

THE DIRECTION OF THE NEW LONG-TERM DEVELOPMENT OF THAILAND

By

MR. SANSERN WONGCHA-UM

Secretary General

National Economic and Social Development Board (NESDB)

September 2000

INTRODUCTION

The recent financial and economic crises, which broke out in July 1997, left Thailand initially facing major economic problems, such as depletion of net international reserves and systematic problems in the financial sector. Combining with a structural declining of the country's competitiveness, they impose a significant constraint to resolve the country's economic difficulties. In response to the crisis, the government implemented various measures, among other things, maintaining macroeconomic stability, reviving confidence in the economy, stimulating sluggish domestic demand, and addressing social difficulties to stabilize the domestic economy.

Today, Thailand is back on the road to recovery. The quarterly real Gross Domestic Product (GDP) growth rates have been growing steadily for the last four quarters. GDP growth in 1999 turned positive to 4.2 percent, comparing with a decline of 10.2 percent in 1998. In the year 2000, GDP growth is expected to expand at the rate of 5.0 percent. The acceleration in output expansion is attributable to an increase in private consumption, exports, and government expenditure. While the immediate challenge is to sustain the recovery of the Thai economy, it is also critical to assure that the path of recovery is moving towards a balanced and sustainable growth--the medium and long term direction of development.

THE ASSESSMENT OF PAST DEVELOPMENT

The medium and long-term development direction focuses on *laying strong foundations for a balanced and sustainable growth with quality*. This direction arose from the critical assessment of past development by the NESDB, together with a consultation among Thai people during the preparation process of the 9th National Economic and Social Development Plan.¹

Fundamentally, the assessment of past development and the crisis suggest that there were both positive and negative impacts upon Thailand's development. In the decade prior to the crisis, Thailand enjoyed a real compound annual growth rate of 9.6 percent and achieved substantial progress in socio-economic indicators including poverty alleviation, education and infrastructure. Nevertheless, past development has been fairly imbalance, unsustainable and inefficient.

- *Imbalance*, due to an inadequacy redistribution of income, while over-emphasizing investment on physical capital more than human capital. It thus created income disparities between the rich and the poor, as well as discrepancies among the regions.
- *Unsustainable*, due to excessive reliance on foreign capital, technology and markets.² Meanwhile, rapid economic growth led to deterioration of mental health, natural resources and the environment.

¹ As part of the 9th Plan preparation process, the NESDB has asked the people at both the provincial and sub-regional levels meetings to discuss with each other on several topics. They included analyzing the strength, weakness, opportunities and threat (SWOT) of the country, identifying their vision of desirable society and important issues for the medium term development of the country.

² Thailand's economy in the past decade grew by promoting exports and, although maintaining high domestic savings (38% of GDP in 1998), financing it through increasingly external (mainly private) borrowing. Imported

- *Inefficient*, as goals of development aimed at quantity rather than quality, although did little to improve competitiveness of the country.

THE FRAMEWORK OF THE 9TH DEVELOPMENT PLAN

Based on the above assessment, Thai people who attended the 9th Plan preparation seminars have expressed their vision of desirable Thai society as a strong and stable society with elements of *quality, wisdom and harmony*. In order to achieve the desirable society, development must be balanced and sustainable.

Meanwhile, people have also agreed to adopt "*Sufficiency Economy*" as the guiding philosophy for development in the future.³ "Sufficiency Economy" is a philosophy that stresses the middle path as the overriding principle, which emphasizes a balanced development strategy to develop in line with the forces of globalization while shielding against inevitable shocks and excesses that arise. To achieve this, the application of knowledge with prudence, patience, perseverance, diligence and wisdom is indispensable to cope appropriately with critical challenges arising from extensive and rapid socioeconomic, environmental and cultural changes due to globalization.

The goal of the 9th Plan, thus, aims to strengthen capability of society in coping with the changing world through development of human resources, family, community and society. It also attempts to restructure the economic system in order to increase competitiveness in the globalized *new economy* environment. Moreover, the Plan emphasizes good governance in every level to prevent mismanagement and wrong-doing as happened in the past.

The development framework during the 9th Plan the comprises seven main development strategies:

1) DEVELOPMENT OF QUALITIES OF HUMAN RESOURCES AND SOCIAL PROTECTION

The first strategy aims to improve human capital as well as quality of life. It is important to develop good and competent people with merit and responsibility, who can properly adjust themselves in competitive conditions, while developing mutual value and good culture of Thai society. The new National Education Act (1999) provides a basis for an educational reform, whose principles are basically education for all and all for education. Moreover, to improve qualities of life of the Thai people is equivalently important. This includes ensuring security in their lives and properties, while facilitating good public healthcare system with health insurance safety net that ensures equity and access to healthcare services.

2) RESTRUCTURE OF RURAL DEVELOPMENT AND CITY FOR SUSTAINABLE DEVELOPMENT

The main strategy for rural development focuses on community strengthening and participation of people in the process of development, so that potential problems that may arise from conflict within society will be minimalized. In addition, the urban strategy emphasizes the concept of *Livable City*. Livable City must be sustainable, productive and have good governance.

3) NATURAL RESOURCES AND ENVIRONMENTAL MANAGEMENT

technology and other key intermediate inputs were combined with relatively cheap labor to provide the basis for much of the manufactured exports growth.

³ "Sufficiency Economy" is a philosophy bestowed by His Majesty the King through royal remarks on many occasions over the past three decades. The philosophy provides guidance on appropriate conduct covering numerous aspects of life. It points the way for economic development that will lead to a more resilient and sustainable economy, better able to meet the challenges arising from globalization and other changes.

Deterioration of natural resources and environment in the past has adverse impacts on quality of life and national development. Therefore, a priority will be given to conserving and rehabilitating soil, water, forest, coast, and sea, together with alleviating pollution and protecting environment. Moreover, a good management of natural resources and environment is also critical for realizing sustainable development. In particular, the strategy aims to increase participation of local communities in the resource management process.

4) STABLE MACRO ECONOMIC MANAGEMENT

The fiscal and monetary policies must be well managed to ensure a stable condition at the macro level. The macro management aims to create and sustain a stability of the economy through an appropriate inflation and interest rate levels, while maintaining security in the financial system and capital market. Moreover, the fiscal policy will be used to encourage growth towards a balanced path, considering stability.

5) DEVELOPMENT OF COMPETITIVENESS

This strategy aims to enhance the country's competitiveness in the world economy, together with securing job for all people and equitable income distribution. The issues include enhancing productivity and efficiency, skill development and restructuring in production sectors--agriculture, industrial and services. The restructuring program focuses on improving the quality of goods and services to reach the international standard, increasing utilization of domestic resources, as well as strengthening small and medium scale enterprises (SMEs). It also aims to upgrade the quality and efficiency of services with regard to infrastructure. This will lead to privatization of the state-owned enterprises (SOEs), as well as the outsourcing and contracting out of government services. Finally, the strategy also emphasizes neighboring countries cooperation such as ASEAN, GMS and IMT-GT.

6) STRENGTHENING SCIENCE AND TECHNOLOGY DEVELOPMENT

Thailand is considerably weak in the area of science and technology development. To increase productivity and being more domestic reliance, this strategy emphasizes on developing fundamental elements with regard to S&T, such as, reforming the education system, providing investment incentives in S&T, developing human resources in this area, strengthening R&D activities both in the public and private sectors.

7) ADJUSTMENT OF NATIONAL MANAGEMENT TOWARDS GOOD GOVERNANCE

The passage of the New Constitution in 1997 has provided a foundation for transparency, accountability, decentralization, and participatory process in managing the country. The Constitution is also a driving force of social transformation, particularly in reform political arena, the public sector reform program,⁴ corporate good governance, and expansion of civil society throughout the country. The practice of good governance leads to a preparation of institutional framework that can support and sustain economic performance. They include appropriate regulations, legal framework and the rules to distribute income fairly and equitably.

Moving along the above development direction, I believe Thailand will develop towards a balanced and sustainable growth, where every stakeholder in the Thai society can fulfil their aspirations, make a decent living, and have adequate quality of life in a mutually caring environment.

⁴ An attempt to continuously increase efficiency of management in public sector has been gradually proceeded. Under the new Constitution (1997) and the procedures stipulated under the Act on Plan Stipulation and Steps to Decentralize towards Local Administrative Organization will expedite a speed of implementing the next step in order to achieve the time-frame target stipulated in the law.