2-5. Manpower

Along with the upgrade and diversification of the industrial structure, it becomes an urgent task to develop manpower with new industrial technologies. To promote industrialization and expand employment opportunities in local and rural areas, it will be necessary to expand manpower development and training in these areas. In order to improve international competitiveness in the major industries, development of management capability, innovation of production technologies and promotion of research and development (R&D) will be the important policy issues. Human resource development at higher education places too much weight on cultural and social sciences. Middle-level technicians are short of practical experience and also of adequate opportunities for re-education and retraining. In order for Thailand to build a foundation of science and technology as an industrial country in the future, it is imperative to develop manpower and improve R&D capabilities.

2-6. Social Welfare

The Thai population has reached 52,670,000 at the end of 1986. Agriculture, forestry and fishery sector employs slightly below 70% of the labour force and Thai society could be described as agrarian. Despite the high economic growth rate in the past 25 years, the urban population accounts for less than 20%. However, most of these people are found in metropolitan Bangkok, and its population has been rapidly increasing because

of the yearly inflow of population from rural areas and local cities. Under this situation, formation of slums and deterioration of urban environment are being accelerated. Underdevelopment of living and social welfare both in urban and rural areas and the ever widening urban/rural disparity have become serious social problems. Among other things, despite the long years of efforts to promote primary health care systems in rural areas, the health and medical services are not yet reached to a satisfactory level. Measures against infectious diseases, for example, are lagging behind and there are some areas where undernourishment has not yet been fully overcome. Environmental pollution and natural destruction have become apparent due to the rapid industrialization, which cause threat to the people's livelihood. Comprehensive policy measures must be taken for the improvement of slums in urban areas, environmental conservation and development of medical and welfare services in local and rural areas.

2-7. Our Future Relation

In 1987 Japan and Thailand celebrated the 100th anniversary of our relationship since signing the amity and trade treaty. Both countries have maintained and developed our everlasting friendship. The recent economic relation between Japan and Thai has been further strengthened with dramatic increase of trade and investment due to the yen appreciation since 1986. Economic cooperation will be increased mainly through the private sector in the future. As Thailand is the

most stable country in the ASEAN region in terms of politics and society, it will be quite necessary and important for Japan to further promote the mutual understanding and friendship. For this objective, it becomes more important than before to develop mutual cooperation in the fields of research, cultural and information exchange.

3. Priorities in Development Assistance

In a short-term perspective, it is desirable that Japan's development assistance to Thailand be directed for the promotion of the present initial industrialization, helping her cope with the various economic issues so as to achieve the goals of the 6th Five-Year National Development Plan. From a longer-term horizon, it is desirable to extend development cooperation in a comprehensive manner to make Thai industrialization self-reliant and sustainable in the future.

For the several years to come, Japan must better provide economic cooperation for Thailand to upgrade its existing infrastructure, to develop advanced and new infrastructure and to upgrade the overall industrial structure, coping with the rapid growth of the export-oriented leading industries. Regional development, promotion of small scale enterprises, cultural exchange, research cooperation, establishment of information exchange systems and social welfare development must also be properly taken into account. In so doing Japan, should prepare

herself for gradual change of roles and priorities between official and private economic cooperation in response to the development stage. In the next few years until the present initial stage of industrialization transforms to the stage of take-off, donors as well as recipient had better make flexible change of development cooperation pertaining to the process of take-off.

With the above-mentioned objectives, Japan's ODA should be considered to put future priorities on the fields discussed below.

3-1. Promotion of Export-oriented Economic Development

Japan's development cooperation must be better implemented in such a manner that is directly linked with export promotion and the development of export-oriented industries which are the key to Thailand's sustainable economic growth. To bear the effect of development cooperation in this area, it will be necessary to encourage regional division of labor among the ASEAN countries, Asian NIEs, China and Japan. Also needed is to harmonize the competitive relationship among them arising from the growing economic inter-dependence. In this regard, Japanese government may be expected to play an active role in creating the environment and institutions for promoting horizontal division of labour in these regions.

(1) Industrial infrastructure

Japan assists the development of new and sophisticated infrastructures for the promotion of exports such as new

industrial complex, international airports, ports and harbors, industrial road networks, and telecommunication facilities.

(2) Technical cooperation

Technical cooperation must be strengthened toward the export industries, for developing their manufacturing technologies, providing managerial guidance to quality control, and promoting the supporting & basic industries.

(3) Financial cooperation

Financial cooperation must be expanded in the form of two-step loans for the promotion of small scale and local enterprises.

(4) Promotion of export industries

Development assistance will be directed for various export promotion policies and measures such as collection and processing of market information, development of institutional financing and improvement of corporate management strategies and techniques. In addition, public and private sectors cooperate together with Thailand efforts for the various export promotion projects such as holding of "Thai Fairs", dispatching of overseas missions etc.

3-2. Promotion of Further Industrialization

Owing to the rise of the income level in Thailand through economic development, the demand for industrial goods is

expanding and diversifying. In order for Thai industrial products to hold a firm position in the present structure of international division of labour, she must strengthen its international competitiveness by improving the quality of its products (parts).

For this reason, Japan will assist Thailand to exploit her own comparative advantages responsive to the diverse demands in the domestic and international markets and also cooperate to develop related industrial infrastructure. While improvement of the technological standard must be carried out primarily through efforts of private enterprises, it is desirable that the ODA be provided in the complementary manner to the efforts of private sectors as much as possible.

(1) Scope of industrialization and level of technology

The Thai consumer goods industries such as textile and food industry have been developed to attain international competitiveness. However, except for some high technology-oriented direct investment from abroad, the capital and intermediate goods industries such as transportation equipment, electric and general machinery and metal products have not yet fully developed both in terms of size and technological level. In providing technical cooperation for industrialization in the future, it should be directed for the improvement of the current conventional type of vocational training as well as of the production technologies of parts and intermediate goods in terms of hardware, software and management.

(2) Promising industrial sectors

It is desirable to promote technical and financial cooperation in the field of production technology, product development, quality control, design and marketing with regard to agro-industry, small scale and local industries, metal working and machinery-related subcontracting industries to which Thai government puts higher priority.

(3) Industrial infrastructure

Development and re-development must be promoted in the metropolitan Bangkok, local cities, Eastern Seaboard Development Areas and other new economic zones. Emphasis will be placed on the construction of export-oriented industrial complex and the development of water and sewerage systems, drainage, power distribution, communication networks, access to transportation in local cities. In addition, technical and financial assistance will be increased for the development of the infrastructure to connect the new economic zones and rural areas. Included in this regard are the engineering technology and operation and management capabilities, which are indispensable for developing infrastructure.

(4) Private investment

In order to promote project-finding activities of Japanese private enterprises, their research and survey activities will be assisted. Institutional assistance will also be provided for them to take their roots firmly in the Thai environment. In

order to activate the expansion and establishment of new ventures, ASEAN development fund recycling program and investment insurance must be incorporated.

3-3. Promotion of Rural Income Generation

Well over 60% of labour force are engaged in agriculture in Thailand. For the development of agro-industry with higher priority, stable supply of farm products as raw material is indispensable. Moreover, maintenance and expansion of the domestic market for industrial products depend on the increase of farmers' purchasing power. Therefore, urgent is the expansion and increase of agricultural production and income. In this respect, Japan will cooperate to promote agricultural and rural development which will contribute to raise farmers' income. It should also extend cooperation in improving the living conditions of low-income rural areas. In order that these rural development projects may promote employment and income opportunities among rural people, it is desirable that ODA projects be designed to encourage local participation in implementation.

(1) Diversification and commercialization in agriculture

Diversification of the agricultural production, including animal husbandry, poultry farming, cultivation of freshwater fish, upland crops and pomiculture, and commercialization of these products are emerging agenda for development assistance. For this purpose Japan's assistance will be systematically extended to various areas such as

improvement of production technology, breeding, marketing, management know-how, financing and cooperatives.

(2) Appropriate technology

To increase the agricultural productivity, cooperation for R&D on appropriate technology will be useful in such fields as breeding of high-yield, disease- and drought-resistant varieties, research on farming systems and agricultural processing technologies, with due consideration to the regional characteristics.

(3) Agricultural infrastructure

While Japan's ODA has been extended considerably to development of agricultural infrastructure, it will be required to pay much attention to improvement of water management in irrigated areas, effective utilization, maintenance and control of the existing facilities, development of small-scale irrigation and drainage facilities and improvement of farm roads and feeder roads between villages as well as villages and national and prefectural road networks. It will be imperative to direct development assistance toward these areas where participation of local government and farmers can be expected.

(4) Rural industries

To avoid excessive rural-urban migration, it is imperative to promote small scale industries not only in local cities but also in rural areas. Following are the examples of industries

which may contribute to the income generation of rural population and prevent excessive concentration of economic activities in urban areas; rice milling, processing of livestock feed such as tapioca, meat processing, dairy products processing, weaving, handicraft, afforestation or paper pulp making from miscellaneous trees, bamboo and fibre crops.

(5) Participation in rural development

It is of significant importance to extend cooperation for the development of economic and social infrastructure such as small-scale irrigation, roads, electrification, sanitation, medical care, education and culture in poor rural regions. In this regard, it is imperative to encourage participation of local government and farmers in the projects. This will have something in common, for example, with the goals and methods of the "Greening Northeast Thailand Program" which is to be implemented by the royal initiative.

(6) Cooperation in basic research on national land development

While this is not necessarily concerned with agricultural sector alone, it will be quite important to extend cooperation to basic research regarding national land development. Research subjects include development of hydro-observation networks, information of river stream regimen, water supply and demand, development projects associated with the Mekong River in Northeast Thailand, and flood control in various regions, particularly metropolitan Bangkok and major local cities.

3-4. Improvement of Metropolitan Environment and Regional Disparity

It is of great significance to make positive contribution and cooperation to decentralize the excessive concentration of economic activities in metropolitan Bangkok and consequently to narrow the income gap and other disparity between central and peripheral regions.

(1) Decentralization of economy

Assistance will be extended to the decentralization of industries and population which are over-concentrated in metropolitan areas. Comprehensive regional development will be promoted in the local cities such as Sara Buri, Chiang Mai, Khon Kaen and Songkhla, which are regarded as the regional growth centers, the Eastern Seaboard Development Zones (Leam Chabang and Mab Ta Pud) and other newly designated economic zones. In particular, development of transport and communication networks and industrial complex in these regions are encouraged. Moreover, in order to enhance the structural linkage among the regions, transport and communication networks between cities as well as cities and rural areas and local educational and medical institutions must be developed.

(2) Local industries

Promotion and modernization of local industries and tourism will play more vital role in regional development, employment promotion and foreign exchange earnings.

While these projects are primarily carried out by private initiative, official aid is required to support construction of the various infrastructure. Technical and financial cooperation are also needed to assist local industries in production, management, domestic and export marketing, etc.. Tourism development has significant effects on regional development whether it is carried out by the public or private initiatives. For this reason, assistance to program formulation, development of basic infrastructure (such as roads, piers, water service, electricity and telephone), and rehabilitation and maintenance of historic relics, museums, aquariums, zoos and botanical gardens is one of the important items of regional development cooperation.

(3) Metropolitan development

In order to improve economic, social and cultural functions in the metropolitan Bangkok, technical and financial cooperation will be extended to the formulation, implementation and management of metropolitan renewal programs. The programs will systematically promote the development of transportation, communication, water supply and sewerage systems, housing, sanitation and environment.

In so doing, careful consideration should be given to solve urban problems such as pollution and slums.

3-5. Promotion of Human Resource and Education Development

To further promote and sustain Thai economic development and industrialization, her industry has to acquire higher international competitiveness. In this regard, human resource development is indispensable. Assistance will be extended to not only school-education in general but also human resource development in order to meet labour demands for diversified and advanced manpower.

(1) Elementary and secondary education

The school enrollment in elementary and secondary education has been steadily rising in recent years. Elementary school enrollment was 98% and the enrollment rate in the first and second half of secondary education was 35% and 26% respectively in 1984. What will be required in the future is to improve the quality of elementary education and further expand the secondary education both in quantity and quality in response to Thai socio-economic development. Though the Thai government is primarily responsible for educational expenditure, cooperation in the field of education is very important for the development of mutual understanding in the long-run. It is desirable to support schools in rural areas which are short of equipments and materials such as textbooks, library books, laboratory equipments and audio-visual aids, etc..

(2) Higher education

The unemployment rate for those who attained higher education rose from 5.4% in 1975 to 9.7% in 1985. This does not necessarily imply that college graduates are being oversupplied, but human resource development has not been responsive to the manpower requirement from industries whose technologies are rapidly advancing. Hence it is significant to support the development of higher education programs consistent with the progress of industrialization. In particular, expansion and diversification of educational programs toward R&D capabilities in the area of science and technology will become an important target of cooperation in the future.

(3) Training for middle-level technician and business manager

In improving the level of industrialization and labour productivity, practical manpower training is indispensable in the areas of engineering, quality control, business management, marketing and product development along with the development of R&D staffs. Though technical cooperation has been largely extended to the education and training of engineers and managers, it is necessary for further industrialization to develop supporting industries and encourage the transfer of appropriate technologies. As Japanese small and medium scale enterprises, coming into Thailand, may also play an important role in technology transfer, innovative form of assistance will be required.

3-6. Expansion of Research Cooperation, Cultural Exchange and Information Data Bases

As the Thai economic development and internationalization proceed, research cooperation, cultural cooperation and cultural exchange will play an increasingly important role in the promotion of mutual understanding with developed countries.

For Japan as well, it is very significant to advance cultural cooperation with Thailand to make better mutual understanding.

In promoting research and cultural cooperation, development of information data base between two countries will be indispensable. Cooperation should be conducted with professional knowledge, experience and sensibility in various fields. For this reason, it will be effective to support and make best use of existing research institutes, cultural organizations, cultural exchange systems and collaboration with Non-Governmental Organizations. Special attention must be paid in order to avoid cultural friction which might be caused by careless approaches.

(1) Research cooperation

In order to promote research cooperation with Thailand, joint research, invitation program of research managers, exchange program of researchers, information network for research cooperation outputs and provision of research equipment and materials are important instruments. Joint research will be of great help in accomplishing the two objectives simultaneously of technology transfer and human resource development. Research cooperation with Thailand is also

expected to build up her capacity as a host country to third-country training scheme which is organized by Japan's ODA.

(2) Managerial capacity building of research institutes

Institutional support system must be established to assist R&D activities of various research institutes which are eligible for joint research activities. For instance, financial assistance should be urgently extended to systematic promotion of joint research with several institutions on Thailand's socio-economic development, establishment of revolving fund, improvement of information data-base.

(3) Cultural cooperation

Thailand with a long history, is very rich in cultural inheritance and facilities such as historical relics, museums and temples. These are the important national properties for culture and tourism. It is an important form of cultural cooperation to support conservation, maintenance and improvement of these cultural facilities. For this reason, equipment and materials will be provided for the conservation of the cultural and historic relics and the maintenance and improvement of museums. In addition, it is important to extend these provision for universities, libraries, temples and culture-centers as well.

(4) Promotion of cultural exchange

Many Japanese do not know much about the Thai culture, history and national conditions, and vice versa. In this

regard, it is imperative to form, as a main component of cultural cooperation, a comprehensive cultural exchange program for the promotion of mutual cultural understanding.

3-7. Thailand's International Standing

The development of the Thai economy in the future will be much dependent on progress of the Asian NIEs and the neighboring ASEAN countries. At the same time, Thailand's stable development will be the key to the regional prosperity and solidarity in this region.

As a means to maintain Thailand's open economy and to support her foundation-building for internationalization, it is desired to assist Thailand in soft and hard ware so as to build up her capacity as host to Third Country Training Program (TCTP). Five courses, including telecommunication course, are made available under JICA's TCTP scheme in 1988. Further effort to promote this scheme is needed in collaboration with various international organizations and Asian Institute of Technology in particular. Thailand has been promoting industrialization based on agricultural development and, in this process, she has accumulated development experiences which are quite relevant to other developing countries. It is highly meaningful to utilize her experiences as lessons for other countries.

3-8. Promotion of Social Welfare

Concerning socio-economic development in Thailand, social welfare development is a highly concerned issue, and the cooperation in this field becomes more important than ever before.

In health and medical services, it is required to cooperate to improve these services at community level as well as to promote basic medical research. As cooperation for environmental issue, it is necessary to re-harmonize the relation between development and environment and to formulate the measures for environmental conservation. In so doing appropriate measures will be taken against industrial pollution and natural destruction caused by the rapid industrialization.

(1) Health and medical services in local areas

Primary health care (PHC) program has been implemented on a nationwide scale for the purpose of improving health and medical services at the administrative village ("Tambon") level and community ("Moo Ban") level. However, establishing the PHC organizations has been delayed and it requires more support from large hospitals in metropolitan Bangkok and prefectures.

In addition to organization-building, what is required is quantitative and qualitative expansion of manpower such as village health communicator (VHC), village health volunteer (VHV) and graduate health volunteer (GHV). It is necessary for Japan to strengthen its cooperation systems in PHC program. Assistance should be extended to promote the

creation of networks which facilitate information exchange and integrated management of PHC program which is presently being organized separately at the various regions.

(2) Advanced medical cooperation

Active cooperation is required both to promote advanced medical researches and to advance the methods of diagnosis and medical treatment through the introduction of new technology. While Japan has granted facilities for basic medical researches on, for instance, cancer, it is necessary in the future to dispatch experts and provide equipment and materials to further improve these facilities. It should be reminded that such advanced medical services be available to a wide range of people in Thailand.

(3) Welfare in industrial sector

In Thailand, various industrial welfare measures have been considerably advanced in comparison with other developing countries. However, she needs to improve labour safety standards and industrial hygiene to which technical cooperation is still needed.

(4) Environmental conservation and protection

It is important to ensure harmony between development projects and environment by thorough assessment of the environmental impact before implementing projects. It is expected to extend cooperation to systematize the

implementation of environmental measures and to help conservation of soil, forests, water, air, etc..

(5) Women's position in society

International society is now concerned with how to deal with gender issues in cultural cooperation. Japan has had few experience in this area and this remains for future consideration. For the time being, it will be desirable to study carefully Thai Women in Development (WID) strategy, to promote research on women's problems and to cooperate with some women's organizations. Some of the areas for cooperation in the future are education, vocational training, welfare and maternity protection among women in rural areas. Also to be considered for the betterment of women are the increase of employment opportunities in development projects, income generation and improvement of social standing.

4. Proposals for Cooperation

4-1. Necessity for New Policy Dialogue

To meet the change of development needs caused by rapid industrialization, both Japan and Thailand should have more frequent opportunities of regular meetings and policy dialogues which will enable to promote the implementation of prompt and flexible cooperation. In the implementation of technical

cooperation with Thailand, Japan have contributed to enhance friendship, economic development and social welfare in Thailand through intensive policy dialogues.

The proposals for economic cooperation submitted by Thai Government in the past such as so-called "White Paper on Re-adjustment of Thailand-Japan Economic Relation" and "Three-Year Guideline on Technical Cooperation and Grant Aid" should be highly respected. At the same time, certain considerations must be paid to the contents of the policy dialogue held by the 2nd Okita Mission in September, 1986.

These policy dialogues, however, were based on the socio-economic conditions before 1986. There must be an evaluation of the rapid industrialization after 1986 and new issues in the Japan-Thailand economic cooperation derived from the evaluation, which must be reflecting the change occurred in the term. Analysis of these new issues provides the base for future cooperation between Japan and Thailand.

4-2. Systematic and Flexible Development Cooperation

Economic cooperation with Thailand should be comprehensively organized with flexibility which makes it responsive to the change and diversification of needs in the process of economic development.

(1) Cooperation from medium and long-term perspectives

Thai government requested Japan's cooperation in 1986 by presenting the "White Paper on Re-adjustment of Thailand-

Japan Economic Relation" and "Three-Year Guideline on Technical Cooperation and Grant aid". However, economic development in Thailand since then has changed her development needs to which Japan could extend cooperation. It is, therefore, necessary to establish a new medium- and long-term program which reflects the change. The program should be formulated in such a manner as to integrate it into the Thai National Development Plan as well as to be flexibly responsive to the change of situation in the future.

(2) Cooperation to planning sector

Expansion of cooperation is needed to the formation of macro-level plan such as national socio-economic development plan and integrated sectoral and regional development plan. In so doing, mutual understanding between both governments is promoted so as to enable them to understand and respond properly to the change of development needs.

Japanese experts have already been contributing greatly to policy-making in the important sectors including NESDB, DTEC, and TDRI. It is imperative to strengthen the cooperation in this field since there will be more requests for software development cooperation aiming at organization-building, planning as well as managerial capability-building.

(3) Program-type cooperation

In project-type cooperation in general, its activities are rigidly fixed prior to the implementation and cannot be always modified to meet rapid change in the development

needs. In order to flexibly meet changes in situation, approaches on sectoral or regional level need to be strengthened in addition to the individual projects.

(4) Evaluation

Evaluations of individual projects have recently been positively conducted. Japan-Thai joint evaluation, in particular, has to be encouraged because the evaluation method can be further developed. In addition, it is expected that the results of evaluation will be promptly fed back to planning and implementation. It is also beneficial to analyze and assess the effects of projects on the national economy.

Japan's cooperation to Thailand has now come to a major turning point. It will be significant at this point to hold comprehensive joint evaluation on the achievements and effects of Japan's cooperation to Thailand in the last two decades, as the result of the evaluation can be reflected in the future cooperation.

4-3. Implementation of Well-cared Cooperation

In order to raise effect of cooperation to Thailand where the development need is diversified, it is necessary to expand careful and thoughtful cooperation which meets the actual circumstances of Thai society. It is also important to strengthen organic combination of various forms of cooperation such as the combination of loan and grants, official and private basis cooperation, etc..

(1) Consideration of needs in society

In the case of cooperation to regional development programs for rural areas or local cities, the program should be designed and implemented with careful consideration so as to integrate social characteristics in it. It is also desirable to elaborate the mechanism of implementation so that development effects go directly to the intended beneficiaries. Direct participation of local governments into implementation of development project is an effective means to increase their capability in administration and planning as well as to stimulate creativity and effort of inhabitants in the region. Participation of local governments, thus, could make a significant effect in rural and regional development.

(2) Cooperation in software development

As Thai economy grows, interdependence between Thailand and Japan is will be remarkably expanded in terms of activation of private sectors, technological innovation and international exchange. At the same time, transfer of Japanese technologies will be strongly requested by Thailand. Importance in this regard will be attached particularly to a wide range of software such as manpower training, systematization of technological R&D, business management, marketing know-how, information access, etc. To expand cooperation in this field, however, it is indispensable to recruit and train relevant personnel in Japan. For this purpose, active efforts are needed to recruit appropriate and talented personnel from a wide range of fields including private sector,

who have expertise, language fluency, international fitness and adaptability.

(3) Support for NGO

NGO activities, being well-cared grass-root-level cooperation, have been acquiring high appreciation for their steady support to the people of specific regions like urban slums and poor rural areas, to whom official aid has not been able to reach. In Thailand, in particular, Japanese NGO activities are positively carried out in the rural areas, urban slums and refugee camps. It is important for the Japanese Government to make effort in finding the needs at grass-root-level by keeping close contact with NGOs. In so doing, people's situation and their requests for Japan will be clarified. Support to the NGO activities and appreciation of their autonomous nature will help promote understanding of cooperation activities in Japan.

4-4. Capacity Building of the Implementation System

Strengthening of the cooperation implementation system is an indispensable necessity in order to provide Thailand with efficient, effective and well-cared cooperation. Actions must be urgently taken especially to strengthen JICA office in Thailand which functions as a channel of cooperation, to strengthen information collection function prior to the execution of cooperation, and to expand public relations activities relating to the development cooperation.

(1) Efficient administration

To enhance total effects of development cooperation, efficiency should be raised in development administration which executes formulation, coordination and evaluation of development cooperation. Particular importance is attached to the closer combination and coordination between technical and financial cooperation, and also to the combination between official and private cooperation. The importance of inter-cooperation between various development cooperation agencies in Japan is, of course, important and, therefore, closer coordination between them must be promoted. Because Japan is the largest donor country in Thailand, other donors and international organizations are highly interested in Japan's role as a coordinator of cooperation activities. It is, therefore, important to expand Japan's function to cooperate and coordinate with other donor countries and international organizations. Furthermore, Japan's cooperation with Thailand has critical influence on other ASEAN countries, Japan's development cooperation agencies are requested to extend their mutual cooperation in coordination with development plans of the neighbouring countries of Thailand.

(2) Function of overseas offices

JICA and OECF offices in Thailand are expected to effectively play various roles such as viable-project finding, follow up of ongoing projects, post-evaluation of projects, and public relations activity. According to the increase of budget for cooperation and diversification of cooperation activities in

recent years, these overseas offices are assigned to handle ever-increasing amount of work. However, JICA and OECF offices in Thailand have only 30 and 12 persons including local staff, respectively. This is far below the USAID which is staffed with 90 personnel. The overseas offices are presently overloaded with assignments to handle Japan's ODA to Thailand which is equivalent to 8 times as large as that of the USA (on 1986 ODA basis), the largest in Thailand. Therefore, in order to implement well-cared cooperation matching to the change of local situation, allocation of suitable number of staff is an essential necessity and the overseas offices must be strengthened in terms of their functions and authority. It is also necessary to take other measures such as education and training of the local staff, utilization of the local consultants, and so forth.

(3) Improvement of information gap

As volume of information increases, information gap between Japan and Thailand has rather been widened and it is worried if this will disturb mutual understanding of the two countries. The information gap is created because, while data and information produced in Thai language are rapidly increasing, only a limited part of them are collected, processed and utilized in Japan. Under such circumstances it is difficult to collect information of the present condition of Thai politics and economy and reliable information upon which the project finding should be based.

A drastic measure is desired to minimize this information gap. For this purpose, several measures as under-mentioned should be taken into consideration; 1) to promote translation of Thai language information. Along this purpose, to set up an "Information & Translation Center" in Thailand, and 2) to foster experts on Thai study. Another approach in this line is the expansion of joint researches with Thailand or entrust researches to neutral research institutes. The results of such studies are desired to be utilized by not only cooperation organizations but also research organizations and universities of both countries under a certain system.

II. SUMMARY OF ANALYSIS

I. Macro Economy and Development Programs

1-1 Steady Economic Growth

Because of the deterioration of the terms of trade after the second oil crisis, the Thai economy in the first half of the 1980s was forced to decelerate its growth. However, its export competitiveness has improved owing to its flexible foreign exchange policies and the external factors such as the dollar depreciation and the decline of oil prices after fall of 1985. The real GDP growth rate has been improving from the 3% level in 1985-1986 to 6.1% in 1987 and 8% (projected) in 1988. The manufacturing and construction industries in particular have grown steadily, helped by the recovery of private investment in equipment and plants and by a sustained export-oriented climate. In agriculture, forestry, fishery and services, production is being diversified and new fields of business are being developed.

The country is making strong efforts to maintain its development objectives through structural adjustment and industrialization. Through such measures as fostering of export industries, expansion of overseas markets, decentralization of industrial plants, fostering of medium and small scale enterprises, strengthening of private financial institutions and revision and abolition of tariffs, the country is further promoting its industrialization.

1-2. Finance

Financial deficits have been expanding since the 2nd oil crisis, and despite the government's financial retrenchment policies, its desired effects have not been realized. Slightly under a quarter of the entire fiscal 1987 budget was appropriated for repayment of debts. To restore the financial condition, it will be necessary in the future to check the increase in expenditure as well as to make efforts to secure revenue, reform the tax system and reduce the subsidies to state enterprises. With a view to restoring a more healthy financial climate, the government has already embarked on the utilization of private capital for the promotion of economic development.

1-3. Foreign Debts

In 1986, the country's foreign debts had risen more than 200% from the end of 1980 to a total of \$13.9 billion. However, improved debt management and expansion in exports helped to reverse DSR from a critical 20% in 1985 to 17% by 1987. At the same time, the government is maintaining the debt-control policy of limiting the official foreign debts to \$1 billion a year.

1-4. Foreign Investment

According to the 1987 records for business investment applications, the number of foreign investments rose 2.45 times from 1986 to reach 1,057 by the end of year. In value, it

increased 3.5 times to reach 209 billion bahts. Investment from Japan accounts for the largest proportion of these figures but investment from the U.S. and Europe and from the NIES such as Taiwan and Hong Kong has been rising. Taiwan, in particular, rapidly increased its investment by 8 times from the previous year mainly in labor-intensive industries. These trends show that the light industries which have lost their comparative advantage due to the advance of the NIES industrialization are being transferred to Thailand.

The expected benefits from these investments include the expansion of employment opportunities and consequently of income and personal consumption. Increased investment in private plant and equipment can also be expected. As 80% of the investment application were for export-oriented industries, foreign exchange earnings are expected to expand. This will upgrade the export and industrial structure on a medium- and long-term basis.

1-5. Trade

After a period of stagnation in 1982-1983, Thailand's export growth has been well above 10%. Since 1986 in particular, export of manufactured goods has been remarkably increasing to record a 27% growth in 1987. Stringent fiscal policies and the decline in oil prices kept import figures low. In 1986, Thailand recorded a negative growth in imports. But in 1987, imports again increased by 38%. This increase was due to the increased importation of capital goods and raw materials in recovering

economic climate. As a result, the trade deficit, which had been declining after 1984, has started to expand again in 1987.

In order of importance, Thailand exports mainly to the U.S., Japan, Singapore, the Netherlands and West Germany. Since 1984, her exports to the U.S. have been increasing significantly. Thailand's major sources of imports are Japan, followed by the U.S., Singapore, West Germany and Malaysia. Imports from Japan far exceed that from the U.S. and accounts for well over a quarter of all imports.

1-6. Employment

Of the 27.7 million potential work force in 1986, the number employed was 26.14 million (94.4%), with 1.56 million (5.5%) unemployed. However, it is estimated that a more realistic figure of unemployed would be 1.96 million (7.0%) if seasonal workers are counted. Of those employed, the agriculture, forestry and fishery sector accounted for 66% in 1985, while the manufacturing sector employed only 8.9%. Despite the increases in manufacturing production in recent years, this sector's labour absorption capacity remains low. The 6th National Development Plan targets 2.9% annual growth rate in the agriculture, forestry and fishery sector and 5.7% for the other sectors. The future tasks are the development of non-agricultural industries and the expansion of employment opportunities particularly in rural areas.

1-7. Regional Disparity

Economic activities are over-concentrated in the metropolitan area. The GDP per capita for 1985 shows remarkable regional disparity where metropolitan Bangkok showed an index of 100, the figure for the northeastern region was 13.8. The northern, southern, central, western and eastern regions had equally low figures of 22.6, 26, 28.4, 35.7 and 43.4 respectively. The figure for the northeastern and northern regions are particularly dismal. This has to do with the fact that the main occupation here is agricultural and there are no alternative occupations for the people during non-farming season. To correct this imbalance, the government hopes to increase the agricultural sector's labour absorption capacity by developing farmland and improving agricultural practices. It is hoped that the regional disparity can be eliminated by developing key cities of the depressed regions, improving their infrastructure, expanding education and decentralizing a distribution of factories.

1-8. Social Inequality

Income inequality is closely associated with such factors as type of industry and occupation, state vs private sector, level of education, and so forth. Income is higher in the state sector such as gas, electricity and water services as well as in managerial occupation. On the other hand, the unskilled workers, working in agriculture and/or in the private sector which is dominated by tiny enterprises in service, commerce and

manufacturing, earn very little. The government intends to eliminate social inequality by fostering private firms through the expansion of education.

2. Sectoral Analysis

2-1. Agriculture, Forestry and Fishery

(1) Agriculture

Agriculture accounts for 17% of the GDP and employs slightly over 60% of the entire labour force. While these figures have been decreasing in recent years, agriculture still has a large weight in the Thai economy. Some characteristics in the recent years are 1) increase in rice production due to extensive expansion of cultivation, 2) decline of the relative importance of rice and a de-emphasis of rice as the major export commodity, 3) rapid development of the agricultural processing industry, and 4) widening of the inequality within the agricultural sector as well as among regions.

Compared with the other ASEAN countries, Thailand has a high ratio of landed farmers. But the number of the landless is increasing gradually because of debts, population pressure and fragmentation of land in rural areas. Also, due to the differences in the natural and socio-economic conditions, the regional disparity is widening. As regards rice production, the yield per unit area is very low compared

to other countries and this has not improved for the past few years. Indispensable for production increase is the provision of such inputs as agricultural equipment, fertilizers and pesticides as well as the development of irrigation facilities. For these inputs to work, however, it is necessary as a precondition to eliminate limiting factors such as the lack of low-interest credit institutions, prevent price fluctuations and guarantee high producer prices.

(2) Livestock industry

Livestock industry is now a powerful growth industry because of the expansion in the recent years of the domestic demand for animal protein and increase of exports to Japan mainly of broilers. As regards the dairy industry also, the demand for milk and dairy products is expanding. It will be important to further promote this industry, because the industry could improve the nutritional condition of infants and is also a candidate for import substitution.

(3) Forestry

Forests are rapidly disappearing because of their conversion into farmland and the expansion of the demand for firewood, charcoal and lumber caused by the population increase. It is necessary to consider forestry from the viewpoint of the conservation of the forest resources and environment rather than production-oriented aspect.

The "Green Northeastern Thailand Program", in particular, covering the northeastern region and being promoted at the

initiative of the king is worthy of attention as an afforestation program.

(4) Fishery

The natural reproduction capacity of Thailand's fishery resources is declining due to indiscriminate fishing by trawling and lumbering of mangroves in brackish water regions. It is necessary to strengthen resource management and develop fish-farming.

2-2. Manufacturing, Energy and Mining

(1) Manufacturing

The Thai industrial sector has achieved remarkable growth in the recent years and accounted for around 30% of the GDP in 1985. The manufacturing alone, which is the mainstay of industrial sector, accounts for around 20% of the GDP. In 1984, it overtook the agricultural sector in nominal value to become the single largest contributor to GDP. Its exports have also increased to account for over 40% of the country's total exports. Particularly significant has been the growth of labor-intensive industries such as the textile and apparels industries. In 1985, these two became the largest export industries by overtaking the export of rice. While the manufacturing sector is playing an important role in employment as well, the proportion it employed was below 9% in 1985. The remarkable growth of the manufacturing sector, particularly the labor-intensive export industries, was

largely due to the following factors: 1) the country's foreign exchange policies which have been able to prevent the baht from being over-valued, 2) international factors such as the yen appreciation and dollar depreciation, 3) active corporate management by corporate groups which were formed through introduction of foreign capital and technology, 4) the policy environment which has placed priority on the role of the private sector and 5) relatively cheap high-quality labor force.

(2) Energy

The country's dependence on the imported energy sources has been declining despite the increase in energy consumption due to the recent economic development. At present, only around a third of the primary energy sources is imported. This is largely due to the development of natural gas in the Gulf of Siam and the promotion of use of lignite. However, the expenditure for the importation of oil and other sources of energy is still a great burden on the Thai economy.

(3) Mining

The mining industry contributes only a small share in the GDP and also its weight is diminishing in terms of employment. Development of the Thai mining sector faces limiting factors such as underdevelopment of the related infrastructure, the limited scale of mining related business and delays related to survey on mineral resources.

2-3. Infrastructure and Environment

(1) Infrastructure

Transportation and communications accounted for 9.3% of the GDP in 1986. This is a large proportion following those for the manufacturing sector (20.6%), wholesaling and commerce (18.6%), agriculture, forestry and fishery (16.7%) and services (11.3%).

Developing this sector's infrastructure has very significant relevance for the overall industrialization program of Thailand. Being aware of this, all the national development plan(1st to 6th) has consistently placed priority on investment in this sector.

The 5th (1982-1986) National Development Plan, for instance, appropriated over two-thirds of the total investment amount to infrastructure development.

While roads, communication facilities, etc., had been developed mainly through loans from donors such as the World Bank, the Asian Development Bank and Japan, such loans amounted to over half of Thailand's external debt. As a result, the regulatory measure in the form of a DSR guideline exerted an influence on promotion of large projects by the government.

Initial year's program of the 6th (1987-1991) National Development Plan appropriates 40% of the national budget to the development of infrastructure.

① Infrastructure development: present situation

Roads : Road transportation carries 91% of all domestic freight and is hence playing a great role. While the country has been promoting the development of national and local roads with emphasis, the distribution of goods and services as a whole is still inefficient because of the inadequacy of feeder roads and low maintenance ability. To ease the traffic congestion in metropolitan Bangkok, third-sector firms are steadily developing highway networks.

Railways : Most Thai railways are single track. They are also narrow gauge and have not been electrified. Modernization will be the future task. To efficiently utilize oil energy, the country has started to strengthen its railway transportation system as part of its efforts to reconstruct the transportation systems. Recently, a new line was opened between Bangkok and Sattahip as part of the eastern coastal development program.

Harbors : Freight is concentrated in Bangkok Harbor (95.7%). Because this is a river port and modern container facilities have not been fully installed, it is difficult for the port to cope with the rapid increase in international freight. An urgent task is to develop new harbor facilities.

Modern harbor facilities are under construction at the ports of Laem Chanbang and Mab Ta Pud. These will be completed by 1991. Development of local ports such as Songkhla and Phuket is necessary to promote regional development and to reduce the excessive concentration in Bangkok Harbor.

Air transportation : The number of passengers using Bangkok International Airport doubled during the ten years from 1975 to 1985 to reach 6.6 million. Because of the increase in the amount of freight transported by international liners, it is necessary to expand the present Bangkok airport facilities and to develop local airports as well.

Telecommunications : Among infrastructures, telecommunications are the least developed. Though the country increased the telephone circuits to 700,000 in 1985, 75% of these are concentrated in metropolitan Bangkok. There is a great metropolitan/local difference (5.46 telephone units per 100 persons in metropolitan Bangkok as against 0.36 units in local areas). In terms of the national average also, the diffusion rate of 1.4 units per 100 persons is very low compared to the 4 units for the developing countries.

② Targets in the 6th National Development Plan

The 6th National Development Plan has the following targets regarding development of transportation and communications infrastructure:

- a) To urgently improve land transportation, harbors and communications both in quantity and quality.
- b) To improve the repairs, maintenance, control and operation activities and improve the existing networks and services.
- c) To enhance the efficiency of the networks in relation to the overall economic system, by developing the trunk roads and railways between production centers and markets and between the metropolitan area and local rural areas.
- d) To promote the development of new and advanced infrastructure particularly data communication networks and international oceanic transportation networks, and to accelerate the introduction of advanced technology for enhancing the international competitiveness.
- e) To actively introduce private-sector vitality.

(2) Environment

There are two main points with regards to Thailand's environmental dilemma. One is the problem of finding adequate countermeasures against the effects of environmental overload caused by rapid industrialization and urbanization. The other is how to regulate the exploitation

of natural resources so as to ensure sustainable economic development.

① Environmental pollution: present situation

Pollution in the Chao Phraya River has been badly accelerated by the increase of waste water inflow : domestic waste water from rapidly growing metropolitan Bangkok and industrial waste water from industrial production facilities in its surroundings.

Air pollution has also become a serious problem due to the rapid increase of automobiles and traffic congestion in metropolitan Bangkok. In Samut Prakan near Bangkok, the residents are increasingly complaining about the fumes from factories. Air pollution has, thus, considerably progressed. Because appropriate waste disposal systems have not been established for waste and harmful chemical substances, there is a concern regarding environmental pollution in the future.

② Control and conservation of natural resources

Thailand is rapidly losing its rich natural resources as an attendant consequence of its economic development process.

It will be necessary to develop a strategy that can find an effective land use as well as a harmonious balance between environmental conservation and exploitation of forest resources, mangroves and water resources. The Thai government proposes to tackle these problems in its 6th National Development Plan. In this connection, active

cooperation will be needed for the formulation of master plans and the development of manpower.

2-4. Human resources · Health and Medical Care

(1) Education and human resources

The demand for elementary education has been expanding with the population increase. The enrollment rate for elementary education has now reached nearly 100%. The future issue will be that of quality. Only around 40% of primary school children proceed to secondary education and only 25% finish it. The expansion and development of secondary education both in quantity and quality will be necessary in the future. On the other hand, the unemployment rate among those who have finished secondary schools, vocational high schools and colleges is considerably higher than that among those elementary-school leavers. The unemployment among the educated has hence become a major problem.

(2) Health and medical care

Thailand's past efforts to promote hygiene and improve the health system have started paying remarkable results in the past few years. There has been a decrease in the number of undernourished children; the infant mortality rate has gone down while life expectancy has risen. On the other hand, however, there still remains a considerable number of the so-called tropical or infectious diseases and the number of

patients afflicted with diarrhea, malaria and dengue fever is actually increasing. There is a shortage in the absolute number of medical facilities and personnel, and therefore, countermeasures against this situation are needed. There is also great regional disparity. Particularly urgent is the need for medical services for the people living in rural areas and city slums.

2-5. Tourism

Tourism has become the main source of foreign exchange through the development effort of the Tourism Authority of Thailand. The 6th National Development Plan has also set forth concrete goals and has formulated implementation programs and special projects for this purpose. The Thai government is thus giving high priority to tourist development. Also needed, on the other hand, is thoughtful consideration to such matters as the influence of tourist development on the environment and local residents.

3. Current Japan's Assistance to Thailand

Japan's economic and technical cooperation with Thailand accounts for around 50% of all ODA received, and Japan has come to play an influential role in donor circle. Aid has generally been given in the form of loans, but since 1980, grants has been increasing.

Thailand has been receiving around 5 to 10 percent of Japan's total bilateral ODA since 1975 and ranked 2nd to 6th in a country to country comparison of the amount of Japan's ODA disbursement.

3-1. Grants

Japan started its grant aid to Thailand in 1970 for the construction of telecommunication facilities to connect Hong Khai (Thailand) and Vientiane (Laos). Subsequently, Japan has been providing grants every year on a regular basis except in fiscal 1973. In recent years, the amount of grants has reached around ¥12-14 billion a year. The aggregate amount granted until fiscal 1987 was 120.530 billion. In this form of assistance, priority has been placed on human resource development. In particular, grants to the King Mongkut's Institute of Technology tied with project-type technical cooperation have been regularly provided, contributing toward manpower development in Thailand.

3-2. Technical Cooperation

From 1954 to fiscal 1987, JICA provided technical cooperation as follows: 6,917 trainees accepted, 2,978 experts dispatched, 124 development surveys conducted and 47 cases of project-type technical cooperation implemented. The cooperation has been provided in diverse areas such as agriculture, public works and human resource development.

3-3 Loans

From 1967 to 1987, Japan provided Thailand with a total of ¥676.039 billion in 13 ODA loans. The total amount extended until fiscal 1987 was ¥648.784 billion. Recently, these loans have been mainly used for public works, especially transportation, and for the development of the mining and manufacturing industries. The eastern coastal development is a typical example. The loans also cover agricultural sector including agricultural development in the northeastern Thailand.

In addition to project loans, Japan has been providing two-step loans to the Bank of Agriculture and Agricultural Cooperatives (BAAC) and the Industrial Financing Corporation of Thailand (IFCT). These have contributed toward the increase of farmers' income through the improvement and expansion of agricultural finance as well as toward the promotion of export-oriented medium and small scale enterprises and their exports.

3-4. Regional Distribution

Japan's assistance is concentrated in metropolitan Bangkok. Others, however, are distributed more or less throughout Thailand, and there are also many inter-regional projects which are not limited to a specific region. The emphasis in recent years has been laid upon the eastern coastal industrial zone and northeastern Thailand (agricultural development). This priority is to be maintained in line with Thailand's 6th National Economic and Social Development Plan.

3-5. Sectoral Features

(1) Agriculture, forestry and fishery

Japan's development assistance in this sector takes various forms like grants, project-type technical cooperation, development surveys and loans. There are also cases in which project-type technical cooperation is provided in combination with grants or with loans. In addition to developing the agricultural infrastructure such as irrigation facilities and farm roads, efforts are being made to improve overall rural living environment by supplying electricity and water as well as constructing vocational training centers. Japan also regularly provides two-step loans to the BAAC and agricultural inputs such as fertilizers, agricultural machinery and chemicals.

(2) Mining, manufacturing and energy

In the field of mining and manufacturing industries, Japan's cooperation has been provided in the form of two-step loans to the IFTC for promoting medium and small scale enterprises. Assistance has also been given for the construction of research institutes for metal manufacturing and machine industry. For energy development, construction of power generation facilities and rural/local electrification have been the main field of cooperation.

(3) Infrastructure

Assistance has been provided for the construction of bridges, railways, airports, communication facilities, water services and sewage systems and road projects mainly in connection with the development of the eastern coastal industrial zone. Most of the aid takes the form of development surveys and loans.

(4) Human resource · Health and medical care

In the area of human resource development, Japan has been constructing vocational training centers, providing assistance for the promotion of Japan studies and promoting the Ayutthaya Historical Museum Plan to commemorate the 100th anniversary of Japan-Thailand friendship. These are being provided through grants or a combination of grants and project-type technical cooperation. Since 1972 Japan has also been providing cooperation for the King Mongkut's Institute of Technology on a regular basis.

In the area of health and medical care, Japan has been providing cooperation for family planning, nursing education and primary health care training centers through a combination of grants and project-type technical cooperation.

(5) Tourism

In the 13th ODA loan, Japan has started to provide loans for developing the tourism-related infrastructure. Development survey has been implemented for the tourist development in southern Thailand.

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