

AN ENDURING LESSON FROM THAILAND'S ECONOMIC PERFORMANCE

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Although the technical details in maintaining macroeconomic stability, rapid expansion of manufacturing exports, attracting foreign investment, promoting market dynamism, and private-public sector cooperation bear many insights for possible emulation by other developing countries seeking economic growth, the paper argues that the most enduring lesson from Thailand's economic success lies in the arena of political economy that allowed a typical, tropical underdeveloped country with high population growth, huge underemployment, subsistence agricultural economy, widespread illiteracy, pervasive corruption, perennial political instability, repeated coups and counter coups, authoritarian and dictatorial rule, intermittent and transitory period of failed democratic polity and even armed insurgency—finally to leave all this behind. The political economy lessons are that a technocratic management of an economy for maintaining a continuity of economic policy through swings of political pendulum of democratic strivings and military-autocratic reigns and an early emergence and embracing of a business-enterprise culture, as opposed to a culture of destructive political protests and dissents, are essential for economic growth.

Introduction

Thailand's success in the development effort is undoubtedly remarkable. In less than a decade its income has almost trebled. The per capita income increased from Baht 21,000 in 1986 to Baht 60,000 in 1993. This is clearly the result of the GDP growth rate hovering around double digit

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continuously for the last eight years, while the population growth continued to decline from 2 percent in 1980 to 1.3 percent in 1993. Thailand is a typical rural-agricultural economy. More than 80 percent of its labor force was engaged in agriculture in 1965, contributing 34.8 percent to the GDP. It is now largely transformed into an urban-industrial economy, with only 12 percent of GDP coming from the agricultural sector.

Although the employment share of the agricultural sector is still disappointingly¹ high, i.e., 67 percent in 1990-92, the economy has already been turned from a labor-abundant to a labor-scarce one with an annual employment growth rate of 4.4 percent during the 1980s — a rate which is much higher than the growth rates of population (1.3 percent) as well as labor force (2.2 percent) during the recessionary period 1980-86. Overall development is also equally impressive. From 66 in 1991, Thailand climbed to 54 in the Human Development Index (HDI) rank in 1994 among 173 countries of the world that UNDP has been monitoring for progress as reflected by human development criteria, instead of economic growth alone.

This paper elaborates on the themes and facts touched upon by way of this introduction. It covers the economic growth and structural transformation that Thailand has been going through. Bangkok's leading role in this transformation and associated spatial imbalances in Thai growth and development are also examined critically in this paper. It also assesses the factors that have made it possible for Thailand to become a leader not only of ASEAN transition but also of positive influence to other developing countries in the larger Asian region, if not beyond. The paper's concluding remarks focus on the doubts, concerns, and questions surrounding Thailand's success.

¹ Disappointing because 67 percent of the total labor force turning in only 12 percent of GDP obviously denotes a productivity problem.

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Performance of the Thai Economy

Growth and Development

Thailand's economy started to boom in 1987 with nearly double digit growth rates (9.5 percent), followed by 13.3 percent in 1988, 12.2 percent in 1990, 8.4 percent in 1991, 7.9 percent in 1992, 8.2 percent in 1993 and 8.5 percent in 1994. Growth of this magnitude for so many years naturally made a big impact in Thailand. Whereas this boom has become widely known, what is not clearly known is that this did not come about suddenly. Indeed, prior to the beginning of this booming phase, Thailand's economic growth had been remarkably well: 6 percent to 9 percent during 1970-80 and 5.3 percent even during the global recessionary period of 1981-86. The steady growth has thus been sustained for more than two decades. One source of sustained growth for such a long period and the prospect of its continuation is that all three sectors—agriculture, industry and services—are strong. Equally significant growth has been maintained by all three sectors throughout the last two decades or more. This is clearly shown in Table 1.

The strength of all three economic sectors has put Thailand in a very strongly advantageous footing for long-term sustainability of growth. Indeed, it seems to us that there is no basis in the oft-repeated observation that the Thai

Table 1 - Aggregate and Sectoral Growth Rate in Thailand, 1970-92

	1970-80	1980-92
GDP	7.1	8.2
Agriculture	4.4	4.1
Industry	9.5	10.1
Manufacturing	10.5	10.1
Services	6.8	8.1

Source: The World Bank, *World Development Report*, 1994, Oxford University Press, p.165.

economy would collapse if tourism and the associated entertainment services would falter. The 28 percent share of manufacturing in GDP (industrial sector's overall share is nearly 40 percent) is one manifestation of Thailand's clear transition to the NIE (newly industrialized economy) status.

Structural Transformation

Together with the steady economic growth of more than two decades, topped with the boom, a remarkable structural transformation has occurred in Thailand. Although our focus here is limited to structural transformation of economic dimensions, it is to be noted that the changes in the basic economic structure as depicted in Table 2 have been associated with profoundly significant change in political and social structures as well as in cultural, attitudinal and behavioural aspects.²

Table 2 - Structural Transformation in Thailand, 1960-90

Year	Sectoral share of GDP			Population distribution		Work force by sector	
	Agri.	Ind.	Services	Rural	Urban	Agri.	Non-agri.
1960	39.8	18.6	41.7	-	-	-	-
1970	25.9	25.3	48.8	86.7	13.3	78.9	21.1
1980	23.2	31.0	45.8	82.7	17.3	71.0	29.0
1990	12.4	39.2	48.4	77.4	22.6	66.5	33.5

Source: Muscat (1994, p. 293), ESCAP (1993, pp. 2-11), and H. Utaserani and Yongkittikul (1993, p. 138) respectively for data on sectoral share of GDP, rural-urban distribution of population, and employment by agricultural and non-agricultural sectors.

² This author has been a witness of these changes since 1987 when the boom started. Some documented sources are: Muscat (1994) for economic and political development; Atkinson and Vorratchaiphan (1994) for concerns on social, cultural and environmental changes that have accompanied Thailand's development; and Korff (1986) for sociological analysis of Bangkok's social and economic system (focused on slums and until the boom time).

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Most remarkable is the more than threefold drop of agricultures's share in GDP, and the doubling of the industrial sector's contribution during the same period from 18.6 percent in 1960 to 39.2 percent in 1990. While the importance of agriculture continues to diminish, its share of the work force is still high at 66.5 percent. Although this figure may not be accurate (because of widespread presence of mixed occupations which makes classification of the rural labor force complex³), such a huge proportion of labor turning in only 12 percent of GDP obviously denotes a productivity problem for the agricultural sector. But even on this perennial problem the booming economy has made an impact: in just three years the average agricultural productivity rose from 10.15 in 1986 to 17.06 in 1991.⁴

The industrial sector scenario is much brighter. The sector as a whole has been rapidly expanding as evident in the doubling of its GDP share. Furthermore, manufacturing continues to make greater strides: from 16 percent in 1970, its GDP share rose to 28 percent in 1992. Productivity of manufacturing is also very impressive with its 28 percent of GDP being contributed by only 11 percent of the total work force. This is suggestive of an employment problem. Fortunately, that has not been the case: Rather, overall employment generation (particularly in the service, construction, housing, infrastructure sectors) has created a tight labor market situation—a feat that seems so impossible today for most countries.

Growth dynamism of the manufacturing sector is reflected more in the change in the composition of exports as shown in Table 3.

³ Muscat (1994) points out methodological problem that may have overstated the size of the agricultural labor force.

⁴ Author's calculation based on NSO (1993) data.

Table 3 - Change in the Structure of Exports, 1970-1992

Type of Exports	1970	1992
Fuel, mineral, metals	15	2
Other primary commodities	77	21
Machinery and transport equipment	0	22
Other manufactures	8	45
Textiles, clothing	1	17

Source: The World Bank, *The World Development Report*, 1994, Oxford University Press, London p. 191.

Overall, a total reversal of Thailand's status as a primary goods producer and exporter has taken place in two decades. Two pieces of evidence illustrate this very strikingly. One, in 1960 the share of agriculture to GDP was 39.8, whereas in 1990 that share (to be precise 39.2 percent) was taken over by the industrial sector (Table 2). Two, in 1970 the share of primary commodities (other than fuels, minerals and metal) stood at 77 percent, whereas in 1992 a similarly high proportion (67 percent) of exports consisted of the manufacturing goods (Table 3). This is clearly a remarkable feat of achievement without any historical precedence.

The shift of human settlements from the rural to the urban area is an important dimension of socioeconomic transformation. The level of urbanization, measured by the proportion of total population living in urban areas, shows changes in human settlements pattern. Thailand has long been a typical rural-agricultural economy like most other developing countries. Even in 1970, nearly 86.7 percent of Thai people lived in rural areas. In 1990 this proportion dropped to 77.4 percent as shown in Table 2. Some sources show a larger drop in the rural population. At any rate, our best approximation is that about one-third of Thai people now live in urban areas. More importantly, the trend is of rapid increase: during 1970-1990, the growth rate has been 5.0 percent per annum. This pace is an indication that a more congruent relationship between economic development and urbanization is

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taking shape in Thailand. According to the historical relationship observed among a large cross-section of countries over a long period of time, Thailand's predicted value of urban share in total population is in the order of 40 percent. That is to say: at the current per capita income level, 40 percent of Thai people are expected to live in urban areas. The actual figure is much lower at about 23 percent.

There are many plausible explanations for this. One is the strong cultural attachment of the people to rural land and living. Another hypothesis will explain this through the highly skewed urban structure of Thailand. The urban hierarchy of Thailand is overwhelmingly dominated by a single city: Bangkok. The primacy of Bangkok is exceedingly high, whatever is the measure used. The absence of alternative large regional cities have made rural-to-urban migration virtually a one-city bound destination. This situation has naturally constrained overall urban absorption. The current economic boom—notwithstanding its Bangkok-centeredness which limits the potential—coupled with the continuation of planned urban decentralization (Siamwalla, 1990; and Pakassen, 1988) should finally bring a balanced urban structure in Thailand.

Urban Development

Our scrutiny of the labor force survey data of Thailand for the last two decades suggests a significant change in the employment structure of Thailand. Since the change in the Thai labor force engaged in agriculture and non-agricultural occupations was already shown (Table 2), here we focus our attention on the urban employment structure. The distribution of urban employed labor by work status described in Table 4 shows a substantial rise in 'private employee' category defined as those employed by the private sector.

This reflects a large increase in wage and salary earners in the economy as opposed to those who are self-employed. The latter are counted under 'own account workers'

and 'unpaid family labor'. As can be seen from Table 4, in 1976 these two groups together accounted for 42.8 percent of the urban work force in Thailand. By 1988 this declined to 32.4 percent. In contrast, the proportion of 'private employees' (i.e., wage and salary earners in the private sector alone) rose from 37.9 percent to 45.3 percent. Our estimate for the informal sector employment also shows a decline: from 65.2 percent in 1976 to 59.1 percent in 1988. This large increase in wage and salary earners and substantial reduction in informal sector size are clear outcomes of the rapid economic growth in Thailand.

In view of the dominance of Bangkok in the urban structure of Thailand, Amin (1995) examines similar data of even longer period. These data suggest that the Thai economic growth has altered the size as well as content of Bangkok's informal sector. While substantially reducing the fold of marginal occupations, economic growth has spurred expansion of the dynamic and entrepreneurial component of the informal sector. This is evident in the remarkable reduction of the share of 'own account workers' (i.e., petty trader and service activities of one-person operation) and 'unpaid family workers' (who assist the informal sector family enterprises) in Bangkok's

Table 4 - Percentage Distribution of Employed Persons in the Municipal Areas of Thailand by Work Status, 1976-88

Year	Work status					Estimated size of informal sector*
	Employer	Government employee	Private employee	Own account worker	Unpaid family worker	
1976	1.8	17.5	37.9	28.9	13.9	65.2
1980	3.4	16.1	42.6	22.8	15.0	62.9
1988	4.4	17.8	45.3	19.7	12.7	59.1

Note: Based on the respective year's *Labor Force Survey Report* (July-September round). Amin (1994:62) contains data for each year from 1976 to 1988.

*Private employee x 59% + (Own account worker) + (Unpaid family worker).

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working labor force. These two labor categories together accounted for 33.3 percent of the total working labor in 1971; their share declined to 28.7 percent in 1980, and further down to 23.9 percent by 1993. In contrast, the dynamic informal enterprises (which employ some wage/hired labor, in addition to the 'owner-operators' or 'own-account workers' or 'unpaid family workers', as commonly observed in production of garments, leather goods, toys, metal products, artificial flowers, processed food, jewelry, furniture, etc.) expanded from a share of 26.8 percent of total Bangkok employment in 1971 to 31.4 percent in 1980 and 33.8 percent in 1993. This is a remarkable trend showing the impact of steady economic growth of the last two decades and the boom of recent years (since 1987). On the whole, employment in the sector declined from 60.1 percent of the total Bangkok labor in 1980 to 57.7 percent in 1993 (Amin, 1995).

Rural and Agricultural Development

The writings of two distinguished Thai scholars, Ammar Siamwalla (1990) and Phisit Pakkasem (1988) also suggest profoundly significant changes in Thai rural economy. The latter is a leading figure in the Thai development planning of the recent years as a chief executive of the National Economic and Social Development Board (NESDB) until 1994. In his book, *Leading Issues in Thailand's Development Transformation 1960-1990*, he authoritatively describes major features of spatial-sectoral transformation in Thailand. He attributes the rural-agricultural transformation to the (a) green revolution impacts that have been underway since the mid-sixties, and (b) rural hinterland impacts of the mostly Bangkok-centered urban-industrial transformation that has been underway for sometime, gaining a momentum from the recent economic boom.

Although the "spatial" transformation from the green revolution is characterized as limited, Pakkasem (1988) carefully outlines the immediate impacts of the water-seeds-fertilizer technology that came as a package of the green revolution. Within two years of its introduction, cropping

intensity increased by 85 percent (from 1966 to 1968) and the cropping pattern changed "drastically" with more switching to transplanting than broadcasting that resulted in the doubling of labor hiring by big farmers. By 1976 (a) high-yielding seeds accounted for 40 percent of the total wet season crop, (b) yield increased by 20 to 30 percent and (c) two-thirds of the area came under tractor use. Mechanization spread rapidly for land preparation, transport, and threshing as a result of the introduction of double cropping and land consolidation. Fertilizer use rose steadily. Institutional credit accessibility remained limited to less than half of the farmers and usually only the larger ones could avail of such credit. Pakkasem (1988) concludes that rural transformation impacts of green revolution basically consist of: (a) increased use of modern inputs and technology on the part of those who could make investments for higher yield and returns, and (b) widening of income disparities between land consolidated/irrigated area farmers and rainfed area farmers. He, however, adds that despite their disadvantages, the small farmers did participate in green revolution and fared well.

On rural hinterlands impacts of urban-industrial transformation, results, as reported by Pakkasem (1988) may be summarized as follows. One, the households in areas near Bangkok (the hypothesis is that these areas will gain more from spread effects of Bangkok-centered urban-industrial transformation) did not experience significantly different impact in terms of the structure of agriculture (specifically in agriculture diversification) than those of the far-off locations. However, increased commercialization of agriculture was found in both types of areas which is considered an impact of urban-industrial transformation. Two, the cost structure of farming changed in the Bangkok-proximate areas towards greater dependence on modern inputs and their higher costs. Three, the non-farm income increase accruing to the Bangkok-proximate area households appear as the most tangible impact. Four, there was a striking change in the consumption habits of residents in these locations due to demonstration effects. Five, wages were higher in these 'metro-shadow' locations than the outlying areas but this did not make the propensity of migration

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different: both sub-region (i.e., close and far-off) residents were equally motivated to a Bangkok-ward migration. Six, about 24 to 26 percent of households (of the two combined group) received remittances from members residing in Bangkok of whom 75 percent reported remittances to families in rural areas. Pakkasem (1988) observes that urban-industrial transformation has had both spread and backwash effects on the rural hinterland: Some benefits radiate into the shadow subregion but resources are drawn out of the hinterland as well.

The most resourceful source on rural-agricultural transformation in Thailand is Siamwalla (1990), the chief executive of the prestigious research institution, Thailand Development Research Institute (TDRI). Although in his popular writings, he often expresses concern on the "rural-urban divide", the overall scenario he depicts in his scholarly writings is one of clear optimism. For example, the broadening of the "manufacturing base", he observes, "will ease the pressure on the forest cover after four decades of continual land expansion". He expects "the absolute size of the (permanent) agricultural labor force will shrink sometime during the 1990s", which will lower the demand for labor. An all-around positive scenario, including environmental improvement, is thus predicted as a result of the urban-industrial led economic growth and development that has been sweeping Thailand.

Imbalances in the Development Process

Bangkok's Preeminence

It will be no exaggeration to say that Thailand's economic, political and social transformation is a history of Bangkok's transformation. As detailed below in the text and in Table 5, the facts on Bangkok's primacy in the urban-industrial economy of Thailand are truly overwhelming. Our basic contention, however, is that in the ongoing

economic boom, and the accompanying structural change in Thailand, Bangkok is affecting the whole fabric of Thai society notably its economic life.

Of course Bangkok itself is getting changed almost beyond recognition with an increasing number of high-rises, fly-overs, expressways, numerous cars and eye-dazzling department stores. Completion of the recently undertaken huge infrastructural projects of mass transits, expressways, skytrains, and road networks will soon change the face of Bangkok further. Yet Bangkok, we contend, is very much rooted to Thai soil, people and culture. It does not strike as a city superimposed from outside through the process of colonial and neo-colonial links as is the case with many Third World cities. It is very much a Thai city. Maybe the presence of the informal sector people along the city streets and sois (lanes) with overcrowded vending of locally made food, goods (imported as well as their local counterfeits) and their slum living with continued contacts with rural kins have helped to preserve the Thai character and culture in Bangkok. Bangkok-centered economic growth and modernity, instead of destroying the Thai culture, seems to have enriched it.

All commonly used measures point to an extraordinary level of primacy for Bangkok. This has been the case throughout, despite some planning efforts to alter this. From 45 percent in 1947, Bangkok's share of national urban population rose to a staggering height of 69 percent in the eighties as seen in Table 5. Since then the share seems to have dropped (57 percent in 1990), although the growth is still much higher than the national average. The BMR population grew at 2.5 percent per annum during 1986-2001; the projected growth is still similar — 2.3 percent compared to 1.4 percent of Thailand.

That Bangkok's population is 50 times that of the next most populous city, Nakohn Ratchasima, further illustrates the single-city dominance of Thailand's urban structure. The four-city primacy index comparison of cities in the Asia-Pacific region confirms this peculiarity in Thailand's urban development. Even compared to similar large city dominant countries (e.g. Indonesia, Philippines, Korea) Thailand is

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lucely different as illustrated in their four-city index values; Bangkok (16.35), Seoul (1.43), Jakarta (1.33) and Manila (1.13).

Table 5 - Trend in Bangkok's Primacy Status

Year	Bangkok's share of Thailand's urban population
1947	45
1960	52
1969	60
1977	65
1980	69
1990	57

Source: Pakkasem (1988, p. 32), Mills (1989, p. 3), and *World Development Report* (1994, p. 223) respectively for data of 1947-1977, 1980, and 1990.

Hand in hand with demographic preponderance, Bangkok accounts for a large part of Thailand's GDP (44 percent), industrial output (77 percent), and infrastructural investments (60 percent) as seen in Table 6. Unlike some drop in the share of population, there is no sign yet of any decline in Bangkok's share in vital investment, output, and consumption. Ratanakomut, Ashakul and Krinanda report that "the BMR accounted for almost 75 percent of total value added in

Table 6 - Bangkok's Primacy in Thailand's Economy

Index	Percent
1. Share of national urban population	69
2. Share of GDP	36
3. Share of industrial production	41
4. Share of national infrastructural investments	60

Source: Mills (1989, p. 3) for item 1; Pakkasem (1988, p. 86) for items 2 & 3; and Richardson (1984, pp. 110-111).

manufacturing between 1981 and 1988. Twelve of the country's 23 industrial estates were within its confines". The Board of Investment (BOT) data purportedly show that the BMR's five inner provinces attracted the bulk of BOT approved projects. They also note BMR's status as the biggest consumer market of over 9 million people for durable and nondurable goods and as the hub of the best social infrastructures (e.g. piped water, telephones, hospitals, and leisure facilities).

Consequent Imbalances

A variety of urban problems (e.g. a worsening traffic problem, serious air and water pollution) are almost crippling Bangkok's economy and quality of life as infrastructural investment growth lags behind the pace of demographic and economic growth as a result of the boom. To alleviate this situation and to improve urban productivity and quality of life, which have been part of the guiding principles of the Seventh Plan, huge infrastructural projects are now underway. One issue here is whether these urban problems should not be considered as exhaustion of scale and agglomeration economies or whether these huge investments would not further deteriorate the spatial imbalances in Thailand and simultaneously reinforce segmentation in urban economy and living environment even within Bangkok (i.e., the more capital-consuming, technologically sophisticated production and affluent living versus continuation of the low-productive informal sector and slum living).

Although our monitoring of income, employment and housing data (Amin, 1995b) suggests a steady decline in growth of the informal sector and slums, there is a real danger of overinvestment in Bangkok in a pattern that may reverse this process. Several factors have created a favorable mood for undertaking huge infrastructural investment without proper efficiency and equity considerations. One of these factors is the "failure" to arrest the growth of Bangkok through the regional and secondary city development projects of the Fifth and Sixth plans. Indeed, a large number of

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externally funded technical assistance projects were undertaken to assist creation of a regional urban sector—a decentralized urban system. The review of those projects and the experiences of the Fifth and Sixth plans has led to a view that nothing much can be done to slow down Bangkok's growth. Two, the concern for productivity loss due to traffic congestion and other urban problems is another important factor. Three, the prevailing global economic and political mood against distributive policies have also influenced the shelving of urban decentralization in Thailand in favor of Bangkok.

Correction of Structural Imbalances

Thailand's structural imbalances, whether viewed from the perspective of the rural-urban divide or Bangkok's overwhelming primacy or regional disparities or concentration of wealth, have historical roots (e.g. the 'sakdina' system that rationalized the hierarchical order, the long persistence of peasant economy made possible by the availability of land, and the resource-base variability among the four distinct natural eco-region of the country) as much as they are the outcome of modern development process.

Nonetheless, the phase has clearly started when economic growth weakens structural imbalances of all forms. The study of the 1962-86 period by Ikemoto (1991), a thoroughly objective and comprehensive work, already revealed improving signs in interregional as well as interpersonal income distribution. Our hypothesis is that this trend has continued since then. The compiled evidence in Table 7 provides strong basis for this hypothesis. Five measures — Bangkok's primacy, urban-rural income ratio, interregional income ratio, Gini Coefficient and population below poverty line—all point to a gradual decline in the imbalances that have been so much a part of Thai economic and social history. A remarkable piece of evidence in these data is that the only time when the declining trend has not been maintained is during 1980-86—the global recessionary period that also slowed down Thailand's economy. This may be seen as an indirect

Table 7 - Trend in Inequalities and Poverty in Thailand

	1960	1970	1975	1980	1985	1990
1. Bangkok's primacy: proportion of total urban population (%)	52	65	-	69	-	57
2. Income ratio of urban to rural areas	-	2.73 (1969)	2.27	2.09 (1981)	2.25 (1986)	-
3. Income ratio of region with highest to the lowest per capita household income	4.7 (1962)	3.38 (1969)	2.43	2.25 (1981)	2.86 (1986)	-
4. Gini Coefficient	0.413 (1962)	0.426 (1969)	0.417	0.441 (1981)	0.471 (1986)	0.465 (1988)
5. Proportion of population below poverty line (%)	59.0 (1962)	-	30.0	23.0 (1981)	29.5 (1986)	22.8 (1988)

Source: Item 1 sources are noted in Table 8. For items 2, 3 and 4 Ikemoto (1991, pp. 60,11) except Gini of 1988 which is from Rattanakomut, Ashakul and Kirandana (1994, p. 205); and item 5 from Muscat (1994, p. 243) except the figure for 1962 which is from World Bank (1993).

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support to the basic point that we are making: imbalances, inequalities and incidence of poverty in Thailand are diminishing through economic growth.

In view of the above data, it is no surprise that Thailand is considered as belonging to the seven "high-growth, low-inequality economies" of the world—all located in East Asia. Although Thailand is at the bottom of these seven, it is in a much better position than most other developing countries.

Two qualifications seem to be in order here. One, the point made above should not be construed to imply that economic growth *per se* automatically lowers imbalances and inequalities. What it does is to generate social and political forces that force policy and planning actions for distributive justice. In the case of Thailand this is remarkably illustrated by two historical episodes: One, the October 1973 student uprising preceded by steady economic growth that culminated into the 1973-76 democracy period coinciding with an improvement in income distribution; Two, the May 1992 anti-military uprising preceded by the ushering in of economic boom that culminated in the election of the present democratic government which made a commitment to reduce rural-urban disparities and improve distributive justice.

Yet, Thailand has still a long way to go to reverse the still unacceptable level of inequities as manifested in the fact that the lowest 20 percent of the population share only 6.1 percent of total income, whereas, the corresponding shares of the highest 20 percent is 50.7 percent.

What Made it Possible?

Japanese Investment

Foreign direct investment (FDI), particularly that of Japan has been a crucial factor in the growth that is now sweeping the ASEAN region. The World Bank (1993) highlights

FDI's role in spurring Thailand's exports. Guillouet (1990) provides data showing the growing importance of Japan in the region as a result of rapid increase in investment in manufacturing, physical infrastructures, financial sector and human capital development. Data from government sources show that from 23 percent of total FDI in 1980, Japanese investment soared to 52 percent by 1988. Even golf has become a target of Japanese investment. The popular perception is that the Japanese have also been buying Thai land in large scale. Most Thais, however, seem to consider the Japanese investment as a singularly important external factor for their economic boom. It seems to have served a "big push" role for the Thai economy. The traditional close economic relations between Japan and Thailand got new impetus from the relocation of many Japanese production facilities as a result of increase in production costs in Japan and the continuous appreciation of the yen.

Since 1988, Thailand has replaced Indonesia as the primary recipient of Japanese investment in the ASEAN countries. Thai-Japanese economic relations have been working without any hitch. Some resentments that prevailed against Japanese products in the early seventies have disappeared since then. The benefits of jobs, technology and gains from exports outweigh perceived or any real negative effects. Of course the strategic switch from importing Japanese products to attracting Japanese investment has spelled the difference in economic relations.

Investment from Other Countries

Thailand has also been benefiting from investment by other East Asian miracle economies. The appreciation of the Korean won and the Taiwanese dollar led to a surge of investment from these two countries too.

Whereas the investments from these sources made a large and rapid impact in the recent years, the long-prevailing political and economic relations with the West, particularly the U.S., prepared Thailand well for increasing its investment

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absorptive capacity. Circumstances centering around World War II, the Korean War and particularly the Vietnam War placed Thailand in an advantageous position to receive U.S. investments in defense, infrastructures, manpower training and direct expenditures by U.S. military and civil personnel stationed in the region. Muscat (1994) highlights this aspect with a chronology of U.S.-Thailand relations and the corresponding gains accruing to the Thai economy.

Technocratic Management

Analysts give credit to the role of technocrats for Thailand's development policies since the mid-1950s. In several instances the technocrats were placed in key positions by the authoritarian or military dictators but their competence and critical mind served the national and people's cause well. The most recent example of this was the installation of Anand Panyarachum as the Prime Minister after the February 1991 military coup that overthrew an elected government. Anand succeeded to bring a group of technocrats in the cabinet that served the country's economic interests very well. Simultaneously, Anand remained loyal to the democratic aspirations of the political forces in the country without caring much about the coup leaders who installed him.

The most illustrious technocrat who demonstrated a firm commitment to serve the interest of people was Dr. Puey Ungphakorn, a graduate of the London School of Economics in the early fifties. As the Director of the Budget Bureau, as one of the long-serving governor of the central bank, and as rector of Thammasat University until the rightist insurgency of October 1976, Dr. Puey inspired and influenced a breed of young western-trained professionals holding key economic policymaking positions in the central bank, the Ministry of Finance, NESDB, and the Budget Bureau. As Muscat (1994) reports, Dr. Puey's stature helped to establish, from early on, a core group of professional technocrats who assumed financial control and development policymaking functions and who created the institutional basis for its continuation.

The 1991 World Bank-IMF annual meeting was held in Bangkok to give recognition to the efficient macroeconomic management of Thailand that is seen to have paved the way for its economic success. Thailand is credited as one of the few developing countries which "have managed to keep their macroeconomic policies on course" (World Bank, 1993, p. 85). Its broad economic performance has generated benefits accordingly.

Continuity of Economic Policy

Despite Thailand never being a country of political stability, it is perhaps the best illustration among developing countries of economic policy continuity. The basic economic policy framework of Thailand has remained mostly undisturbed under political instability, uncertainty, coups and countercoups, violence, and even insurgencies. Muscat (1994) observes that Thailand has manifested its ability to adhere to its central long-term policy from one regime to another.

The Thai's flexibility and ability to compromise and the role of the long-reigning current Monarch, Ram IX (King Bhumibol Adulyadez since June 1946), as an anchor of stability have served Thailand very well in providing a long-term stability that is so distressingly lacking in most developing countries. Perhaps this is one of the most enduring lessons from Thai success. A country does not need a monarchic system for this essential stability and continuity. A national consensus on long-term economic framework can provide policy continuity through political and government changes.

Rapid Growth of Manufacturing

Thailand's experience is proof that without a shift from overwhelming reliance on traditional agricultural economy, no country can become prosperous. This is simply because the odds are too many against rural-agricultural products, albeit they include the most basic of all needs, i.e., food.

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Elsewhere we have shown that their low income and price elasticities, unfavorable terms of trade, perfectly competitive market conditions, limited scope of benefiting from scale and agglomeration economies, absence of much technological innovation and capital accumulation (vis-a-vis their urban-industrial counterparts) place a predominantly primary goods producing and exporting economy in a structural disadvantage. Thailand overcame this disadvantage steadily as development planning progressed. From a natural-resource based export regime during the period 1955-70, Thailand moved to a regime of import substitution during 1971-80, followed by manufacturing for exports from 1980 which has been continuing since then with remarkable success.

Rapid Demographic Transition

From 3.3 percent in 1960, Thailand succeeded in bringing down the population growth rate below 2.0 percent per annum by the mid-eighties. This has now dropped to 1.3 percent. No country of this level of development has been able to bring down the population growth so dramatically. In addition to planning efforts, cultural, education and economic factors made this possible. Muscat (1994) considers that "the economic and material conditions of rural life, which began to change rapidly in the 1960s, preceded and largely precipitated the change in family-size preference". Both government and non-government organizations (e.g. the campaign of the Population Development Association with its innovative use of humor that has earned its President, Meechai Ruchupan, the title of Condom Man/King) gained international recognition for their successful campaigns to reduce population growth. Consequently, the per capita investment has been higher in Thailand compared to most other developing countries whose development efforts and gains are offset by the population growth that still exceeds more than two percent.

High Female Participation in the Labor Force

Unlike most other developing countries, the women's participation in the labor force is very high, i.e., 47 percent in 1990 in Thailand. Although international media has highlighted the women in the entertainment industry, the role of hard-working Thai women engaged in numerous low-key informal and formal occupations (specially in the sales, service and manufacturing geared to exports) remains largely unrecognized. Phongpaichit (1991) sheds some light on women's vast and enterprising role in subcontracting and piece-rate work involving exports of garments, textiles, leather products, artificial flowers, gem stones, etc.

Business Enterprise Culture

Although the majority of Thais have rural origins, the strong presence of the urban-centered Chinese ethnic group provided the initial nucleus of an enterprising business culture that soon spread to the mainstream Thais. Unlike the situation in South Asian countries, the political-intellectual non-business orientation of the elites never commanded much interest and prestige among the masses of Thai people.

Muscat (1994) traces the enterprise culture in Thailand to the Thais of Chinese origin. Although Thailand had the advantage of having such special group to foster the enterprise culture, promotion of the business-industrial culture in any country is possible if the intellectual and political elites grasp its significance for economic prosperity.

Land Abundance and Strong Agricultural Sector

Land abundance has largely defined the nature and pattern of Thailand's economic growth and development. The significance of agricultural development (which has been acquired through conscious efforts and prudent policies) offers a valuable policy lesson for others. The World Bank (1993) analysis shows all HPAEs, particularly Thailand, are

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characterized by "strong and dynamic agriculture". This does not necessarily undermine the previous point on the role of manufacturing in Thailand's transformation as an NIE. Indeed the two sectors have complemented one another's growth. The point made earlier is that it is only at the phase of rapid growth of manufacturing that the real breakthrough occurred. Initial conditions of land abundance and self-sufficiency in food supply have placed Thailand in an advantage. What it achieved through policy and planning is the successful implementation of the green revolution package and making agro-processing industries a centerpiece of manufacturing.

Doubts, Questions, Concerns

Despite the success (acclaimed by most analysts including such institutions as the World Bank and IMF) and the associated pride and pleasure of Thai people, criticisms have come from varied quarters. The NGO circles have been particularly vocal about the damage to the country's natural environment and cultural values of the Thai people. Media coverage of NGO activists and Bangkok-centeredness of the growth often make headlines. For example, a 1994 cover story in the *Far Eastern Economic Review* is captioned as "Thailand: Separate and Unequal." Then it goes on to say (with prominent display):

With most of its booming industry concentrated around Bangkok, Thailand is in danger of becoming two nations: one urbanised and wealthy, the other rural and impoverished.

Some academic writings, based on field research, also express concerns. For example, Atkinson and Vorratnchaiphan (1994) lament the erosion of the valued Thai culture and the natural living environment. Douglass and Zoghlin (1994) also speak of environmental damages: "although economic growth has propelled the Thai economy to the brink of being a real 'newly industrialized country', the environment continues to suffer greatly in its path". Expressing similar concern for the poor, they claim that whatever wage increases occurred from

the economic boom did not bear benefits to the urban poor because of higher land prices. It does not seem that this claim can be borne out by data. The employment and housing data of Bangkok for nearly two decades (1971-1993) show: (a) an unambiguous decline in marginal occupations in the informal sector, (b) a substantial drop in slum housing, and (c) a much higher rise in minimum wages compared to the inflationary rate in the economy. We take this as strong evidence of benefits accruing to the urban poor from the Thai economic growth and prosperity. Since urban poverty to a large extent is a transfer of rural poverty in an economy with a large rural population (as it is the case in Thailand), those findings imply overall improvement in the poor's employment, income and housing conditions.

A careful reading of various viewpoints on recent changes in Thailand strikingly reveal two differing perspectives. In one, people's welfare is seen to advance from better employment, higher income, improved housing and other material conditions which, in this instance, have been made possible by Thailand's rapid economic growth in recent years. In the other, the new paradigms of development such as 'people's participation', 'community development', 'ecologically and environmentally sustainable development', etc. dominate as means as well as measure of people's welfare. In the latter perspective, any economic growth, development planning, market dynamism-based success story is suspect, as it is in the case of Thailand, and hence castigated.

At any rate, whatever may be the intellectual or ideological orientation, all critiques need to be understood and addressed. To everybody's benefit, Muscat (1994) has very authoritatively, objectively and comprehensively addressed these lingering doubts, questions and concerns and grouped them under five headings namely: (1) export pessimism, (2) environment and natural resources, (3) fairness and balance, (4) structural imbalances, and (5) corporate concentration. Some of these issues have already been discussed. Although we cannot have a focussed discussion on each of these five issues, it seems fair to say that the overall assessment of Muscat is firmly optimistic. His optimism is based "on

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the record of the past three decades and ... in a continuing balance of *growth, stability, and equity*" (emphasis added) which are present in Thailand today. Such a balance will take care of the well-meaning concerns that tend to cloud a truly outstanding success.

Concluding Remarks

Starting from a largely autarkic subsistence economy, overwhelmingly agricultural and hardly penetrated by science and technology or industry, Thailand has been slowly modernizing for nearly a century.

This passage is quoted here to make two key points in this concluding section. The first one is to state the profoundness of the transformation: that the subsistence, autarkic, agricultural economy is now an urban-industrial-service economy. (Note that this service is increasingly of higher-order service, at least in Bangkok, as recently noted by Kaothien and Webster (1995): "The economy of Bangkok's core is changing rapidly. Knowledge based activity is growing fast ..."). Indeed, "The stage is long past when Thailand was simply a pleasant agricultural country" (Guillouet, 1990, p. 57).

The second point is that this transformation has not been as dramatic or rapid or miraculous as now projected. Those who know Thailand only by the ongoing economic boom that has been sweeping since 1987 could arrive at such an erroneous conclusion. Muscat (1994) notes that the efforts span nearly a century. If that is stretching too much, at least three decades of planned efforts are clearly on record as gradually resulting to the sectoral transformation encompassing production, employment, and rural-urban distribution of population. Thus, what has been underway for the last three decades cannot be characterized as miraculous or rapid or dramatic or resulting from a boom. As a matter of fact, in 1988, during the second year of the ongoing boom, the transformation of Thailand from a rural-agricultural-resource base to an urban-industrial-service economy was already noted by Pakkasem (1994). Obviously such structural

transformation of this nature cannot result from economic growth of one or two years, however high that growth rate may be and just after the economy came out of a gruelling recession that ended only in 1986.

The reason we are laboring to make these two interrelated points is to make a third point, which we consider important for countries curious to learn from Thailand's experience. This is a simple point: There is no miraculous or short-cut way to economic progress. The course is a long and arduous one.

This author has been often asked how Thailand made it when it is not much different from the rest. Typical developing country problems—high population growth, huge underemployment, subsistence agricultural economy, widespread illiteracy, pervasive corruption, perennial political instability, repeated coups and counter-coups, authoritarian and dictatorial rule, intermittent and transitory period of failed democratic polity, even armed insurgency, etc.—have truly been, at one stage or another, Thailand's problems too. Even today it is not free from all of these legacies. Here lies the significance of Thailand's success, which has been attained despite having all the contemporary attributes of underdevelopment (except the colonial legacy). To our mind the key lessons from Thailand's success are: One, continuous striving is essential for economic growth. Two, no negative image or characteristic can keep an economy backward forever. Three, economic growth alone can set the social and political forces in motion that ultimately ensure distributive justice, better quality of life and living environment (not the other way round).

Although technical details in (a) maintaining macroeconomic stability, (b) rapid expansion of manufacturing exports, (c) attracting foreign investment, (d) promoting market dynamism, and (e) private-public sector cooperation bear many insights for possible emulation by other developing countries seeking economic growth, it seems to us that the most enduring lesson from Thailand's success is that of the political economy dimension as indicated above. Thus, it is no surprise that Thailand has become a source of inspiration for change among its ASEAN partners. It has already helped to transform the

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Indo-Chinese "battlefield into a trading zone". Thailand has been influencing Myanmar's gradual opening up. The South Asian countries are courting Thailand for possible cooperation between SAARC⁵ and ASEAN. All of these, and potentially more, are a direct fallout of Thailand's not being too remote, not being a miracle, and its being a typical developing economy.

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⁵ SAARC stands for South Asian Association for Regional Cooperation.

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