



**AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT**

**PROGRAM MEMORANDUM**

**FY 1970**

**THAILAND**

BEST AVAILABLE

**DEPARTMENT  
OF  
STATE**

AUGUST 1968



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FY 1970 PROGRAM MEMORANDUM - THAILAND

ERRATA

Page 30, Paragraph 4, last sentence should read as follows:

"The cash deficit during the first six months of FY 68 was 1.8 billion baht (\$90 million) compared to a deficit of 1.2 billion baht (\$60 million) during the first half of FY 67."

The underlined word is the only one changed in the sentence.

EA/SEA:8/1/68

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The Administrator  
Agency for International Development  
Department of State  
Washington, D. C.

I approve transmittal of the attached USOM Program Memorandum for Fiscal Year 1970. U.S. assistance has played a key role in supporting the efforts of Royal Thai authorities to circumscribe and harass the Communist insurgency, and to retain or win the loyalty of the villager in remote areas. It is worth reviewing the major advantages accruing to the United States from the good start which has been made, and U.S. interest in continued progress in this direction:

a. The Thai insurgency - led by the Communist Party of Thailand under direction from Peking - is probably the clearest example in the world today of a Maoist "war of national liberation" in its initial stages. (Captured insurgent documents, insurgent appeals and Communist broadcasts to the Thai people leave no doubt on this score.) The ability of the Thai Government to contain the insurgency, and eventually to defeat it, is a vital element in the decline of Maoist influence in the world revolutionary picture.

b. Visible progress has been made in the Thai Government's effort to develop an independent capability to meet internal security requirements on a self-sufficient basis as soon as possible. Along this route lies the best assurance that Thailand's insurgency will never suggest the need for U.S. forces to supplement the Thai Government's efforts.

c. The major U.S. forces (about 40,000 men) engaged in the Vietnam war from Thai bases in the Northeast (which happens to be the center of the insurgency) have suffered no harassment or interference with lines of communication from Communist insurgents. While this option remains open to the insurgency, it is discouraged by Thai Government counterinsurgency measures.

d. A successful insurgency which developed a major Communist influence in Thailand could undermine the vital support given by the Thai Government and public to Free World policies and security programs in

Group 5, Declassified following December 1973

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the critical arena of Southeast Asia, and the vital leadership provided by Thailand for the development of regional solidarity in that arena.

e. Finally, our negotiators in Paris could find their hand appreciably weakened by the erosion of Thailand's stability and determination, which a successful counterinsurgency could bring about.

World-wide experience has demonstrated that, in the long run, the most effective, lasting, and economical counterinsurgency programs are those which are accomplished under the leadership and with the initiative of the government and personnel of the country. This lesson is being effectively applied in Thailand.

The control of insurgency in Thailand is deemed by the Thai Government to be its own responsibility: Thai leadership, Thai personnel and Thai resources are the mainstays of all counterinsurgency programs. U.S. programs support this effort, in the background, only as a means of helping the Thai to organize themselves more effectively and expeditiously: U.S. personnel have no operational responsibilities against the insurgents. The total value of all U.S. programs of assistance to Thailand is greatly exceeded by corresponding Thai budget allocations. For the projects described in this Program Memorandum, the ratio is on the order of two to one. The typical project is initiated to support the creation by forward looking Thai of an RTG capacity to meet an urgent counterinsurgency requirement. The U.S. contribution declines proportionately as the project develops to maturity and the RTG assumes full responsibility. U.S. assistance is, therefore, an innovating instrument, designed to be self-limiting in specific projects.

As this Program Memorandum notes, we are now in a position to give greater stress to the development of human resources in the Thai counterinsurgency effort, as a logical sequel to the necessary heavy stress on equipment and commodities in previous programs. We will emphasize increasingly the creation of skills and motivation required for self-sufficient Thai operation and support of counterinsurgency programs. Training and education will thus assume a larger role in our total effort in Thailand; in doing so we will minimize direct U.S. training participation and emphasize the development of Thai institutions and professional personnel capable of assuming the training role. We must concentrate also on improving the utilization and maintenance by the Thai of equipment already furnished and

in the pipeline, as well as their eventual replacement of it. We cannot now predict with confidence how long it will take to achieve these objectives, but we must treat them as most urgent.

Thailand has a highly pluralistic system, in which a number of seemingly overlapping programs often emerge in the same field. While it will be advisable to urge innovation in some instances, in others we should support programs that have sprung entirely from Thai initiative and show promise of effectively coping with vulnerabilities exploited by the insurgency. By retaining the flexibility to select and support specific successes as they appear on the Thai side our assistance can save considerable time, money and friction by expanding from within, rather than seeking to impose new structures from outside. In this way Thailand will also be strengthened in its resolve and capacity to meet its own problems.

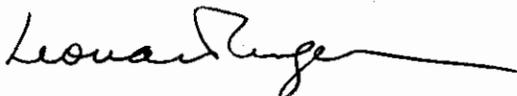
Given the start achieved in counterinsurgency programs, and evident initial errors on the Communist side, we are witnessing some tactical shifts by the insurgency, accompanied by occasional lulls in the incident rate. It would, of course, be fatal to derive a sense of security from such transitory observations; the potential threat posed by Communist states in the area and the vulnerabilities of the insurgent-threatened rural areas have not yet been substantially reduced. It would also be an error not to remain alert to the possible introduction of new elements in Communist strategy; for example, an expanded appeal to urban masses.

Measured against what must ultimately be done, progress may seem slow; measured against the situation at the time the insurgency erupted openly three years ago, Thai progress has in fact been rapid. Countering "wars of national liberation" by the means being pursued in Thailand is expensive in absolute terms, but highly economical in comparison with the cost of engaging in a large-scale military confrontation.

A major factor in assuring the effectiveness and economy and the requisite flexibility in U.S. assistance to Thai counterinsurgency has been the central management of all U.S. programs, for which responsibility is vested in my office. Essential unity of purpose, policy, doctrine and programs is achieved through the Counterinsurgency Coordinating Group (chaired by my Special Assistant for Counterinsurgency), on which all U.S. agencies with responsibility in this area are represented. Similarly, I have established a parallel mechanism for coordinating overall allocation of U.S. resources and the establishment of priorities

in demands by U.S. assistance upon Thai resources. Here we face above all the difficult questions of priority as between development and security and between civil and military requirements. I believe we can assure the Congress that the task of coordinating various U.S. programs in Thailand into a single U.S. assistance strategy, and of avoiding redundancy or internal frictions, is being met effectively.

The specific assistance level of \$50 million recommended in this Program Memorandum reflects what is necessary to continue to stimulate Thai counterinsurgency programs and to realize the benefits of aid already extended. It will also maintain Thai Government confidence in American intentions during a year it considers perilous in the extreme for our joint national objectives in Southeast Asia.



Leonard Unger  
Ambassador

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I. AGGREGATE AND SECTOR ANALYSIS

A. The Setting

Thailand is key to U.S. interests in Southeast Asia--because of its strategic location in the center of the Southeast Asian peninsula, its central role in catalyzing the economic and political development of the region, and its close military cooperation with the United States. Thailand's ability to contribute to the realization of U.S. objectives is, however, threatened by a communist insurgency which is able to exploit fundamental problems in Thai society, especially in the rural areas and particularly in the North and Northeast.

Three problems in the rural areas are still basic despite major improvements over recent years: (1) lack of adequate protection against communist violence and armed threats; (2) lack of economic opportunity arising from (a) low productivity, (b) limited access to credit and markets, and (c) low educational levels and poor health conditions which lead to a marked under-utilization of human and physical resource potential in the villages; (3) inadequate communication between government officials and the people, caused by (a) the small number of officials in the countryside, their insufficient mobility, still inadequate training, and residual attitudes of superiority toward villagers; (b) the lack of effective institutional mechanisms linking the village and the district administration; and (c) limited participation by the villagers in the governmental processes.

These problems are serious now; they will be more so if settlement of the Vietnam war releases communist resources which are then turned more heavily against Thailand.

B. The Communist Threat

The communists seek to exploit these problems. They are attempting to establish their own organizational structures in the countryside, filling the vacuum between effective government authority and the villages. Traditional attachments to the monarchy, the Buddhist religion, and the fabric of village society have appeared to reduce vulnerability to communist

penetration. However, economic opportunities in the countryside and ties between the individual villager and the national society must grow rapidly if they are to compensate for the erosion of traditional rural values and patterns of behavior.

The Communist effort to subvert Thailand is now carried out on three interrelated operational levels: (1) overt actions including clashes with RTG forces, armed threats to villagers, terrorism, and assassinations; (2) organizational activity, especially in the village, to lay the groundwork for an expanded political base and create conditions for increased and broader violence; and (3) persuasion, involving the stimulation of real or imagined grievances against the RTG.

Until now, the communists do not appear to have developed techniques or propaganda appeals capable of winning wide overt popular support. Even so, they have created significant disorder and disruption in a number of areas. New foci of violence appeared in the North and West Central Regions during the past year. Armed terrorist units are, however, confined largely to the hills and nearby areas. To obtain recruits, the communists have relied primarily upon family ties and promises of money, travel, training, and a better future. It is more difficult to assess the effect of propaganda themes emphasizing allegations of RTG corruption and subservience to the United States, but they do not yet appear to have had great impact. Appeals emphasizing poverty, lack of opportunity, and neglect or mistreatment by local officials appear to have had somewhat more success-- at least in winning a wider degree of acceptance for communist activities, and to some degree in recruiting. Threats and terrorism continue to be a principal means for asserting communist influence.

Information about overt terrorist activity available to the RTG and to the U.S. Mission is improving in volume and accuracy. Due to the nature of communist techniques and the limited RTG presence in the countryside, however, information about the insurgent organizational efforts is much less complete and reliable. Interrogation of defectors and captured communist terrorists indicate that the organizational effort is continuing on a considerable scale, whatever the rate of overt incidents reported. The incident rate in the Northeast is now lower than a year ago, whereas in the North it has increased greatly.

There is no indication that the Chinese Communists and North Vietnamese intend to lessen their pressure on Thailand. The main questions are the form and intensity of this pressure.

The communist challenge is not static, but a dynamic process with many options. One obvious option, and the most dangerous one, is increasing the level of resources committed to insurgency in Thailand. To date the communists' commitment has been small. Without much additional strain the Communist Chinese and North Vietnamese could increase sharply their application of resources in Thailand.

A settlement in Vietnam would release communist resources for use elsewhere in Southeast Asia. Thailand would logically receive a substantial share. It is probable that the communists would emphasize an increase in insurgency, rather than conventional military pressure. The communists can also be expected to exploit the economic and social dislocations caused by whatever reduction in U.S. military expenditures accompanies a settlement in Vietnam. The large monetary injection by U.S. military units currently provides many jobs for Thais around bases and supplements rural family income through pay sent back to the villages. This group of workers, separated from the farm economy, is unlikely to return to the rice fields and will need to be absorbed into other occupations as rapidly as possible.

This prospect takes on particular significance in the light of evidence that the communists, hoping to exploit new opportunities created by the return to constitutional government, such as elections early in 1969, are once again focusing attention upon workers and other urban residents as well as upon organizational efforts in the countryside.

It is estimated that 2,000 persons from Thailand have been trained by the communists in North Vietnam, Communist China, and Laos. Very few have defected, been killed, or captured. Most of these approximately 2,000 trained persons are still at large and, undoubtedly, at work.

U.S. interests require the most rapid possible development of the RTG's capacity to deal effectively with an increased level of insurgency.

### C. Security

Adequate rural security is basic to the success of the RTG's efforts to defeat the communist insurgency, and it is a prerequisite for the implementation of the RTG's economic and social development programs. Rural people cannot be expected to commit themselves to the RTG if the communists are able to threaten villagers and defy RTG authority.

The Thai National Police Department (TNPd) is the RTG's basic mechanism for maintaining security in the rural areas. The TNPd's importance remains fundamental despite the assumption by the Thai military of a major suppression role in selected sensitive areas.

Past efforts of the RTG, supported by USOM, have developed

the TNPD into a generally adequate agency for normal law enforcement. The TNPD was not, however, prepared to take on the additional complex responsibilities made necessary by the communist insurgency.

Adequate rural security will require further increases in the strength of the TNPD. The total strength of the TNPD, Kingdom-wide, averages 18 policemen per 10,000 population compared with ratios of 24:10,000 in Israel and 27:10,000 in Malaysia. In the Northeast there are 14 police per 10,000 people; in Bangkok, nearly 25 per 10,000. In addition, rural security will require general improvements in the infrastructure, mobility, and reaction capability of the TNPD. Even more important, more police need to be concentrated in the countryside, and the villagers' capacity to provide local self-defense must be improved greatly.

RTG programs aimed toward these goals are discussed later in this Program Memorandum. The magnitude of the requirements is demonstrated by a model which USOM considers would offer the prospect of effective rural security. This would involve raising the Northeast and North to the police/population ratio now average for Thailand, building and manning an additional 1,000 tambon police stations in the countryside--beyond those now planned by the RTG--providing adequate transport, communications, and reaction force backup for the TNPD, and establishing local self-defense forces in half of Thailand's villages.

USOM's costing of this indicates that meeting these security requirements within five years would cost \$260 million--over and above RTG expenditures and USOM support anticipated during this period. The foreign exchange costs of these additional requirements would be \$110 million; baht costs would be \$150 million.

#### D. Development

The most pressing developmental problems confronting Thailand are in the countryside. The people who live there--over 80% of the Thai population--are inefficient producers, obtaining relatively poor returns from their land and from their labor.

Thai agricultural productivity is well below that of a number of other Asian countries. Rice yields, 1.6 tons per hectare, are almost the same as in India and less than half those of Taiwan. Rice harvests in the Northeast--1.16 tons per hectare--are less than three-quarters the national average. Utilization of fertilizer and of other modern inputs is rising, but it remains low throughout the country. Agricultural production has increased more slowly than the overall output of the economy--an annual growth rate of 3.4% in the 1960's, contrasted with an average of 7.2% for the GNP as a whole.

The urban areas, especially Bangkok, have advanced rapidly, but income in the countryside is growing much more slowly. The proportion of

the labor force employed in agriculture has been relatively stable, but agriculture's share of total GNP has declined from 40% in 1958 to an estimated 29% in 1967. The current five year plan anticipates a further reduction in the proportion of national income originating from agriculture by 1971.

Agriculture growth has, moreover, been concentrated in the relatively developed Central Plains region. Some areas, notably the Northeast, have remained virtually stagnant, except for isolated growth in towns near U.S. bases. Income per capita in the Northeast in 1967 was about \$60--no increase over the 1961 level.

Of even greater immediate importance, the shortcomings in the countryside have a direct relevance to the villagers' vulnerability to insurgency. Rural people are not only remaining poor; they are increasingly aware that the people in Bangkok and other urban centers are becoming richer.

The communists emphasize this in their propaganda. Villagers also learn of this disparity through other channels. Radio listeners are exposed to a constant flow of advertisements and information which explicitly or implicitly underlines the differences between the rural standard of living and that enjoyed in Bangkok.

The sluggishness of the rural sector in Thailand can be ascribed to three basic and interrelated causes:

1. Insufficient villager motivation--due to lack of education and poor health.
2. An inadequate infrastructure in the countryside, including institutional shortcomings--credit and marketing--as well as lack of roads and water.
3. Insufficient and sometimes inefficient government services in rural areas, including security and administration as well as education, health and agricultural extension.

Each of these causes will be discussed below, and some of the expenditures required to solve these problems will be illustrated.

1. Human Resources Development

There are 1,220,000 farms in Northeast Thailand. This is more than in Iowa, Illinois, Indiana, Wisconsin, Minnesota, Missouri, Kansas, Nebraska, North Dakota and South Dakota combined. The farmers of Northeast Thailand work these farms without adequate education or technical training. Most children attend grades 1 through 4 in all regions, but the curriculum includes little of direct value to themselves and to their villages for improving agricultural methods, health standards, and the like. Moreover,

they have little opportunity to continue their studies. Only 28% of the students continue beyond the fourth grade in the Kingdom as a whole; in the Northeast, only 13% do so. In the Bangkok/Central Plains area 19.5% of high school age children are in school; in the Northeast only 4.4%.

As a result of the population explosion, the percentage of Thailand's school age youth actually in school decreased from 58% in 1960 to only 50% in 1967, while the percentage of college age youth in universities declined from 2.3% in 1964 to 1.9% in 1967. Under existing RTG plans, the overall percentage for school age youth in the classroom will come back to only 54% by 1971. RTG educational expenditures as a percentage of GNP stood at only 2.9% in 1960, contrasting with 4.1% in Taiwan, 7.2% in Japan, and a range of 3 to 5% in most other countries in a stage of development roughly comparable to Thailand. However, RTG expenses for education use up about 17% of the Thai budget (going mostly to the Bangkok/Central Plains area) compared to an average of about 13% for other countries in the region.

Thailand needs a greatly increased output of secondary school graduates. At the same time, the curricula of the high schools should be improved and broadened to produce graduates who meet Thailand's manpower needs and are capable of further training to satisfy the requirements of a developing economy.

There are not enough teachers. The national average is 16 teachers per thousand children aged 6 through 17. In the Central Plains, the ratio is 21 teachers per thousand children; in the Northeast, only 13 per thousand. Similar disparities exist in textbooks and school facilities.

The result of these weaknesses in the educational system is that the population in the rural areas lacks the educational basis--including functional literacy--and the motivation needed to adopt more efficient agricultural techniques.

The RTG has made significant progress in developing institutional approaches--such as Community Development (CD), Developing Democracy Program (DDP), mobile trade training, and farmers organizations--which will eventually overcome these deficiencies by bringing knowledge and motivation to villagers who have completed school. Such approaches, however, must be broadened in both scale and effectiveness.

Coverage by the Community Development program is expanding slowly. The present rate of 21 districts each year is not sufficient to move CD into each of the security-sensitive districts by 1972. The number of CD officials in the Northeast and North is almost 2,000--and over half are stationed at the provincial level rather than in districts and tambons. The CD program operates in 91 districts in the Northeast and North which have a total population of about 5.7 million, giving a total concentration of about 3 CD officials per 10,000 people in these districts. However, there is still no CD coverage

at all in districts which include 50% of the Northeast's population and 90% of the population in the North. The magnitude of the remaining task is evident.

The Developing Democracy Program has so far been conducted in tambons which include only 36% of the population of the North and Northeast. Kingdom-wide coverage is not planned before 1972.

Farmers' organizations reach less than 4% of the rural population in the North and 10% of the rural population in the Northeast. By far the largest part of coverage in the Northeast is accounted for by the Amphur Farmers Group program, which now operates in 14 districts and will soon expand to 28--out of a total of 156 districts in the Northeast.

Short-term vocational training reaches only a very small percentage of the rural population, despite the increases made possible by the Mobile Trades Training Unit (MTTU) and other RTG training efforts.

Thailand's educational deficiencies are most acute in the rural areas but the problem is nationwide. Human resources cannot be developed solely upon a regional or sectoral basis. U.S. support will go largely to programs in the Northeast and North; but the RTG must make a comprehensive effort involving national reforms. Serious qualitative and quantitative inadequacies exist throughout the Thai educational system. Shortages of key skills--in lower and medium-level technicians as well as professionally trained personnel--are emerging as one of the principal barriers to rural development.

To illustrate the magnitude of Thailand's needs for education, USOM has costed a model which assumes that 33% of high school age children would be in school by 1983--an increase from the current 10% within fifteen years. To provide an adequate input into vocational and academic courses on the high school level, and to increase the general level of literacy and adaptability in the countryside, it was also assumed that 90% of children in the upper primary age group--grades 5 through 7--would be in school by 1983. To provide an adequate input of teachers and a matching supply of highly-trained personnel, a target of 3% of college age students in university level study was set for the same year.

The Second Five Year Plan contemplates an investment of the equivalent of \$330 million in education from 1967 through 1972. USOM's cost analysis for the first five years of effort toward the fifteen-year goal showed that the equivalent of \$148 million would be required in addition to that provided for under the Plan. Of this additional \$148 million, it was estimated that about \$26 million would be foreign exchange costs and \$122 million in baht funding.

There are at present 7.5 million men and women in rural areas between the ages of 15 and 30. This is the generation that must be reached to bring about significant changes in Thailand now and in the near future. Only about 20% of these people are functionally literate. About 70% of them received four years of education but there is little retention of the knowledge acquired in village primary schools. USOM has costed a model which would meet minimum training needs for those who have left school.

Firstly, pre-service and in-service training would develop a corps of adequately qualified agriculturists who would bring technical knowledge and innovation to villagers. A goal of one agriculturist per 1,000 farm holdings was set, comparable to the ratio in Pakistan and Egypt but lower than the 1:900 ratio in the U.S. Secondly, literacy and basic training programs would be instituted to reach 50% of rural people 20 years of age or older. Thirdly, a vocational training program along the lines of the MTTU program would be extended to about 10% of adults between 15 and 30. Over a five-year period this model would cost about \$190 million, of which \$13 million would be foreign exchange costs.

Meeting these goals for education and training would thus require a total of \$336 million (\$298 million in baht and \$38 million foreign exchange)--in addition to the expenditures provided for by the Second Five Year plan.

The efficiency of human resources is equally vital. Disease, undernourishment and one of the highest birthrates in the world (3.3% per year) seriously impede Thailand's development of human resources. A Ministry of Public Health survey of a quarter of a million persons showed that 63% had one or more types of intestinal parasites. In the Northeast, 20% of those surveyed had hookworm; 13% had liver fluke. Trachoma, TB, leprosy and dysenteries are still major problems. Thailand has, overall, an adequate food supply, but large areas of the country, particularly in the Northeast, are deficient in protein--impairing physical and mental growth in young children and limiting the productivity and drive of adults.

Shortcomings in general health services are very great. The ratio of doctors to the population is 1:7,650 for Thailand as a whole, but only 1:17,600 in the rural areas. This compares with 1:2,200 for East Asia as a whole; 1:4,700 if Japan is excluded.

USOM has costed targets calling for a reduction of the doctor/population ratio in rural areas to 1:5,000 within eight years; reduction in the provincial hospital bed/population ratio from the current 1:2,000 to 1:1,500; training of appropriate numbers of nurses and midwives; expanding rural health stations to the relatively conservative standards set by the Ministry of Public Health; and continuation of the malaria control program.

Meeting these health targets would cost a total of \$54 million, of which \$19 million would be foreign exchange costs and \$35 million baht funding--beyond expenditures contemplated under the Second Five Year Plan.

## 2. Physical and Institutional Infrastructure Development

Full utilization of the human potential in the rural areas and in the Kingdom as a whole will require further improvement in the infrastructure. Despite large-scale efforts by the Highway Department, by the Accelerated Rural Development (ARD) program, and the Ministry of Interior, the road density in Thailand remains low; 40 miles per 1,000 square miles of area, contrasted with 110 in South Vietnam, 310 in the Philippines, and 590 in Taiwan. Roads free the villagers of one of the worst physical constraints in their environment, providing opportunities for development as well as immediate benefits. Roads still do not reach a large proportion of the villages of the Northeast and North. Fifty percent of Northeastern villages are completely inaccessible to a motor vehicle during the five months of the rainy season, and 10% are inaccessible the year round.

USOM has costed some of the requirements needed to meet deficiencies in roads. The ARD Coordinating Committee (CCARD), applying criteria of rural population density, economic activity, isolation, and security, established a goal of 30,000 kilometers of all-weather roads for 18 ARD provinces. This is in addition to the Thai Highway Department's goal of 1,650 kilometers needed to complete the basic trunk system in these areas.

Current ARD plans call for the construction of 10,800 kilometers of roads in these provinces by 1972 at a total cost of \$234 million. The Thai Highway Department (THD) plans call for construction of 850 kilometers by 1972 at a cost of \$64 million. Meeting the CCARD and THD targets would require, in addition to current plans, an expenditure of \$549 million--\$98 million in foreign exchange and \$451 million in baht. This, it should be noted, would cover only these ARD provinces, and would be in addition to the substantial road requirements elsewhere in the Kingdom.

Outside the lower Chao Phya Valley, the percentage of land under irrigation is low, especially in the Northeast, and double-cropping is rare. Average rainfall in the Northeast is about 55 inches a year, greater than the average of 35 inches for Iowa, Minnesota, Wisconsin, Illinois and Indiana, but virtually all the rain falls during a five-month period. Water storage and irrigation are essential for the development of Northeast agriculture. More facilities are needed; in addition, irrigation works already built are utilized inadequately due to the farmers' lack of knowledge, poor organization, insufficient final distribution systems, and lack of land preparation. Moreover, a large proportion of villages in the Northeast lack adequate water for household use during the dry season.

Current RTG plans for water development in the Northeast contemplate an investment equivalent to \$16 million by 1972. USOM has costed a model which indicates that an additional \$57 million would be required, of which \$9 million would be foreign exchange costs and \$48 million in baht funding. This presupposes only a modest added investment in major or medium size water works. The emphasis is on effective use of facilities; a minimum program to provide farmers in areas already served by irrigation works with the knowledge, assistance, and land preparation required to use the water already available.

Emphasis would also be placed upon meeting the needs of villages in the ARD provinces which lack water for household uses. An estimated two-thirds of the 15,000 villages of the Northeast need wells, ponds, or small catchment dams to meet minimum requirements for water--not necessarily "potable water". If the total expenditure for village water planned by the RTG in the Second Five Year Plan went to the Northeast, it would meet only one-half of the needs.

These cost estimates do not include requirements for irrigation projects elsewhere in the Kingdom, nor do they include possible costs for large-scale projects--such as, for example, the Pa Mong Dam proposed by the UN's Mekong Committee.

Agricultural credit is an essential aspect of institutional requirements in rural areas. An indication of the magnitude of rural credit requirements is provided by an estimate that the equivalent of \$31 million in credit would be needed each year to finance effective utilization of the land now served by irrigation works in the Northeast. This would cover only a small percentage of the farm households in the Northeast alone. Loan repayments would provide a large part of the funds for such a program, but needs for initial RTG subsidy and continuing support would undoubtedly be substantial.

Adequate development of the institutional infrastructure in the Northeast would require additional expenditures for the import and manufacture of fertilizer and other modern inputs, and further development of marketing, storage, and processing facilities. USOM has not yet estimated the cost of these additional needs, but they would be considerable.

### 3. Government Services in the Countryside

The number and quality of RTG personnel assigned in the countryside is inadequate, and many are utilized inefficiently.

In principle, the full complement of agricultural officers in a district is three. In a Northeastern district with a population of 60,000--typical of the region--it has been estimated that, under optimum conditions with adequate vehicles, a full staff of three agricultural officers could, if they spent

over 20 days per month in the field, meeting with 50 villagers at each one-day extension or organizing session, reach one member of each farm household only once each year.

Even this limited degree of contact represents a goal which is approached very rarely. A large proportion of districts in the North-east have only one agricultural officer, and many have none. A USOM survey of district agricultural officers showed that most are dependent on bicycles and busses for transportation, and most spend considerably less than 15 days per month in the field. More than half the district agricultural officers surveyed reported contact with fewer than 1,000 farmers during the preceding year. Similar--and often greater--shortcomings exist for health and other basic services.

In addition to the quantitative shortage of officials in the countryside, lack of mobility, low salaries, lack of stimulus from above to carry out an active village program, shortage of funds, low levels of training, poor inter-departmental coordination, and, in some cases, patronizing attitudes toward villagers further reduce the effectiveness of those officials already serving the rural areas.

Correcting these qualitative shortcomings is a major focus of USOM efforts. Low government salaries are also a key factor in the performance of officials in the countryside. The Second Five Year Plan provides for an increase in salaries amounting to \$12 million a year, averaging \$5 per month per official, but this increase has not gone into effect. Even if this increase is carried out, however, official compensation will still lag far behind salaries in the private sector. The effects upon motivation and the temptations of taking supplementary employment and of corruption are clear. It is estimated that an additional \$22 million per year is needed to increase the basic salary scales and to provide the minimum incentive payments necessary to make provincial service attractive, enable officials to live on their salaries, and reduce pressures for graft and illegal incomes.

#### E. Total Requirements

The preceding analysis, while far from comprehensive, suggests the scale of the urgent requirements which face the RTG. Achievement of the selected goals would require an expenditure by the RTG over the next five years equivalent to about \$996 million for development programs and \$260 million for police and rural security, a total of \$1,256 million--in addition to the effort called for under existing RTG plans for the next five years. Of this total, estimated foreign exchange requirements amount to about \$165 million for development and \$109 million for security for the five year period--about \$55 million a year. RTG planning already assumes annual assistance inputs of

\$50 million from USOM and \$120 million from other sources. Consequently, this \$55 million constitutes a substantial additional gap. This shortfall need not necessarily be filled by additional U.S. aid inputs or by greater efforts by other donors. These needs can be filled, at least in part, if the RTG can be persuaded to revise priorities and reallocate resources within its current plans.

USOM thus proposes to engage in regular consultation with the RTG with the objective of influencing and redirecting RTG resource allocations so that they will meet priority needs more adequately. At the same time the RTG will be pressed to increase budget revenues, adopt appropriate fiscal measures, and stimulate the private sector into more active participation in rural development.

## II. OBJECTIVES AND USOM STRATEGY

### A. Improved Institutional Capacity to Deal with Security and Development Needs

The basic objective of U.S. assistance is to improve and increase Thai institutional capacities for dealing with the security and development problems which are created by and facilitate the insurgency in the rural areas. A.I.D. funds will be used mainly to help the Thai expedite accomplishment of two significant goals: (1) building a "two-way bridge" connecting the Royal Thai Government in Bangkok through the officials in the provinces with the villagers; and (2) accelerating the development of education, training, and health for Thailand's mass of rural people.

These needs are most acute in the Northeast and other areas immediately threatened by insurgency, but they exist in all rural Thailand.

USOM will consequently pursue two aims: (1) to stimulate the RTG to meet these requirements throughout the rural areas of the Kingdom; (2) to stimulate greater RTG concentration of resources and effort upon meeting these needs in the Northeast and other areas where the insurgency is most threatening.

U.S. aid inputs will take the form of technical assistance, focusing on national priorities in resource allocation and stimulation of innovation, and commodity support, which will be concentrated on insurgency areas. Substantial U.S. resource allocations to these areas will bring a more concentrated application of RTG resources. This will focus RTG effort where the needs are most acute and enable counterinsurgency requirements to be met more promptly in the most sensitive areas.

To build a two-way bridge between Bangkok and the rural areas, it is essential that the government of Thailand staff the provinces and districts with more and better officials and provide these officials with increased resources. These actions are basic to increased responsiveness on the part of officials in the provinces to the needs of the rural people.

USOM will encourage decisions in Bangkok to increase the quantity and improve the quality and distribution of officials in the provinces and to increase the RTG funds at their disposal. The two key agencies in Bangkok toward which these efforts will be targeted are the Bureau of the Budget (BOB) and the Civil Service Commission (CSC). The BOB has the final say on the quantity of funds made available to the provinces; the CSC makes the basic personnel decisions needed to encourage the assignment of more and better civil servants to the countryside. USOM will need to provide some

technical assistance to both the BOB and the CSC to help in the development of procedures and facilitate the accomplishment of these objectives.

1. Building a two-way bridge - Responsiveness to village needs

The principal instruments through which USOM resources will be channelled into the provinces to provide the opportunity for RTG officials to respond to rural needs for better security and more rapid development are the Accelerated Rural Development (ARD) program and the Thai National Police Department's (TNPD) Tambon Police Station program.

ARD concentrates its total effort in the provinces where the need to decrease vulnerability to insurgency is most acute. A majority of the tambon police stations are being established in the same areas.

The architects of ARD provided it with a distinctive character: developmental resources are placed directly at the disposal of the officials in the provinces. This concept did not exist in the RTG prior to the creation of ARD. It is still not practiced to any acceptable degree by the old line ministries and implementation is still in its early stages in ARD. ARD is beginning to move to the provincial level an increasing share of the decision making involved in the planning, utilization, and maintenance of development resources. Planning units are being formed in each of the ARD provinces to assist officials to establish priorities and to determine local requirements for additional resources.

The directions which a government takes are determined in large part by the locations of resources--men, money and equipment--and the will of officials within the government to apply the weight created by these resources. The ARD program is a stimulus for establishing a new weight of resources in the provinces, and it is giving the officials there the will to make that weight felt.

Increasingly the officials in the ARD provinces are awakening to the new power which ARD has placed in their hands. They are applying pressures on Bangkok for more resources to meet local requirements--from the ARD program and from other elements of the RTG as well. In effect, the officials in the provinces are being given the opportunity to become public servants. They are, increasingly, being provided the means for effective performance.

There is need, of course, for more imaginative and specific security and developmental plans in the provinces so that officials there can be more persuasive in dealing with the RTG whose center of gravity remains concentrated heavily in Bangkok. As officials gain pride in accomplishment, pressures on Bangkok can be expected to grow. Demands from the

provinces will create a suction to draw the centralized RTG ministries increasingly into resource application and problem-solving in the rural areas.

In-service training for officials is another method for improving responsiveness and efficiency, as demonstrated by the success of the Nai Amphur Academy and other programs. USOM will continue to stimulate the expansion of these activities by the RTG.

The TNPB is, and can be expected to remain, more centralized than the ARD program. A high level of support will continue to be given to the TNPB's basic security activities. The Tambon Police Station program is expected to increase sharply the proportion of TNPB resources applied in the rural areas. Like ARD, it aims at placing more and better personnel where they are most needed. It involves RTG personnel more deeply in the security problems of the countryside. The measures needed to make the tambon station program effective--expansion of the TNPB's total strength, improvements in communications and general TNPB efficiency, and the provision of backup forces with adequate land and air mobility--will also have their greatest effect in the countryside, rather than in the urban centers. As the TNPB and other RTG officials in the provinces are drawn more deeply into the problems of rural security, this will provide another channel for increased pressure on Bangkok for additional resources in the countryside.

If officials in the provinces are to be responsive to the people's needs for better security and more rapid development, these needs must be made known by the villagers. Further improvement of the mechanisms for expressing these needs is required. It is also necessary to develop a capacity to evolve new mechanisms to meet changing situations.

USOM will continue to support RTG programs aimed toward these goals.

These include development of a village security program, the Community Development Program, the Developing Democracy and Village Leader training programs, farmers organizations at the village and tambon level, and the Amphur Farmers Groups.

Village security units, drawn from the villages in which they serve, suitably equipped, trained and motivated, are essential if adequate security is to be provided in rural areas. Members of such units would provide better protection against insurgents and other outlaws. They would also be trained to stimulate and assist their fellow villagers in development projects to accelerate local social and economic activity.

Perhaps even more important, these villagers would be trained to serve as a link between their village and the RTG. They would be trained to call upon the tambon police station and other security forces if help is needed. They would be trained to identify needs and to call upon the appropriate district officials--from the Ministry of Agriculture, Ministry of Public Health, ARD, etc.--for assistance. This broad concept, termed the Village Security Force (VSF) program up until now, has encountered basic problems within the Thai system which are not easy to resolve. It is hoped that these problems can be solved within the RTG and implementation can be begun early in fiscal 1969.

USOM will apply its aid and utilize its advisory personnel to encourage the Ministry of Interior to increase its support for the Community Development, Developing Democracy, and Village Leader training programs. These programs have a potential for assisting villagers to identify their problems and to formulate requests for assistance from RTG officials at the district and province level. These institutions offer mechanisms to draw additional inputs into the countryside, raise villagers' productivity, and increase their sense of identification with the national society. They are far from reaching their full potential, and further development is needed.

Similarly, the Ministry of Agriculture will be encouraged to increase its support of farmer organizations at the village and tambon level and widen the coverage of these organizations. They can provide a channel for increasing knowledge of better farming practices and, equally important, a means for communicating villagers' needs to officials in the provinces. USOM expects to continue support of the ARD-supported Amphur Farmers Groups, which serve as a focus for the expression of villager aspirations and a mechanism for improving credit and marketing facilities in the rural areas.

The Ministry of Public Health will be encouraged to step up the MOPH/ARD Mobile Medical Team program and MOPH plans for training nurses, midwives, and paramedical personnel and establishing additional health stations in rural areas.

In these and other ministries there is a need to parallel the ARD and tambon police station programs with an accelerated rate of resource transfer--of personnel, money and equipment--from Bangkok to the provinces. Frequent contacts between the USOM staff and personnel of the various ministries provide one means for effecting this.

Another major means is provided by the Northeast Economic Development Plan (NEED) mechanism, which has brought regional and sectoral needs into a focus which has been absent previously. The NEED mechanism has begun to show capacity for stimulating interdepartmental

coordination as well as better use of data in RTG planning and decision-making processes. The NEED planning mechanism provides a focus for pressure to move resources away from Bangkok--parallel to the ARD program and other activities which create a suction to draw resources into the provinces.

In the 1970 program USOM proposes that it have the flexibility of providing assistance to various sectors of the Thai economy. Assistance allocated broadly by sectors could be drawn upon to support programs of the technical ministries which are being led by the NEED mechanism into increasing their rural development efforts. Such flexibility will permit the stimulation of the line ministries to move resources into the provinces parallel to and later to supplant development activities stimulated by ARD and the tambon police station programs. As the technical ministries assume an expanded role in applying resources on the insurgency-threatened areas they should be able to assume increasingly the responsibilities currently carried by ARD. This will permit ARD to move into additional activities or additional security threatened provinces to innovate and stimulate further areas of responsiveness on the part of rural officials. The flow of Thai resources to the rural areas, stimulated by these activities, should make such expansion feasible,

The programs and institutions which are concentrating on the problems of security and development in the countryside are Thai programs and Thai institutions. Their impetus and effectiveness come from Thai who recognize these problems, are aware of the shortcomings of the traditional Thai system, and are working towards solutions. Their efforts are progressing despite the inevitable obstructions from elements which consider that their interests lie in preserving the status quo. These innovators are gaining influence slowly but steadily, in the provinces and in Bangkok. U.S. assistance has an important role to play in stimulating shifts of resources into the countryside and making possible the progress registered by these innovators.

## 2. Development of Human Resources

USOM participation should also be applied as a lever to induce the RTG to come to grips with the inadequacies of its present educational system, to concentrate resources upon accelerating the training of rural people, to maintain and enhance the level of education and training already achieved, and to meet the deficiencies in skills which already threaten to slow Thailand's rate of development.

One of the primary targets upon which USOM leverage will be concentrated is an increase in educational opportunities for rural youth beyond the fourth grade. The output of high school graduates should be increased sharply--especially in the provinces--to provide the agriculturists, nurses, clerks, surveyors and others who are needed to carry out rural development efforts.

To accomplish this basic need, the RTG must relate all elements in the Thai educational system to this objective. This means expanded and improved facilities, more teachers, better teacher training and a more realistic curriculum from primary school through the universities. In cooperation with U.S. private foundations, USOM intends to encourage the RTG to evaluate present practices, formulate policies and assess the opportunities for revamping and extending its entire educational system. For the most part it is expected that technical assistance can meet needs for U.S. support for these activities. As the RTG evaluation develops, however, additional support may be required at key points to test solutions and to accelerate the rate at which the necessary decisions can be made and implemented.

In addition to their benefit to future generations, these pressures for innovation in the educational system would be designed to end the vacuum left by inadequate schooling in the rural areas.

USOM will, therefore, also help to accelerate the rate at which the out-of-school population can be provided with the additional skills and motivation needed to enable them to contribute to the security and development of rural Thailand.

USOM will continue to support training for ARD and TNPD personnel, Nai Amphurs and village leaders. Mobile Trade Training Units, vocational agricultural training, vocational training for industrial skills and trades, and youth training programs carried out by ARD and other agencies will also be assisted. Of special promise is a proposed program of agricultural training as an integral part of the terminal program of army conscripts who will return to their native villages after military service. This proposal is now being considered by the RTG.

Human resource development depends upon improved efficiency as well as improved proficiency. Thus, rural health and family planning programs will also have strong USOM support. A reduction in the present 3.3% population growth rate is the only hope for avoiding unduly heavy burdens on future educational and health services, the food supply, and the job market. Rural health activities are essential now to reduce malnutrition and debilitating diseases that curtail human efficiency.

B. Overall Prosperity and Growth of the Thai Economy

The United States also has an interest in the overall prosperity and growth of the Thai economy. Some difficulties may lie ahead regarding Thailand's economic capacity to deal with the insurgency when U.S. expenditures in Thailand related to the Vietnam war are reduced. Nevertheless, Thai resources and inputs by other foreign donors, as well as continuing U.S. aid,

will in general be adequate to maintain the overall growth rates of the economy as a whole.

The principal USOM contribution would consist of support for a substantial and increasing role for domestic and foreign private investment. The energies of the Thai private sector need to be engaged more fully in meeting a basic need for more industrialization and development of agribusiness, and to increase the flow of resources toward meeting security and development needs. (See Section IV, Issues, for a discussion of USOM's assistance to the private sector.)

In summary, USOM's strategy is to:

1. Encourage further improvement in the RTG's ability to provide better security in rural areas, through the TNPD and development of village security units;
2. Promote the building of a security and developmental bridge between Bangkok and the sensitive rural areas through activities which directly affect the villager and place needed resources and decision making at the local level--such as ARD and the Tambon Police Station program;
3. Support programs which help villagers express their needs, such as the CD, DDP, farmers organizations and village security programs;
4. Further strengthen the NEED mechanism as a means of promoting greater involvement and shifts of resources by the technical ministries into rural area development;
5. Use the flexibility of A.I.D. funding to provide grant assistance to sectors such as agriculture, health, and education. Sector assistance will help persuade the RTG to make essential changes in RTG national policies; U.S. inputs would, however, go to the rural areas where insurgency threats are most acute;
6. Encourage BOB and CSC actions to facilitate placement of more money and more and better personnel in rural areas;
7. Stimulate increased private developmental investment.

### III. EVALUATION

#### Thailand's Rate of Growth and Transfers to the Countryside

Thus far, Thailand has maintained rapid development of the economy as a whole while it has coped with the problems of countering insurgency. The growth rate, sustained at over 7% per year from 1961 to 1967, is equaled by few other developing countries.

Thai fiscal management has been conservative and capable. The Thai Government has increased the role of the public sector, without jeopardizing private growth and foreign investment or causing dangerous inflation. RTG expenditures in 1961 were 10% of GNP; government expenditures in 1967 were 22% of GNP. Private investment has increased by over 15% per year since 1962. Savings average over 20% of income. In 1968, the RTG is operating with a proposed B 3 billion domestic deficit--over \$150 million. It is estimated that a deficit of B 5 billion is close to that possible without serious inflation. Accordingly, there is more room for increased financing of important developmental activity than the RTG has thus far been willing to undertake.

#### Transfers

The RTG has increased the level of budget assistance to rural regions. In the Northeast, it increased from B 1.1 billion in 1961 to B 2.1 billion in 1966, or almost 100%. Total central government expenditures rose 88%, from B 7.8 billion to B 14.7 billion. However, total public expenditure in the Northeast relative to total central government expenditures changed only slightly, from 13.6% in 1961 to 14.3% in 1966. Of these expenditures, 20% were for investment--largely in infrastructure--in 1961; 37% in 1966.

In FY 68, approximately \$35 million of U.S. aid went to the Northeast. Thai budget allocations were twice that amount, including special development funds from the RTG budget and project-related expenditures from regular budget allocations. These RTG expenditures can be expected to grow sharply in coming years. Despite this showing, however, the impact USOM has had on the allocation of Thai resources is more apparent in the specifics of USOM-assisted RTG programs, than in the overall pattern of Thai income.

and expenditure accounts. There is much evidence of improved character, quality and quantity of Thai efforts and resources committed to the Northeast and North. But the RTG can and should do much more to concentrate its resources and budget allocations upon rural areas. This appears feasible based upon continued prudent budget deficits and a consequent substantial, albeit prudent, drawdown of foreign exchange reserves.

#### Utilizing the Foundation in the Countryside

The USOM effort during the past several years has basically been one of supporting the RTG in establishing a foundation in rural areas-- placing construction equipment and personnel in the hands of provincial officials, increasing the training capability of the TNP, establishing tambon police stations, and, through ARD and through the line ministries, seeking to bring about a more concerted effort in rural areas.

The RTG's performance is still far short of a desirable level, but it is probably more effective than the communists anticipated. The roads built have begun to reduce the sense of isolation within the Northeast, and between Bangkok and the region. Bangkok-based ministry officials are travelling more often to the rural areas and taking a more active interest in village problems.

Some progress is evident among technical ministries, showing that new attention is being given to rural problems.

The Ministry of Health, although under tight budget constraints, plans 86% of its expenditures in the Five Year Plan for rural areas, focused on sensitive regions.

Personnel of the Ministry of Education and the Ministry of Interior have begun to discuss and reconcile differences arising from the 1966 decision to place rural education under the MOI. The concept under which the shift was justified--to increase provincial and local responsibility for schools--is good, and it deserves USOM support. Also, the MOE's acceptance of the principle of a broader and more practical approach to secondary education, embodied in the comprehensive rural high schools, is a step forward in Thai education. The substantial upgrading of 25 vocational and agricultural schools with IBRD and USOM support is another important step.

In spite of the technical ministries' demonstrations of greater interest in rural problems, the ministries' personnel still lack a much needed sense of urgency. Coordination among government elements is confronted by

obstacles of tradition and factionalism. New programs and new ideas are applied slowly. Once new programs are initiated, training and equipment pipeline delays--largely prior to delivery in Thailand--have meant that many of the resource applications initiated two or three years ago are only now beginning to apply their full weight in the provinces. Time has also been required for officials to learn how to make effective use of the new resources placed at their disposal.

### Protection

Shortages of trained manpower have been a major problem for the TNPD. Police recruit training, at a level of 4,800 men per year in June 1966, will increase to an annual capacity of 12,150 men by December 1968. The current rate is 7,200. The added manpower is to be applied to the Provincial Police and Border Patrol Police (BPP), especially to meet the manning requirements of tambon police stations and the urgent needs of BPP in regard to the insurgency in the North.

These rural substations are crucial to the RTG's effort to improve protection at the village level. Seven hundred and fifty of these stations are now completed or are nearing completion. Four hundred and forty-one, or about 60%, are allocated to the Northeast. Some tambon stations are under-manned, but increased recruit output will solve this problem. Initial villager reaction has been favorable, and in many instances they are requesting that substations be built in their tambons. A pilot youth activity is being initiated in FY 68 as part of the tambon police program, and limited medical assistance is rendered where other facilities are not available.

Backup for the tambon police stations and local security forces is being developed. A quick reaction strike force is being built within the Provincial Police and the Border Patrol Police (BPP). Twenty-four Special Action Forces will be increased to 46, and 25 BPP Mobile Platoons will go up to 62 by FY 71. Utilization and performance of the SAF's to date are not encouraging. The Mobile Platoons have a better record of operation in remote border villages. Unfortunately, it has been necessary to drain manpower from some of these units to staff tambon police stations.

Air and ground mobility has been increased, with USOM support, and U.S. assistance has also helped build the communications capability and overall efficiency of the TNPD.

In protection, as in other areas, the most acute problems are at the village level. The tambon police stations cannot, by themselves, meet all local security needs. This gap is filled partially by the installation of radios in the villages and at tambon police stations; 892 are now in place,

with 1,060 scheduled for installation during the next 18 months. The net being built, due to be completed in 1972, will connect every ARD tambon with the district and province.

Radios provide only a part of the solution. Local village defense units are also necessary to provide adequate security in the rural areas, and to play a positive role in village development and strengthening village-RTG links. Participation of villagers in local security raises fundamental problems within the Thai system regarding attitudes, jurisdiction and control. The months of dialogue and exploration involved in discussing the Village Security Force concept have stimulated greater awareness among many key Thai of the need to solve these problems. Efforts toward an RTG program for effective village defense must remain a major focus for USOM concentration.

#### Development and Coordination: The NEED Mechanism

The NEED planning mechanism has now been in existence for six months, and it has begun to cause officials to focus on functional and sectoral requirements rather than narrow departmental concerns. Increasingly NEED should provide the framework for applying the leverage of USOM assistance to obtain improved performance--including coordinated development efforts--on the part of the technical ministries and higher allocations of resources to the rural areas. The advisory services to be provided by USOM should facilitate this process. As the NEED mechanism develops and encourages the systematic use of data for planning and decision making, its impact should accelerate--affecting, in time, Thai planning for other regions in addition to the Northeast.

#### Local Development and Decentralization of Response: ARD

The substantial USOM resources provided to support the ARD program are beginning to produce broad results. Physical indices include the construction of approximately 1,000 kilometers of all-weather roads and 400 kilometers of service tracks since early 1965. This is roughly 20% of all the roads in the Northeast. There are now over 3,000 ARD employees -- including technicians, equipment operators, and mechanics--at the province level. As additional resources emerge from the training and procurement pipelines, this capability will increase ARD's capacity for road construction to about 2,000 kilometers per year in 1969. A growing proportion of ARD's resources will be applied on small water supply projects and other projects which meet local needs. Overall, however, ARD has begun to open the way to the villages but is not yet sufficiently responsive to village problems and aspirations.

The confidence and ability of Governors and their staffs to utilize ARD resources effectively are growing. The Governors of the ARD provinces increasingly are becoming a counter force to the inertia in Bangkok. Through the Governor's Conferences about three times a year and through other channels, the Governors are applying pressure for more attention to local problems and demanding more of the resources they need--from other RTG agencies as well as from ARD. Comprehensive five-year road construction plans are being completed for the ARD provinces, based upon criteria worked out with the ARD Coordination Committee.

ARD is an important mechanism in the drive to allocate resources to rural areas. From 1964 to 1968, RTG budget allocations for ARD were the baht equivalent of about \$25 million. It is anticipated that ARD will require a baht budget of that size for 1969 alone, or \$2 for each person in the ARD provinces per year.

The ARD program also provides a valuable focus for innovation. Through ARD 30 Mobile Medical Teams and 12 satellite units are now treating about one million rural patients each year in the Northeast and North. ARD stimulated the growth of the Amphur Farmers Groups, giving far greater effectiveness in selected districts to the Ministry of Agriculture's farmers organization program. During the 1967 growing season, 13 functioning AFG's extended B7 million in credit--an average loan of \$32--to 11,000 farmers. Repayments exceeded 95%. The effectiveness of the AFG's requires further improvement, but a promising start has been made.

Full and effective utilization of equipment continues to be a major problem for ARD. USOM will continue to give the fullest attention to the resolution of this problem. The Thai realize the seriousness of the task. They must develop their own structure and capability to correct it. ARD's success is, of course, measured not only in terms of utilization alone, but also in the overall effectiveness of the program in bringing about institutional changes which can have far-reaching effects in countering the insurgent threat to Thailand.

#### Regional Concentration

RTG agencies have applied varying security criteria, but there has been a wide measure of agreement. Designation of a province for participation in ARD has become broadly accepted as a basic criterion for concentration by most Departments and Ministries.

The Village leader training programs of the Community Development Department, the Developing Democracy Program, tambon police stations, the majority of the Mobile Development Units, Mobile Medical Teams, Mobile Trade Training Units, and Amphur (District) Farmers Groups are concentrated in the most critical districts and provinces of the Northeast and North. ARD road construction has been responsive to security requirements as well as developmental needs. The Ministry of Agriculture especially has a vital, as yet unfulfilled, role to play in the rural security areas.

By far the highest concentration of RTG resources for counter-insurgency is in the Northeast; increasingly, but to a secondary degree, in the North. The RTG must also, of course, consider pressing requirements in rural areas other than the Northeast and North.

#### Developing Human Resources

The Ministry of Education has begun to respond to rural needs. One of the Ministry's most valuable innovations has been the Mobile Trades Training Units (MTTUs) which offer a means to provide new skills to rural young people. Eleven MTTUs trained 8,400 persons in 1967; 18 units will train 12,500 in 1968. Their capacity still falls far short of meeting the need, however, and too little is being done to provide vocational agricultural training as well as mechanical and service skills. The reach and effectiveness of agricultural extension programs must also be improved through more and better trained agricultural specialists, through an improved research extension relationship, and better agricultural programs able to attract interest and enthusiasm from agricultural officers and villagers.

Far more fundamental is the inadequacy of the educational system itself in the rural areas, with its unrealistic curricula, shortages of teachers and textbooks, and lack of opportunities for further education. (See Section I, Aggregate and Sector Analysis, for a detailed discussion.)

Progress is also being made in public health programs, but shortcomings are extensive. The RTG is moving toward a more active family planning program and is providing research and services on a broadening scale which will reach 400,000 women by 1970, but the RTG has not adopted a clear national policy on family planning. The RTG is also considering approaches to malnutrition problems in the rural areas. Approximately 1,000 health workers and paramedical personnel are being

trained each year for assignment to health facilities in the ARD provinces, and the Ministry of Public Health continues to build and staff rural health centers at a rate of about 200 annually. The Mobile Medical Teams are providing medical care to villagers in sensitive areas, (about one million patient visits per year) despite less than ideal professional support from the Ministry and administrative shortcomings in ARD. For many years to come, however, many areas in the insurgency-threatened provinces will remain without adequate medical services.

The outlook for control of major communicable diseases is better. The malaria eradication program is behind schedule, but the annual rate has been reduced from 180 cases per thousand in 1950 to 7 cases per thousand in 1967 and endemic malaria areas should be reduced to a few spots, mainly along the borders, by 1973. WHO is assisting the RTG to reduce the endemicity of tuberculosis and leprosy. Effective control of parasites, dysenteries, and other widespread debilitating diseases remains a distant goal.

Senior RTG officials are beginning to realize the great counter-insurgency benefits which can be secured by providing health services to villagers, but much remains to be done. Improvements in roads, water supply, education and communications in the rural areas will help to overcome the health problems of the rural areas, but further changes in the attitudes of Ministry officials and the Thai medical profession will be needed.

#### Improving the Administrative Structure and Links With the Villager

Two channels exist for improving communications between officials and villagers. One is the established administrative structure, which needs to become more efficient and more responsive--as well as to deploy larger numbers of officials into the countryside. The second is the still very scattered, incomplete, and uncoordinated patchwork of village organizations. Such organizations have a largely-unrealized potential for involving the villager in activities which have meaning to him, offer him a role which clearly benefits him, and which establish incentives and institutions for cooperation between villagers and officials.

RTG programs supported by USOM are helping to improve the administrative structures between the villages and provinces and to provide channels through which government services can reach the villages. To some extent service to remote critical areas is beginning to be considered by Thai officials, especially the Nai Amphur (District Officer), as an avenue to advancement rather than evidence of banishment. The in-service training program of the MOI's Departments of Local Administration (DOLA) and Community

Development have up-graded the administrative abilities of local officials, forced attention on rural needs, and developed increased responsiveness to village requirements.

One of the most successful has been the Nai Amphur Academy. One hundred sixty-three men have completed the Academy's intensive 9-month course. Fifty percent of the graduates have been assigned to the Northeast. In-service training in counterinsurgency, stressing the importance of positive relations with the populace, is emphasized in police training.

It is clear that these programs are far from sufficient, and USOM will continue to stimulate appropriate RTG training for officials of the technical ministries as well as DOLA and the TNPD.

Short-course training programs for village leaders carried on by the CD Department and DOLA's Developing Democracy Program offer another channel. Both are designed to develop local initiative, show villagers how they can solve local problems, and strengthen village cohesion. Community Development has reached about one-fourth of villages in all Thailand; over half of the effort is located in the North and Northeast. About 300 CD village workers are trained each year to add to, or supply replacements for, the approximate 1,500 CD officers who are now working at the tambon and village level.

Since 1966, the DDP has conducted training in 408 tambons with 36% of the population in the critical North and Northeastern provinces. DDP training concentrates on the tambon (township) and its council, the sapah tambon, which has long existed in principle but is usually inactive. The process streamlines the council, leaves the tambon headman as chairman, and trains council members in problem-identification and planning. Annual grants of B10,000 (\$500) for each tambon are then made to the districts. Total grants for the first three years were the equivalent of \$500,000, and reports on projects planned and executed by the tambon councils show that two or three times this amount was contributed through the council mechanism by villagers. Grants of baht, the equivalent of \$500,000, are projected for 1969 alone.

Much remains to be done before CD and DDP coverage is adequate. Expansion of both programs should be encouraged, and other initiatives should be stimulated toward improving the effectiveness of the tambon as an institution linking villagers with the district. The tambon is close enough to the villagers to have meaning for them. The tambon council organization and the tambon police stations can provide foci for this

development. The RTG should be encouraged to make full use of the existing legal mechanisms which permit tambons to progress through various stages toward an eventual authority to tax, budget, and spend.

The coverage and effectiveness of farmers organizations is very limited, and broad improvements are needed. Some progress has been made, especially through the amphur farmers groups, but this must be accelerated. One area for USOM emphasis will be attempts to improve coordination among the half-dozen departments which are involved in cooperatives and farmers' organizations.

#### Innovation and Response

The efforts by innovators within the RTG, supported by USOM, to bring about a more effective RTG response to the problems of rural areas are beginning to have an influence on the direction taken by the RTG. For example, General Praphat, Deputy Prime Minister, Minister of Interior, and Commander of the Thai Army, said in his speech at the ARD ProAg signing ceremony May 31: "The policy of this government is to support the rural people to strengthen their economies and other factors in order that they may resist danger and are able to preserve their freedom with dignity. I, having been entrusted, as the leader in suppression, protection, and prevention, wish to emphasize that preventive measures are the most important work and must be done first. If we are able to effect sufficient and timely prevention, we shall later have to perform little or no destructive suppression work. Protective and preventive measures, in contrast to suppression, will bring the by-product of development and progress to the people.... This work is intended to reach the rural people, to assist them, and to bind them to our institutions as rapidly and as firmly as possible.... If we succeed in winning the people, the opposition will never have a chance to harm us." It cannot be claimed that this statement is as yet representative of the RTG's counterinsurgency operations, but it is a welcome benchmark in the progress the Thai Government is making in devising a sound approach.

USOM is involved in supporting a marked increase in innovation within the Thai Government. This process cannot be accomplished within a few months or years. As in any government, there are strong, long-established forces opposing innovation. The institutions and programs carrying forward this innovation are not U.S. creations. However, the U.S. catalytic role was important, and continued U.S. support helps to maintain forward movement.

Basic problems remain. Departmentalism is still strong and intra-

governmental communication remains weak. Advances toward decentralization of resources into the hands of the governors are in progress but could be reversed. It is important that there be a proper civil/military balance in counterinsurgency operations. Thai initiatives toward establishing a real relationship between the government and the villages must move ahead rapidly. A satisfactory rate of resource transfer from urban areas to the sensitive provinces and to the countryside generally must be maintained. To an important extent, these favorable trends and encouraging movements can be fostered and supported by the judicious application of U.S. assistance.

IV. ISSUES

- A. Self-help: Is the RTG making a sufficient contribution toward the solution of its security and development problems?

USOM considers that the RTG's record of self-help is good but can be improved greatly. The Thai overall economic performance has permitted the RTG to take a bigger proportion of total resources for national security and development. Tax collections have been growing at about 13% per year, and government expenditures as a share of GNP have increased from 10% in 1961 to 22% in 1967.

Major problems include regional disparities in income. A concentration of economic growth in the Bangkok area has left much of the population outside the improvements in per capita income reflected in overall statistics. In fact, population increases have lowered the standard of living in some areas.

Private sector development has been rapid. Bank loans have increased by 186% since 1962. 70% of total investment has been from the private sector, and this investment has been increasing by 15% per year. Resources for private investment drawn from savings are very high. The average savings of the economy equal over 20% of output and the marginal savings rate has been over 40% in recent years. This high rate of investment has, however, also been concentrated in Bangkok and has not had sufficient effect on national development.

Thai budget expenditures have been rising over 14% annually over the past three years, nearly double the growth rate of GNP. Beginning in 1968, the RTG appears to be shifting to greater deficit financing in order to meet increasing demands for both security and development. The cash deficit during the first six months of FY 68 was 1.8 billion baht (\$90 million) compared to a surplus of 1.2 billion baht (\$60 million during the first half of FY 67.

RTG willingness to finance adequate and increasing budgets will be one measure of its determination to finance more adequately its rural development as well as other major requirements, such as those in the security field. The estimated feasible domestic budget deficit for Thai FY 68 is B 5 billion, with the expectation that the actual deficit would be

in the order of magnitude of B3 billion next year. Studies indicate (Embassy A-1000) that such a domestic budget deficit could be sustained without serious inflationary pressures. This is possible only because of the high level of foreign exchange reserves. Thailand's propensity to import is relatively high. The foreign exchange reserves would be drawn down as the increased money supply resulted in increased consumer and producer spending--a large part of which is for imported goods.

RTG overall public sector expenditures are about \$1 billion in FY 68 and will expand rapidly in FY 69 and FY 70. Budget allocations to pressing security and development problems are predicated on two major considerations: (1) the amount which should go to Bangkok and other relatively developed areas to ensure continued growth, and (2) the amount required for the Northeast and other disadvantaged areas. Contributions from the World Bank and third countries are expected to supplement Thai and U.S. contributions. In the process of meeting its national goals, both U.S. and third country contributions are maximized by the RTG. In NEED and other elements of the RTG, USOM is providing technical assistance in planning.

USOM intends to give explicit attention to priorities in the use of Thai resources. This will be done through the NEED framework, the National Economic Development Board, the Budget Bureau, and the Civil Service Commission.

All RTG projects supported by USOM and each sub-activity have been reviewed and will continue to be re-evaluated to determine their importance to U.S. objectives of helping the RTG build a strong nation able to preserve its independence. Projects which are determined to be of marginal importance or no longer of high priority are being placed on a phase-out schedule. Care is being taken, however, not to jeopardize past accomplishments by premature withdrawal of U.S. assistance.

USOM has specific, short-term phase-out plans for a number of projects in the technical assistance field which have been under way for many years. USOM is also actively engaged in sharply limiting or phasing out our support to lower priority aspects of large projects (such as the police project) which continue to receive an overall high priority.

Every project provides for a phase-in of Thai commodity support, timed to ensure that the Thai will be in a position to carry on with projects after U.S. assistance ceases.

U.S. inputs have been, and will continue to be, a declining proportion of the total effort. The size of the U.S. input is not necessarily an accurate reflection of the priority of an RTG program, nor of the priority which the U.S. attaches to that program. For example, we accord to the establishment of a village security program and the newly established NEED program the same high level of priority as the Police and ARD programs, but dollar contributions contemplated for the first two are small in comparison to the USOM contributions to the second two.

B. Foreign exchange reserves: How should the RTG apply its very substantial foreign exchange reserves?

A prudent drawdown in Thai foreign exchange reserves should be sought over the next several years through selective Thai dollar expenditures for high priority security and development expenditures. Foreign exchange reserves have risen by nearly \$600 million since December, 1961 and currently stand at \$1,053 million (as of April, 1968: IMF definition), equalling 11 months' import requirements. U.S. military expenditures in Thailand, totalling \$213 million in 1967 have been an important source of this increase. Estimated at the same level for 1968, these expenditures are expected to be less than \$150 million in 1969 because of the completion of military construction projects.

Serious problems confront the RTG in other sectors of the economy. In 1967, total agricultural production declined by 8%, due to drought. The 1967-68 rice crop was 17% below the year before. Overall growth in GNP was cut to 5%. As a result, agriculture commodity exports in 1968 are showing marked decreases. Rice exports will probably be slightly over a million tons, much out of 1966-67 crop stocks, as compared to 1.9 million tons in 1966 and 1.5 million tons in 1967. Export income from other crops such as kenaf will also decrease. The deficit on commodity trade has increased in the past few years, reflecting increased private and public investment in Thailand and the stimuli to imports caused by U.S. military spending. Gold and foreign exchange reserves increased steadily until September 1967; since then lowered agricultural exports slowed the rate of earnings from this source. Over the past eight months reserves have registered a slight decline.

The composition of exchange earnings has changed markedly. In 1962 commodity exports constituted 84% of earnings; in 1967 this ratio dropped to 63%. Projections assuming a gradual phase-down of U.S. military expenditures indicate this ratio will rise to 75% by 1971.

The increases in reserves since 1965 have tended to make the recent declines in agricultural output less dramatic to policy-makers. U.S. military expenditures have offset the decrease in export earnings and the increase in imports. Allowing for the marked stimulation to imports arising from U.S. military spending, these expenditures are still estimated to have contributed over \$100 million to reserves each year in 1967 and 1968.

It is estimated that reserves would drop to \$442 million by the end of 1971 if the U.S. military spending is reduced drastically in mid-1970, and the RTG undertakes financing which could result in a domestic budget deficit in the vicinity of B5 billion annually in 1968 and 1969, tapering back to a deficit of B3 billion in 1970 and 1971. The level of reserves resulting from such a process would represent approximately 3.8 months of 1972 estimated import requirements. It is doubtful, however, whether the RTG will allow its reserves to fall to these levels. The probability is that they would take action--import controls or other measures--to prevent reserve drawdowns below \$750 million.

Planned reductions in U.S. military construction will reduce dollar earnings from this source from an annual rate of \$75 million per year during calendar year 1969 to zero in calendar year 1970. It is estimated that this reduction in U.S. expenditures would decrease Thai domestic production through the multiplier effect by at least B3 billion (\$150 million).

The Thai can certainly afford to draw down their exchange reserves. The drawdown of reserves will, however, tend to limit their flexibility. In the context of Thailand's traditionally conservative financial management, any drawdown of reserves will make it less likely that Thailand would run the substantial budget deficits which are considered essential if the government is to maintain a rapid rate of growth and make available the resources needed for rural security and development.

Thai resources are not substitutable one for one for U.S. resources in a realistic economic sense, although they might be presented in this way in a mechanical balance of payments analysis. Furthermore, when the demands on Thai resources illustrated in Part I are considered, there is a serious question whether the Thai economy could bear the strain if the theoretical projections became real. The decisions on the utilization of U.S. assistance depend primarily upon the means it will provide to induce the

Thai to apply their resources effectively, and in adequate quantity, upon the needs of rural areas.

C. Aid level: What is the appropriate level for A.I.D. assistance to Thailand?

Consideration of the U.S. aid level is based upon two assumptions: 1) a relatively protracted period of negotiations, perhaps accompanied by some military de-escalation in Vietnam; 2) continued, and very possibly increased, communist insurgent pressure on Thailand, during the resolution of the war in Vietnam and following any settlement.

The U.S. Mission recommends \$50 million for FY 1970 as compared with the Congressional Presentation of \$62.8 million for FY 69.

The \$50 million level is recommended as the amount required to indicate continuing effective U.S. support for Thailand at a time when the Thai are concerned over their security and the future of Southeast Asia, levels of aid from third countries and international organizations are low, and Thai foreign exchange reserves are expected to decline as a result of the anticipated phase-down in U.S. military spending.

Given the degree of the present threat to Thailand and Thailand's generally effective development policies, USOM believes that U.S. objectives in Thailand can be accomplished with this relatively low level of aid. The U.S. Mission recommendation of \$50 million is based upon the need to demonstrate continued support--in terms of mutual interests, not a quid-pro-quo--for the security and economic requirements created by the present insurgency and the prospect of increased insurgency. This level of aid has provided sufficient leverage in past years to get significant new programs underway. It is believed that it will produce sufficient leverage to bring about a further re-allocation of Thai development expenditures to fill needs in critical sectors not adequately covered in the current Five Year Plan. It also has been and should continue to be large enough to permit the U.S. to maintain pressure on the Thai to re-allocate their own resources more and more to counterinsurgency and development efforts in the rural areas. It is believed that implementation problems can be solved and that Thai expenditures for the programs assisted by USOM, already high, can be substantially increased.

D. Title IX: What measures can USOM undertake to further Title IX objectives in Thailand?

Responsive government and other measures to involve rural people in activities in their own interest are essential elements of effective counterinsurgency efforts and are necessary to the long-term political development and stability of Thailand.

RTG progress and problems, and USOM support, toward increased decentralization of decision-making, improvement in the responsiveness and efficiency of the administrative structure, the development of parallel local organizations, and improvements in human resources, are discussed in Section III, Evaluation. The Thai programs which have received most of USOM's support in quantitative terms--the ARD and tambon police station programs--have been those designed to improve the responsiveness of officials in the countryside. Like DDP, CD and other similar programs, these activities relate closely to Title IX objectives, and all will continue to receive priority attention from USOM.

Elections were held in late 1967 and early 1968 for the sapha changwat (provincial assembly) and the tetsaban (municipal council). Bangkok municipal elections are scheduled for September 1968. Now that the Constitution has been promulgated, it is anticipated that national elections will be held early in 1969. It is not foreseen that any radical change in the composition or basic policies of the Thai Government will occur as a result of these elections. The electoral process, however, should make possible an improvement in communications between people in the countryside and the RTG, and somewhat more popular influence over the application of resources.

It is also reasonable to expect that the new, probably younger, Cabinet formed after the national elections will open up wider opportunities for the younger, more innovative Thai officials who have been a principal focus for USOM assistance.

E. Power Structure: What position should USOM take regarding the effects of U.S. assistance upon the power structure in Thailand?

The political power structure in Thailand is complex. A.I.D. programs have inevitable political impact and must be delicately managed with regard for Thai reaction to any appearance of support directed toward any one element.

U.S. policy seeks to use resources and persuasion to influence the RTG toward concentration upon the security and development of the rural areas affected by insurgency while avoiding involvement in the Thai political process. Potential for performance is the criterion, not relations with specific power groupings.

Good progress has been made by the U.S. Diplomatic Mission in improving cooperation between the Second Army Forward command in the Northeast and Civil agencies of government. The commander now supports rapid increases in police strength and expansion of development activity into areas newly freed from CT activity. Collaboration among RTG agencies and balance between security and development in the Northeast and North is being urged. An effort is being made to achieve Police-DOLA collaboration in the village security force project.

Emphasis on the villager and on more responsive local government may continue to encounter opposition from Thais who retain the traditional paternalistic attitude toward villagers and who fear loss of centralized political and administrative control. Emphasis on wider educational opportunities often meets opposition from officials and other educated persons who see a wider training base only in terms of more people competing for official jobs. At the same time there are elements within the ministries which see new programs and expanded budgets as a welcome opportunity for empire building. Thus USOM support and stimulus is being applied selectively with care and tact.

There has been a welcome increase in NEDB and BOB participation in program planning, but it has been achieved without disruption of USOM's basic point of administrative and fiscal contact with the RTG:DTEC. The NEED program under NEDB leadership, has already had a certain measure of success in bringing RTG agencies together in unprecedented concentration upon sectoral and functional problems.

- F. Private sector: Should USOM, in the context of an overall program concentrated upon counterinsurgency, support RTG efforts to promote private enterprise?

USOM policy in Thailand favors a substantial and increasing role for private investment--both domestic and foreign. Development is far too large a job to be done with resources available only through government budgets. Private enterprise can bring resources to bear on security and development problems which would be otherwise unavailable. It also helps finance, through taxes, additional necessary public sector expenditures.

Unlike many developing countries, the Thai private sector is dynamic and relatively free of government control. The Government has concentrated on the development of infrastructure and is counting on the private sector as the main engine of industrialization and agribusiness development.

USOM can provide risk insurance and help underwrite feasibility studies for American firms. It can also provide advice and assistance on a modest scale to the Thai agencies responsible for promoting investment.

It is also proposed to help the Thai provide specific additional inducements to entice Thai and U.S. investors to the Northeast and other rural areas. Incentives, including modest subsidies, would be provided as necessary in order to induce substantial investment in the Northeast. At this time, this would be the only region recommended for this type of U.S. subsidy.

The investment climate in Thailand is favorable, but too little investment information is available. USOM assistance to the RTG's private enterprise program is important precisely because U.S. assistance is concentrated on a geographically focused counterinsurgency program. Thailand's ability to meet the needs of its citizens requires vigorous, countrywide private developmental investment.

V. ALTERNATIVE AID LEVELS

The appended tables show the recommended \$50 million program for FY 70 and two alternatives: \$60 million and \$40 million, in the context of the prior years, FY 68 and FY 69, and the projected subsequent years of FY 71 and FY 72.

The \$50 million aid level proposal reflects USOM's major strategy concerns for FY 70. Highest priority is placed on the public safety sector and on programs in the "all other" category, such as ARD, which play important roles in the development of village-level institutions and links between the RTG and rural people. Increased emphasis is placed in FY 70 upon human resources development, including both the education and health sectors. Support channeled into the agriculture sector will also be increased. The \$60 million alternative is shown to illustrate program composition in the event that developments in Southeast Asia require a significant increase in the level of assistance to Thailand.

The figures under SA for agriculture, health, education and infrastructure include provision for allocation of assistance by sectors. Sector assistance will provide substantial leverage, applied through the NEED mechanism and other channels, to influence the activities of the various RTG departments whose operations affect a given sector. This approach will serve to stimulate coordination and responsiveness to rural needs.

~~EXCLUDED OFFICERS~~

TABLE ONE: FY 70 AID LEVEL OF \$50 MILLION  
BUDGET SUMMARY - FY 1970 (Thousands of Dollars)

SECTORS	FY 1968		FY 1969		FY 1970		FY 1971		FY 1972	
	TCDG	SA								
1. Gen. Econ. Support (NEED)	-	977	-	50	-	500	-	50	-	50
2. Agriculture	1,959	2,899	1,630	3,190	1,895	3,705	1,365	3,975	1,150	3,800
3. Industry (Agribusiness)	549	-	270	2,250	370	1,000	260	250	125	250
4. Health	3,241	2,658	2,910	1,820	2,555	2,770	1,275	1,440	1,075	1,425
Population	-	(650)	(550)	-	(1,265)	-	(985)	-	(950)	-
5. Education	673	2,940	1,445	2,010	1,355	3,865	550	3,775	150	3,500
6. Public Admin.	346	470	425	450	750	-	550	-	350	-
7. Infrastructure (Water, etc.)	524	-	445	-	295	1,500	250	3,000	100	2,000
8. Public Safety	-	14,228	-	17,610	-	15,465	-	9,615	-	7,815
9. Labor	100	-	100	-	-	-	-	-	-	-
10. Technical Support	2,605	-	2,450	-	2,350	-	2,000	-	1,800	-
11. All Other (ARD, CD, MDU, etc.)	50	12,781	325	12,620	430	11,195	250	7,895	250	6,160
TCDG TOTALS	10,047	-	10,000	-	10,000	-	6,500	-	5,000	-
SA TOTALS	-	36,953	-	40,000	-	40,000	-	30,000	-	25,000
GRAND TOTALS	47,000	47,000	50,000	50,000	50,000	50,000	36,500	36,500	30,000	30,000

~~EXCLUDED OFFICERS~~

BUDGET SUMMARY - FY 1970 (Thousands of Dollars)

TABLE TWO: FY 70 AID LEVEL OF \$40 MILLION

SECTORS	FY 1968		FY 1969		FY 1970		FY 1971		FY 1972	
	TCDG	SA								
1. Gen. Econ. Support (NEED)	-	977	-	50	-	500	-	50	-	50
2. Agriculture	1,959	2,899	1,630	3,190	1,895	2,520	1,365	2,475	1,150	2,350
3. Industry (Agribusiness)	549	-	270	2,250	370	500	260	350	125	-
4. Health	3,241	2,658	2,910	1,820	2,555	2,115	1,275	1,640	1,075	1,425
Population	-	(650)	(550)	-	(1,265)	-	(985)	-	(950)	-
5. Education	673	2,940	1,445	2,010	1,355	3,575	550	2,975	150	2,675
6. Public Admin.	346	470	425	450	750	-	550	-	350	-
7. Infrastructure (Water, etc.)	524	-	445	-	295	500	250	2,000	100	1,500
8. Public Safety	-	14,228	-	17,610	-	11,755	-	11,615	-	9,860
9. Labor	100	-	100	-	-	-	-	-	-	-
10. Technical Support	2,605	-	2,450	-	2,350	-	2,000	-	1,800	-
11. All Other (ARD, CD, MDU, etc.)	50	12,781	325	12,620	430	8,235	250	8,895	250	7,140
TCDG TOTALS	10,047	-	10,000	-	10,000	-	6,500	-	5,000	-
SA TOTALS	-	36,953	-	40,000	-	30,000	-	30,000	-	25,000
GRAND TOTALS	47,000	-	50,000	-	40,000	-	36,500	-	30,000	-

**LIMITED CAPITAL USE**

**BUDGET SUMMARY - FY 1970 (Thousands of Dollars)**

**TABLE THREE: FY 70 AID LEVEL  
OF \$60 MILLION**

SECTORS	FY 1968		FY 1969		FY 1970		FY 1971		FY 1972	
	TCDG	SA								
1. Gen. Econ. Support (NEED)	-	977	-	50	-	500	-	50	-	50
2. Agriculture	1,959	2,899	1,630	3,190	1,895	4,900	1,365	3,900	1,150	3,800
3. Industry (Agribusiness)	545	-	270	2,250	370	1,500	260	500	125	250
4. Health	3,241	2,658	2,910	1,820	2,555	2,870	1,275	2,440	1,075	1,425
Population	-	(650)	(550)	-	(1,265)	-	(985)	-	(950)	-
5. Education	673	2,940	1,445	2,010	1,355	5,340	550	3,600	150	3,500
6. Public Admin.	346	470	425	450	750	-	550	-	350	-
7. Infrastructure (Water, etc.)	524	-	445	-	295	4,000	250	3,000	100	2,000
8. Public Safety	-	14,228	-	17,610	-	16,670	-	11,615	-	7,815
9. Labor	100	-	100	-	-	-	-	-	-	-
10. Technical Support	2,605	-	2,450	-	2,350	-	2,000	-	1,800	-
11. All Other (ARD, CD, MDU, etc.)	50	12,781	325	12,620	430	14,220	250	9,895	250	6,160
<b>TCDG TOTALS</b>	<b>10,047</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>6,500</b>	<b>-</b>	<b>5,000</b>	<b>-</b>
<b>SA TOTALS</b>	<b>-</b>	<b>36,953</b>	<b>-</b>	<b>40,000</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>35,000</b>	<b>-</b>	<b>24,000</b>
<b>GRAND TOTALS</b>	<b>47,000</b>	<b>47,000</b>	<b>50,000</b>	<b>50,000</b>	<b>60,000</b>	<b>60,000</b>	<b>41,500</b>	<b>41,500</b>	<b>30,000</b>	<b>30,000</b>

VI. TABLES AND PROJECTIONS

C-1: Gross National Product

C-2: Population, Prices, Reserves and Production

C-3: Central Government Finances

C-4: Balance of Payments

AID 1020-13 (4-65) **C-1** DATA CURRENT AS OF: **June, 1968** SECURITY CLASSIFICATION: **Unclassified** **GROSS NATIONAL PRODUCT** **C-1**

II. CONSTANT 1967 MARKET PRICES - MILLIONS OF U.S. DOLLAR EQUIVALENTS  
ALL FIGURES CONVERTED AT 1962 EXCHANGE RATE OF \$1 = 20

	CURRENT MARKET PRICES		ESTIMATED		ACTUAL		ESTIMATED		PROJECTED		
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(5)	(6)	
A. GROSS NATIONAL PRODUCT (At Market Prices)	1965	1966	1967	1968	1965	1966	1967	1968	1969	1970	1971
1. PER CAPITA GNP	81,274	96,803	105,634	115,654	3,634.2	5,036.7	5,281.7	5,730.6	6,171.9	6,653.3	7,178.9
B. NET FOREIGN BALANCE [INFLOW (+)]	2,538	2,925	3,088	3,272	125.4	152.2	154.4	162.1	169.0	176.4	184.2
GOODS AND SERVICES	+1,112	+379	+1,778	+4,490	487.2	+55.6	+18.9	+224.5	+305.0	+306.0	+292.2
1. IMPORTS (+)	17,025	20,390	23,771	25,338	569.2	851.2	1,019.5	1,188.5	1,435.7	1,522.0	1,606.2
2. EXPORTS (-)	15,913	20,011	21,993	20,848	482.0	795.6	1,000.6	1,042.4	1,130.7	1,216.0	1,314.0
C. TOTAL AVAILABLE RESOURCES	82,386	97,182	107,412	120,144	3,721.4	4,590.8	5,055.6	5,370.6	5,955.1	6,476.9	7,471.1
D. TOTAL CONSUMPTION	63,665	70,439	79,663	89,701	3,000.5	3,576.3	3,713.0	3,983.2	4,371.4	4,650.2	5,338.3
1. PRIVATE	55,987	61,752	69,583	76,793	2,682.1	3,149.3	3,264.2	3,479.2	3,735.4	3,971.4	4,536.7
2. GENERAL GOVERNMENT - ALL LEVELS	7,678	8,687	10,080	12,908	318.4	427.0	448.8	504.0	636.0	678.8	801.6
E. TOTAL FIXED INVESTMENT (GROSS)	19,156	23,130	26,742	30,243	667.3	1,026.8	1,179.9	1,337.1	1,557.1	1,812.8	2,124.3
1. PRIVATE	14,553	17,826	20,122	22,435	486.2	781.0	909.8	1,006.1	1,172.1	1,360.0	1,696.0
2. PUBLIC ENTERPRISE	4,603	5,304	6,620	7,808	181.1	245.8	270.1	331.0	385.0	452.8	428.3
3. GENERAL GOVERNMENT (Excl. Defense)	-193	3,009	123	-	23.2	-10.4	156.3	6.2	-	-	-
F. CHANGE IN STOCKS	18,010	25,760	25,086	28,057	638.9	968.7	1,317.2	1,254.3	1,447.8	1,687.1	1,831.4
G. TOTAL NATIONAL SAVINGS	*	22,067	19,870	22,217	*	1,140.7	1,011.4	1,164.8	1,432.2	1,565.1	*
1. PRIVATE	551	893	1,198	956	27.6	43.2	56.1	44.2	40.0	36.8	39.2
2. PUBLIC ENTERPRISES	*	2,800	4,018	4,884	*	133.3	186.8	238.8	214.9	229.5	*
H. NET CURRENT TRANSFERS FROM REST OF WORLD											

III. TRENDS IN CONSTANT PRICES, INDEXES 1967 = 100

	ACTUAL		EST.	PROJECTED	
	(1)	(2)		(3)	(4)
(10) BENCH. MARK PERIOD.	1965	1966	1967	1968	1969
A. GROSS NATIONAL PRODUCT	68.8	85.9	95.4	108.5	116.8
1. PER CAPITA GNP	81.2	91.7	98.6	105.0	109.4
B. GOODS AND SERVICES	49.3	73.8	88.4	109.8	124.4
1. IMPORTS	43.8	72.3	91.0	94.8	102.8
2. EXPORTS	75.3	89.8	93.2	109.7	116.7
D. TOTAL CONSUMPTION	77.1	90.5	93.8	107.4	114.1
1. PRIVATE	63.2	84.7	89.0	106.2	114.7
2. GENERAL GOVERNMENT	49.9	76.8	88.2	116.4	135.6
E. TOTAL FIXED INVESTMENT (GROSS)	48.3	77.6	90.4	116.5	135.2
1. PRIVATE	54.7	74.2	81.6	116.3	136.8
2. PUBLIC ENTERPRISES	50.9	77.2	105.0	115.4	134.5
3. GENERAL GOVERNMENT (Excl. Defense)					
G. TOTAL NATIONAL SAVINGS					

IV. PERCENT OF GNP IN CONSTANT PRICES

	ACTUAL		EST.	PROJECTED	
	(1)	(2)		(3)	(4)
(0) BENCH. MARK PERIOD.	1965	1966	1967	1968	1969
(5) 1967	18.8	20.2	21.8	22.1	23.3
(6) 1968	17.5	19.9	20.8	18.2	18.3
(7) 1970	78.8	73.7	75.4	76.3	75.3
(8) 1971	69.4	64.8	65.9	65.2	64.3
(9) 1969	9.4	8.9	9.5	11.1	11.1
(10) 1970	22.6	23.4	25.3	27.2	29.4
(11) 1971	17.2	18.1	19.0	20.4	22.0
(12) 1967	5.0	5.4	6.3	6.7	7.3
(13) 1968	17.6	21.3	23.7	25.3	27.3
(14) 1969	63.0	69.7	71.0	71.0	71.0
(15) 1970	63.0	67.1	69.7	71.0	71.0
(16) 1971	63.0	67.1	69.7	71.0	71.0

VI. INCREMENTAL GROSS CAPITAL/OUTPUT RATIOS

	1961	1963	1965	1967	1969	1971
INCREMENTAL GROSS CAPITAL/OUTPUT RATIOS	1961	63	10	65	67	2.5
MARGINAL SAVINGS RATIOS	40%	40%	40%	40%	40%	40%

\* Some period as used for averages in Section II, Column (0). Exchange Rate in Last Actual Year (Col. (3)) was \$1 = 20.8

SECURITY CLASSIFICATION: **UNCLASSIFIED** PAGE NO. **1965 67 to 1969 71**

T.A.P.S. 11 '02 - 68

AID 1020-14 (4-68) C-2	DATA CURRENT AS OF: June, 1968	COOPERATING COUNTRY Thailand	SECURITY CLASSIFICATION Unclassified	POPULATION, PRICES, RESERVES AND PRODUCTION							
				ACTUAL			ESTIMATED		PROJECTED		
A. POPULATION, MID-YEAR (in thousands)				(1)	(2)	(3)	(4)	(5)	(6)	(7)	
ITEMS				1965	1966	1967	1968	1969	1970	1971	
Current Annual Growth Rate 3.3 %											
B. PRICE INDEXES	1. COST OF LIVING (Coverage: Bangkok-Dhomburi ) 1962= 100			32,016	33,095	34,205	35,347	36,520	37,725	38,967	
	Food			103.8	107.7	111.9	113.3 <sup>1/</sup>				
	Housing			104.8	111.5	119.5	121.8				
	Personal and Medical			107.5	109.1	109.3	109.9				
	2. WHOLESALE (Coverage: ) 1958 = 100			102.2	106.1	110.0	110.2				
	Agricultural Product			96.0	109.6	117.9	112.4				
	Food			83.8	101.1	102.6	97.6				
	Construction			89.8	113.6	129.3	122.8				
	Fuel			111.1	111.2	111.1	110.5				
	3. (OTHER): 1958 = 100			104.3	104.3	104.6	104.6				
C. GOLD AND GROSS FOREIGN EXCHANGE (End of Year)	4. GNP (Implicit Price Index) 1963= 100			102.9	110.1	114.8	115.9	116.3	116.3	116.3	
	1. TOTAL HOLDINGS (\$ MILLIONS)			822	1,019	1,085	1,053	1,016	964	911	
	(a) MONETARY GOLD			96	92	92	*	*	*	*	
	(b) OFFICIAL FOREIGN EXCHANGE			643	832	917	*	*	*	*	
	(c) DEPOSIT MONEY BANKS			83	95	76	*	*	*	*	
	2. IMF GOLD TRANCHE (Memo Item)			19	24	24	24	24	24	24	
	D. PRODUCTION INDICATORS	1. INDUSTRY AND MINING 1963= 100			132.1	145.8	161.3	172.9	189.1	206.1	226.4
		INDUSTRIAL PRODUCTION INDEX			133.1	144.7	161.3	173.4	190.6	208.6	230.4
		MANUFACTURING INDEX			127.4	151.4	161.2	170.6	181.8	194.0	206.4
		MINING INDEX 1963= 100									
(OTHER INDEX): 1958 = 100											
Output of Major Commodities			1,248	1,483	1,696	1,950	2,230	2,510	2,800		
Cement				31.3	32.0	32.9	34.0	35.0	35.0		
Tin Ore			26.4	691.7	600.0	*	*	*	*		
Iron Ore			750.5	260.0	300.0	375.0	450.0	525.0	610.0		
Cotton Textiles			237.1								
2. AGRICULTURE	Crop Years: 1957 - 59 = 100			183.0	209.5	187.5	214.5	222.1	230.8	238.1	
	AGRICULTURAL PRODUCTION INDEX			183.0	209.5	187.5	214.5	222.1	230.8	238.1	
	Output of Major Commodities			9.91	12.89	10.70	13.0	13.6	14.2	14.7	
	Rice			217.4	220.0	225.0	227.8	231.0	241.6	248.2	
	Rubber			1,110.0	1,228.4	1,100.0	1,100.0	1,450.0	1,525.0	1,595.0	
	Maize			2,200.0	2,400.0	2,420.0	2,200.0	2,460.0	2,480.0	2,500.0	
	Tapioca roots			400.0	550.0	510.0	260.0	345.0	350.0	350.0	
	Kenaf										

\* All rice projections are counted in the year of planting, for example, the 1964-65 crop is all in 1964 for national accounting purposes.

1/ As of 4/68.

SECURITY CLASSIFICATION: UNCLASSIFIED

PAGE NO.

AID 1020-15 (4-45) C-3	DATA CURRENT AS OF: June, 1968	COOPERATING COUNTRY Thailand	SECURITY CLASSIFICATION Unclassified	CENTRAL GOVERNMENT FINANCES							
				FORM AID 10-74 LINE NO.	(1) FY 19 65 / 66	(2) FY 19 66 / 67	(3) FY 19 67 / 68	(4) FY 19 68 / 69	(5) FY 19 69 / 70		
Units of National Currency: <u>million of baht</u> Country Fiscal Year Ending: <u>September 30</u>											
A.	1. TOTAL REVENUES FROM DOMESTIC SOURCES <u>1/</u>						12,996	15,457	16,624	19,120	21,557
	2. TOTAL REVENUES ORIGINATING FROM COUNTERPART AND FOREIGN GRANTS INCLUDING U.S.						-	-	-	-	-
	(a) TOTAL COUNTERPART AND U.S. GRANTS (Nonadditive)						-	-	-	-	-
	TOTAL						12,996	15,457	16,624	19,120	21,557
B.	1. TOTAL NATIONAL DEFENSE						2,205	2,655	3,262	3,525	4,075
	(a) FROM COUNTERPART, U.S. GRANTS AND LOANS (Nonadditive)						-	-	-	-	-
	2. ALL OTHER CURRENT						7,848	9,386	11,352	12,175	12,966
	3. TOTAL CAPITAL OUTLAY, CIVIL GOVERNMENT						4,986	6,341	7,519	9,340	9,182
	(a) FROM COUNTERPART, U.S. GRANTS AND LOANS (Nonadditive) <u>3/</u>						50	62	75	56	18
	TOTAL						15,039	18,382	22,133	25,040	26,223
C.	1. BEFORE TOTAL FOREIGN GRANTS (Counterpart, U.S. and Non-U.S. Grants)						-2,043	-2,925	-5,509	-5,920	-4,666
	2. AFTER NON-U.S. FOREIGN GRANTS						-2,043	-2,925	-5,509	-5,920	-4,666
	3. AFTER TOTAL FOREIGN GRANTS (Counterpart, U.S. and Non-U.S. Grants)						-2,043	-2,925	-5,509	-5,920	-4,666
D.	1. TOTAL DOMESTIC BORROWING (Net) <u>2/</u>						2,539	1,856	3,080	3,000	2,533
	2. TOTAL FOREIGN BORROWING (Net) INCLUDING U.S.						502	590	1,120	2,634	2,133
	(a) U.S. LOANS (Net) (Nonadditive)						-18	-15	3	-21	-64
	3. NET CHANGE IN CASH BALANCE AND OTHER RESERVES						+998	-479	-1,309	-286	-
	TOTAL (Must Equal C.3 above with sign reversed)						+2,043	+2,925	+5,509	+5,920	+4,666
E.	1. GNP IN CURRENT PRICES						96,803	105,634	115,654	124,983	134,732
	2. DOMESTIC REVENUES (From A.1) AS % OF GNP						13.4	14.6	14.4	15.3	16.0
	3. TOTAL EXPENDITURES (From B.) AS % OF GNP						15.5	17.4	19.1	20.0	19.5
	4. DEFENSE EXPENDITURES (From B.1) AS % OF GNP						2.3	2.5	2.8	2.8	3.0

1. Includes non-budget amounts and adjustments - FY 66, 365; FY 67, 727; FY 68, 600; FY 69, 600; FY 70, 600.  
 2. Includes coin issues and borrowings from the Bank of Thailand.  
 3. US Grant program is not included in expenditures.

C-4	DATA CURRENT AS OF: June, 1968	COOPERATING COUNTRY Thailand	SECURITY CLASSIFICATION Unclassified	BALANCE OF PAYMENTS (In Millions of U.S. Dollar Equivalents)				C-4
				ACTUAL		ESTIMATED		
				(1) 1966	(2) 1967	(3) 1968	(4) 1969	
All figures converted to \$1 = 20 unless otherwise noted								
ITEM								
CALENDAR YEARS								
L N E O								
ACTUAL (1) 1966 (2) 1967 (3) 1968 (4) 1969 (5) 1970								
PROJECTED (5) 1970								
A. BALANCE ON GOODS AND SERVICES								
1	EXPORTS, f.o.b.	-19.0	-88.8	-224.4	-313.8	-311.9		
1a	IMPORTS, f.o.b. (-)	690.5	694.6	634.9	766.2	864.5		
1b	NONMONETARY GOLD	908.4	1,058.0	1,128.5	1,297.2	1,371.2		
2	TRADE BALANCE	6.4	7.0	9.0	9.0	9.0		
A(1)	FREIGHT AND INSURANCE	-224.3	-370.4	-502.6	-540.0	-515.7		
3	OTHER TRANSPORTATION	16.9	21.6	16.5	20.0	23.0		
4	TRAVEL	3.7	7.9	7.8	8.5	9.2		
5	INVESTMENT INCOME	13.3	20.8	25.0	25.5	26.0		
6	GOVERNMENT, m.i.e.	-4	5.0	2.0	-3.8	-11.2		
7	OTHER SERVICES	168.2	222.8	222.4	170.2	149.8		
7a	TOTAL SERVICES, NET	3.6	3.5	4.5	5.8	7.0		
A(2)	TRANSFER PAYMENTS, NET	205.3	281.6	278.2	226.2	203.8		
B	PRIVATE	49.2	65.5	70.5	70.5	70.5		
9	P.L. 480 - Title III	10.8	10.0	10.0	10.0	10.0		
9a	CENTRAL GOVERNMENT	-	-	-	-	-		
9b	OTHER	-	-	-	-	-		
10	U.S. TOTAL	38.3	55.5	60.5	60.5	60.5		
10a	A.I.D.	22.0	40.0	45.0	45.0	45.0		
10b	P.L. 480 - Title I	22.0	40.0	45.0	45.0	45.0		
10c	P.L. 480 - Title II	-	-	-	-	-		
10d	OTHER, TOTAL	-	-	-	-	-		
10f	Special Yen	16.3	15.5	15.5	15.5	15.5		
10g	Other	2.9	2.9	2.9	2.9	2.9		
10h	CAPITAL AND MONETARY GOLD, NET	13.4	12.6	12.6	12.6	12.6		
C	DIRECT INVESTMENT	68.3	97.8	122.3	206.5	188.6		
11	OTHER LONG-TERM	27.0	30.7	32.5	35.0	37.5		
12	IBRD	8.7	44.6	25.2	70.3	61.8		
12a	EXIM	1.3	-	-	-	-		
12b	JAPAN	-1.5	-	-	-	-		
12c	OTHER SHORT-TERM	8.9	-	-	-	-		
13	LOCAL GOVERNMENT, NET	17.9	.05	20.0	20.0	20.0		
14	NET ERRORS AND OMISSIONS	-	-	-	-	-		
Remarks:								
D. CHANGE IN GOLD AND FOREIGN EXCHANGE (Increase (-))								
E. COMMERCIAL BANKS								

C-4	SECURITY CLASSIFICATION Unclassified	BALANCE OF PAYMENTS (In Millions of U.S. Dollar Equivalents)				C-4
		ACTUAL		ESTIMATED		
		(1) 1966	(2) 1967	(3) 1968	(4) 1969	
All figures converted to \$1 = 20 unless otherwise noted						
ITEM						
CALENDAR YEARS						
L N E O						
ACTUAL (1) 1966 (2) 1967 (3) 1968 (4) 1969 (5) 1970						
PROJECTED (5) 1970						
A. BALANCE ON GOODS AND SERVICES						
1	EXPORTS, f.o.b.	-19.0	-88.8	-224.4	-313.8	-311.9
1a	IMPORTS, f.o.b. (-)	690.5	694.6	634.9	766.2	864.5
1b	NONMONETARY GOLD	908.4	1,058.0	1,128.5	1,297.2	1,371.2
2	TRADE BALANCE	6.4	7.0	9.0	9.0	9.0
A(1)	FREIGHT AND INSURANCE	-224.3	-370.4	-502.6	-540.0	-515.7
3	OTHER TRANSPORTATION	16.9	21.6	16.5	20.0	23.0
4	TRAVEL	3.7	7.9	7.8	8.5	9.2
5	INVESTMENT INCOME	13.3	20.8	25.0	25.5	26.0
6	GOVERNMENT, m.i.e.	-4	5.0	2.0	-3.8	-11.2
7	OTHER SERVICES	168.2	222.8	222.4	170.2	149.8
7a	TOTAL SERVICES, NET	3.6	3.5	4.5	5.8	7.0
A(2)	TRANSFER PAYMENTS, NET	205.3	281.6	278.2	226.2	203.8
B	PRIVATE	49.2	65.5	70.5	70.5	70.5
9	P.L. 480 - Title III	10.8	10.0	10.0	10.0	10.0
9a	CENTRAL GOVERNMENT	-	-	-	-	-
9b	OTHER	-	-	-	-	-
10	U.S. TOTAL	38.3	55.5	60.5	60.5	60.5
10a	A.I.D.	22.0	40.0	45.0	45.0	45.0
10b	P.L. 480 - Title I	22.0	40.0	45.0	45.0	45.0
10c	P.L. 480 - Title II	-	-	-	-	-
10d	OTHER, TOTAL	-	-	-	-	-
10f	Special Yen	16.3	15.5	15.5	15.5	15.5
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10h	CAPITAL AND MONETARY GOLD, NET	13.4	12.6	12.6	12.6	12.6
C	DIRECT INVESTMENT	68.3	97.8	122.3	206.5	188.6
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12a	EXIM	1.3	-	-	-	-
12b	JAPAN	-1.5	-	-	-	-
12c	OTHER SHORT-TERM	8.9	-	-	-	-
13	LOCAL GOVERNMENT, NET	17.9	.05	20.0	20.0	20.0
14	NET ERRORS AND OMISSIONS	-	-	-	-	-
Remarks:						
D. CHANGE IN GOLD AND FOREIGN EXCHANGE (Increase (-))						
E. COMMERCIAL BANKS						