

Approved

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Proj No 4930241
PN 4930241 (3)
PD-AAF-705-81
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AID 1025-1 (7-71) (FACE SHEET)
NONCAPITAL PROJECT PAPER (PROP)

I. PROJECT IDENTIFICATION

Sequence #493-11

1. PROJECT TITLE
Uplands Development Project (UDP)

APPENDIX ATTACHED
 YES NO 27p

2. PROJECT NO. (M.O. 1095.2)
493-11-190-241

3. RECIPIENT (specify)
 COUNTRY Thailand
 REGIONAL INTERREGIONAL

4. LIFE OF PROJECT
BEGINS FY 1973
ENDS FY 1975

5. SUBMISSION
 ORIGINAL 9/15/72
 REV. NO. DATE
CONTR./PASA NO.

II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US 1 = 20.00 (U.S. OWNED)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY (A) JOINT (B) BUDGET	
1. PRIOR THRU ACTUAL FY												
2. OPRN FY 1973	360	40	12			25	295					
3. BUDGET FY	105	105	30								135	55
4. BUDGET +1 FY											25	3
5. BUDGET +2 FY												
6. BUDGET +3 FY												
7. ALL SUBQ. FY												
8. GRAND TOTAL	465	145	42			25	295				160	58

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER Forrest Cookson Jonathan W. Spelling	TITLE Macro-Economic Advisor Assistant Program Officer	DATE 9/8/72
2. CLEARANCE OFFICER Rey M. Hill	TITLE Director, USOM/Thailand	DATE 9/15/72

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

2. CLEARANCES

BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE	DATE

3. APPROVAL AAs OR OFFICE DIRECTORS

SIGNATURE	DATE

4. APPROVAL A/AID (See M.O. 1025.1 VI C)

SIGNATURE	DATE

TITLE
ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

NONCAPITAL PROJECT PAPER (PROP)

Upland Development Project

493-11-190-241

Introduction

This project proposal represents a request by the Royal Government of Thailand (RTG) for US assistance to one of many activities aimed at reducing international traffic in opium-based narcotics which have their origin in the "Golden Triangle" area of North Thailand, Northeast Burma and Northwest Laos. Its main purpose, that of providing a scientific data base for planning development of the North Thailand Uplands, particularly for the provision of income earning alternatives for hilltribe growers of the opium poppy, is of special significance to RTG and US counterinsurgency interests in that area.

The unsatisfactory level of government services in this remote area of Thailand, as well as traditional attitudes adversely affecting relationships between the Thai Government and the Hilltribes, have caused the alienation of many Hilltribers, a number of whom have joined or actively supported a foreign-inspired insurgency against the Government.

During the past year the RTG, with help from the US Bureau of Narcotics and Dangerous Drugs (BNDD), has successfully interdicted large amounts of opium and opium derivatives intended mainly for foreign markets. The impact of these seizures, and the limited nature of current RTG and UN efforts to provide meaningful income earning alternatives to poppy growing hilltribes, have caused increasing concern that the law enforcement aspects of opium reduction efforts may result in weakening non-insurgent Hilltribe cooperative attitudes and Government ability to work with the Hilltribes, thus probably leading to an upsurge in insurgency. RTG officials see a need for development efforts to catch up with law enforcement in order to curb this dangerous trend. Moreover, successful seizures alone cannot eliminate the traffic as long as the RTG (and neighboring governments) is unable to control in the remote uplands the illegal production of the opium poppy. The development of RTG control and services and income substitutes is a must for eliminating the opium traffic.

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The UN Special Narcotics Fund is now beginning to work with the King's Project in broadening developmental assistance to the hilltribe areas. While it is anticipated that the UN efforts will continue for some years, these efforts so far appear to be experimental, to be quite limited in scope, and do not bring into play the resources and expertise of old line agencies of the RTG like the Ministry of Agriculture which so far have not played a significant role in Upland Development activities.

The current proposal for Upland Development seeks to provide a sound basis for continuing these various efforts, and in the process involves a number of RTG agencies. The assistance requested from the US is considered by UN project officers as an essential element of their own activities. The RTG considers it to be a high priority and a necessary aspect of increasing the pace of developmental efforts to catch up with law enforcement efforts.

General planning efforts for the North, which includes the lowlands, are being assisted by a UNDP team. The Canadian Government is expecting to assist in the development of basic resource data for general planning. US assistance is restricted to the Upland, but the data and plans provided through the Uplands Development Project will form an important input into these more general planning efforts. For instance, it is anticipated that the aerial survey provided for in this project will accelerate the work of the Canadian natural resources study team by about one year.

Other related activities include the UN assisted project for upgrading rehabilitation facilities for addicts and the research project being conducted by Chulalongkorn University, assisted by AID, which seeks to determine the level of addiction in Thailand.

I. Project Goal

A. Statement of the Goal

The goal of this project is, on an economically acceptable basis to the hill tribe people, to reduce poppy cultivation and illegal opium trafficking in Northern Thailand. Other RTG and U.S. efforts are directed toward this goal. The central approach of this project is to provide hilltribes currently engaged in poppy cultivation with alternative income earning opportunities. Progress towards this goal will also generate substantial spin off benefits for narcotics enforcement activities as well as for counter-insurgency programs which make large contributions to the RTG's total anti-narcotics effort. These spin off benefits will take the following forms:

Enforcement:

- Viable income substitution programs will permit the RTG to continue pressing actively on the narcotic suppression front without driving the tribes people into the camp of the CT insurgents due to destruction of the principal source of their current cash income.
- Data to be developed by this project will assist senior level to management determine the type and extent of resources which should be allocated to further suppress the marketing of opium.

CI:

- The project will provide for more effective programming of additional resources into accelerated programs of highland development and social justice which the RTG increasingly recognizes as necessary if the insurgency is to be contained.
- Conversely, the Communist Terrorists significantly increased hilltribe opium production from 1971 to 1973 in those eastern areas of the Northern region under this influence. Thus, containing the insurgency from spreading into the more productive poppy growing areas of the western highlands would possibly forestall an increase in opium production to finance the insurgent movement.

B. Measure of Goal Achievement:

Central Goal: Narcotics enforcement efforts to reduce poppy cultivation and opium trafficking can become increasingly effective as the hilltribes find acceptable levels of income through alternative agricultural production and new occupational opportunities more desirable than continued illicit crop cultivation. Progress towards this goal can be measured by two complementary approaches:

- a. Measurement of progress toward the reduction of poppy production is possible in principle. The project itself, through aerial photographs, will provide an estimate of poppy production in the base year.^{1/} Estimates are also available from other sources. This measurement of the initial level of poppy cultivation through the project is an ancillary output, but it does provide us with a reliable starting point in assessing the extent to which the goal is achieved. In future years other aerial surveys may be flown or the poppy signature may be readily identified from Earth Resources Technology Satellite material. It is thus reasonable to assume continuing estimates of poppy cultivation will be available, particularly if government access to the area is increased as expected.
- b. Progress toward higher standards of living and improved quality of life for highland residents through stabilized cropping, scientific forestry farming and new occupational opportunities based on development rather than the despoliation of the natural resource base can be measured.

The capacity of the upland areas to absorb population and provide a better living standard will be increased resulting in both better quality of life for residents of the highlands and lessened population pressure on valley land. Information on the capacity of the highland areas to support population at various income levels will be developed as part of the work of this project. This will provide a more comprehensive indication of the productive potential of the highlands.

The progress towards stabilization of agricultural patterns will be measured using both aerial photography and ground survey information. In the base year, the population and the agricultural techniques being used will be identified. This would be a direct output of the project. It is anticipated that by five years after the start of this project the population and the agricultural techniques can again be determined through the use of ground truth surveys and Hill Tribe Division Contact Teams. The ERTS supplied data may also contribute to this.

From the aerial survey it will be possible to determine trends in the stabilization of farming communities; the extent to which Thai people have moved into the highland areas; the size of agricultural holdings in the lowland areas; the rate of depletion of forest coverage; and the increase in extent of the transport system.

To the extent possible, it is intended to review old photography for comparable items so as to determine the trends in these variables.

^{1/} See Annex A.

2. Spin-Off Benefits of Goal Achievement: Providing the upland peoples with alternative sources of income for opium could make significant contributions to the RTG narcotics enforcement and CI efforts in the area. Conversely, RTG officials at all levels are expressing increased alarm that the absence of viable income substitution programs may curtail continued RTG successes in narcotics enforcement and/or have disastrous consequences for CI in the North.

In the considered judgment of this Mission the Thai have correctly identified cause for serious bilateral concern. The contributions of the development approach in reinforcing RTG enforcement and CI efforts can be measured in large part. Subjective evaluations can be relied upon to complement this approach to the extent required.

- a. Narcotics Enforcement: The extent to which hard data produced by this study is used to determine the extent and scale of resources required to further suppress the marketing of opium will be self-evident in retrospect.

It may not be possible to assess the extent to which achievement of the project goal contributes to RTG ability to pursue vigorous enforcement programs in the North. However, if income substitution programs are not adequately forthcoming it may be possible to evaluate the negative impact on RTG enforcement efforts.

- b. CI: The changes in the economic, political and social environment of highland dwellers brought about by more rapid economic development and increased Government presence and services should reduce the vulnerability of the population to Communist subversion. This will be measured from insurgency information available to the Communist Suppression Operations Command (CSOC). Retrospectively we can determine if the level of insurgent incidents increased substantially during this period in different highland areas. Present incident recording system should be sufficient for this purpose.

Assessments provided by CSOC and through independent Mission channels will serve as the basis for evaluating the extent to which achievement of the project goal has successfully counteracted CT attempts to use RTG narcotics enforcement efforts as a propaganda theme to subvert upland populations.

C. Assumptions on Goal Achievement:

1. There exist economically viable, stable agricultural patterns which will produce income levels competitive with poppy cultivation and that these can be determined through agricultural research.

At present the RTG has started work, with the assistance of the UN, to identify viable patterns of agriculture in highland areas. This work will become increasingly systematic with the establishment of a highland research station. We believe there are economically viable alternatives to poppy cultivation. The best present thinking is that land shortages and fertility exhaustion in the highlands have broken the traditional swidden systems and the per capita income of poppy cultivators will tend to decline. The degree to which this thesis is true will increase hill-tribe acceptance of alternative patterns of agricultural production which may be identified. The extent to which this thesis is false will diminish such acceptability. If the goal is to be achieved, then there must exist economically viable agriculture patterns which provide alternatives to poppy; however, we cannot assess the validity of this assumption until the outputs of the first phase of the UPD are in hand. Should this assumption prove doubtful, due to rejection of this hypothesis during analysis stages of this project, then follow-on activities would need to be reconsidered. However, the fourth assumption listed below also has a strong bearing.

2. The RTG is willing to bring about those reforms in land tenure and legal status that are necessary if the highland cultivators are to change their agricultural methods.

The types of agricultural techniques likely to provide sufficient income to compete with the poppy will require substantial nonmovable investment by farmers. For example, tree crops (coffee, tea, fruit) are essentially income producing capital assets. Unless the legal rights of highland residents are firmly established, the investments probably will not be made. This is well recognized by the RTG and efforts are being made to establish land and legal rights for highland residents. During the next few years, with the gathering momentum of the development programs in the highlands, we judge that the RTG will make appropriate changes in the regulations. The necessity for this has already been recognized in the recent agreement between the RTG and the United Nations Special Fund for Drug Abuse Control.

3. The Thai Government will respond to the development potentials identified in this project and related activities through allocation of resources to highland development.

Underlying the approach to development contained in the UDP is the assumption that the RTG will take the development prospects identified in this and related activities as of sufficient priority to make available resources for implementation. Increasing RTG priority afforded to this area is indicated by the present reorganization of some parts of the Government concerned with the North and the undertaking of many new projects in the past year. Another example is current consideration by the Executive Committee of the National Hill Tribe Committee to a program for undertaking extensive coordinated watershed development programs.

4. It is assumed that greater enforcement efforts by the RTG will ultimately contribute to reduced poppy production. This assumption is relevant to the UDP for two reasons:
 - (1) Current greater enforcement efforts tend to increase risks and reduce the price paid to poppy cultivators;
 - (2) The acquisition of data on poppy cultivation, an incidental by-product of this project, will enhance the ability of the USG and the RTG to assess resource requirements for enforcement.^{1/}

The price of raw opium to poppy cultivators is derived from the demand by users and the costs of marketing. Sustained increases in enforcement efforts have the consequence of raising the risks to traders. This arises from several factors: (1) the higher compensations that must be paid to the labor force working for the traders to keep down defection of such workers to the enforcement agencies; (2) the greater risks to the traders of arrest and jail and the probable felt need on their part to increase earnings to offset the risk; and (3) the increased time and effort movement of opium will require, and hence the greater expenses incurred by traders. Although the magnitude of these effects is not readily estimated, we can reasonably expect that better enforcement will lead to higher costs, and tend to lower prices in the markets in the highlands. There is evidence this is happening already.

To the extent that the trading system is relatively competitive, the higher real costs of trading will lead to higher prices for sale to users and lower prices to poppy producers. In the short run the primary impact of greater enforcement efforts will be higher prices to users. However, in the longer run some of the effects should be passed backward to the producers. The tendency to reduce the price paid for opium will increase the chances that economic alternatives to poppy can be identified.

1/ This is described in detail in Annex B but should logically be considered under the purposes of the project.

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5. It must be assumed that other Government CI activities not covered here will at least contain if not push back insurgent initiatives to expand into unaffected highland areas. Further that improved conditions, expanded services and increased Government presence in the highlands brought about in part by this project will reduce the effective appeal of the Communist insurgents.

II. Project Purpose

A. Statement of Project Purpose:

1. The purpose of the Upland Development Project is to develop a basis for activities that will raise the level of income and welfare of the Thai Hilltribes, reducing or eliminating their dependence on the illegal production of opium, and thus make it feasible to effectively enforce restrictions on poppy cultivation.
2. The conditions expected at the end of this project are that accurate data will be available to trained Thais who can utilize these data in planning their programs and operations in Northern Thailand. Programs will have been developed by each department participating in this project for funding by the RTG aided if need be, by external donors, including the US. At the end of five years activities identified and designed during the period of this project are expected to have been implemented and to have been increasing levels of income and welfare of the Thai Hilltribes.

B. Basic Assumptions:

The following basic assumptions must be made about achievement of the project purpose:

- a. That the photo interpretation can be done as described in this PROP. The technical assessment based upon actual in-country experience by an AID consultant and by the Australian financed advisor to the Tribal Research Center. Hill Tribe Division, is that it is feasible to utilize aerial photographs, one AID consultant, and a team of Thai photo interpreters to identify and plot on 1:50,000 maps the items listed in the output section. We are confident that it is possible to proceed to a successful conclusion in the manner outlined.
- b. That the type of data derived from the aerial photography would enable the comprehensive assessment of development prospects in the highlands. The National Economics Development Board (NEDB) has given considerable attention to this matters and expresses confidence that it can be done. The information on land and population will provide the fundamental information needed for this assessment.
- c. That the ground survey of poppy yields can be properly designed in a statistical sense and that the variance of the distribution of yields is such that a small sample of fields (a few hundred) will suffice.
- d. That the various Government elements (NEDB, Land Development Department, ARD, Hill Tribe Division, Ministry of Agriculture, Forestry Department, Ministry of Public Health) will devote the requisite resources to prepare the projects; and that the National Watershed Committee, the Northern Development Committee, and the National Hill Tribe Committee will support

the final projects.

III. Project Outputs

A. Statement of Project Outputs:

The following outputs will result from successful completion of the Upland Development Project.

1. A reliable data base will be established that will include:
 - a. A complete set of 1:15,000 aerial photography for North Thailand.
 - b. Photo interpretation and associated ground surveys that will provide:
 - (1) Location and category of all permanent transport routes.
 - (2) Location and ethnic composition of population (derived from the number of residences x the average household size) of all upland settlements, Thai or non-Thai.
 - (3) Land use maps that will include
 - higher slopes savanna grasslands
 - various forest ecotypes, namely Dry Dipterocarp, Tack-Bearing Mixed Deciduous, Moist Evergreen, Dry Evergreen, Hill Evergreen, Pine-Bearing, Dry Dipterocarp.
 - Cyclically re-occupied swidden-land.
 - (4) Present Cropping patterns, production, and area involved of the major crops in North Thailand as well as poppy cultivation areas.
 - (5) Land capability maps that will indicate:
 - free draining unirrigated areas of less than 5° slope with no surface rock (i.e. mechanically cultivable).
 - unexploited, mechanically-terraceable, upland areas of 5° to 20° slope with no surface rock.
 - (6) Location and category of all irrigation water distribution systems, and area of land served by each system.
 - (7) An analysis of the socio-economic characteristics of selected villages from a combination of existing and new photography and ground surveys in order to determine the evolutionary patterns of the rural

population and land use.

(8) A bilateral estimate of poppy production in North Thailand for the 1972-1973 growing season.

2. An enhanced capability of Royal Thai Government Departments to use aerial photography and ground survey data in planning the development of North Thailand.
 - a. Photo-interpreters will be trained in how to work from aerial photographs to obtain information for natural resource planning.
 - b. RTG department staff will be trained in upland oriented project identification and preparation.
3. Development projects for North Thailand will be prepared by each of the following RTG agencies:
 - Hill Tribe Division
 - Ministry of Agriculture
 - Accelerated Rural Development
 - Forestry Department
 - Ministry of Public Health
 - Land Development Department

This preparation will be assisted by a non-project analysis of the overall development prospects of the highland area including an assessment of the interrelationships between population, land availability, land use, forest exploitation areas, crop substitution, and transport systems that can be expected in the future.

B. Output Indicators

Each of the three major outputs have certain reliable indicators through which one can identify progress in the production of these outputs.

1. Establishment of a reliable data base.
 - a. The aerial photographs of North Thailand will be available by April 1973.
 - b. The photos will be interpreted and ground survey reports analyzed by the end of the project providing information and documents explained in sub-outputs (1) through (8).
2. Enhanced capability of Royal Thai Government Departments.
 - a. 20 photo-interpreters will be fully trained at the end of the project.

- b. 20 other RTG agency individuals will have been exposed to the photo interpretation process to further develop their photo interpretation skills.
 - c. 1 project planner each from NEDB, Land Development Department, ARD, MOA, Forestry Department, and the Hill Tribe Division will be fully trained by the Project Planning expert to design fundable development activities.
3. Fundable program proposals prepared by RTG agencies.

At least one fundable program proposal will be developed by each RTG agency participating in the project.

C. Basic Output Assumptions:

- 1. That the RTG will formally establish photo interpreter and project planner positions and will budget funds to payroll them.
- 2. That weather conditions will allow all photography to be carried out in December 1972 and January 1973.
- 3. That security conditions will allow ground survey to be carried out to substantiate photo interpretations.
- 4. That RTG agencies participating provide full cooperation and support.
- 5. That qualified advisors and photography contractor can be recruited in a timely fashion to execute the project.

IV. Project Inputs

A. Statement of Project Inputs:

- 1. US Inputs of Technicians (Contract): During the first two years the US technician inputs fall into three categories:
 - a. Photo Interpreter: This technician's task is to assist the RTG in developing a capability to develop the data required from the aerial photographs in a form suitable for the planners. (2 man-years).
 - b. Project Planner: To work with the Department of Public Welfare, Hill Tribe Division, National Hill Tribe Committee, NEDB and other RTG agencies as appropriate to develop detailed projects for funding from FY 1973 onwards. (Programmed for 1 man-year).
 - c. Short Term Advisors: From time to time as required to support the crop production estimates, the project

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- planner, or the aggregate analysis. (Outputs 5, 6, 7).
- d. U.S. inputs to the analysis of overall development prospects will be handled by a contract advisor to NEDB funded through another project with support, as necessary, from short term consultants.
2. U.S. Inputs of Aerial Photography (Contract): During the first year the U.S. will finance aerial photography for portions of the North.
 3. U.S. Inputs of Commodities: The U.S. will provide a limited amount of commodities to assist the PI Team to interpret the imagery.
 4. RTG Inputs of Technicians:
 - a. The RTG will supply at least 40 man-years of photo interpreters time to work with the U.S. photo interpretation expert in reading the imagery. These will include a core group of interpreters for the duration of the project as well as a group of interpreters assigned from Government Departments for shorter periods to further develop their photo interpretation skills. These photo interpreters are expected to work at Chiang Mai. In addition, ground survey teams will be made available by the RTG whenever necessary to provide verification data for the photo interpreters.
 - b. At least one project planner from NEDB, one from Land Development Department, one from ARD, one from the Under-Secretary's Office of the Ministry of Agriculture, one from the Forestry Department, one from the Hill Tribe Division will work directly with the Project Planning expert to identify and develop fundable development programs. It is expected that much of the analysis of these programs will be based upon data acquired from the aerial survey.
 5. RTG Inputs of Commodities:

The RTG will provide one set of prints of all Royal Thai Survey Department imagery flown in the North of Thailand during the period September 1971 - April 1973, to the Photo Interpretation Team. In addition prints of older existing photography will be supplied as required by the photo interpretation team. End-users who have need for imagery will be provided with negatives or prints as necessary.

B. Estimated Budget:

Dollar Budget

1	Photo Interpreter - 2 man-year @ \$40,000 per annum	\$ 80,000
1	Project Planning Advisor - 1 year @ \$40,000 per annum	40,000
	Short term consultants - approximately 6 man-months	25,000
	Support commodities - Stereoscopes, etc.	25,000
	Contract for Aerial Photography including 1 negative and 1 print	295,000 ^{1/}
		<hr/>
		<u>\$465,000</u>

^{1/} Best current estimate; currently being recalculated in greater detail.

RTG Baht Budget

Photo Interpreters (40 man-years)	฿2,200,000
Project Planners (18 man-months)	60,000
Technician Support	400,000
Office Equipment, transport, printing maintenance	500,000
Extra sets of prints for end-users	840,000
Counterpart Support - (Drivers, Secretaries, etc.)	350,000
	<hr/>
	<u>฿4,350,000</u>

Office of the Under-Secretary, Ministry of Agriculture;
 Land Department; Forestry Department, DLD, Ministry of
 Public Health; CSOC, ARD, RID, CNB.

C. Basic Input Assumptions:

1. That RTG and USG will be able and willing to allocate the necessary resources to the project.
2. That goods, services, and personnel from the RTG and USG will be provided on a timely basis in order to produce the outputs outlined.

Drafted by: EDI/CP:FCookson/P/P:JLSperling:vs.
9/15/72

Clearances:

AD/P: JNMcBride: JM date: 9/15
 AD/P: CRFritz: CRF date: 9/15
 AD/AG: FRiggs: FR date: 9/15
 DD: FSimmons: FS date: 9-15

Approved: [Signature] date: 9-15-72
 Director
 Disapproved: _____ date: _____
 Director

ANNEX AEstimating Poppy Production

1. Production is to be estimated: Production can differ substantially from the off-take of markets as stocks are substantial and inventory change allows considerable variation in the relationship between production and marketed raw opium.
2. Production equals area planted multiplied by average yield.
3. Area planted can be determined from the aerial photography.
 - a. The signature of the poppy in the visible spectrum is very clear for photographs taken in December-January. This has been repeatedly established from existing photography of North Thailand.
 - b. The area of the fields can be determined from the air photos by simple measurements to an accuracy of 10%. As many fields will be measured the accuracy of the aggregate estimate should be higher.
4. Yields will be estimated from information collected from ground surveys. The mobile teams of the Hill Tribe Division will carry out this work.
5. The error in the estimates should be less than 5%; most of the error being contributed by the yield estimate and rather little from the area estimate. 1/

1/ If the average yield is 1 and the distribution of yields is uniform .5 to 1.5, the variance is 1/12. The standard error of the yield estimate is approximately $1/3.5 \sqrt{n}$ where n is the number of fields sampled. If 200 fields are sampled the standard error will be about 2%.

ANNEX B

The UDP and Enforcement and Counter Insurgency

This project will contribute to both RTG narcotics enforcement and CI efforts.

Narcotics Enforcement:

The UDP will make contributions to narcotics enforcement in three areas which may be hard to quantify but of crucial importance:

- During the past year the RTG, with help from the US Bureau of Narcotics and Dangerous Drugs (BNDD) has successfully interdicted large amounts of opium and opium derivatives intended mainly for foreign markets. The impact of these seizures, and the limited nature of current RTG and UN efforts to provide meaningful income earning alternatives to poppy growing hill tribes, have caused increasing concern within the RTG and the Mission alike, that the narcotics enforcement are out running more positive programs. If this dangerous trend continues unabated, the RTG may find its ability either to enforce narcotics laws or to control its own territory greatly set back as the CI successfully exploit alleged government "oppression" to fan the fires of the insurgency. If such a dangerous trend is to be kept from reaching critical proportions, we must start now to develop the basis for positive assistance programs in upland areas. The alternative is to await almost certain regression in either narcotics enforcement, or CI, or both.

On the positive side, the project will aid enforcement in two ways.

- First; the RTG's concern with the narcotics problem will reflect three factors: The extent of drug addiction within Thailand, the estimates of the volume of poppy derivatives flowing through markets in Thailand, and the volume of poppy cultivation in Thailand. The UDP will provide the two Governments with an independent, objective analysis of the volume of poppy cultivation which they can accept as indicative of the real situation. Unilateral production estimates by either Government would not necessarily be accepted by the other. The advantage of such a common estimate is that in future years it will provide much help to the USG and RTG in determining progress in the direction of reducing poppy cultivation. Without an agreed starting point there cannot be agreement on the extent or perhaps even the direction of movement.

If the two Governments work together to establish production levels from time to time starting with the 1972/73 season, then it will be possible to monitor progress towards the goal of reducing poppy cultivation. This in turn will help in decisions as to how much additional effort should be made in enforcement. It seems clear that a rising level of poppy cultivation provides a prima facie case for increasing resources allocated to enforcement. If the change in the level of poppy cultivation

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cannot be clearly established then serious disagreements may arise about the need for additional enforcement efforts. Present agreements between the two Governments have provided a basis for mutually beneficial actions against the opium trade. Information derived from the UDP will be of great importance to the overall management of these cooperative programs under the existing bilateral agreement.

- Second, the specific hard data can be used by senior level management to program the nature and extent of additional resources required to combat opium marketing.

2. Counter Insurgency

The potential for a serious deterioration in CI (accompanied by a systematic effort of the C.T. to increase opium production to finance their movement) has already been made clear. However, on the positive side more meaningful development programs would contribute to undermining the recruitment prospects of the CT. The RTG increasingly recognizes the necessity for development and social justice in the highlands if the insurgency is to be contained. By providing the data and analysis required for project preparation we can contribute to more resources being devoted to more highland problems more rapidly.

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ANNEX CPhotographic Coverage

130,000 km², the entire 16 provinces in the Northern Region, will be flown at a scale of 1:15,000 in 1972 and 1973 by the AID contractor.

We have considered and rejected the possibility of splitting the aerial survey contract over two flying seasons. It would directly increase costs, considerably if contract firms are based in the U.S. Moreover, splitting photography over two flying seasons would destroy much of the validity of baseline data due to population movement, changes in cropping patterns, (including poppy cultivation) etc. It would also delay preparation of fundable program proposals for follow on activity growing out of this project. Similarly, it would retard the progress of other programs such as the UNDP, and the Canadian natural resources study which will benefit from UDP generated data and analysis.

ANNEX E

North Thailand Hills: The Land and The People

North Thailand is an area of some 130,000 km² covering sixteen changwats and has a population of approximately 8 million. Within the 16 Northern provinces a substantial area (1/3) is highlands (500 meters or more above MSL). The population is distributed unevenly with 300-600,000 persons in the highlands and the remainder in valleys, lower slopes, or the flatter alluvial plains found in the southern part of the area.

The population itself is largely composed of Thai or closely related ethnic groups whose agriculture is traditionally based on paddy cultivation. In addition, there are several ethnic minority groups, known as the hill tribes, which reside in the highland areas and have an economy based on hill rice, maize, and poppy cultivation. The agricultural patterns of the hill tribes differ from one tribe to another. Nevertheless, the basic characteristic of their agriculture is extensive use of land through slash and burn techniques with fertility recuperable to the soil only by allowing cultivated areas to lie fallow under natural vegetation for several years. The hill tribe peoples differ ethnically, and in their agricultural practices, from the lowland Thai people.

Thai peoples have been moving rapidly into the highlands in recent years and the highland population is now a mixture, of unknown proportions, of both hill tribe and Thai people.

Knowledge of the population and land use patterns in the highlands is limited. The ethnic mix of the population is uncertain, as is the distribution of population by altitude. Reliable, comprehensive data on land use and land cultivation is not available. The most basic pieces of information on the highlands - the availability of land relative to population and the extent of migration into highland areas by Thais - are simply unknown.

In recent years the populations of the highland areas have increasingly become the target for subversion by the Communist Party of Thailand. This has led to a substantial deterioration of the security situation in some areas.

Opium cultivation has been practiced in this area for many years. Production is estimated to be of the order 200 metric ton/annum. This opium is largely exported from the area. As a saleable commodity, opium has the major characteristic of high value per unit weight. This makes it an ideal cash crop for an area within which transportation costs are very high. Poppy is grown by certain hill tribes at distances relatively remote from marketing centers, sold in the villages to traders, and then transported to one of several markets. Proceeds from the sale of the opium provide the basic monetary income for the hill tribes. Thus the role of the poppy crop is quite central to some of the hill tribe economies.

The objective of the Upland Development Project is to contribute to changing the economic base of the populations in the highlands so as to lead them ultimately to reduce poppy cultivation. The development of the highlands and the consequent reduction of poppy cultivation must proceed on the basis of a systematic assessment of the development problems and the identification of specific projects which will lead to the achievement of a viable highland agriculture. The agricultural patterns of the future can only be assessed in the context of the total development of the Northern region and the interaction of the highland areas with the lowland areas.

The RTG has sponsored a large variety of programs in the highlands whose purpose is to identify viable channels to development. However, this work has, to date, been quite piecemeal and it has not been possible to base it on an overall appreciation of the economic situation. With the increasing flow of development resources into the area it has become evident that a more comprehensive view of the development problem is required. In order to arrive at a satisfactory analysis of the conditions and development potential of the highlands it is necessary to collect comprehensive data on population, land use, and the transportation network. This project aims at the acquisition of this information and the initial determination of follow-on programs to achieve the project's goal.

The Upland Development Project will provide a vital input to development planning of North Thailand. The problem of the highland areas of North Thailand arises basically from the remoteness of much of the area and the relatively limited influence of the RTG over much of the area covered by the highlands. Into this area the communist insurgents have penetrated during the past decade, and have been quite successful in organizing the hill tribes. In addition some ethnic groups have the tradition of raising poppy as a cash crop. Finally, the rising population of North Thailand and the limited availability of paddy land result in great land pressures from lowland areas. All of these factors together result in the highland areas being a major problem area. The United States Government has three interests in this area:

- (1) To reduce poppy cultivation;
- (2) To prevent the CPT from expanding its control over the population; and
- (3) To help induce a viable economy able to provide employment and a rising level of welfare to the Northern population.

In accomplishing these interests we must recognize two points:

- (1) The RTG must be the prime force. Its interests in this area can be considered identical to those of the United States. Although there may be differences in assessment of the appropriate means there are not differences in ends.

(2) There is only limited information available on the highland areas. Actions planned must be based upon accurate data and upon assessment of the impact of policy and project implementation.

The problems of the highlands are a complex interaction of military, narcotics, environmental, economic development, insurgency, and social factors. Today there is probably no problem in Thailand more important for the future of the Kingdom, yet more difficult to comprehend the magnitude and details of the difficulties. The primary purpose of this project is to provide an accurate data base for future planning work.

Our present view of the highlands can be described as follows:

The highland population is presently increasing due to natural reproduction of the existing population, migration of hill tribes into Thailand from Burma and Laos, and movement of Thai people from the lowland areas into the highlands. These factors, leading to what is believed to be a rapidly growing highland population, are expected to continue in the future: (1) There is as yet little family planning effort in the highland areas; (2) Political unrest in Burma and Laos together with improved conditions in the Thai highlands will lead to continued immigration; and (3) Land pressures in the lowland areas will continue to grow and lead to continuous movement into the highlands.

These population movements will continue. The question is what kind of agricultural technologies are needed to absorb such population increases while raising the economic and social welfare of the population. In the absence of a substantial development program our best judgment is that the existing patterns of agriculture will rapidly break down and production per capita will decline; forest resources will be rapidly depleted in wasteful ways, accompanied by a continuing decline in soil fertility. Altogether the outlook in the absence of a major development program is bleak; essentially it is a picture of a deteriorating natural resource base having to support a rising population without any technological change.

How valid is this bleak view? There cannot be a definitive answer until completion of this project and the data on land use and population is available for analysis. The above sketch of the dynamics of the highlands without development is based on the best available expert opinion. However, it depends critically on the belief that the highlands cannot absorb many more people using existing technologies.

Data Problems: It is not inaccurate to say comprehensive data on highland areas is non-existent. The most basic information upon which area development programs should be based is currently not available. Population is unknown. We require population by specific location and ethnic group, combined with ground survey of family size, age distribution, etc. Information on migration patterns is fragmentary. Land use and present condition are not available. We require specific information on current land use by specific area. Land capability is not known in detail. Crop production in the highlands is completely unknown. Estimates of poppy production are tenuous and cannot be verified.

The approach to be followed: This project is designed to provide accurate baseline data on the highland areas which can be used by RTG Departments in building up projects for implementation. To achieve this objective we propose to do the following:

- (1) Acquire aerial photography of Northern Thailand during the period December 1972 - February 1973.
- (2) Interpret this photography using a team of Thai photo interpreters and a US expert to assist.
- (3) In parallel begin work on selective project preparation of specific development projects. We anticipate that the project preparation work will be suitable for implementation in Thai FY 75 and thereafter.

The proposal covers entire 130,000 km² of 16 northern changwats, including considerable lowland areas because:

- (1) Development of uplands can not be separated from adjacent lowland areas.
- (2) Population flows from lowlands to uplands need to be identified, as do the inter connected upland/ lowland transportation networks.
- (3) Interlaced topography requires photographing lowland valleys lying between upland areas. Additionally the RTG request is for coverage of the full Northern area. Many of the RTG line agencies which will have action responsibility for implementing upland projects to be developed have current requirements for photo coverage of lowland areas.

Photos are required on a scale of 1:15,000 to meet the requirements of the land deed titling program of the Land Department. Photos at this scale will provide the data base for RTG activity to protect the tenure rights of hilltribe farmers who improve their land for substitute cropping, as well as to accelerate the government's overall land titling program which has only just begun in the North.

New photography is required because various earlier surveys of the North:

- (1) Were run at different times over various locations and thus do not provide consistent baseline data as well as being considerably out of date.
- (2) Include some cloud cover as well as distortion caused by wide angle photography which prevents required precise measurement of areas under different types of crops and vegetation.
- (3) Were at scales of 1:20,000 or smaller, which can not meet the needs of the land titling program of the Land Department.

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Users of the aerial photography. It is anticipated that the users of the aerial photography and the data that it generates will fall into seven classes:

1. The Tribal Research Center, Hill Tribe Division, and the NEDB will utilize the population and land use data for a comprehensive study in population, analysis of the size and distribution, relative to the available land. For instance, the extent to which swidden cycles are being broken will be identified, gross incursion rates into forested area, migration movement of lowland Thais into the highlands, and crop patterns will all be determined. This type of data will provide the basis for an overview of development change in the highlands essential for any comprehensive planning and a necessary pre-condition for successful project preparation.
2. The project preparation phase of the Northern planning work will be greatly assisted by the existence of current photography of the area. This will directly support site location for projects, transportation project preparation, assessment of the lowland agricultural situation, and physical planning of the growth center. This project preparation work will take place jointly with the UN team, the project planner financed through the UDP and the relevant RTG Governmental elements.
3. The photography will provide a basis for a current, accurate estimate of poppy cultivation, combining a yield estimate from the general survey work and an area estimate from the aerial photography. This will be the most accurate, comprehensive data so far available for Thailand. This will provide a second reliable benchmark to estimate the change in poppy cultivation since the sample survey in 1966 and so indicate the trend in poppy cultivation. It will also provide a benchmark against which to judge progress if aerial photography or ERTS data are available in future years. The survey may ultimately be helpful to the Thai narcotics bureau in indicating areas of geographic concentration of poppy cultivation and likely transport routes for opium.
4. The proposed Canadian Northern natural resources survey would use the UDP aerial survey as one of the vital basic inputs to their work. Existence of the survey will accelerate progress under the natural resources survey by more than a year. At the time of preparation of this PROP, the Canadian project is not yet fully defined. However, it basically is aimed at providing comprehensive inventory information on selected natural resources and then, on the basis of detailed inventories, to develop projects for insuring better utilization of such resources.
5. It is anticipated that major study of water management in the Chao Phya basin including the highland catchment areas will be undertaken in the next few years. This study when it is undertaken will require data inputs from much of North Thailand which will come from the aerial survey of the UDP.

6. The photography will provide basic planning data on village location, ethnic group, size, current cropping patterns for an expanded program of the Hill Tribe Division's mobile teams.

These six users of the photography will all be able to put their requirements to the photo interpretation group within the next year. No direct CI uses are anticipated.

Links to Narcotics problems: The presumption of this project is that development programs in the highlands will reinforce the direct efforts of enforcement agencies. The key to reduction of poppy cultivation is to reduce the ex-farm price of poppy relative to alternative crops, thereby inducing the poppy cultivator to shift cropping patterns. To reduce the relative price several things are necessary:

(1) The enforcement efforts will raise the cost of marketing and reduce the ex-farm price of poppy.

(2) Development programs will raise the price of alternatives in the following way:

(A) Transportation improvements will help non-poppy crops more than poppy.

(B) Agricultural research and extension will identify and provide to farmers new methods or crops not now grown.

(C) Orderly marketing arrangements will help to protect the highland farmers from the monopoly positions of the middlemen.

Taken altogether the joint development-enforcement programs should lead to a reduction in poppy cultivation during the next decade. Program planning will identify requirements to reduce poppy cultivation to virtually nothing within a decade.

In addition to the developmental impact an another product of this project will be the bilateral estimate of poppy cultivation. We believe this is a very important piece of information for the following reasons:

(1) It will provide a measure of confidence in the existing indirect methods of estimating production.

(2) It will provide a new, more up-to-date base for estimating production than the old UN survey of 1966.

(3) A bilateral estimate of poppy cultivation will be an important input into decisions on allocation of resources to enforcement. Unilateral estimate are not suitable.

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Links to insurgency: There are direct and indirect links to insurgency problems:

1. The direct links are that continued RTG narcotics enforcement activities may provide the CT with prime material to fan the fires of the insurgency unless successful income substitution programs are undertaken.
2. The indirect links are simply the impact on the recruitment prospects of the CPT of more meaningful development oriented programs. The RTG is increasingly recognizing the necessity for development and social justice in the highlands if the insurgency is to be contained. By providing data to support the project preparation we can contribute to more resources being devoted to highland problems.