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Foreign Assistance (non-military) to
Thailand in the 1970's

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The Academic Advisory Council for Thailand

PREFACE

The following memorandum, "Foreign Assistance (non-military) to Thailand in the 1970's" has been prepared in response to the interest of USOM in a general review of its activities in the light of changing conditions in Southeast Asia in the early 1970's. It was requested that members of AACT consider the issues individually and collectively. The individual contributions are appended to the memorandum.

The memorandum itself is a summarization of the individual considerations as they were discussed and developed at a meeting of AACT in Washington, D.C. on February 27-28, 1970, under the chairmanship of Professor Lauriston Sharp. Attending the meeting from AACT were: L.A. Peter Gosling, Charles Keyes, Michael Moerman, Frank Moore, Lauriston Sharp, Paul Trescott, Fred von der Mehden, David A. Wilson and David Wyatt.

The memorandum was prepared by Michael Moerman and me to meet certain deadlines and is necessarily tentative and suggestive rather than final and fully developed.

David A. Wilson
Executive Secretary
Academic Advisory Council for Thailand

SUMMARY

An effective relationship with Thailand in which the United States continues its support for the long range development of the Thai economy and social institutions is in the interest of the United States because Thailand is a pivot around which U.S. policy and commitments can swing from the posture of the cold war to a posture of regional cooperation in the continuing search for a basis for security and stability in Southeast Asia.

The security of Thailand continues to be threatened by China, Vietnam and insurrection but the RTG capacity to cope with these threats is improving. Thailand also has a significant role to play in post-Vietnam Southeast Asia not only in regard to Vietnam and Laos but also in relationship to broader regional problems. U.S. assistance within its present framework has revealed issues of national and central importance.

Foreign assistance has inevitable political effects the consequences of which constrain future possibilities. The process of development in general and as assisted by the United States has started a complex course of events which include various problems such as rural administration, agricultural productivity, non farm employment, law enforcement and population growth. Thailand's short run transition after Vietnam, the capacity to absorb assistance, and the still undeveloped economy characterize the need and justification for continued economic assistance. Moreover, dynamic internal transformations make the next decade volatile and unpredictable.

The posture of the U.S. assistance may take several

forms consistent with U.S. policy. Emphasis on solution of policy problems and generalized capacity of this kind is likely to be most effective. AACT has identified seven problem areas: agricultural development, urban development, private sector, infrastructure, administration, training and education, and population.

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I
POLICY CONSIDERATIONS

A. THE REGION OF SOUTHEAST ASIA

As the United States emerges from the Vietnam War during the next two years it should be committed to the objective of a level of involvement in Southeast Asia that is the minimum necessary to prevent domination of the region by China or any other single power. Such a commitment is more than the formal or informal commitments to Thailand or any other Southeast Asian state. It is a commitment to a first order or vital interest of the United States itself in preventing the domination of East Asia or the Western Pacific by any single power which is or might become hostile to the United States. The three states presently in that category are the Peoples Republic of China, the USSR and Japan. Obviously the hostility and potentiality of these powers are different.

In the case of preventing domination of East Asia by any single actual or potential nuclear power, it is clear that prudence requires defense in depth on a forward but non-vital line. This is true because the possible alternative of a defense farther back in the Pacific against a nuclear power dominating East Asia, however unlikely such domination may be or appear to be, would be sufficiently threatening and disastrous to assure thermonuclear war.

Following this line of argument it is necessary for the U.S. to find a style and level of influence in Southeast Asia which forestalls domination of the region by the three plausible alternative nations.

A reasonable strategy to attain this objective is to work for the development of autonomous capacity in the states

of Southeast Asia to cooperate among themselves and with external great powers without collapse. Thailand, North Vietnam, and the Philippines have such capacity at present. It is at least incipient in other states. The strategy would have two aspects:

1. Maximizing the process of social mobilization in Southeast Asian nations so as to minimize, in the long run, U.S. costs.
2. Avoid the sort of challenge to other major powers, particularly China and Japan, that would cause them to intervene more substantially and thus increase U.S. costs.

Events and trends in Southeast Asia are highly uncertain at present. Governments in both North and South Vietnam are under uncalculable pressures. Laos is a shifting sands. Prince Norodom Sihanouk's position is becoming less secure. Thailand's governmental leadership is aging. Burma, Malaya, Indonesia and the Philippines all display fragilities. These internal uncertainties are compounded by substantial uncertainties in the future policies of China, Japan and the U.S.

The relevance of this academic speculation is that the degree of uncertainty at the moment is very great. It is a matter of degree since uncertainty is an inherent characteristic of the future, but (fortunately) it is rare that so many imponderables converge at one moment. Such a moment contains presumably great opportunity and great peril. It calls for both vision and prudence.

Prudence first. The United States has in the past fifteen years acquired a complex and potent position in Southeast Asia. At present, the investment in Vietnam is the central core of this position although concomitant investment in Laos

and particularly Thailand are substantial. Independently of these investments the United States has taken a leading role since the dissolution of the Sukarno government in reorganizing the financial position of Indonesia and at present has considerable influence there.

It is not necessary to argue the validity of U.S. intervention in Vietnam in order to question the wisdom and prudence of throwing out the baby with the bathwater in Vietnam, Laos or Thailand. Having invested our blood and treasure there, the U.S. government would be imprudent to abandon its potential for future influence on events in the area. Such a statement is not necessarily an argument for continuing a high level investment in military forces or foreign assistance. In fact, it may be possible to maintain a significant level of influence at a much lower cost because of the base now in place.

B. COMMITMENT IN THAILAND

The present U.S. commitment to the defense of Thailand is contained in the documents of the Manila Pact (SEATO), the Rusk-Thanat agreement of 1962, and various informal documents such as Presidential statements, mutual contingency plans and general expectations arising therefrom. Because of the haphazard character of this commitment it is both ambiguous and extensive. Its ambiguity has been increased by the ambiguous character of Guam doctrine and the domestic pressure against more "Vietnams," a pressure that has received sanction and force from Senate action. Working through this ambiguity in such a way as to preserve U.S. influence while at the same time clarifying U.S. intentions and arriving at a policy, strategy and programmatic effort appropriate to these intentions will be a very delicate task.

In order to accomplish this delicate task it is necessary to have a more fruitful conception of the future in

Thailand than one of a simple reactive defense of a weak nation against possible aggression. Thailand is a weak nation in some respects and therefore vulnerable to various potential or at least possible threats. But at the same time Thailand has various resources which if properly developed would not only reduce its vulnerability but also contribute to the more general interest of the United States in greater indigenous and autonomous political order and strength in Southeast Asia. It is this latter conception that should be the objective of a continuation in some form of U.S. commitment and involvement in Thailand.

C. THREATS TO THAILAND

What are the threats and vulnerabilities:

1. Thailand continues to be threatened by the remote possibility of a Chinese invasion. The idea of such a threat derives from some conceptual transformation of Chinese intervention in Korea and attack on the Indian army along the Tibetan border. The threat is remote but the vulnerability, while not as total as it might seem, is overwhelming.
2. Thailand is threatened by an invasion by Vietnam through Laos frontier. This threat is not so remote as a Chinese invasion because the clear difficulties in mounting such an enterprise might be balanced off by the possible gains to Vietnam in terms of either a more secure frontier or an aspiration to dominate Southeast Asia or both. An invasion of Thailand would be an extension of a military effort by Vietnam (working through Pathet Lao and perhaps cooperating with China in northwest Laos) to take control of the territory

of Laos in the name of Pathet Lao.

3. The threat of insurrection supported by North Vietnam and China.

This insurrection is the most concrete threat because it has been tried in the Phy Phan mountains, amongst the Meo in the North, along the western border; and in the South. This threat is also the one most relevant to our memorandum because it has been the basis of USOM programs. It has been given considerable verbal support by both China and North Vietnam. It has also received some support from them in the form of participant training and, probably, money. The capacity of either China or Vietnam to increase their support from the present low level is substantial.

The crucial question regarding this kind of threat is the vulnerability of Thailand and particularly the degree to which that vulnerability is sensitive to increases in external support for insurgents and foreign assistance from friendly countries, particularly USA.

The experience since 1965, when the northeast insurrection went into an active and militant phase, tends to indicate that vulnerability decreases with both hostile and friendly external support. What that means is that the RTG is emplaced and able to respond to an increased level of violence in an effective manner; and that the character of the response improves with foreign aid. At the same time the feeble structure of insurgent organization has not demonstrated capacity to absorb much foreign assistance. Whether such a relationship would hold at all levels of hostile support to an insurrection cannot be said with certainty. There must be a curve of effectiveness of foreign support for any counter insurgency as well as insurrection which begins to decline after some peak because of a trend toward denationalizing of the effort.

Thus this is also a limit to the capacity of the RTG to absorb foreign assistance with disruption of its lines of authority. But the point of decline for the RTG is much higher than for the insurrection.

In sum the threat of foreign supported insurrection is authentic and present. Indications are that the RTG's response to the threat, a response supported by, and to some extent shaped by, U.S. foreign assistance, is adequate. It is our judgement, enlarged upon later in this memorandum, that maintaining the U.S. focus on counter insurgency is unnecessary and might be counter productive to both our short range goal of containing insurgency and to the more general policy objectives stated earlier.

D. THAILAND'S STRENGTH AND ITS USES

Thailand has been a center of stability in Southeast Asia since 1950. It has continued to demonstrate the same political capacity with which the Thai maintained their independence in the period of imperialism. The most definite indication of this capacity in the past twenty years is the ability of the RTG to maintain a firmly pro-American policy in the face of external pressures and a certain amount of internal dissent. Another indication of political capacity is the ability of the RTG to administer the economy, particularly infra-structure investment and fiscal policy, in such a way as to induce substantial economic growth.

Sensitivity to United States' Position:

As the U.S. seeks to restructure its position in Southeast Asia in the next few years, Thailand because of its long standing commitment will be highly susceptible to changes in the character of U.S. involvement in Southeast Asia. Whether or not Thailand is considered an ally or a client, its posture

is necessarily sensitive to changes in the U.S. posture.

For example, in Vietnam the linkages between the U.S. positions in Vietnam and in Thailand are very strong. The effort of "Vietnamization" of the war obviously moderates the negative effects of the U.S. withdrawal of troops not only in Vietnam but also in Thailand. At the same time a continued U.S. position in Thailand will make more credible the assertion that the program of "Vietnamization" is an attempt to hand over the problems to the GVN and is not merely a screen behind which the U.S. will abandon the effort.

Maintaining a U.S. position in Thailand also reduces the likelihood of a collapse of Laos. The RLG can probably stand as long as it is not heavily attacked by either Vietnam or Thailand. It is not very likely that North Vietnam will engage in such an effort so long as the RLG does not threaten Vietnamese control in eastern Laos or so long as such an effort involves any probability of substantial resistance. This latter conclusion derives from the assumption that the DRV has been severely hurt by the past five years of war. Therefore, a continued U.S. presence in Thailand is an earnest of the possibility of substantial Vietnamese costs in an attack on RLG.

At the same time, under the new rules at least implied in the Guam doctrine, the RTG may be prepared to move with greater conviction toward developing a military capacity to support more effective Thai influence in Laos. A continuing U.S. presence on terms analogous to Vietnamization should encourage this long awaited RTG effort.

But the crucial present question in regard to U.S. policy in Southeast Asia over the next five years is whether (1) the withdrawal from Vietnam is to broaden into a complete

withdrawal; if not, (2) is to be merely a withdrawal to a new line of simple defense against China; or (3) is the withdrawal to serve as an occasion for transforming policy into one of regional construction.

In the case of the first alternative, the problem of U.S. policy in Thailand will be merely a matter of maintaining a certain amount of dignity under circumstances that will make dignity difficult.

In the case of the second alternative, the problem of policy will be to do more of what has been done since 1962, i.e. merely, strengthening Thai military capability and capacity for maintaining internal order. If this policy course were to be followed then the structure of programs would probably be modified somewhat.

Regional Position:

If, however, the U.S. is prepared to devote some resources to regional construction then Thailand takes on a pivotal role. Any hope for greater effective regional cooperation depends very greatly on the capacity of the participating countries to fulfill agreements undertaken. In short, regional cooperation must rely on the political capacity of the constituent parts. For this reason, Thailand, politically the most coherent and strong of the Southeast Asian nations, is an obvious and salient participant.

During the past decade Thailand has demonstrated:

1. The capacity to absorb and utilize foreign assistance with relative effectiveness.
2. A willingness and ability to modify internal structures to cope with the dynamics of change.

3. A willingness and ability to participate in various organizations seeking a structure for useful regional cooperation.

The government of Thailand has already declared its adherence to a vision of regional cooperation in Southeast Asia. Its participation in ASA, ASEAN, ASPAC and ADB, has been earnest and as effective as may be expected. The contribution of Thailand to mitigation of the confrontation of Malaysia by Indonesia was sincere and useful. Other examples of Thailand's role in the search for future regional cooperation might readily be adduced.

If the United States is prepared to participate in this quest in a manner that neither threatens to create an oppressive American hegemony nor is merely a trivial and expedient gesture, its influence must go to the existing centers of order with the purpose of inducing the basis for and the process of broader cooperation.

Thailand not only qualifies as a relatively cohesive and solid social community that has a record of effective use of assistance within a situation of domestic order. It is also strategically placed in regard to the obstacles to and opportunities for expanding cooperation. It is an interested and active participant in the affairs of the Lower Mekong; not only in the conflicts and battles among the peoples of former French colonies but also in the efforts of the Mekong Committee to develop the potential of this great basin.

Thailand has also been a participant in the various efforts of the Malay nations to find a basis of cooperation among themselves. These three nations -- Malaysia, Philippines and Indonesia -- with a combined population of perhaps 140 million people are of profound importance in Southeast Asia.

The basis for their cooperation has proved elusive. But it is significant that Thailand, a country of non-Malay people, has been active in the quest.

Another obstacle to order in Southeast Asia is the unsettled political condition of the various ethnic groups in the mountains ranging across Vietnam, Laos, Thailand, Burma and China. These people -- some Thai speakers; some of other linguistic and ethnic background -- are in various states of conflict with the dominant lowland folk. While Thailand has no unique success to its credit, it has access to this turbulent area.

A final salient difficulty of Southeast Asian nations is the status of their so-called overseas Chinese populations. Throughout the area people of Chinese background live as more or less self-conscious communities whose continued search for a unique cultural identity as well as actual or potential connections with China cause them to be treated with suspicion. Thailand's rather successful policy of assimilation of its Chinese minority may be a fruitful model in other places.

E. ASSISTANCE PROGRAM

In recent years U.S. assistance has been designed to overcome the threat of insurrection in Northeastern and Northern Thailand. The programmatic structure of this effort has had three principal elements:

1. Increasing the capacity of the Provincial Police in sensitive areas.
2. Increasing government presence or at least access to sensitive areas through ARD.
3. Increasing military capacity (MAP).

The USAID programs of the past several years have attained a degree of qualified success. For various reasons to continue these programs within their existing constraints -- counter insurgency, rural target, localized concentration -- would probably be a poor course of action.

Counter Insurgency:* The violent insurrection in the Northeast is at present waning and the RTG apparently gives it a low priority. As clearly identifiable armed insurgents and violent acts of insurrection diminish, there is increased danger of confusing the general social dynamics of development and modernization (two processes that the U.S. presumably wishes in general to support) with insurgency. The dynamism is inevitable and to oppose it accidentally is foolish.

The threat of insurrection has diminished in the Northeast at least for the present, for three reasons:

1. The RTG efforts and responses, encouraged and assisted by the U.S., have worked.
2. The presence of the United States in Thailand has probably discouraged insurgents.
3. China and the DRV have apparently decided not to push their efforts further, at least for the time being.

Rural Constraint: Changes in rural Thailand will

* [Some attention should be paid to the fact that Counter Insurgency as a term of art is wearing thin. Its utility as a disguise for developmental efforts, however constrained, is diminishing while at the same time the term attracts the antagonism of various groups (Thai and American) who feel it is "reactionary," "repressive," and can lead to undesirable involvement of the US in the affairs of Thailand.]

interact with urban Thailand through governmental, political, social and economic institutions eventually. Therefore in time -- (probably sooner rather than later given the present high level dynamism) such changes must be considered and dealt with on a national scale.

Localized Concentration: While the Northeast and North constrained programs of the past several years have been effective in two ways -- shifting resources into the relatively backward Northeast and focussing more attention on all the outlying regions -- this effort has revealed quite clearly that the problems of Thailand require general and nationwide solutions. Thailand's great strength lies in its national cohesion and capacity to embark successfully on national policies. The RTG will not sacrifice this characteristic strength. It is therefore quite expectable that a concentration of effort in one part of the country can only proceed so far before it generates competitive activities in other regions and reaction from the center. It was inevitable that successes in the Northeastern effort have brought into the open a number of issues of national and central importance.

II

GENERAL CONSIDERATIONS FOR PROGRAMS

There are a number of general considerations that lie under the conception of Thailand's development problems and foreign assistance in solving them.

A. POLITICAL EFFECTS

Any RTG action is fundamentally political in the sense that it has differing consequences for the members of various social categories. U.S. inputs to RTG programs do not come addressed, "Occupant, Thailand." Even if only by benefitting some sets of persons, government programs accomplish the relative deprivation of others. Reducing the sheer size of American participation will require us to exercise more discretion in the political placement of our support, since we can no longer indulge the vague hope that the RTG agencies, programs, and individuals ignored by one program will somehow be compensated by another. At the most general level of description, USAID has so far had the two paradoxical consequences of strengthening existing leaders and agencies while starting processes of change that challenge them.

American assistance because of its characteristic relationship with the RTG and with particular departments has tended to strengthen the existing structure. While it may be hoped that the transformation of Thailand's society as implied by the objective of economic development can be accomplished without severe upheaval, it should be recognized that development cannot be accomplished without substantial restructuring of institutions.

The negative effects of U.S. presence in Thailand which take such forms as encouraging luxurious consumption, land and

construction speculation as well as supporting on a grand scale war profiteers, whores and rock and roll bands cannot be ignored. Although the economics may be in fact conducive to greater income, the social effects are on balance not only unseemly but undesirable.

Finally, the transformation, reduction, or elimination of foreign assistance to Thailand would in themselves constitute acts of consequence. The consequences would not be limited to the state of U.S. influence in the kingdom but would also affect the configuration of forces within the society. On balance U.S. assistance has furthered the cause of rationality and justice (as well as the careers of certain persons and groups.) The long standing character of assistance and the support forthcoming for certain tendencies constitutes a commitment of moral and political, if not legal, force. The repudiation of such a commitment should be undertaken only with open eyes.

B. DEVELOPMENT AS A PROCESS

The various efforts of the RTG, supported by the U.S. in counter insurgency, and to some extent in general development, have started a course of changes that is generating its own problems or revealing existing situations as "new" problems. Among these problems are:

1. The effect of ARD has been to begin a degree of activity in rural provincial government which requires changes in local government. The changes needed are such as to cope with the management and financing of rural public works, broadly defined.
2. The search for higher income has brought attention to bear on the relative unresponsiveness of agricultural productivity, and the need for rapid

expansion of non-farm jobs.

3. The need for non-farm jobs brings attention to defects in the education system as a route to non-farm jobs; and also to the bundle of issues wrapped in the notion of urbanization.
4. Working with the police has continued to reveal the need for more effective and more honest general law enforcement.
5. The presumed rapid rate of population growth is affecting per capita income, land tenure, migration and urban growth in ways that are not well understood.

Three propositions of economic importance bear on the question of near term assistance to Thailand, as follows:

1. Thailand faces substantial short-run economic problems arising out of the reduction of U.S. military expenditures in Southeast Asia.
2. Thailand has shown the capacity to benefit from external economic assistance.
3. Thailand's economy has not developed sufficiently to make further improvement a simple and painless process without American assistance.

The difficulties created for Thailand by reduction in U.S. military expenditure are readily apparent. Substantial incomes have been created in the purchase of goods and services for the military program itself, and additionally through the consumption expenditures of U.S. personnel stationed in Thailand. Now these are declining, with painful consequences.*

* See Wall Street Journal, January 30, 1970, appended to Trecott paper.

Adjustment difficulties are also arising on a second front -- the export market for rice. War in Vietnam has curtailed production and exports there, and in combination with unsettled conditions in Burma and Indonesia led to substantial increase in the prices received for Thai rice exports from 1964 to 1967. The benefits of this were widely dispersed among the farming population. Since the peak in 1967, rice prices have weakened somewhat, and the prospect is for further decline.

In combination, then, these transitional adjustments mean direct income loss for a large part of the population. This comes at a time when Thailand is experimenting with an increased role for government, including parliamentary institutions. A widespread income decline might prejudice the success of political improvement and stimulate a rise in extremism in political activity.

Neither heavy military spending nor a high price of rice is inherently desirable. A lower price for rice benefits many low-income consumers; it may also encourage beneficial diversification in Thailand's agricultural production. The latter will be more likely to succeed if farmers are aided in making the changes involved. Here, as throughout this memorandum, we see AACT's role more as one of alerting the Mission to program-relevant aspects of the 70's, than as one of making specific program suggestions.

Thailand's capacity to benefit from foreign assistance is apparent in the impressive growth of output, capital, and labor productivity. Between 1958 and 1967, gross national product in 1962 prices doubled; the average annual growth rate was 7 per cent. Although the nonagricultural sector has shown the most impressive expansion, agricultural production has also expanded, making possible continued increase in real

exports. Important stimulation to increased output and productivity has come from growth of electric-power production, the extension of the highway system, and the enlarged irrigation facilities. A high propensity to save out of domestic income has permitted capital growth greatly to exceed the direct amount of funds obtained from external sources.

The need for further support is most easily documented by the level of achievement, contrasted with its rate of improvement. Per capita incomes in Thailand are still low in comparison with those of the non-Asian world, and in comparison with the more successful Asian countries: South Korea, Taiwan, Singapore and Malaysia. Productivity in Thai rice agriculture is low in comparison with other paddy producing areas.

Development takes place as an outcome of contingent and converging forces, some of which are planned to affect development and some of which are unforeseen. Development programs must be designed in such a way that account is taken of changes, whether planned or unforeseen, as they occur. Consider, for example, these two possibilities:

1. The impact of the "Green Revolution:" New agricultural techniques and rice strains will not effect Southeast Asia uniformly either internationally or domestically. Thailand is particularly vulnerable to the possible consequences of this development if it advances very far in the region and AID can find in the impending situation both a new mandate for action and obvious new approaches to programs in Thailand. On the international market scene the obvious impact of new developments may be the drying up of traditional rice markets for Thailand. While not as important as they once were, a drastic decline in rice exports, combined with probable future declines in rubber and other primary products, can be expected to have

both economic and political impact on rural Thailand. More particularly, it raises into sharper focus the question of continued emphasis upon Northeast Thailand rather than the chief rice (and rubber) producing areas of the Kingdom. Politically it means that the RTG must prepare for heightened dissatisfaction related to decreased markets and the possible need to develop new taxes for rural programs to make up for reduced export duties.

2. The impact of the end of the Vietnam War. It is not possible to prognosticate accurately at this time if the end of the war in Vietnam will lead to an increase or decrease in foreign aid to indigenous insurgents or the entrance of outside elements into Thailand. The direction will depend upon the type of settlement made and policy goals of the Chinese and North Vietnamese at the time. It is probable that in the long run Congress will see less need to support Thailand on any basis short of a major escalation in violence and even then the watchword appears to be caution. If this judgment is correct, the Mission must plan with the expectation of decreasing funds over the years. Thus, any shift of emphasis to the Central Plains would mean a decreased effort in present insurgency areas. This dilemma will prove to be one of the more difficult ones in the next few years.

Moreover the pressures resulting from such changes have already begun to raise the possibility of a movement by the RTG toward a policy of greater economic autarky. Such a move would be against the United States' interest in maintaining more rather than less activity and freedom in world trade. Neither does the fact that a movement of RTG policy in that direction would probably ruin the Thai economy make such a move impossible. It provides, on the contrary, more reason for US assistance designed to moderate the adjustment process.

C. INTERNAL DYNAMICS

It is possible to foresee a range of development problems arising in Thailand from the working of dynamic forces that are almost entirely internal. These come together as problems arising from urbanization, the transformation of rural society away from personal, family and communal organization, and (with much luck) the depopulation of the countryside.

What Thailand is going through in this latter half of the twentieth century is a gradual transition from an essentially urban polity and economy. Much has occurred in the first two-thirds of this century to disrupt the social framework within which individuals, armed with long-standing traditional values, could move to their ultimate satisfaction in some form or another.

Crucial to the moderation of the worst (disruptive, disintegrative) dangers of this period of transition are changes in the value system of Thai society to accommodate to the changes in the world in which individuals and groups must live. Some such changes in values are occurring and will occur naturally, especially the slowly-developing egalitarianism, accompanied by de-personalization, which is fostered somewhat by public education and the mass media but which also is the product of urbanization as such. It is at least as important that Thailand develop a more positive image of economic life, and that modes of social association in a horizontal direction become more comfortable to the individual than they are at present. To a certain extent the changes in economic values are occurring and will continue to occur naturally (not least as the result of accelerated assimilation of the Chinese minority). However, official policy changes, and changes in government's actions, will be required to achieve these ends. It is quite doubtful that official policy can do anything to

effect greater horizontal association in Thai society, but this very noticeably has been occurring in the sixties and will no doubt become more important.

One result of developmental changes that may be anticipated in a general way -- and which has a security implication of considerable importance -- is that transformation of values and opportunities will certainly create groups of marginal people suffering a volatile discontent. These are persons who have rejected old values and ways of life but fail to gain new rewards. Program designs should attend to the emergence of such groups and deal with problems they present, either by compensation, "insurance" or otherwise.

D. U.S. POSTURE

Working to implement the doctrine of supporting "Asian initiatives in an Asian framework" (U.S. Foreign Policy for the 1970's) and mindful of the delicate dilemma that "if we limit our own involvement in the interest of encouraging local self-reliance, and the threat turns out to have been more serious than we had judged, we will only have created still more dangerous choices. On the other hand, if we become unwisely involved, we risk stifling the local contribution which is the key to our long-run commitment to Asia" [Ibid.], the operational notions seem to be involvement, low profile and self-liquidation.

Involvement: The purpose of involvement is to contribute to the stability of the Southeast Asian region by supporting the national development of the states in the region and the capacity and willingness of these states to cooperate in a fruitful manner. In Thailand this involvement means support for efforts to increase the productivity of the economy while

assisting in the social and governmental adjustments concomitant with development. In addition to bilateral economic and technical assistance it will probably include continued military assistance, assistance to international agencies, such as the Lower Mekong scheme, and participation in multi-lateral assistance to national or international agencies.

Low Profile: Low profile would appear to mean two related aspects of involvement. One aspect is that the character of the actual relationship between the RTG and the U.S. government be such that no greater commitment to action is made than that commitment which is concretely intended. The second aspect of low profile is that assistance relationships must be of such a character that Thai (presumably RTG) initiative and control is dominant.

Self-liquidation: Finally, self-liquidation, which is closely related to Thai dominance, means that programs and implementing projects are of such a character that U.S. assistance is structured as a declining part of a self-sustaining or self-limiting effort. All assistance programs should be conceived in this way and as far as possible projects should be designed to bring about this effect.

Assistance Style: It is possible to conceive of three possible styles of foreign assistance relationships between the United States and Thailand, of which one tends to dominate the present USOM program. Its characteristic is that foreign assistance programs are designed in conformity with the existing structure of the government, mainly in projects with specific departments. Such assistance may improve the quality or quantity of activity of the counterpart department, but takes little prior account of salient problem areas. In short, the matters to which assistance is directed are identified in terms of departments

rather than policy problems. This procedure not infrequently leads to ineffective outcomes, outcomes that are impossible to evaluate. It is also inherently conservative, as opposed to innovative, which under conditions of social and economic change is probably politically dangerous as well as administratively ineffective.

The second style of assistance would be constructed around the identification of problem areas and the development of policies, programs and agencies to grapple with these areas. Such a style would put great emphasis on problem identifications, program formulation and administrative innovation and a capacity to accomplish these within the RTG. It would also have a tendency toward the possibility of more effective evaluation procedures. The difficulty with such a style of assistance is that it puts the relationship between the two governments squarely into difficult areas of policy. It would thus involve the U.S. directly in something very like politics and this might jeopardize the low profile requirement of limiting commitments. Such a style, if successful in developing a capacity for attacking policy problems, might lead to the third possible style which would be most desirable but, at present, not very feasible or effective.

This third style would be one of strictly limiting assistance to those enterprises which were both initiated solely in the RTG and acceptable to the U.S. The simple difficulty with this approach at present is that it would abrogate the considerable political leverage that foreign assistance generates within the policy process. In the long run the liquidation of this political role of U.S. assistance is desirable but at this time its withdrawal would be disruptive and would inhibit development. If, however, a capacity for dealing with problems rather than merely departments can

be developed in both USAID programs and the RTG, it may be possible to move to this style of awaiting RTG initiative.

III
SECTORAL SUGGESTIONS

AACT has identified seven discrete program areas which will have saliency in Thailand's development in the coming decade.

A. AGRICULTURAL DEVELOPMENT

Although members of AACT did not dwell heavily on the matter of agricultural development, they all agree that it is a critical set of problems which an assistance program can address. The potential offset of the Green Revolution both within Thailand and on Thailand's place in world grain markets is particularly notable. The program implications of this seem to be.

1. Diversification into new cash and exportable crops, including livestock.
2. Agricultural research and planning
 - a. Research on utilization of irrigation and on all year cropping.
 - b. Research on land tenure and its effects on land use.
 - c. Program to develop capacity for agricultural planning.
3. Marketing of agricultural produce locally, nationally and internationally.
4. Extension of technical information by government and private agencies.
5. Credit schemes that are adapted to the prevailing cost of capital and institutional structure of Thailand.

B. URBAN DEVELOPMENT

A number of AACT members identified problems and foresee program possibilities in the area of urbanization, urbanism and rural-urban gap. Moerman believes that the RTG "is more able to regulate and supervise urban than rural activities." Therefore, assistance in the urban area might well pay off at a higher rate than in rural areas. The members of AACT are unanimous in viewing the character of the urban problems and the relationship between the cities of the rural areas as of critical importance.

Program possibilities here are:

1. Provincial town development
 - a. incentive for industrial investment in provincial towns.
 - b. Development of provincial towns as part of agricultural development, i.e., as markets, processing centers, and places of employment for ex-rural migrants.
2. Urban planning for Bangkok with particular emphasis on maintaining and strengthening its "decentralized" character.
 - a. Low cost housing and other urban social services on a decentralized plan.
 - b. Traffic
 - c. Maintenance of functions and services performed by extra-legal institutions, e.g., squatters, unofficial markets.
3. Urban planning capacity.

C. PRIVATE SECTOR

One of the strengths of Thailand and weaknesses of USOM programs is the private sector throughout the economy, i.g., agriculture, commerce, industry and service. There are two areas of consideration in thinking about supporting the

private sector. One is the encouraging of a governmental and political environment that is conducive to flourishing private endeavor. This is discussed below under administration and infrastructure. The other is support to private enterprise in its own efforts:

1. Research and development is particularly salient in the agricultural area but a program of R & D related to industry and marketing would also seem worthwhile.
2. Management support and assistance: the support and development of such an activity as Thailand Management Development and Productivity Centre.
3. Research into the way in which technical information and market information is transmitted, particularly in the important commodities such as rice, corn and kenaf; and a program to improve by technical assistance and incentives these flows of information.
4. Credit for small enterprise including farms.

D. INFRASTRUCTURE

Infrastructure development has been the area of greatest RTG success in Thailand's development to date. Nevertheless, the rate of infrastructural investment must be maintained in order to continue facilitation of private investment. In addition, the likely growth of the Lower Mekong framework for assistance suggests that substantial sums for investment in the Mekong basin will be forthcoming.

1. Continued assistance in the development of planning and design of large projects in water control, power, and transportation. (See E 1 b below)

2. Rationalization and extension of telecommunications.
3. Improvement and extension of post and telegraph. Use of mail for dissemination of information, mail order business and correspondence education is an area of possibility.
4. Development of port facilities and rationalization of their use, e.g., support opening of Port of Bangkok twenty-four hours.

E. ADMINISTRATION

Although improvements in the quality of administration have been significant and played a substantial role in economic growth up to the present, there is continuing need to improve the capacity of the RTG to maintain effective administration to cope with the foreseen and unforeseen problems arising from the changes resulting from developmental investments and efforts. Moreover, the RTG has consistently demonstrated a greater capacity for manipulating its own personnel in contrast to its dealing with the general public. Thus continued assistance in administrative improvement and reform will have a higher return.

1. Capacity for planning and project formulation.
 - a. research
 - b. broadly conceived projects in which "side-effects" e.g., resettlement of people or utilization of water are built in.
2. Creation or maintenance of predictable environment for private effort.
 - a. Enforcement of quality standards, honest weights and measures, licenses, regulations, and true contracts.

- b. Regulation and enforcement of real property rights. While land reform is of questionable value the clarification of tenure rights is needed in times of economic change, land speculation and widespread seizure of land for infrastructure.
 - c. Law enforcement for security of life and property.
 - d. Corruption. The issue of corruption is important to development. It has several sides, but there are probably no program possibilities.
 - (1) It is a way around institutional rigidities and bottlenecks.
 - (2) It is difficult to predict and thus interferes with discipline of administrative organization.
 - (3) The difficulty in predicting petty extortion and bribery makes conduct of business more difficult.
3. Revenue administration
- a. Land and income taxes principally to realize on economic investment by government.
 - b. More rational use of revenues, e.g., import and export taxes, land taxes, and tax holidays rebates as incentive system.
4. More flexible local administration
- a. Participation in local institutions, e.g., tambon, amphoe and changwat for mobilizing public into political aspect of development effort.

b. Development of institutions to assimilate and mobilize minority groups into national community.

c. Regional and local planning

5. Cooperation among agencies: Much has been made over the years of the need for coordination of RTG agencies. Programs designed to induce cooperation, particularly by bringing various agencies into the earliest phases of project development, should make some progress in this area.

F. TRAINING AND EDUCATION

Most problems and developments have a direct bearing on Thailand's educational system: (a) the schools -- both village primary schools and technical, teacher, and secondary schools -- will play an important role in improving agricultural technology and in shaping the readiness and capacity of peasants and townsmen to respond to opportunities for technological improvement which are provided from both official and private/commercial sources; (b) secondary education in particular will shape the labor forces for industrial development and its attitudes towards economic activity and politics; and (c) there will/should be some rough correlation between the production of secondary school and university graduates and the level of urban unemployment. The problems involved in all three of these disparate areas should be (and in some cases are) the objects of some concern to those involved.

Support present research and planning: A great deal more study needs to be devoted to what Thailand's educational system really is. For example:

- a. Would it not be more economic, and perhaps economically and politically more practical, to

raise the quality of primary school instruction rather than to extend its duration?

- b. Is the school-entering age necessarily sacrosanct?
- c. How important are the efforts of private schools as opposed to government schools? Might the official encouragement of private schools be more economic?
- d. How significant is informal as opposed to formal vocational education?
- e. What are the values currently promoted in government schools? through textbooks? through the content and "meaning" of the educational situation?

2. Training of planners of educational policies and programs aimed at first defining and then achieving goals compatible with the needs and within the means that are available or can be generated.

3. Emphasize in training to creation, enlargement and support of the emerging cadre of developmentally-minded administrators, planners, and research workers.

G. POPULATION

AACT agrees that problems of population -- both the relationship of numbers to resources (population control and family planning) and the movement of people geographically and socially (population mobility) -- are critical and susceptible to programs. The demographic aspects of most of the above problem areas, particularly agriculture, urbanization, administration and education, are important. Several program areas are suggested.

1. Analysis of growth dynamics in terms not only of biology but also of social, economic and cultural forces at work. Such analytical work would underpin any national plan for population control or management.
2. Systematic research on various birth control, and infant and maternal health techniques.
3. Systematic research on the dynamics of rural-urban migration. There is considerable population mobility in Thailand, and although a great deal of the movement is short distance, there is also considerable stage migration and long distance direct migration to urban centers.

The dynamics of rural-urban migration in Thailand is not well known nor understood. For example, we do not know how population density, livelihood patterns, levels of agricultural productivity, various social, economic or other developmental changes and a variety of other factors influence the decision, rate, direction, distance, etc. permanency of rural-urban migration. Nor do we know who migrates, and under what circumstances migration is temporary or permanent. It is vital to be able to predict rural-urban migration and such prediction must be based on an understanding of both historical and current migration patterns and dynamics.

APPENDICES

MOERMAN

1. Michael ~~Moreman~~
2. Fred R. Von Der Mehden
3. Frank J. Moore
4. Paul B. Trescott
5. L. A. Peter Gosling
6. Charles F. Keyes

POLICY ORIENTATIONS FOR THE SEVENTIES

MOERMAN
MICHAEL ~~MOERMAN~~

0. Even if only in the minimal sense that they require an RTG signature on a pro-ag, AID programs are government-to-government. To avoid the fact or appearance of duplicity (and they are equally dangerous), every program should have as its main goal a set of actions for the RTG to perform. No program should have as its immediate main goal actions which are predominantly non-governmental and for which the RTG signature serves merely as a permit. To avoid the fact or appearance of inappropriate programs, USOM goals must be limited to those which the RTG -- aided by some U.S. inputs -- is itself capable of accomplishing. These considerations raise two immediate questions. Are there general consequences to be anticipated from any RTG action? Are there goals which the RTG is strikingly adept or strikingly ill-adept at achieving? The answer to both questions is, "yes."

1.0 Any RTG action (like any U.S. action) is fundamentally political in the sense that it has differing consequences for the members of various social categories. U.S. inputs to RTG programs do not come addressed, "Occupant, Thailand." Even if only by benefitting some sets of persons, government programs accomplish the relative deprivation of others. Reducing the sheer size of American participation will require us to exercise more discretion in the political placement of our support, since we can no longer indulge the vague hope that the RTG agencies, programs, and individuals ignored by one program will somehow be compensated by another. It is my own strong conviction that even without the new need to ration American

inputs, the US had excessively ignored, minimized, or been clumsy about anticipating the affects of its programs on the internal workings of the Thai polity.* Budget reduction is more like putting a woman on a diet than it is like staging her in a disappearing act. Decreasing her weight emphasized her profile; it does not reduce it.

2.0 My answer to the second question, while just as personal and prejudiced as my answer to the first, is less programmatic and cautionary. Before presenting it, I want to point out that taking the government-to-government posture seriously implies that our encouraging efforts which the RTG cannot pull off overstrains the Thai system, guarantees our failure and frustration, establishes a commitment from which we cannot in good conscience withdraw, and makes it likely that we will someday in Thailand -- as we now must in Vietnam -- decide whether to fish or cut bait when both actions are losers.

To overstate my position only slightly: I believe the RTG to be singularly ill-suited to either directly accomplishing economic development or directly influencing^e the conditions of village life.

* I think that excessive personalism has made for some of this political clumsiness. Although legally our programs are government-to-government, their actual inception and operation are typically man-to-man. A characteristic stimulus (from either the RTG or USOM side) for a new program or for differential program support is the appearance of a Thai official whom the US feels can accomplish the program. Since programs stay in place longer than the individuals who inspired them (especially when our support for individuals or agencies can be a factor in their political standing), USOM is often left holding a shrunken or swollen bag.

2.1 With few exceptions*, academic students of the Thai economy agree that the energy for the accomplishment of increased production comes from the private sector. Peasant responsiveness to price changes and the organizational capacity of small-scale businessmen to quickly move in and out of marginally profitable situations accounts for both spurts and sustained growth in rice, maize, jute, bus companies, etc. Government organizations are typically too lethargic, inertia-bound, or politically-administratively-ideologically motivated to spark or accomplish economic development in Thailand. The RTG's inability to directly accomplish economic development should direct, not preclude, USOM's programs, for the RTG can, and should provide two components of a climate favorable to development with stability.

2.11 USOM can furnish inputs which help the RTG to provide four kinds of development resources. At the first of these, the provision of such infrastructure materials as roads and irrigation facilities, USOM is experienced and expert. The second, providing knowledge (e.g., through agricultural and other technical research) of which the private sector can avail itself is also quite precedented. The third requires political astuteness, for it involves internal Thai reforms rather than new programs. One of the apparent obstacles to orderly private sector development is the unpredictability to any particular firm of taxes and other government charges, of licenses and permits, of regulations and of registration requirements. Public procedures resulting in clearly formulated regulations

* Peter Bell provides such an exception.

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promulgated in advance of their enforcement would obviously be helpful; just administration of regulations is essential. The final area for government action is designing tax and other laws which reward developmental enterprises over profiteering ones.

2.12 Private sector development, albeit essential, can have harsh consequences. If development is not to rend the social fabric, government must provide compensatory social services to sectors, regions, and individuals whom progress leaves behind. I would expect the Thai government to be more adept at performing such tasks than we have been domestically. USOM's place here should probably be to emphasize the need and subvent costs rather than to provide technical assistance.

2.2 When compared with their vast expense in planning, personnel, and expenditure, the RTG's direct influence upon the conditions of village life has been piddling. One might say of CD related activities, as Dr. Johnson said of female preachers and walking dogs, that what makes them remarkable is less how well they do the job than that they should have attempted it at all. The possible superiority of DPP to CD, or of youth clubs to agricultural extension, is a matter of margins which are at best minute. The police, post offices, and public utilities so conspicuous in even the smallest Thai town are noticeably absent from villages, in which schools are still the only constant government presence. In Nong Harn, so long the pet of the CD Department, improvements seem to be the results of roads and cities, not ^{of} direct development efforts.

Insofar as the RTG is more able to regulate and supervise urban than rural activities, it is urban programs which we should support. Since the RTG is more potent at manipulating its *own* personnel than its citizens, we should program for administrative reform rather than for mobilizing the populace. (Since the RTG's failings are usually unjust or inefficient administration rather than program gaps, this capability is an important one.) Perhaps of greatest importance, we must recognize that Thailand and the RTG are national systems, having painfully become so by the early 20th century. If the RTG has a natural capacity for development, it is for providing a climate which facilitates national development. USOM's pressures for regional, provincial, and district concentration has thwarted this capacity. The RTG, awkward at regional planning, simply cannot recognize and handle the peculiar features of provinces, districts, and villages. Fortunately, Thailand is a national system in which there is little historical, processual, or conceptual reason for assuming, for example, that the most effective ways to increase the economic well-being of persons who now live in northeastern villages is through programs mounted in those villages. What little we know of the general process of development -- together with the regional, rural, and developmental limitations of the RTG and the attitudes of villagers toward officials -- recommends national programs which might provide industrial training, encourage population mobility, support credit and marketing facilities, and furnish social services for those who remain villagers. In general,

USOM should support national level programs that spread the benefits of development, along with RTG programs that monitor and compensate for development effects which disadvantage large or otherwise significant social categories.

3.0 The program orientations I suggest recognize and judiciously encourage the dynamism of Thai society. Although we all pay ^{OBEISANCE} obedience to that dynamism, our immediate heritage of counter-insurgency has dulled our awareness of social change. Whether at the level of (characteristically inexplicit) theory or at the operating level of indicators, we have been unable to distinguish between insurgent conditions and social progress. Violence, the only recognizably specific symptom of insurgency, has been used as its sole cure. We have come to treat adolescent growing pains by putting the patient in a plaster caste.

POSSIBLE NEW DIRECTIONS FOR USOM/THAILAND

Fred R. von der Mehden

Since I have commented extensively on local authority problems in Thailand for the National Security Council (which should be in the hands of AID by now), this paper will emphasize other problems to which I believe USOM should address itself in the future. These issues may be broadly defined as follows:

A. Probable economic and political repercussions of the "Green Revolution."

B. Preparation for the political and economic impact of a possible post-Vietnam recession.

A. The impact of the "Green Revolution;" I am not as sanguine as some economists about the success of the new rice strains in Southeast Asia, given the administrative obstacles to the degree of use some predict. More accurately, it would appear that new agricultural techniques and rice strains will not effect the area uniformly either internationally or domestically. Thailand is particularly vulnerable to the possible consequences of this development if it advances very far in the region and AID can find in the impending situation both a new mandate for action and obvious new approaches to programs in Thailand. In addressing myself to this problem, first let me define the possible consequences of the "Green Revolution" for Thailand and then point up some new activities for USOM.

On the international market scene the obvious impact of new developments may be the drying up of traditional rice

markets for Thailand. While not as important as they once were, a drastic decline in rice exports, combined with probable future declines in rubber and other primary products, can be expected to have both economic and political impact on rural Thailand. More particularly, it raises into sharper focus the question of continued emphasis upon Northeast Thailand rather than the chief rice (and rubber) producing areas of the Kingdom. Politically it means that the RTG must prepare for heightened dissatisfaction related to decreased markets and the possible need to develop new taxes for rural programs to make up for reduced export duties.

Domestically, the problem can become severe as a result of the uneven expansion of new rice strains and techniques. We probably have to expect that the "Green Revolution" will first come in strength in those areas with a higher density of government communications, proximity to fertilizer, insecticides, agricultural stations, etc. If there is such an uneven distribution of the fruits of the "Green Revolution," serious political consequences could emerge. More particularly, this could exacerbate friction already apparent between the Central Plains-Chiangmai nexus and the outlying regions. It would also further underline the great need for more agricultural extension agents, subsidies for fertilizer and insecticide and an overall increase in governmental personnel at the rural level, which would further tax RTG economic and administrative resources, particularly in the light of other aspects of the problem noted below.

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The "Green Revolution" has become, in the trite phrase of the day, both an opportunity and a challenge. For the RTG and USOM/Thailand it would appear to more the latter. If Thailand is to remain economically and politically stable it must maintain a strong position internationally and hold down internal disension. USOM in aiding Thailand must then operate in two directions.

First, it must emphasize more the development of Thailand's export economy. This means both helping her to move into the new agricultural era more quickly so as to maintain some hold on the rice market and more particularly to develop export substitutions for traditional products. This change in direction to the export economy means that USOM can no longer address itself so centrally to the insurgency areas of the North and Northeast but must look to the rice export producing regions of the Central Plains and Chiangmai as well as to urban manufacturing centers. It is in these regions that will provide Thailand's exports and without development there the Kingdom will not have the resources to support counter-insurgency in outlying regions.

Secondly, these changes mean that greater stress must be given to efforts within USOM to develop substitutes for traditional exports along with some consideration of import substitution programs. This shift in stress probably necessitates less emphasis upon programs dealing with ARD road-building, public safety and projects centered upon remote village development.

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However, first and foremost, the probable uneven distribution of the "Green Revolution" calls for a careful analysis of its present and future impact within the Kingdom. It would appear wise for the Research and Economic Divisions of USOM to assess present conditions and consequences as a basis for future policy. Politically, the probable initial major development of new strains in less remote areas will inescapably call for a continued, if less important, interest in the North and Northeast. Heightened insurgency activities or further deterioration of the situation in Laos may heavily influence the speed and character of de-emphasis in the border areas. It should also be noted that a severe agricultural depression could bring important population shifts. Consideration should thus be given to a possible increased urbanization and resultant short or long-term urban unemployment. The political consequences of this pattern can be seen in present-day Manila.

Finally, it would be useful to assess the impact of uneven innovation on land tenure patterns. One might expect that demands for fertilizer, insecticides and other necessary adjuncts to the proper development of new rice strains would lead to pressure on the poorer farmers. This in turn may force more peasants off the land and increase tenancy under those who can afford the necessary agricultural inputs. The process of growing tenancy has been recognized for some time in the Central Plains and Chiangmai, but a major acceleration might very well have

political side-effects, particularly when added to increased urban unemployment.

B. The impact of the end of the Vietnam War. It is not possible to accurately prognosticate at this time if the end of the war in Vietnam will lead to an increase or decrease in foreign aid to indigenous insurgents or the entrance of outside elements into Thailand. The direction will depend upon the type of settlement made and policy goals of the Chinese and North Vietnamese at the time. It is probable that in the long run Congress will see less need to support Thailand on any basis short of a major escalation in violence and even then the watch-word appears to be caution. If this judgement is correct, the Mission must plan with the expectation of decreasing funds over the years. Thus, any shift of emphasis to the Central Planis would mean a decreased effort in present insurgency areas. This dilemma will prove to be one of the more difficult ones in the next few years.

The central issue resulting from the end to the war in Vietnam will probably be the political and economic consequences of an economic downturn. Certainly there were serious economic problems in the region following the end of the Korean War. The recession which followed hindered economic and social development programs in several Southeast Asian states as export income could no longer sustain programs planned during the wartime boom. A number of similar difficulties could influence future development programs in Thailand and

thus USOM activities. Loss of revenue to the RTG could come from:

1) Drops in prices of primary products such as rice, tin and rubber; Combined with possible economic ramifications of the "Green Revolution", this could effect most agricultural programs in the Kingdom.

2) The elimination of up-country bases: I hope that USOM has already begun planning possible projects in areas around base towns such as Ubol, Korat, Nakhorn Phanom and Udorn or is at least considering the economic implications of the loss of revenue to such base/market provincial centers. There should now be manpower and economic impact studies of these towns. The impending situation can have political repercussions as well if large numbers of able-bodied males are thrown upon the market in areas which are already politically unstable.

3) Loss of revenue in Bangkok due to decreases in expenditures by R&R and resident military and civilian personnel related to the Vietnam war; Much the same can be said about this economic loss to Bangkok as was noted with regard to the base towns. The situation is more complicated because of the greater amount of money involved as well as the fact that a recession in the capital could influence national politics to a greater extent. A rather interesting, if cynical question can be asked about possible changes in the attitudes of Thai and Chinese elites losing money as Americans leave rather than making it as farang arrive in droves.

All of these possible economic developments could have the same influence on USOM policies as the less happy results of the "Green Revolution." These include finding substitutes for exports (both real and invisible), concentrating on urban areas (Bangkok and provincial centers that have bases) and the Central Plains and training and re-training workers and farmers as former occupations are put into jeopardy.

It may appear odd that a political scientist should emphasize economic issues but the above problems are the major ones which the RTG and USOM will probably have to face and each has a strong relationship to political instability. There are two political possibilities that would invalidate much of the above for USOM - a major escalation of foreign induced war in Thailand with a high level of U.S. commitment or a political decision on the part of present or future Thai leadership to drastically reduce American presence. The former is difficult to predict and the latter almost impossible to plan for in a program sense.

One final note is necessary. The projected emphasis on urban and less remote areas recommended above must be over a period of time. Too rapid a withdrawal can have serious political consequences. This does not mean that the research called for in this study cannot begin now.

Fred R. von der Mehden
Rice University
February 26, 1970

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To : Dr. David A. Wilson
From: Frank J. Moore
Re : Your memo of February 11, 1970

These rough and hurried notes are not intended to spell out even tentatively any broad policy guidelines on any aspect of Foreign Assistance directed at Thailand's Long Run Problems. In the absence of clearly defined political and economic criteria, this would be a rather useless exercise.

What I am trying to do is to suggest - in crude outline some program ideas that are likely to meet some Thai needs almost irrespective of particular political conditions. Changes in government will affect orders of priority without invalidating the basis of the suggested programs.

Some assumptions have to be made:

1. Regardless of what happens in Vietnam, there will be no sudden changes in the American presence in Thailand requiring major economic adjustments. Withdrawal of American forces, if and when it occurs, will be accompanied by compensatory economic measures making it unnecessary to consider the consequences of changes in American military commitments within the normal planning frame of an AID program.

2. Basic characteristics of Thai administrative behavior will remain - or change only slowly - regardless of the nature of any specific Thai government. This will permit the formulation of a long-range assistance policy. Among these characteristics are such things as:

a. Corruption;

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- b. Centralization of power;
- c. Reluctance to delegate authority; and
- d. Personal rather than institutional loyalties.

3. Domestic political considerations in Thailand will create increasingly nationalistic pressures, regardless of the nature of any specific party or group in control of the government. This will make it desirable, or perhaps even necessary, to de-emphasize the foreign (i.e., American) personnel component of technical assistance projects. It will be desirable, therefore, to concentrate on projects where international collaboration is generally thought of as a constructive partnership of equals rather than on projects characterized by dependencies disguised as "counterpart" relationships.

4. De-emphasis of counterinsurgency in American planning for Southeast Asia and budgetary constraints are likely to restrict the funds available for foreign aid. It becomes essential, therefore, to seek higher leverage for assistance projects than may have been necessary in the past.

Programs compatible with these assumptions, I believe, would be primarily in the areas of planning and of policy-oriented research, especially in the general field of rural transformation (agricultural modernization and urbanization) and of education, as it relates to this. It is not possible and probably not required in these preliminary notes to spell out any programs or projects in detail. The following examples are roughed out for illustrative purposes only.

1. Programs directed at increasing the efficiency of using resources available for agriculture. These would include:

a. Research on the utilization of irrigation water for year around cropping. Along this line, it may be worthwhile:

i. To take a close look at work now in progress at the University of Chiangmai and to compare it, on the basis of cost/benefit criteria to other work in Thailand along these lines, with a view to developing an improved package of research practices, hopefully applicable not only in agriculture but in other research as well.

ii. To plan the effective application of research findings to increase farm production and to increase the number and competence of departmental staff and interdepartmental teams concerned with agricultural modernization.

b. To develop programs aimed at securing the greatest return for the increasing farm output. This means, in the first instance, a study of all factors related to the marketing of agricultural products, including not merely processing, storage, transport and credit facilities, but more fundamentally the total market structure involving social and political relationships as much as economic considerations. In this general research area, it would be desirable to investigate with care how private initiative and resources could be mobilized in support of national development goals.

2. Training in Thailand or abroad of planners of educational policies and programs aimed at first defining and then achieving goals compatible with the needs and within the means that are available or can be generated. There is no lack of models of the type of research programs that are needed; what is required is to adapt them to Thai conditions and to create the institutional basis necessary to sustain the necessary research programs.

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How far program ideas along these lines can be operationalized as assistance projects is largely a question of funds and qualified personnel. Much of the work could probably best be done on a contract basis through American universities and research organizations working in association with Thai universities. This would automatically make all projects multi-purpose activities, at least to the extent of providing an inbuilt training component to each activity. Implementation of programs through university contracts is likely to give a maximum of leverage in terms of ratios of foreign experts to local professional staff and students and also in the sense that it would permit a clear separation of technical performance objectives from all other considerations.

Economic Assistance to Thailand

Paul B. Trescott

A basic premise of United States economic assistance to underdeveloped countries has been that economic improvement and rising real incomes in those countries would advance the national interest of the United States. This should not, one hopes, be interpreted to suggest that we "buy" satellites or sycophants, politically speaking, nor that we need to cultivate either import sources or export outlets, speaking economically. A regrettable by-product of public dissatisfaction with the conduct of our military affairs overseas has been the steady attrition of our economic assistance to low-income countries.

Continued economic aid to Thailand can be defended by the general criteria which promoted establishment of general economic assistance programs in the first place. It can also be defended on more specific grounds relating to the diplomatic and military concerns of the United States, discussed in Dr. Wilson's memorandum.

Three important propositions bear on the question of economic assistance to Thailand, as follows:

1. Thailand faces substantial short-run economic problems arising out of the reduction of U.S. military expenditures in Southeast Asia.
2. Thailand has shown the capacity to benefit from external economic assistance.

2.

3. Thailand's economy has not developed sufficiently to make further improvement a simple and painless process without American assistance.

The difficulties created for Thailand by reduction in U.S. military expenditure are readily apparent. Substantial incomes have been created in the purchase of goods and services for the military program itself, and additionally through the consumption expenditures of U.S. personnel stationed in Thailand. Now these are declining, with painful consequences of the sort described in the Wall Street Journal, January 30, 1970 (copy attached).

Adjustment difficulties are also arising on a second front -- the export market for rice. War in Vietnam has curtailed production and exports there, and in combination with unsettled conditions in Burma and Indonesia led to substantial increase in the prices received for Thai rice exports from 1964 to 1967. The benefits of this were widely dispersed among the farming population. Since the peak in 1967, rice prices have weakened somewhat, and the prospect is for further decline.

In combination, then, these transitional adjustments mean direct income loss for a large part of the population. This comes at a time when Thailand is experimenting with an increased role for (at least the appearance of) parliamentary institutions. A widespread income decline might prejudice the success of political improvement and stimulate a rise in extremism in political campaigns.

Neither heavy military spending nor a high price of rice is inherently desirable. A lower price for rice benefits many low-income consumers; it may also encourage beneficial diversification in Thailand's agricultural production. The latter will be more likely to succeed if farmers are aided in making the changes involved.

Thailand's capacity to benefit from foreign assistance is apparent in the impressive growth of output, capital, and labor productivity. Between 1958 and 1967, gross national product in 1962 prices doubled; the average annual growth rate was 7 per cent. Although the nonagricultural sector has shown the most impressive expansion, agricultural production has also expanded, making possible continued increase in real exports. Important stimulus to increased output and productivity has come from growth of electric-power production, the extension of the highway system, and the enlarged irrigation facilities. A high propensity to save out of domestic income has permitted capital growth greatly to exceed the direct amount of funds obtained from external sources.

The need for further support is most easily documented by the level of achievement, contrasted with its rate of improvement. Per capita incomes in Thailand are still low in comparison with those of the non-Asian world, and in comparison with the more successful Asian countries: South Korea, Taiwan, Singapore and Malaysia. Productivity in Thai rice agriculture is low in comparison with other paddy producing areas. Agricultural development through further research,

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demonstration work involving improved varieties of crops and chemical inputs, and continued improvement in water control, appears an area where foreign assistance would continue to have high payoff. Potential for improvement in the livestock area may deserve high priority, both as a source of income and from a nutritional standpoint.

A particular problem is the continued high rate of population growth -- substantially more than 3 per cent per year. Rapid increase in the number of children has swamped the educational system, particularly outside urban areas, and the quality of schooling has probably declined. The U.S. aid program has provided direct support for extension of the birth control program of the Ministry of Public Health. Such a program is opposed by some powerful political figures, although it seems to enjoy strong support from grass-roots public opinion. U.S. aid helps to strengthen the position in the government of progressive elements who recognize that present high birth rates are potentially disastrous. Pending great extension of family-limitation facilities, outside assistance can also help to rescue the public school system from its present difficulties.

Agricultural development, manpower and human resources, and further extension of social overhead capital, including transport facilities and the irrigation system, all appear as areas where external economic assistance is potentially beneficial. A possible weakness of this emphasis is that it does not address itself directly to the industrial development (or non-agricultural development in the broadest

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sense) will take care of itself, but there also appears to be no basis for optimism about the capacity of U.S. government foreign aid to make a major contribution in this area.

Two questions falling outside the narrowly economic may be properly raised. First, what is the likelihood that some pressure of (temporary?) economic adversity may stimulate a greater emphasis on self-help and problem-solving within the Royal Thai Government itself? Second, what are the political implications of differing levels and types of economic assistance? Some U.S. programs have been criticized in the past for adding unduly to the power of corrupt and unsavory elements. Whatever its overtones of "imperialism", such a political concern cannot be evaded as long as it has such important overtones both for economic development and for the broader questions of national security.

In Thailand, an Air Force Town's Economy Suffers as U.S. Tightens Military Purse

By WILLIAM D. HARTLEY

Staff Reporter of THE WALL STREET JOURNAL

UDORN THANI, Thailand — A few years ago, when the U.S. military presence in Southeast Asia was still growing, about the shrillest shouts around much of this part of the world were "Yankee Go Home."

Now, with the economy drive at the White House, growing pressure to end the Vietnam war, and an increasingly pronounced foreign policy trend toward less involvement in the affairs of other nations, the Yanks may indeed start home. And that possibility is bringing groans of anguish from a whole range of local business enterprises.

For whatever else it has meant, the American military presence brought with it massive infusions of capital. Often it has meant new jobs, turned towns into cities practically overnight, and probably spelled the difference between a surplus and a deficit in several nations' balance of payments.

Udorn Thani is a good example of the impact. Before the Air Force arrived four years ago, Udorn Thani was a sleepy little farm town of about 30,000 persons. Since then it has grown so quickly that no one is sure what the population is. Estimates range from 60,000 to 100,000.

What happened is that the Americans came to build an air base for the Royal Thai Air Force. The base, financed with U.S. dollars, is on "loan" to the U.S. military, which uses it for F4 Phantom jets making bombing runs over nearby Laos. There are 6,000 American airmen at Udorn Thani and about 1,700 direct civilian employes. Another 2,000 or so civilians are employed by contractors.

There's no accurate measure of the financial impact this almost overnight infusion of people and jobs has had. But it certainly isn't a trifling sum. According to one estimate, nearly \$2 million a month were being pumped into the town during the first half of 1969. This, of course, multiplied all through the local economy as the bar girl used her pay for a new dress and the dressmaker spent that on rice and so on.

Belonging to the Air Force

"Everybody in this town belongs to the Air Force," says an Indian tailor who runs a small shop on the highway connecting the town with the air base. "Everybody's income is related to the Air Force. If I had no other support, it would be bad. Local people cannot afford to buy these clothes."

Unfortunately for him, the town may be in for just that kind of retrenchment. About the middle of last year, the U.S. finished its major construction work and cut its spending sharply. Some local Thai businessmen, who had figured that spending would continue, were caught by surprise. Business failures began to mount. Half-completed buildings still dot some streets.

The purse tightening was a shock. Now the U.S. has announced it gradually will remove 6,000 troops from Thailand, reducing the military here to 42,000 men spread through six major bases. "The message is getting through," says one American in Bangkok, the nation's capital. "This could really knock the Thais in the head if it were done, in say, a year's time."

The potential economic upheaval isn't con-

finied to Thailand. Such nations as the Philippines and Japan increasingly are becoming aware that the presence of American forces, even where they're unpopular, provides an important prop to their economies. As evidence of U.S. intentions to reduce its troops throughout the world mounts (see story on page one), Asian concern becomes greater.

The Philippines, for instance, counts on about \$150 million that the U.S. pumps into the economy each year through Clark Air Force Base, Sangley Point Naval Air Station and Subic Bay Naval Base. When talk cropped up recently about seeking return of Sangley Point, the provincial governor warned it would have dire repercussions on the livelihood of Filipinos around the base.

Paralyzing Thought

On Okinawa, where the U.S. contributes 40% of the gross national product, the thought of losing military spending is paralyzing. In December, when the U.S. decided to cut its work force by 1,000 persons, labor unions reacted with strikes, and the local government fired off protest notes.

Even in Japan, where student protests against the U.S. military have been especially virulent, the closing of military facilities meets opposition. In October, for example, the U.S. cut back activity at several air bases, eliminating 3,000 jobs. The cutback was immediately attacked by a major newspaper as causing "a grave social problem."

Behind the scenes, there must have been even greater objection. Recently the American Embassy at Tokyo felt constrained to form a reemployment commission to find new jobs for workers laid off at U.S. bases.

Moment of Truth

In some ways the moment of truth has already arrived for Thailand. This year the nation probably will report its first balance-of-payments deficit in a decade. One reason, sources say, is the drop in U.S. military outlays.

In 1969 the American military spent about \$170 million. A year earlier the outlay had been \$215 million, and in 1967 it had been \$214 million. Much of this spending was on construction projects such as air bases, port facilities, and roads. Thai construction employment figures, in turn, almost directly parallel the decline in total outlays. At the peak of the construction boom, 44,000 Thais were employed on the bases and as construction workers. By the end of 1969 the figure dropped to slightly less than 32,000.

By and large, the Thais appear to be taking the cutback philosophically. Noting that U.S. military spending in Thailand started to grow dramatically only after 1965, an official of the Bank of Thailand, the nation's central bank, quips, "Luckily, the honeymoon was short. We haven't gotten all that rich from the Americans, so we aren't spoiled yet."

Nevertheless, government officials are already beginning to chart economic policy that takes the withdrawal into account. The solution, some of them believe, lies in an even greater emphasis on agriculture, already the mainstay of 80% of the working population. At the same time they hope growing tourism will bring in additional funds.

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L.A. Peter Gosling

I am not sure of what is expected in this exercise. To project AID programs without "way out" ideas is against the academic tradition which requires that one never suggest anything of immediate utility or value. It is also natural to be somewhat speculative and focus on areas which require background research before program planning. I might be able to discipline myself somewhat better if the task were less open, and I were assigned some sector in which to work. However, so long as the matter is open I will note some areas in which I think research and program planning may be important. There are obvious sets of problems related to rapid economic growth which substantially contribute to internal instability. These are problems which are still largely neglected in developed nations, but nevertheless might be considerably easier to deal with if considered at a somewhat earlier stage of development.

Urban Development:

To start with the center, Bangkok, it is obvious that there are rapidly developing urban problems which attract little concern and action. In general urban research and action programs have been incomplete, dealing with only select problems such as the development of a sewage system (already obsolete), and minor urban planning. Even the modest level of urban planning currently underway is based upon western models with no attempt to understand and utilize some of the characteristics of a "non western" city.

I am afraid the following examples may fall

somewhat in the "way out" category, but they suggest what I mean by the importance of a traditional western urban research and development effort:

1. At the moment Bangkok is functionally a highly decentralized city, with most goods and services brought to the door or easily accessible within walking or samlor distance. Travel distance to work may be great, but I suspect even this is shorter than in most western urban centers of similar size. This dispersal of urban services is the product of a blessed absence of effective planning. It means that the demands on the Bangkok transportation system and communication network are minimal (believe it or not). I think it is obvious what will happen as greater centralization is enforced by planning, zoning, transport reform, etc. One problem: how to keep Bangkok decentralized.

2. Following from this is the importance of the "village" or neighborhood in the quality of life for the urban population, particularly the poor. One of the important differences in the structure and operation of the Southeast Asian city is the fact that it includes...and in some cases is almost completely composed of...relatively self contained villages. These "villages" have a high degree of homogeneity, handle a large part of their own affairs, provide a wide range of services for their inhabitants, and in general help major urban areas avoid some of the problems usually associated with rapid urban growth. However, there are factors which turn these "villages" to ghettos, and cause their beneficial functions to break down. An understanding of the role of the urban "village," and the way in which its functions can be maintained (or even expanded) is important to urban planning. We now assume that the decline of the "neighborhood" is one of the central factors in reducing the "quality" of urban life

in our cities. And yet most suggested planning and developmental measures for Bangkok have the effect of integrating the urban population and destroying the urban villages.

3. Thai move frequently to minimize travel effort. This movement is producing very high urban population densities, both in city center (administrative) and in select "suburban" areas (industrial). In addition, the older sections of town (wholesale and redistribution) already have incredible densities. Without damaging the "urban village," there is need for low cost housing. Low cost housing currently being developed has minimal accessibility, and this policy will probably continue. Might it be possible to seek some new approach to low cost housing, perhaps using Wat lands, which have optimal spatial distribution, and in the process would provide the Wat with higher income levels than the present low density housing associated with Wat complexes. In general a review of low cost housing in Singapore would be useful in designing a program for Bangkok.

4. In Bangkok, the movement of vehicular traffic has become a major problem, and even the most modest projection of future transport demand will make unrealistic demands on the already limited budgets for urban development. Much of the traffic problem is related to the traditional spatial form of the city, and even more to the traditional form of economic organization which leads to the clustering of similar business operations in a single (usually old) part of the city. On the other hand the operation of the urban "villages" decreases certain types of service traffic generation, but only so long as these "village" functions are maintained. We have made most

traffic projections in western terms, which, may not be realistic in the Southeast Asian context. We need a projection of changing traffic demand which takes into account the characteristics of urban functions and arrangements, as well as possible solutions which fit the particular needs of Bangkok.

5. Inevitably the extra-legal aspects of urban development will be modified; i.e., squatter housing, unofficial markets, etc., will be eliminated in certain areas because they cannot afford the rising costs of being illegal. This not only contributes to the breakdown of the "urban village," but results in a great deal of real friction between the government and the population. There should be some study of the transient (squatter) population to determine origins, expectations in Bangkok, etc. As the first to feel the negative impact of continued urban growth, or even rudimentary urban planning, they also may contribute the most volatile political element in the city. (Except for the students??)

6. Moving from the city, there are a related group of problems, which may become increasingly important, particularly in face of possible decreased U.S. military input, or a sharply increased level of terrorist activity. There is considerable population mobility in Thailand in any event, and although a great deal of the movement is short distance, there is also considerable stage migration and long distance direct migration to urban centers.

The dynamics of rural urban migration in Thailand is not well known nor understood. For example, we do not know how population density, livelihood patterns, levels of agricultural productivity, various social, economic or other developmental changes and a variety of other factors

influence the decision, rate, direction, distance, etc. permanency of rural urban migration. Nor do we know who migrates, and under what circumstances migration is temporary or permanent. It is vital to be able to predict rural urban migration and such prediction must be based on an understanding of both historical and current migration patterns and dynamics.

7. A related problem of quite different nature is the disposition of population displaced by development measures. The major population displacements are associated with the creation of resevoirs with lesser local displacement involved in urban, military, irrigation and transportation development. Preliminary study of this problem indicates that little effective planning has been done, and where the government has been involved it has either done nothing constructive, or has accepted the high cost alternative of long distance resettlement. I think there are low cost alternatives in displacement and resettlement, which require advance planning. Innovations in resettlement should be tried which involve the least displacement of the traditional networks of the displaced population, or provide them with alternatives (urban employment, etc) not currently included in most resettlement programs. It should be possible to capitalize on the normal high mobility of rural population to induce, over time, a gradual depopulation of the affected areas.

8. Perhaps one of the major problems in both rural and urbanizing Thailand, and one which becomes politically more important each day is the lack of security of title to most rural property. A stable rural population is not greatly concerned with the legal qualities of their claim to land, but with the full range of modernization this becomes a major problem. Cadastral survey also lags

behind development, and this makes the problem worse. This may be a particularly touchy problem politically, and may also involve expenditures (in survey) which are not very appealing to AID, but it seems to me to be vital to the security and loyalty of the rural population.

Finally, I would like to discuss the realities of AID programs in supporting small business development in Thailand. There are plenty of entrepreneurs, and many opportunities for small service and industrial development. It is always easy to say that there is ample risk capital in Thailand, and that we need not be concerned with high risk small business opportunity. However, I think there are relatively low cost inputs we can make in organizational and managerial skills which do not involve the much feared manipulation by unscrupulous Orientals. This is particularly far removed from my experience, and I am confident that other AACT members will introduce this subject.

SOME THOUGHTS ON AMERICAN AID TO THAILAND

Charles F. Keyes

25 February 1970

The most fundamental problem facing Thailand today is that of economic development. Forces set in action during the reign of King Chulalongkorn and fed by the Western impact on Thailand over the last 70 years have by no means completed their course. While threats, real and supposed, to national security have often upstaged economic development concern in the deliberations of the Thai government and of its foreign advisers, it is important to recognize the more crucial character of the latter with regard to the future of Thailand.

In the context of the change of American policy in Asia, it is vital that the U.S. shift its emphasis in its aid program to Thailand from security to development. In other words, the U.S.'s commitment to Thailand should be predicated upon other than military treaties and American strategic interests.

American aid has already contributed to the development of Thailand in a number of ways. It has been important in assisting Thai efforts to expand the economic infrastructure of the country. In addition, American aid has underscored Thai efforts to improve conditions among the peasantry living in previously neglected regions of the country and especially in the Northeast. The United States has also made a significant contribution towards Thailand's development by enabling large numbers of Thai

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to study in the United States where they have obtained training in a variety of skills and occupations.

Unfortunately, the American presence in Thailand has also had its negative aspects. This follows from the fact that American aid has been directed primarily towards the achievement of short-term goals of national security or protection of American interests. For example, emphasis on rural security has mediated against the transformation of a significant proportion of the peasantry into non-agriculturists. While expansion of the nonagricultural sector should be linked with agricultural development, it is very shortsighted to concentrate solely on the latter. In the face of a high rate of population growth, the best that such a policy can do is succeed in maintaining the economic status quo rather than in leading to self-sustained economic growth. In the long run, such an emphasis can lead to the type of "agricultural involution" which Clifford Geertz has described for Java.

American support has also served to buttress some of the most conservative elements in Thai society. The Thai military leadership which has benefited so greatly by American aid has not proven itself to be sympathetic with many of the radical changes which must be made in Thai society and economy if economic development is to be promoted. While it is to be hoped that the transformation of Thai society can be accomplished without some of the severe upheavals which have occurred in other developing countries, it must be recognized, as King Chulalongkorn did at the end of the last century, that the development of Thailand cannot be accomplished without some major restructuring of Thai institutions and national priorities. Elite consumption of luxuries and investment in Bangkok real estate,

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which have been stimulated in part by the American presence, serve but to channel wealth in directions other than those which advance development.

The American presence has also stimulated changes whose value to Thailand is highly questionable. In this connection, the war profiteering of some elements in Thailand has led to a growing, rather than a diminishing, disparity in wealth between elite and peasantry and to the expansion of activities (especially those designed to service American military personnel on "R and R" in Bangkok) which have no positive effect upon economic development and which may have a negative backlash as the American presence is reduced.

If American policy towards Thailand were to shift from an emphasis on security to an emphasis on development, there are several ways in which American aid might contribute even further to Thai efforts to realize self-sustained economic growth.

1. American technical advisers could still perform valuable services for the Thai in areas where there is still a lack of trained Thai. However, since decisions effecting development must be made by Thai, not Americans, it follows that choice of advisers should also rest with the Thai rather than with Americans. The present structure of the aid mission to Thailand has led to the unfortunate situation in which some American advisers are more committed to serving personal or American/^{rather} than Thai interests. Apparently a significant step in the direction of Thai control over choosing its foreign advisers has already been taken.

2. Efforts on the part of the Thai to modify their educational system could be strongly supported by the American aid program. The Thai government appears to have

recognized that an educational system designed primarily to turn out government officials is not adequate for promoting economic development. American support of these programs could well be articulated with the sending of Thai students to the U.S. for further training.

3. Thai efforts to cope with an emergent population problem have already involved requests for some support from the U.S. Such aid, perhaps in increased form, may prove crucial if Thailand is not to develop a condition characteristic of many of the developing countries in which economic expansion is offset by population expansion.

4. Thai efforts to formulate development programs on a national rather than a regional and in reference to both agricultural and nonagricultural sectors rather than just the former could be encouraged by the American aid mission. At the present time, American policy has led to an overemphasis on rural development in specific outlying regions. Such policy is ill-suited for a country which has a centralized, not a federal, polity and economy.

5. Finally, the U.S. should encourage the Thai in their efforts to involve the whole citizenry in political processes. These efforts should not only be directed towards the attainment of democracy, but also to provide for fuller participation of such marginal groups as the Thai-Islam in the South and the tribal people in the North. While such encouragement on the part of the U.S. may appear to some to be unwarranted interference in the internal affairs of another country, it must be recognized the existence of an American presence in Thailand will either work to underwrite the status quo or to effect changes in Thai institutions and decision-making. The American presence can in no way be seen as ^aneutral factor on the Thai scene.

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