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<td>Petchsingh, Trirat.</td>
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Economic Growth And Social Well-Being:
Thailand's Case

By

Trirat Petchsingh
ECONOMIC GROWTH AND SOCIAL WELL-BEING: THAILAND'S CASE

BY Trirat Petchsingh

Thailand belongs to that group of middle-income, fast-growing economies in Southeast Asia which includes Indonesia, the Philippines and Malaysia. Its population of 50 million had a per capita income in 1982 of $748. During the period of 1960 to 1980, it enjoyed an annual growth rate in gross national product (GNP) of 4.7 percent, the highest of any country in the group. Though remaining heavily dependent on the production and export of primary commodities, it has nevertheless experienced rapid industrialization during the last decade.

In this paper, I shall outline Thailand's economic growth over the past decade and try to show whether the social well-being attained by the majority of the population has been commensurate with this development.

As the rest of the world, Thailand experienced a "turbulent decade" in the 1970s which witnessed, in late 1973 and in 1979, two sharp oil price increases that sent shock waves throughout the economic system. In 1974, Thailand, being almost wholly dependent on imported oil, had to pay more for its energy requirements, and very soon, the prices of manufactured imports also rose because of other higher energy cost component. This situation exacerbated Thailand's balance of payments deficits which steadily grew worse during the 1970s and peaked in 1981 when it reached $3,023 million. Before the oil price crisis in 1973, only about 10 percent of Thailand's exports went to pay for imported oil, as compared to the present 30 per cent of exports.

Fortunately for Thailand, the exploitation of natural gas in the Gulf of Thailand will reduce the country's dependence on imported energy sources and ease pressure on the balance of payments. The National Economic and Social Development Board (NESDB) estimated that by 1986 slightly less than half of Thailand's energy requirements will be met by imported oil, as compared to 75 percent in 1981.

Despite the oil shocks, Thailand's economy recorded impressive growth in agriculture and manufacturing output throughout the period. Thailand's average annual growth of real gross domestic product (GDP) during 1970-1980 was 7.2 percent.

Thailand continued to pursue policies during the 1970s to promote industrial development in order to reduce dependence on exports of primary commodities, and to create employment opportunities for the growing labour force. The extent to which it was able to promote industrial development is shown by the increased contribution of the manufacturing sector to GDP, and by the rates of growth of this sector's output. Value-added in manufacturing increased to 20 percent of GDP in 1979 compared to 16 percent in 1970. The average annual growth rate in the manufacturing sector during 1970-1979 was 11.4 percent.
Thailand increased its exports of manufactured goods during the 1970s so that by the end of the decade it formed 15 percent of total exports. However, Thailand continued to suffer from protectionism against its manufactured goods such as the strict quota placed on garment exports by the EEC and the U.S.

Despite the considerable progress towards industrialisation made by Thailand during the 1970s, the production of primary commodities still remains the mainstay of the economy. Unfortunately, the prices of these commodities have not risen as much as the manufactured goods which Thailand has to import. In 1982 Thailand's commodity exports were rice, tapioca, rubber, tin and maize, which formed 42.5 percent of total exports.

Thailand's investments in a wide array of measures to increase agricultural production during the 1970s has paid off, with total agricultural production increasing some 60 percent during the 1970s, contributing to the overall 11.8 percent average annual growth of exports, the highest of any country in the group.

Thailand embarked on its fifth five year national economic and social development plan in 1982. The new plan differs from previous five year plans in that it is a rather sombre document. Global recession and structural bottlenecks in the Thai economy had become evident in previous five year plans and, according to the current plan, are expected to deepen.

Projections for the coming five year period (1982-1986) contrast with the rapid growth that Thailand enjoyed for more than two decades after the Korean War. The GDP expanded at an average rate of about 7 percent in this period, and at almost 10 percent at times in the 1970s. As the current plan notes, this rate of increase was very high compared to that of other countries at a similar stage of development and stayed well ahead of population growth. For the 1982-1986 period, the GDP is estimated to grow at a slower rate of 6.6 percent annually, even taking into account the projected doubling of the production of natural gas from 1981-1986.

The agricultural sector is expected to expand slightly (3.5 percent compared to 4.5 percent in previous plan periods), even though the plan aims to increase agricultural productivity. Agricultural expansion through increasing acreage is now not possible because Thailand's arable lands have been exploited to almost the limit. The plan also incorporates earlier recommendations by Thai and World Bank officials to restructure the manufacturing sector in order to promote greater efficiency, reduce incidence of import substitution and increase exports. However, growth rate in the manufacturing sector is still anticipated to slow down (from 9.3 percent to 7.6 percent in the previous plan periods). Foreign trade targets in the fifth plan reflect growing concern over persistent trade deficits that appeared in the 1970s.

Income Distribution

However, despite the impressive growth of the economy over the last twenty years, forty percent of all rural households still live in "absolute poverty". The Government has been less than successful in bringing about a more equitable income distribution among the urban and the rural sectors.
The total monthly income per household in 1975-1976 was estimated for the whole Kingdom at 1,928 Baht. The variation among the regions is demonstrated by the following figures: for Bangkok it was 3,442 Baht, for the Northeast 1,496 Baht, for the North 1,536 Baht, for the South 1,788 Baht, and for the central region (excluding Bangkok) it was 2,251 Baht.

This disparity can be traced back to the Government's policy--or lack of policy in--distributing industry to the regions. It has failed to provide sufficient tax and other incentives to attract industries to locate outside Bangkok. Furthermore, the infrastructures required for industries have generally been lacking in the provinces. Even today, power and water rates are higher in the provinces than in Bangkok. Add to this the high transportation costs, and there is very little incentive for industries to locate outside Bangkok.

One mitigating factor in income distribution may be said to be the relative wealth generated by the export of labour to the Middle East and other countries. This has resulted in workers sending money home to their families which has substantially raised the quality of their lifestyle and, it is hoped, will lead to investments in their communities.

**Education**

The Thai Government places a high value on education. Education forms the highest item of expenditure in the national budget and accounts for approximately 20 percent of the total. In FY 1984 the portion allotted to education was 38,794.6 million Baht, ($1.68 billion).

Between 1960-1970, the Thai educational system managed through formal and informal programmes to raise the literacy level of the ten-plus age group population from 71 percent to 82 percent. In 1980, this level had been further raised to 86 percent although wide regional variations prevailed. Total eradication of illiteracy is the next step.

The Government has, nevertheless, not been able to provide even primary education for the whole of the country. In 1979, only 83 percent of the country's 5,465 tambons (subdistricts) had primary schools. Schools in rural areas, which form 89 percent of all schools, are on average smaller than those in urban areas and suffer in quality. The teacher:pupil ratio was 24 for rural schools compared to 22 for urban schools. Operating expenses was 1,000 Baht per head for rural schools compared to 1,400-1,800 Baht for urban schools.

At present about half of children who complete the lower primary school leave the educational system. The main reason is lack of educational facilities at the upper primary level. Primary education in Thailand is free. However, the rural poor may not be able to afford to send their children to school because of the cost of uniforms, books and school lunches. Perhaps the highest cost of all is the opportunity cost, since the children are often needed to help on the farm or to earn a wage.
Thus, while attendance at the lower primary level (for years) is almost universal, it drops off to 48 percent at the upper primary level (2 years), to 31 percent at the lower secondary level (3 years) and to 12 percent at the higher secondary level (3 years).

Fees at the secondary level have never been high in Thailand and at one time had become completely out of line with costs. Thus secondary schools in 1974 charged annual fees of 100-150 Baht as against estimated unit current cost of close to 1,100 Baht. Since then, annual fees at the secondary level have been increased to approximately 700 Baht.

**Primary Health Care**

Thailand is now in its fifth national health plan (1982-1986) which corresponds with the fifth national economic and social development plan. The budget allocation for health in the first plan was 4.9 percent of the total national budget. For the second plan the figure was 6.1 percent, for the third plan 6.3 percent and the fourth 7.9 percent. Hence, primary health care has become of increasing concern to the Thai Government.

In general, Thailand’s population is relatively healthy compared to other developing countries. Life expectancy of male birth is 58 years and females 64 years.

Recent indices demonstrate the improvement in general health of the population: the crude death rate decreased from 7 per 1000 in 1969 to 5.3 ten years later; infant mortality dropped from 26 per 1000 in the early 1970s to 14 in 1979; death from diarrhoeal disease dropped from 18.2 per 100,000 in 1973 to 11.1 in 1979; malaria from 13.6 per 100,000 in 1973 to 8.3 in 1979; disease of pregnancy, childbirth and the puerperium from 5.5 per 100,000 in 1973 to 2.4 in 1979.

Nevertheless, health services coverage in the rural areas is still inadequate. In addition to inadequate facilities, the existing facilities in rural areas are poorly utilised, resulting in only a small proportion of the population (estimated at 17 percent in 1970) using public health services when ill. Just over half (51.4 percent) resort to buying drugs for self-treatment, while another 12 percent attend private hospitals and clinics.

In the provinces besides Bangkok, general health care facilities can be divided into five levels. The smallest health facility is the midwifery centre staffed by one government auxiliary midwife who is responsible for maternal and child health, family planning and minor medical care. At the subdistrict level there are health centres while at the district level there are hospitals. In addition, there are a number of regional hospitals providing complete medical facilities.

At the end of 1976, there were 637 districts throughout the country, 255 (40 percent) of which had their own hospitals or medical and health centres. There were 5,465 tambons (subdistricts), 500 (9 percent) of which had their own health centres, and only 1,450 mubans (villages) out of 49,357 had midwifery stations.
Thus a major problem of the services now provided is that coverage of population theoretically extends to only 25-30 percent. Second, the services are actually accessible only to those who are within easy reach of health facilities.

Financing of the health care system is, of course, a major concern. It appears that 80 percent of the approved budget is being spent on hospitals, medical and health centres and health centre services, while 20 percent of the budget goes to solve the main problems of the majority of the population.

Family Planning

Thailand's annual population growth rate slowed slightly in the period between 1960 and 1970, from 3.2. to 2.8 percent, with the decline accelerating during the last decade. The annual growth rate for 1981 is estimated to be about 1.9 percent. Even so, the population may be expected to double again in less than 50 years. The fifth plan calls for a reduction of the growth rate of 1.5 percent.

Researchers have concluded that the decline cannot be accounted for by change in age structure, proportion of unmarried women, mortality levels, or breastfeeding practices. Family planning programme activities have probably contributed to Thailand’s fertility decline.

The level of contraceptive use in Thailand is increasing — married women aged 15-49 years who have "even" at least one method of contraception rose from 45 percent in 1975 to 69 percent in 1978, and to 76 percent in 1981.

The level of "ever use" method was highest in Bangkok where about 85 percent of married women had tried some method of contraception. Other regions, while lower than Bangkok, were still high, particularly in the central (82 percent) and the north (80 percent) followed by the northeast (72 percent) and the south (59 percent).

Other findings of the Contraceptive Prevalent Survey conducted in 1978 are that women between 35-39 are the highest users -- 83 percent for the whole country and 91 percent for BAngkok -- and that the more highly educated women are greater users than the less educated.

Conclusions

By the end of the fifth plan (in 1986), Thailand is expected to join the ranks of the newly industrialized countries. It will have embarked on development of the Eastern Seaboard for heavy and natural gas-related industries, which will create a new magnet for the rural labour force and partially relieve the presence on Bangkok. Two deepsea ports to serve this region have already been given the go-ahead by the Cabinet, one at Laem Chabang and the other at Mabtapud, while the construction of a rail link with Bangkok has already started.
Thailand has a democratic system of government which, off and on, has been in operation for more than fifty years. The people are slowly beginning to learn the meaning of democracy and the rights and duties they have as citizens under this system. In this respect, I think prospects are bright. Thailand, for example, enjoys one of the freest presses in Southeast Asia.

The Government, through economic development of rural areas and its enlightened methods -- priority given to winning hearts and minds in preference to military action -- has broken the back of the communist insurgency which has long festered in the Thai countryside. The army now estimates that throughout Thailand there are no more than 3,000 communists under arms, compared with 12,000 five years ago. Of these, 1,700 are active in the south of the country, where the army's internal suppression campaign is now mainly directed.

Many problems remain, of course, one of the most pressing of these being how to provide employment especially for the rural poor, given that there are no new arable lands for exploitation. Another is the preservation of our scarce and fast dwindling resources, as well as the environmental and pollution problems.

Nevertheless, I feel confident that, as we approach the end of the 20th century, Thailand's prospects are bright.