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Impact of Economic Policy on Industrial and Rural Development in Thailand

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Introduction

Economics in Thailand is provided mainly by the Thai government through the Ministry of commerce either micro or macroeconomics. The dip in GDP in the late 1990's was by no means confined to Thailand. It was due to the banking cries and the "flight to quality" of capital that began in 1996 with the collapse of the Thai currency, the baht, and similar collapses of confidence in the cash positions in virtually all regions of the world outside the Anglo-American ambit: South Korea, Japan, Russia, Mexico, and Argentina. Until the financial of postwar Asia, sometimes being considered Asia's fifth economic dragon, or tiger, after Hong Kong, Singapore, South Korea, and Taiwan.

Since 1932, Thailand has seen 18 coups, mostly bloodless; transform their state (Abuz, 2006). The most recent coup occurred in 2006, and it has proven to be problematic for their economy. With Thailand being in a state of political crisis, their economy has continued to be problematic for their economy. With Thailand being in a state of political crisis, their economy has continued to worsen exacerbated by the global recession.

The country is dependent on foreign exports that have been reduced in the last two years, and they must now work to balance their economy with other means of providing revenue. Despite being one of the more advanced South East Asian states, Thailand still has many economic problems, and they are for from becoming a developed state. Thailand was an absolute monarchy known as Siam up until a bloodless coup in 1932 led to the establishment of a constitutional monarchy (CIA World Face book, 2009). The military has often times taken control of the government and it stability was finally found in 1992. The 1997 Asian financial crisis threatened Thailand's stability; however, the country was able to draft a new constitution and elect a new Prime Minister without military intervention. In 2001,

Thaksin Shinawatra, a telecommunications millionaire, was elected to Prime Minister. His government was marked by a 3confident foreign policy, implementation of his populist policies, and accusations of anti-democratic actions' (U.S. Department of state, 2009). Despite the accusations of anti-democratic actions, Thaksin's party dominated the 2005 elections and took the plurality of seats in the parliament. By early 2006, accusations of corruption and wide spread demonstrations forced Thaksin to take action. He dissolved the parliament and declared elections in April of 2006. These elections were quickly nullified by the judiciary, and on September 19, 2006 a group of military officers overthrew the government in a bloodless coup. An interim constitution was drafter and an interim prime minister was appointed (state department). Since the coup, Thailand has seen 6 different prime ministers and continued widespread civil unrest (Lintmer, 2009). In recent decades, Thailand has been able to thrive under their free-enterprise economy and pro-investment policies. Until the 1997 Asian financial crisis, Thailand had one of the fastest.

Research Objectives

1. To study economic development policy of Thailand.
2. Tostudy impact of economic policy on industrial development of the Thailand.
3. To study various rural development schemes in Thailand.
4. Tostudy impact of economic policy on rural development of the Thailand.

Hypothesis

1. Industrial development of the Thailand is mostly rely on foreign aids schemes.
2. Rural development schemes helps for rural development in Thailand.

Methods of data collection

- To collect the data from textbook, magazine, newspapers, doctrines etc. Which are concerned with economic development polices.
- Analyze the collected data, discuss with scholars and gave conclusion and suggestion.
- To do documentary research only.

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Economy of Thailand

Thailand is a newly industrialized country. Its economy is heavily export-dependent, with exports accounting for more than two-thirds of its gross domestic product (GDP). In 2012, according to the Office of the National Economic and Social Development Board, Thailand had a GDP of 11.375 trillion baht (US$366 billion). The Thai economy grew by 6.5 percent, with a headline inflation rate of 3.02 percent and an account surplus of 0.7 percent of the country's GDP. In 2013, the Thai economy is expected to grow in the range of 3.8-4.3 percent. During the first half of 2013 the Thai economy grew by 4.1 percent. After seasonal adjustment, however, Thailand's GDP contracted by 1.7 percent and 0.3 percent in the first and the second quarters of 2013 respectively.

The industrial and service sectors are the main sectors in the Thai gross domestic product, with the former accounting for 39.2 percent of GDP. Thailand's agricultural sector produces 8.4 percent of GDP-lower than the trade and logistics and communication sectors, which account for 13.4 percent and 9.8 percent of GDP respectively. The construction and mining sector adds 4.3 percent to the country's gross domestic product. Other service sectors (including the financial, education, and hotel and restaurant sectors) account for 24.9 percent of the country's GDP. Telecommunications and trade in services are emerging as centers of industrial expansion and economic competitiveness.

Thailand is the second-largest economy in Southeast Asia, after Indonesia. Its per capita GDP (US$5,390) in 2012, however, ranks in the middle of Southeast Asian per capita GDP, after Singapore, Brunei, and Malaysia. On 19 July 2013 Thailand held US$171.2 billion in international reserves, the second-largest in Southeast Asia (after Singapore). Thailand ranks second in Southeast Asia in external trade volume, after Singapore. The nation is recognized by the World Bank as "one of the great development success stories" in social and development indicators. Despite a low per capita gross national income (GNI) of US$5,210 and ranking 89th in the Human Development Index (HDI), the percentage of people below the national poverty line decreased from 65.26 percent in 1988 to 13.15 percent in 2011, according to the NESDB's new poverty baseline. Thailand's unemployment rate is low, reported as 0.9 percent for the first quarter of 2014. This is due to a large proportion of population working in subsistence agriculture or on other vulnerable employment (own-account work and unpaid family work). Thailand, formerly known as Siam, opened to foreign contact in the pre-industrial era. Despite the scarcity of resources in Siam, coastal ports and cities and those at the river mouth were early economic centers which welcomed merchants from Persia, the Arab countries, India, and China. The rise of Ayutthaya during the 14th century was connected to renewed Chinese commercial activity, and the kingdom became one of the most prosperous trade centers in Asia.

History of Thai Economic

From the early 20th century to the end of World War II, Siam's economy gradually became globalized. Major entrepreneurs were ethnic Chinese who became Siamese nationals. Exports of agricultural products (especially rice) were very important and Thailand has been among the top rice exporters in the world. The Siamese economy suffered greatly from the Great Depression, a cause of the Siamese revolution of 1932. Significant investment in education in the 1930s (and again in the 1950s) laid the basis for economic growth, as did a liberal approach to trade and investment.Postwar domestic and international politics played significant roles in Thai economic development for most of the Cold War era. From 1945 to 1947 (when the Cold War had not yet begun), the Thai economy suffered because of the Second World War. During the war, the Thai government (led by Field Marshal Luang Phibulsongkram) allied with Japan and declared war against the Allies. After the war Thailand had to supply 1.5 million tons of rice to Western countries without charge, a burden on the country's economic recovery. The government tried to solve the problem by establishing a rice office to oversee the rice trade. During this period a multiple-exchange-rate system was introduced amid fiscal problems, and the kingdom experienced a shortage of consumer goods.

Despite his attempts to maintain power, Luang Phibulsongkram was deposed (with Field Marshal Phin Choonhavan and Police General Phao Sriyanonda) on 16 September 1957 in a coup led by Field Marshal Srisdi Dhanarajata. The Srisdi regime (in power from 1957 to 1973) maintained the course set by the Phibul regime with US support after severing all ties with the People's Republic of China and supporting US operations in Indochina. It developed the country's infrastructure and privatized state enterprises unrelated to that infrastructure. During this period a number of economic institutions were established, including the Bureau of Budget, the Office of the National Economic and Social Development Board

(NESDB), and the Board of Investment of Thailand (BOI). The National Economic and Social Development Plan was implemented in 1961. During this period, the market-oriented Import-Substituting Industrialization (ISI) led to economic expansion in the kingdom during the 1960s. According to former President Richard M. Nixon's 1967 Foreign Affairs article, Thailand entered a period of rapid growth in 1958 (with an average growth rate of 7% a year). From the 1970s to 1984, Thailand suffered from many economic problems: decreasing US investment, budget deficits, oil-price spikes, and inflation. Domestic politics were also unstable. With the Vietnamese occupation of Cambodia on 25 December 1978, Thailand became the front-line state in the struggle against communism, surrounded by three communist countries and a socialist Burma under General Ne Win. Successive governments tried to solve the economic problems by promoting exports and tourism, still important for the Thai economy.

One of the best-known measures to deal with the economic problems of that time was implemented under General Prem Tinsulanonda's government, in power from 1980 to 1988. Between 1981 and 1984 the government devalued the national currency, the Thai baht (THB), three times. On 12 May 1981 it was devalued by 1.07 percent, from THB20.775/US$ to THB21/US$. On 15 July 1981 it was again devalued, this time by 8.7 percent (from THB21/US$ to THB23/US$). The third devaluation, on 5 November 1984, was the most significant: 15 percent, from THB23/US$ to THB27/US$. The government also replaced the country's fixed exchange rate (where it was pegged to the US dollar) with a "multiple currency basket peg system" in which the US dollar bore 80 percent of the weight. Calculated from the IMF's World Economic Outlook Database, in the period 1980-1984 the Thai economy had an average GDP growth rate of 5.4 percent. After the 1984 baht devaluation and the 1985 Plaza Accord, although the public sector struggled due to fiscal constraints, the private sector grew. The country's improved foreign trade and an influx of foreign direct investment (mainly from Japan) triggered an economic boom from 1987 to 1996. Although Thailand had previously promoted its exports, during this period the country shifted from import-substitution (ISI) to export-oriented industrialization (EOI). During this decade the Thai GDP (calculated from the IMF World Economic Outlook database) had an average growth rate of 9.5 percent per year, with a peak of 13.3 percent in 1988. In the same period, the volume of Thai exports of goods and services had an average growth rate of 14.8 percent, with a peak of 26.1 percent in 1988. Economic problems persisted. From 1987 to 1996 Thailand experienced a current account deficit averaging -5.4 percent of GDP per year, and the deficit continued to increase. In 1996, the current account deficit accounted for -7.887 percent of GDP (US$14.351 billion). A shortage of capital was another problem. The first Chuan Leekpai government, in office from September 1992 to May 1995, tried to solve this problem by granting Bangkok International Banking Facility (BIBF) licenses to Thai banks in 1993. This allowed BIBF banks to benefit from Thailand's high interest rate by borrowing from foreign financial institutions at low interest and loaning to Thai businesses. By 1997 foreign debt had risen to US$109, 276 billion (65 5 of which was short-term debt), while Thailand had US$38,700 billion in international reserves. Many loans were backed by real estate, creating an economic bubble. By late-1996, there was a loss of confidence in the country's financial institutions; the government closed 18 trust companies and three commercial banks. The following year, 56 financial institutions were closed by the government.[40]

In the government, there was a call from Virapong Ramangkul (one of Prime Minister Chavalit Yongchaiyudh's economic advisers) to devalue the baht, which was supported by former Prime Minister Prem Tinsulanonda. Yongchaiyudh ignored them, relying on the Bank of Thailand (led by Governor Rerngchai Marakanond, who spent as much as US$24,000 billion – about two-thirds of Thailand's international reserves) to protect the baht. On 2 July 1997 Thailand had US$2,850 billion remaining in international reserves, and could no longer protect the baht. That day Marakanond decided to float the baht, triggering the 1997 Asian Financial Crisis.

The Thai economy collapsed as a result of the 1997 Asian financial crisis. Within a few months, the value of the baht floated from THB25/US$ (its lowest point) to THB56/US$. The Stock Exchange of Thailand (SET) dropped from a peak of 1,753.73 in 1994 to a low of 207.31 in 1998.[44] The country's GDP dropped from THB3.115 trillion at the end of 1996 to THB2.749 trillion at the end of 1998. In dollar terms, it took Thailand as long as 10 years to regain its 1996 GDP. The unemployment rate went up nearly threefold: from 1.5 percent of the labor force in 1996 to 4.4 percent in 1998. A sharp decrease in the value of the baht abruptly increased foreign debt, undermining financial institutions. Many were sold, in part, to foreign investors while others went bankrupt. Due to low international reserves from the Bank of Thailand's currency-protection measures, the government had to accept a loan from the International

Monetary Fund (IMF). Overall, Thailand received US$17.2 billion in aid. The crisis impacted Thai politics. One direct effect was that Prime Minister Chavalit Yongchaiyudh resigned under pressure on 6 November 1997, succeeded by opposition leader Chuan Leekpai. The second Leekpai government, in office from November 1997 to February 2001, tried to implement economic reforms based on IMF-guided neo-liberal capitalism. It pursued strict fiscal policies (keeping interest rates high and cutting government spending), enacting 11 laws it called "bitter medicine" and critics called "the 11 nation-selling laws". The Thai government and its supporters maintained that with these measures, the Thai economy improved.

An indirect effect of the financial crisis on Thai politics was the rise of Thaksin Shinawatra. In reaction to the government's economic policies, Thaksin Shinawatra's Thai Rak Thai Party won a landslide victory over Leekpai's Democrat Party in the 2001 general election and took office in February 2001. Although weak export demand held the GDP growth rate to 2.2 percent in the first year of his administration, the first Thaksin Shinawatra government performed well from 2002 to 2004 with growth rates of 5.3, 7.1 and 6.3 percent respectively. His policy was later called Thaksinomics. During Thaksin's first term, Thailand's economy regained momentum and the country paid its IMF debt by July 2003 (two years ahead of schedule). Despite criticism of Thaksinomics, Thaksin's party won another landslide victory over the Democrat Party in the 2005 general election. The official economic data related to Thanksinomics reveals that between 2001 and 2011, Isan's GDP per capita more than doubled to US$1,475, while, over the same period, GDP in the Bangkok area rose from US$7,900 to nearly US$13,000. Thaksin's second term was less successful. On 26 December 2004, the Indian Ocean tsunami occurred. In addition to the human toll, it impacted the first-quarter Thai GDP in 2005. The Yellow Shirts, a coalition of protesters against Thaksin, also emerged in 2005. In 2006, Thaksin dissolved the parliament and called for a general election. The April 2006 general election was boycotted by the main opposition parties. Thaksin's party won again, but the election was declared invalid by the Constitutional Court. Another general election, scheduled for October, was cancelled. On 19 September a group of soldiers calling themselves the Council for Democratic Reform under the Constitutional Monarchy and led by Sonthi Boonyaratglin organized a coup, ousting Thaksin while he was in New York preparing for a speech at the United Nations General Assembly. During the last year of the second Thaksin government, the Thai GDP grew by 5.1 percent. Under his governments, Thailand's overall ranking in the IMD Global Competitiveness Scoreboard rose from 31st in 2002 to 25th in 2005 before falling to 29th in 2006.

After the coup, Thailand's economy again suffered. From the last quarter of 2006 through 2007 the country was ruled by a military junta led by General Surayud Chulanont, who was appointed prime minister in October 2006. The 2006 GDP growth rate slowed from 6.1, 5.1 and 4.8 percent year-over-year in the first three quarters to 4.4 percent. Thailand's ranking on the IMD Global Competitiveness Scoreboard fell from 26th in 2005 to 29th in 2006 and 33rd in 2007.[47] Thaksin's plan for massive infrastructure investments was unmentioned until 2011, when his younger sister Yingluck Shinawatra entered office. In 2007, the Thai economy grew by 5 percent. On 23 December 2007, the military government held a general election. The pro-Thaksin People's Power Party, led by Samak Sundaravej, won a landslide victory over Abhisit Vejjajiva's Democrat Party.By the end of 2008, a coalition government led by Abhisit Vejjajiva's Democrat Party was formed: "[The] legitimacy of the Abhisit government has been questioned since the first day that the Democrat party took the office in 2008 as it was allegedly formed by the military in a military camp".[49] The government was under pressure from the US financial crisis and the Red Shirts, who refused to acknowledge Abhisit Vejjajiva's prime ministry and called for new elections as soon as possible. However, Abhisit rejected the call until he dissolved the parliament for a new election in May 2011. In 2009, his first year in office, Thailand experienced a negative growth rate for the first time since the 1997 financial crisis: a GDP of -2.3 percent. In the 2011 general election, the pro-Thaksin Pheu Thai Party again won a decisive victory over the Democrat Party, and Thaksin's youngest sister, Yingluck Shinawatra, succeeded Abhisit as prime minister. Elected in July, the Pheu Thai Party-led government began its administration in late-August, and when Yingluck entered office, the 2011 Thailand floods threatened the country-from 25 July 2011 to 16 January 2012, flood waters covered 65 of the country's 76 provinces. The World Bank assessed the total damage in December 2011 and reported a cost of THB1.425 trillion (about US$45.7 billion). In 2012 Thailand was recovering from the previous year's severe flood. The Yingluck government planned to develop the country's infrastructure, ranging from a long-term water-management system to logistics. The Eurozone crisis reportedly harmed Thailand's economic growth in 2012, directly and indirectly affecting the country's exports. Thailand's GDP grew by 6.5 percent, with a headline inflation rate of 3.02 percent, and a current account surplus of 0.7 percent of the country's GDP.

Agriculture, forestry and fishing

Developments in agriculture since the 1960s have supported Thailand's transition to an industrialized economy. As recently as 1980, agriculture supplied 70 percent of employment. In 2008, agriculture, forestry and fishing contributed 8.4 percent to GDP; in rural areas, farm jobs supply half of employment.[63] Rice is the most important crop in the country and Thailand had long been the world's number one exporter of rice, until recently falling behind both India and Vietnam. It is a major exporter of shrimp. Other crops include coconuts, corn, rubber, soybeans, sugarcane and tapioca. Thailand is the world's third-largest seafood exporter. Overall fish exports were worth around US$3 billion in 2014, according to the Thai Frozen Foods Association. Thailand's fishing industry employs more than 300,000 persons. In 1985, Thailand designated 25 percent of its land area for forest protection and 15 percent for timber production. Forests have been set aside for conservation and recreation, and timber forests are available for the forestry industry. Between 1992 and 2001, exports of logs and sawn timber increased from 50,000 to 2,000,000 cubic meters per year.

Thailand is the world's second-largest exporter of gypsum (after Canada), although government policy limits gypsum exports to support prices. In 2003 Thailand produced more than 40 different minerals, with an annual value of about US$740 million. In September 2003, to encourage foreign investment in mining the government relaxed its restrictions on mining by foreign companies and reduced mineral royalties owed to the state.

Industry and manufacturing

In 2007 industry contributed 43.9 percent of GDP, employing 14 percent of the workforce. Industry expanded at an average annual rate of 3.4 percent from 1995 to 2005. The most important sub-sector of industry is manufacturing, which accounted for 34.5 percent of GDP in 2004. Economic development is closely dependent on industrial development, not only with respect to the industrial sector’s pivotal contribution to economic growth but more conspicuously with regards to the structural transformation of an economy. Creation of employment opportunities and generation of income take place directly in the industrial sector and are indirectly fostered in other sectors such as in agriculture and services through their linkages to the industry (UN 1990; Mishra 1999; UNIDO 2005).

In Thailand, industrialization and urbanization have been the major driving forces towards modernization in the early 1960s (Panpiemras 1988; Biggs et al. 1990; IFCT 1991; World Bank 1993; Cuyvers et al. 1997). Over the past four decades, the growth pattern of the manufacturing industry in Thailand could be divided into two sub-periods, namely: 1960–1985 and 1986 to the present. The purpose of such grouping is to illustrate the growth performance of the different industrialization strategies under two regimes, such as the import substitution (IS) and export promotion (EP) regimes. It should be noted that Thailand had pursued a typical IS industrialization strategy between the early 1960s and the mid-1980s (IFCT 1991; Douangngeune et al. 2005; BOI 2006).

The country’s IS industrialization strategy which commenced in the early 1960s led to heavily reliant on imported intermediate goods such as iron, steel and plastic for raw materials by the local manufacturing industry (IFCT 1991). Thus, the successive balance of payment deficits between the late 1970s and the early 1980s had given rise to the gradual shift from the industrialization strategy towards the EP strategy (IFCT 1991; MOI 2002). Almost at the same time in the mid-1980s, many East Asian investors (such as those from Japan, Korea and Taiwan) were seeking for an export base outside their countries where they could maintain international competitiveness in labor-intensive export products (IFCT 1991; Cuyvers et al. 1997). This was brought about by the erosion of their home countries’ international competitiveness, which could be the outcome of wage increases and currency appreciation that occurred in the mid-1980s. Thailand was therefore selected by most investors to be their labor-intensive-export base (Glassman 2007).

Impact of Economic Policy on Rural Development of the Thailand

Top-down industrial development strategies initially dominated the developing world after the Second World War but were eventually found to produce inequitable economic growth. For a decade or more, governments and international development agencies have embraced the idea of participatory grass roots development as a potential solution. Here we review Thailand’s experience with development strategies and we examine the current focus on participatory approaches. Thai government planning agencies have adopted "people centered development" and a "sufficiency economy", particularly emphasized since the disruptions caused by the 1997 Asian financial crisis. They aim to address the inequitable sharing of the benefits of decades of rapid growth that was particularly unfair for the rural poor. Thai policies aim to decentralize power to the local level, allowing civil society and Non-Governmental Organizations (NGOs) more of a voice in national decision making and promoting sustainable farming practices aimed at enriching rural communities. An example of this change in Thai government policy is the Community Worker Accreditation Scheme which is aiming to develop human resources at the local level by training community based leaders and supporting networks of community organizations. This enables autonomous local development projects led by trained and accredited individuals and groups. The political tensions notable in Thailand at present are part of this modern transition driven by conflicting models of top-down (industrial) development and the bottom-up (participatory) development ideals described above. Once resolved, Thailand will have few obstacles to moving to a new economic level.

Development theory and practice has evolved rapidly over the last century and the current emphasis places a high premium on participatory approaches. Here we review the evolution of development theory first with a global assessment followed by a focus on Thailand. This country has often been seen as a model because it has retained much of its traditions while adopting development practices that have succeeded economically and lifted the nation from its poor agrarian background to become a modern industrialized Southeast Asian state. In this paper we pay particular attention to the distinctive mixing of grassroots community development promoted by the Royal Thai Government with export driven industrial development now being supplemented by the rise of a service economy. We aim to understand Thailand's current situation and anticipate future challenges.

Rural development schemes

In the lead up to the Thai election I thought it would be useful to look at some of the key policy platforms of the major parties. As a start I have started to compiled (with generous help from a colleague in Thailand) the major policies relating to agriculture and rural development. The information has been taken from party websites and other statements of party policy. I make no claim that this summary is complete or perfectly accurate so please suggest any amendments.

Since the First National Economic and Social Development Plan began in 1961, emphasis has been on economic development. Natural resources and human capital expanded the production base, employment opportunities and national income. These guidelines were appropriate for and consistent with the country's situation in the early period of national development because of abundant natural resources and an excess labour supply, especially in the agricultural sector. Thailand's production and exports, therefore, were attributed largely to these comparative advantages.

National development through this policy had proven successful during the previous three decades: the economy registered a healthy annual growth rate of about seven percent, with over 28 times increased per capita income. The mid-plan review of the Seventh Plan (1992-1996), the economy grew 8.2 percent on average, on target. Per capita income rose to 60 000 Baht (about US$2 400) in 1994. Fiscal stability was evident, alleviating chronic problems of income distribution and upgrading the quality of life at a certain level. The proportion of the poor in total population dropped from 26.3 to 13.7 percent from 1996 to 1992. Because Thailand has achieved an annual per capita income higher than US$1 500, the World Bank no longer classifies it as a poor country.

Despite remarkable success in economic development, Thailand faces growing problems in terms of social and environment degradation, reducing the quality of life: 1) *Persistent income disparities* Income in the top 20 percent of households continues to rise, while the bottom 20 percent is still falling, widening the gap between the groups. By region, income in the Northeast was 10 times lower than in Bangkok in 1991; 2) *Deterioration of natural resources and environment* Rapid economic growth was achieved at environmental expense. In 1992-1993, 160 000 ha of forest were exploited annually, with only 25 000 ha of reforestation; 30 million ha was subject to salinity while 17 million ha faced erosion. Predictably, water quality is poorest in the lower Chao Praya River from Bangkok and downriver. Congested urban-sprawl communities and insufficient basic services aggravate air and noise pollution in Bangkok and major cities, where airborne dust continues to increase; 3) Society is more complex and materialistic: ethical and moral problems, reduced social discipline and compliance with law reflect a Thai economy which has become more internationalized and materialistic. People now face problems of adjusting to new ways of life and the values of modern society. Seeking wealth and prosperity have not assimilated with conventional Thai values, which stress self-sufficiency and compassion. Amid economic difficulty and lower population growth, families are becoming smaller in both rural and urban areas, while weakened family ties have increased problems associated with youth and social life; 4) Average life expectancy has greatly improved with health service expansion and progress in medical services. Illness is increasingly moving from infectious diseases to modern diseases with more complex conditions, such as accidents, cancer, heart disease, AIDS and illness from social stress. These are now major causes of death and likely to rise in the future, due to emotional, pollution and urban congestion factors attributed to economic development; and 5) Investment-savings gap and overreliance on foreign technology and capital goods: Stronger economic stability did not offset the widening investment-savings gap. In 1993, the gap rose to 5.6 percent of GDP, compared to a target of only 2.5 percent in the last year of the Seventh Plan, while Thailand relied more heavily on foreign technology and capital goods. The import value of capital goods reached a high of 430 000 million Baht ($17 200 million) in 1994, against 330 000 million Baht ($13 200 million) in 1991. Such problems hinder attaining sustainable development.

Impact

From the Socio-Economic Survey of Agricultural Households conducted by the Office of the Agricultural Economics, Ministry of Agriculture and Cooperatives in the crop year 1995-1996 we obtain the general characteristics of agricultural households as follows. The majority of household heads, 90.9 percent, are male, with the average age of 49 years. The average household size is 4.83 persons with average size of household labour of 2.48 persons. Most household heads, 76.19 percent, have only primary education; none have gone up to the college level. The average farm size is 25.12 *rai*. Only 44.92 percent of households have access to irrigation. The annual average per capita net income is 5 325 baht for a small farm size, 14 404 baht for farms of the size 10-29 rai, 10 064 baht for 30-59 rai and 6 848 baht for 60 rai and over. As expected, irrigated farms generate higher income than non-irrigated ones. The average short-term loan is 9205 baht per household, the average medium term loan is 8 636 baht and the long-term loan is 14 566 baht per household.

The characteristics of agricultural households in Thailand have changed little despite high rates of economic growth during this time. They are poor, with low education; they lack management skills needed for operating farms. They have no control over big capital, investment and the market. Besides, consumerism is widespread in rural areas. Cash economy reduces the capacity of rural households to get basic life necessities. Medical care, personal and children's education, management and professional skills are difficult to obtain without cash. This limitation puts farmers in a disadvantageous position in the fiercely competitive market. Moreover, money is misused on non-necessities and gambling. Their capacity to play an active role in building their civil society is discounted by the centralization of economic and political power.

Conclusions and Suggestions

The new political economy literature, on the other hand, links greater inequality to lower future growth paths, and considers it an impediment to poverty-reducing growth, as the elasticity of poverty with respect to growth is found to decline when inequality increases. The research in this area has not, however, been able to identify the mechanisms through which this happens. One possible explanation is credit market failure, whereby the poor are unable to use growth-promoting investment opportunities (in physical and human capital). The higher the proportion of credit-constrained people, the lower the level of investment and the rate of growth are. High inequality, manifested in a large proportion of population having poor health, nutrition, and education, is also likely to impact on overall labour productivity and to cause slower economic growth Raising income levels of the poor, on the other hand, stimulates demand for domestic products and increases employment and production. More equitable distribution of income may also act as a material and psychological incentive to widespread public participation in the development process whereas inequality may cause political and economic instability.

The issues raised in this White Paper cover a broad spectrum, including changes in economic cycle patterns, macroeconomic imbalances, corporate management, modalities for corporate information disclosure, analysis of the regional economy, East Asian trade and the international division of functions. Looking at individual issues, it is evident that there are many areas in which analysis needs to be further developed. One of the reasons for this plethora of challenges when surveying the situation can be seen to be the search for one aspect of the deep-running changes occurring in the modern world economy. In concluding the White Paper, we would like to reiterate just what we sought to find in the depth of these changes.

Firstly, there is the “full-fledged transition to the knowledge economy.” It has long been pointed out by many experts at home and abroad that the 20th century economy was one built around the axis of industrialization and mass production of standardized goods, whereas the 21st century economy is transforming to demonstrate characteristics different to its 20th century forbearer. The keywords for the new economy are cited as the “knowledge economy,” “softening economy,” “value diversity” and so on. In the past arguments, “new knowledge economy” has been talked about as a “vision” of the near future. However, at the present day, “transition to the knowledge economy” is observed as an actual phenomenon in many aspects, such as on-site corporate management, planning of corporate-related systems including disclosure rules, changes in the economic cycle patterns and modalities for the international division of work. The preeminent example of this is the expanding role for intellectual assets. Furthermore, policy development from now will be one that should be presupposed on a transition to the new economy.

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