

South Dakota State University

## Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange

---

Electronic Theses and Dissertations

---

1963

### An Analysis of Factors Affecting the Role of United States' Private Investment in Thailand's Economic Growth

by Patrick Moriarty

Follow this and additional works at: <https://openprairie.sdstate.edu/etd>

---

#### Recommended Citation

Moriarty, by Patrick, "An Analysis of Factors Affecting the Role of United States' Private Investment in Thailand's Economic Growth" (1963). *Electronic Theses and Dissertations*. 2913.  
<https://openprairie.sdstate.edu/etd/2913>

This Thesis - Open Access is brought to you for free and open access by Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange. It has been accepted for inclusion in Electronic Theses and Dissertations by an authorized administrator of Open PRAIRIE: Open Public Research Access Institutional Repository and Information Exchange. For more information, please contact [michael.biondo@sdstate.edu](mailto:michael.biondo@sdstate.edu).

**AN ANALYSIS OF FACTORS AFFECTING THE ROLE  
OF UNITED STATES' PRIVATE INVESTMENT  
IN THAILAND'S ECONOMIC GROWTH**

**BY**

**PATRICK MORIARTY**

**A thesis submitted  
in partial fulfillment of the requirements for the  
degree Master of Science, Department of  
Economics, South Dakota State  
College of Agriculture  
and Mechanic Arts**

**March, 1963**

**SOUTH DAKOTA STATE COLLEGE LIBRARY**



**AN ANALYSIS OF FACTORS AFFECTING THE ROLE  
OF UNITED STATES' PRIVATE INVESTMENT  
IN THAILAND'S ECONOMIC GROWTH**

This thesis is approved as a creditable, independent investigation by a candidate for the degree, Master of Science, and is acceptable as meeting the thesis requirements for this degree, but without implying that the conclusions reached by the candidate are necessarily the conclusions of the major department.

---

Thesis Adviser

---

Head of the Major Department

## ACKNOWLEDGMENTS

The author wishes to express his sincere appreciation to Dr. Max Myers, thesis advisor, for his encouragement and guidance throughout the development and completion of this study. The author also wishes to express his gratitude to Robert Antonides for his suggestions and constructive criticisms on the preparation of the manuscript.

A debt of gratitude is also owed to Russell Brannon, Allan Commander and Wm. Chapman, old friends and co-workers of ICA days, who were most helpful in providing on-the-spot information from Thailand.

Special thanks are extended to Dorothy Carter, who typed the manuscript, and to Mrs. David Johnson and others who typed the rough drafts.

This thesis is dedicated to the author's wife, Janet, who's encouragement and endurance were vital to its preparation.

## TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION . . . . .	1
The Problem . . . . .	2
Objectives . . . . .	4
Hypotheses . . . . .	4
Organization and Procedure . . . . .	5
II. PRIVATE FOREIGN INVESTMENT AND ECONOMIC DEVELOPMENT . . .	7
The Role of Trade in Economic Development . . . . .	8
The Role of United States' Private Enterprise in the Cold War . . . . .	10
The Limitations of Capital Investment . . . . .	11
III. THAILAND'S PRESENT STAGE OF DEVELOPMENT . . . . .	16
The Physical Setting . . . . .	16
The People . . . . .	18
The Government . . . . .	19
Education . . . . .	20
Health, Sanitation, and Public Welfare . . . . .	21
Labor and Industrial Relations . . . . .	22
Structure of The Thai Economy . . . . .	24
<u>Agriculture</u> . . . . .	25
<u>Fishing</u> . . . . .	27
<u>Forestry</u> . . . . .	28
<u>Mineral Resources</u> . . . . .	29

	Page
<u>Industry</u> . . . . .	30
Basic Facilities in Thailand . . . . .	32
<u>Transportation and Communications</u> . . . . .	32
<u>Power</u> . . . . .	35
Economic Conditions in Thailand . . . . .	36
<u>Currency and Exchange</u> . . . . .	36
<u>Balance of Payments</u> . . . . .	38
<u>Public Finance</u> . . . . .	38
<u>Foreign Assistance to Thailand</u> . . . . .	39
Development Planning . . . . .	40
IV. THE INVESTMENT CLIMATE: INCLUDING THE ROLE OF GOVERNMENT . . . . .	42
Investment Team Survey . . . . .	42
<u>Administrative Procedures</u> . . . . .	43
<u>International Agreements</u> . . . . .	43
<u>Governmental Enterprises</u> . . . . .	44
<u>Encouragement of Industrial Activity</u> . . . . .	44
<u>Problems Affecting Growth and Development</u> . . . . .	45
<u>Business Facilities and Business Contracts</u> . . . . .	46
Government's Role in Industry . . . . .	48
Industrial Policy . . . . .	52
Industrial Promotion . . . . .	55
Joint Business Ventures . . . . .	56
Social Attitudes Toward Private Enterprise . . . . .	57

	Page
V. FACTORS AFFECTING THE THAI MARKET . . . . .	59
Population and Income . . . . .	59
Growth Rate Indicators . . . . .	60
Market Characteristics . . . . .	61
Market Channels . . . . .	62
Market Promotion Media . . . . .	63
Market Research . . . . .	64
Savings . . . . .	64
Availability of Credit . . . . .	66
Taxation . . . . .	67
Import Duties . . . . .	69
Foreign Trade . . . . .	69
<u>Imports</u> . . . . .	69
<u>Exports</u> . . . . .	72
Investment Feasibility Studies . . . . .	73
International Assistance to Promote Trade and Investment . . . . .	78
VI. BUSINESS INTERESTS IN THAILAND . . . . .	80
Total Investment Picture in Thailand . . . . .	82
United States Trade and Commerce . . . . .	85
VII. SURVEY OF UNITED STATES PRIVATE BUSINESS FIRMS REPRESENTED IN THAILAND . . . . .	91
The Nature and Extent of United States' Private Business Operations in Thailand . . . . .	93
<u>Description of Sample Firms</u> . . . . .	93

	Page
<u>Thailand As a Central Base of Operations . .</u>	94
<u>Chronological Expansion of United States' Private Business Interests . . . . .</u>	95
<u>Past Changes in Operations and Planned Future Changes . . . . .</u>	97
Growth Rate, Rate of Return, and Reinvestment . . .	99
<u>Sales Volumes . . . . .</u>	100
<u>Evaluation of Market Potential . . . . .</u>	101
<u>Rate of Return . . . . .</u>	102
<u>Comparison of Earnings . . . . .</u>	102
<u>Reinvestment of Earnings . . . . .</u>	103
The Climate for Investment . . . . .	103
<u>Evaluation of the Role of Government . . . .</u>	103
<u>Evaluation of Industrial Promotion Legislation . . . . .</u>	106
<u>Joint Finance . . . . .</u>	108
<u>Basic Facilities . . . . .</u>	110
<u>Political Risk . . . . .</u>	111
Contributions to Economic Development . . . . .	113
<u>American Technical and Administrative Personnel . . . . .</u>	113
<u>Thai Technical and Administrative Personnel . . . . .</u>	114
<u>Training of Local Personnel . . . . .</u>	114
<u>Thai Employees . . . . .</u>	115
<u>Use of Local Services . . . . .</u>	115

	Page
<u>Use of Local Supplies</u> . . . . .	116
<u>Businessmen's Comments on Contributions to Thai Development</u> . . . . .	116
VIII. SUMMARY AND CONCLUSIONS . . . . .	118
LITERATURE CITED . . . . .	124
APPENDIX . . . . .	127
1. Capital Investment of American Firms in Thailand, 1919-1939 . . . . .	128
2. United States Firms in Thailand 1919-1939 . . . . .	129
3. First Five-Year Plan of the United States, 1919-1924 . . . . .	130
4. First Five-Year Plan of the United States, 1925-1930 . . . . .	131
5. First Five-Year Plan of the United States, 1931-1936 . . . . .	132
6. First Five-Year Plan of the United States, 1937-1942 . . . . .	133
7. Second Five-Year Plan of the United States, 1943-1948 . . . . .	134
8. Third Five-Year Plan of the United States, 1949-1954 . . . . .	135
9. Fourth Five-Year Plan of the United States, 1955-1960 . . . . .	136
10. United States' Economic Policy in Thailand . . . . .	137
11. Foreign Firms' Contribution to Industrial Growth in Thailand . . . . .	138
12. Joint Ventures' Contribution to Industrial Growth in Thailand . . . . .	139
13. American Firms' Contribution to Industrial Growth in Thailand . . . . .	140
14. American Firms' Contribution to Industrial Growth in Thailand . . . . .	141

## LIST OF TABLES

Table	Page
1. Gross National Product in Amount and Percentage of Origin - 1960 . . . . .	24
2. Selected Economic Data for Thailand, 1958-1961 . . . . .	37
3. Summary of Imports By Thai Customs Commodity Classification, 1956-1960 . . . . .	70
4. Summary of Exports - 1960 . . . . .	72
5. Capital Investment of Newly-Registered Companies and Partnerships, 1959-1960 . . . . .	83
6. United States Share of Thailand's Import Market, 1954, 1960 . . . . .	87
7. Five Year Interval Breakdown of New United States' Private Business Initiations in Thailand . . . . .	96
8. Past Changes in Operations of United States' Private Business Firms Represented in Thailand . . . . .	97
9. Planned Changes in Operations of United States' Private Business Firms Represented in Thailand . . . . .	98
10. United States' Business Firm's Evaluation of Future Thai Market Potential . . . . .	101
11. Business Firm's Evaluation of Investment Factors . . . . .	105
12. Joint Financial Arrangements of United States' Firms . . . . .	110
13. Business Firms' Evaluation of External Threats to Thailand's Security in Regard to Private Business Operation . . . . .	112
14. Businessmen's Comments on The Contributions To the Thai Economy That Resulted From Their Private Business Operations . . . . .	117



## LIST OF FIGURES

Figure	Page
I. Map of Thailand . . . . .	17

## CHAPTER I

### INTRODUCTION

This study is an attempt to assess the present and potential importance of United States private investments as a force in stimulating economic development in Thailand.

Thailand has been used as a case study because: (1) it has strong military and economic ties with the United States, (2) it is located in a highly strategic area regarding over-all United States foreign policy, (3) it has established a policy of actively seeking foreign private investments in its economy, and (4) the author has some familiarity with the over-all situation there as a result of having spent two years in Thailand as an agricultural technical advisor employed by the International Cooperation Administration of the United States Department of State.

The case study of United States private investments has been used because while private investments of other countries are welcomed in Thailand, the private business community of the United States has been the principal target as an investment source.

This is due not only to the fact that the private business community of the United States has large resources of investment capital and highly developed technology, but also because of the over-all leadership of the United States in the Free World which tends to spotlight it as a principle investment source for developing countries.

The United States Government, through its Foreign Aid programs, has concentrated heavily on a policy of encouraging private enterprises as a basis for achieving economic growth in the economically underdeveloped countries such as Thailand. Thailand, for its part, has also established policies and programs designed to attract both domestic and foreign private investments as a method of accelerating its economic growth.

The importance of this study lies in providing some insight into the factors, economic and otherwise, which affect the degree of success that these efforts will have in attracting United States' private investments to Thailand of the amount and type it needs in its economic development.

While each country differs in respect to its ability to attract and utilize private foreign investments in its development, it is hoped that some of the information gained can have some general application to other developing countries, particularly those in Southeast Asia.

### The Problem

Thailand is a low-income country and thus the domestic savings and investments are small. Since it is attempting to achieve an accelerated rate of economic development, it must rely on outside sources for much of the needed investment capital. Its needs are not only for capital investments, but also for the technological and management skills that are necessary for a modern economy.

Outside sources of capital which have come from other governments, such as foreign aid grants or loans, have been usually channeled through the local government and "invested" in activities such as educational facilities, transportation networks, agricultural services, military defense and other normal governmental activities. This type of investment, while very necessary to the over-all development of the country, has not fulfilled the investment requirements for the private business and industrial needs of the country.

Thailand, under the leadership of its government, is attempting to encourage private investments, both foreign and domestic, to fill this gap. Its success in attracting foreign investments in the amount and of the type it feels it needs for development has not been great. The United States' private investments in Thailand present a case in point. The United States' private investments in Thailand have not been large in relation to the United States' over-all private foreign investments. The United States' private investors have shown great reluctance in making long-term industrial and manufacturing investments which are basic to development. This reluctance seems to stem from a basic concern that the returns will not be great enough to justify the risks involved in long-term commitments of their resources.

The problem thus posed can be approached on the basis of providing answers to the following questions:

- (1) What are the various concerns of the United States' private investors in their evaluation of Thai investments?
- (2) What might Thailand do to encourage increased private investment in that country?

### Objectives

The objectives of this study are to attempt to provide answers to the questions listed in the problem by:

- (1) An analysis of the factors, economic and otherwise, that may affect the over-all investment situation in Thailand.
- (2) Assessing the effectiveness of the present efforts to attract private foreign investment to Thailand.
- (3) Identifying, if possible, any discernible trends of the United States' private business interests in their Thailand activities and the probable reasons for them.
- (4) Obtaining the views of the United States' private business firms already doing business in Thailand regarding what they consider to be the important considerations of continued or expanded operations.

### Hypotheses

The hypotheses of this study were as follows:

- (1) United States' business firms have not invested in Thailand as heavily as the economic potential would justify.
- (2) Large amounts of direct United States' capital investment will be difficult to attract to Thailand as the rate of return is not sufficient to compensate for the risks entailed in the current political and economic situation in that area of the world.

- (3) Thailand's greatest opportunity to benefit from United States' business participation in the Thai economy will probably be through business arrangements that will utilize United States' management and technology and Thai capital from local savings and international loans.
- (4) Thailand's ability to provide an over-all favorable climate for private foreign investment can probably be shown to be directly related to its ability to mobilize its own resources in solving its problems of economic and social development.

#### Organization and Procedure

Evidence in support of this study has been drawn from primary and secondary sources.

A survey of United States' private business firms and individuals with business representation in Thailand was conducted in August of 1962 through the use of a mailed questionnaire. The survey was designed to obtain information on their present operations there and their experience and attitudes regarding Thai investments. Personal observations in Thailand were also used as a source of primary information.

Secondary information presented is from Thai and United States' publications. The principal sources of Thai publications were the Thai Board of Investment, The Royal Thai Embassy, and the various ministries and departments of the Thailand Government. United States' sources included The Commercial Section of The American Embassy in Thailand, The

Industry Division of The Agency for International Development, The United States Department of Commerce, and The American Chamber of Commerce of Thailand.

The interrelated nature of the various factors affecting investment and economic development makes any divisions in the presentation rather arbitrary. The following breakdown of the presentation was considered to be the most orderly.

- (1) An outline of the theoretical potential and limitations of direct private capital investments in economic development.
- (2) A review of the economic, social, and political developments in Thailand.
- (3) A description and analysis of the factors influencing the investment climate in Thailand.
- (4) A description and analysis of the economic factors affecting investments in Thailand.
- (5) A description and analysis of the present scope of United States' activities in Thailand, and its relationship to total foreign and domestic activity.
- (6) A presentation of the results of the survey of American business investors in Thailand.
- (7) A summary of the over-all study and the conclusions reached.



## CHAPTER II

## PRIVATE FOREIGN INVESTMENT AND ECONOMIC DEVELOPMENT

Mikesell<sup>1</sup> has pointed out that in terms of the over-all effectiveness of external assistance in mobilizing the human and material resources of the less developed countries for greater output, a private dollar in the form of direct private investment may be several times more effective than a public dollar.

There appears to be quite general agreement with Mikesell by other writers in economic development theory on the role that direct private foreign investment can play in economic development. In more specific terms, this role is often described by pointing out the following positive effects that result from this investment.

Direct private foreign investment is usually accompanied by new technical and managerial skills. It serves to train and develop local people in new technical and managerial skills. It stimulates local industries by using local supplies and services. It stimulates new businesses which process, handle, distribute, and sell its products. It usually provides employment for local people of varying degrees of skill and training and thus contributes to full employment. It introduces new products that raise the output of local industry and the

---

<sup>1</sup>Mikesell, Raymond F., The Role of Private Investment in Economic Development, Economic Policies Toward Less Developed Countries, Subcommittee on Foreign Economic Policy, Congress of the US, Superintendent of Documents, US Government Printing Office 1961.



general standard of living. It can provide opportunities for investment of local capital. It can help to ease the balance of payments problems and often provides opportunities for local satellite industries. Taxation of direct private foreign investment helps to finance governmental operation and services.

In addition, the view is often expressed that responsible foreign investors act in a manner which is very much to the advantage of the host country in that they tend to pay higher than prevailing wages and set higher standards of conduct regarding tax payments and competition. They introduce modern accounting practices. They stimulate a free press through advertising and help create a middle class through mass production and marketing.

### The Role of Trade in Economic Development

United States' private business activities in foreign countries usually provide a spectrum of operations that ranges from the most indirect representation by exporting firms to business operations which are wholly owned and operated subsidiaries. From the standpoint of their value in economic development, it is difficult to provide a precise breakdown by any strict definition of investment. Many of the activities of the firms which do not have direct investments, nevertheless, can provide valuable contributions to development.

Foreign traders in a country are, as a group, perhaps the best potential source of future direct investments as they know the country and the conditions that exist there regarding the sale of their products.

Most vigorous sales promotion activities by foreign traders require considerable amounts of indirect investment. This can be in the form of sales companies, sales representatives, technical services provided to local representatives, advertising and other promotional activities.

Investments by local traders and service people often result from imports. Often imported goods receive further reprocessing, or reassembly. Local sales organizations are developed. Local service men have to be trained to service the import in many cases.

The import of capital goods often stimulates new local industries and provides new innovations for existing industries. For example, a list of the most saleable commodities in Thailand<sup>2</sup> lists small generators, light woodworking equipment, pumps and irrigation equipment, industrial and fine chemicals, insecticides, and fungicides as imported products most in demand.

Exports from developing countries are usually in the form of raw materials and foodstuffs which are sold to the more industrialized countries. It is from the earnings of these products that the developing countries can afford to buy the manufactured goods that are so important to their development. Many of these exports have in the past been handled by giving foreign interests concessions on the extraction and export of these commodities on a commission basis. Developing countries have recently tended to either take over these concessions

---

<sup>2</sup>Most Saleable Commodities in 104 Countries, International Commerce Magazine, U. S. Department of Commerce, August 6, 1962.

on a governmental basis or open these concessions up to local private enterprises. This has brought a great need for both the tools and technology of modern industry. The private foreign traders in these products serve to assist these local industries through providing them with the needed equipment and by teaching them to operate it. They also help by setting up quality standards and by providing marketing channels.

### The Role of United States' Private Enterprise in the Cold War

There is another aspect of the role that United States' private enterprises can play in economic development. That is to demonstrate and to sell modern Capitalism as an alternative to Communism or Socialism in providing economic growth and prosperity.

Raymond W. Miller in his book Can Capitalism Compete?<sup>3</sup> points out that American businessmen rather than governmental agencies are better qualified to sell Capitalism abroad. He feels that one of the great difficulties of convincing the people of the developing countries on the value of our economic system which he calls "Service Capitalism" and defines as "Capitalism with a conscience," is that it is still associated with the exploitative capitalism so common to colonialism. To correct this he says, American private business must "export its ideals" as well as its products and technology. In the 1961 report

---

<sup>3</sup>Miller, Raymond W., Can Capitalism Compete?, The Ronald Press Company, New York, 1959.

of the Business International Roundtable,<sup>4</sup> a discussion group of American business leaders and government officials, the situation is presented in this way:

Private enterprise is one instrument for economic development the Free World possesses that the Communists cannot duplicate. When the Communists put up a plant in a foreign country, the country takes all of the risks. When a private investor does the same, it furnishes the money and shoulders the risks. Further, in the operation of the plant, the private investor, not the Communists has the skills and disciplines to manage free labor and serve a free consuming public.

These viewpoints explain quite well the need for the participation of United States businessmen in the ideological battle between Communism and Capitalism.

#### The Limitations of Capital Investment

Galbraith<sup>5</sup> considers that there are four essential conditions that must be present before foreign capital, public or private, can be most productive in over-all economic development. They are:

- (1) A substantial degree of literacy and a smaller number of people with the higher education and skills necessary to man a government and undertake the managerial and technical tasks associated directly with economic advance.

---

<sup>4</sup>New Frontiers For US Business Abroad, Seventh Annual Business International Washington Roundtable, Washington, D. C., March 1961, p. 10.

<sup>5</sup>Galbraith, John Kenneth, A Positive Approach to Economic Aid, Secretariat Note 23, United States Department of State, March 3, 1961.

- (2) A substantial measure of social justice.
- (3) A reliable apparatus of government and public administration.
- (4) A clear and purposeful view of what development involves.

Galbraith<sup>6</sup> restates the same view when he says that economic development is a process that extends in range from the most primitive societies to the modern Western societies and that at each stage along this continuum there are difference needs for further development. Regarding the infusion of capital, he suggests that capital can be the touchstone of development only in countries that are well along this line.

Schwenger<sup>7</sup> says that the factors affecting growth are political, social, and economic and are interdependent. He offers an arbitrary breakdown according to (1) predominantly economic factors affecting growth and (2) the predominantly political and social factors affecting growth. The former include per capita income, population increase, foreign capital, saving, capacity to absorb capital and trade. The latter include the role of government, government experience and capacity, national integration, respect for the individual and education.

Regarding foreign capital contributions to economic development, Schwenger cites several problems that interfere with its use by

---

<sup>6</sup>Galbraith, John Kenneth, The Non Affluent Society, AID Digest, Agency for International Development, U.S. Department of State, June 1962.

<sup>7</sup>Schwenger, Robert B., General Factors Affecting Economic Growth, Lecture, United States Department of Agriculture Graduate School course, "Economics of Market Expansion," Fall, 1959.

developing countries. The free international capital market with relatively low rates of interest which aided the now developed countries in their development has disappeared. Private investors now are requiring greater profits and guarantees before they venture into developing countries. He also notes the reverse private capital flow that is taking place in many developing countries. Governments and international organizations have tried to fill the role once played by private capital but have not been able to fill the gap.

The developmental effects that result from private trade and investments, no matter how important they are, are merely the by-products of investment not the prime consideration of the businessman. To attract private foreign trade and investment, developing countries must compete with opportunities businessmen have in other countries. It is rather meaningless to extol the virtues of private enterprise in providing economic development in a country where the conditions are such that investment capital will not be channeled there.

Many factors enter this competition. Some of them are: profits, markets, resources, taxes, security, incentives, financing, economic stability, governmental policies, and not least of all, an awareness of the opportunities available.

Regarding the United States' private investment flow to less-developed countries Mikesell<sup>8</sup> says:

---

<sup>8</sup>Mikesell, Raymond F., op. cit., p. 53.



The reasons for the rather meager flow of US foreign investment to the less-developed area (other than to the extractive industries in certain countries) are not to be found simply in the political and commercial risks or in the general investment climate in these areas. Perhaps more basically, US firms have not been attracted to these areas because of limited markets, and for the vast proportion of US firms, the lack of familiarity with investment opportunities in these countries. Moreover, most firms have adequate outlets for their available capital in the United States and except for firms in the extractive industries which are generally on the lookout for raw materials that they can sell in world markets, most US firms require some special inducement to go abroad. By and large profits on foreign investments -- with the possible exception of petroleum -- have not been disproportionately high relative to rates of earnings in the United States. In a large number of instances manufacturing firms have gone abroad in order to preserve, or in some cases to expand, the market for their products, which they had already established by exporting from this country.

The Business International Roundtable group<sup>9</sup> has pointed out that the low-purchasing-power markets of Africa and Asia cannot compete with the more lush markets of Western Europe and Japan for United States' investment capital. They suggest that if private United States' investments are to be channeled to these countries, the United States Government will have to underwrite some of the investment and provide a "profit floor."

Mikesell<sup>10</sup> also has pointed out some of the cautions that are usually exercised by the developing countries in seeking private foreign investment that will be beneficial to their development. They do not want to see vast petroleum, mining, or plantation empires created within their boundaries. They want to see the benefits of

---

<sup>9</sup>New Frontiers For U.S. Business Abroad, op. cit.

<sup>10</sup>Mikesell, Raymond F., op. cit.

foreign investment diffused throughout their economies. They are concerned about the effects that investments will have on their balance of payments. They want maximum use of local personnel, local resources and local capital. They tend to favor a certain proportion of local capital participation. They also want private investment that will provide or stimulate small- and medium-sized enterprises.

Thus, private trade and investment to be considered at all as a developmental tool must meet two essential conditions: (1) It must provide adequate attraction for the investor and (2) It must be of a nature that will provide rapid and sustained benefits to the country.



## CHAPTER III

### THAILAND'S PRESENT STAGE OF DEVELOPMENT

#### The Physical Setting

Thailand is located in the Southeastern portion of the continent of Asia and is situated between the parallels of 5° and 21° North Latitude and between the meridians of 97° and 106° East Longitude. The area of Thailand is about 4/5 the size of Texas or 200,000 square miles.

For convenience of description, Thailand is usually divided into four parts: Northern, Central, Northeastern, and Southern or Peninsular Thailand. Peninsular Thailand is bounded on the west partly by Burma and partly by the Indian Ocean, on the east by the South China Sea and the Gulf of Thailand, and on the south by Malaya. The remainder of Thailand is bounded on the west by Burma, on the north by Burma and Laos, on the east by Laos and Cambodia and on the south by the Gulf of Thailand. (See Figure I.)

The surface of the country is characterized by (1) flat alluvial plains which become inundated during each rainy season and are intersected by winding rivers and streams and (2) by mountains covered with forests. There is also a certain amount of undulating country. About 18 per cent of Thailand is under cultivation.

The climate of Thailand is tropical and under the influence of monsoon winds of seasonal character. The climate is divided into four seasons: (1) Winter, November through February, (2) Summer, March and April, (3) Rainy, May through September, and (4) Post-Monsoon, October.



Figure I. Map of Thailand

Source: National Geographic Magazine

The annual rainfall is moderately high over the greater part of the country and varies regionally from 30 to over 200 inches annually. The average daily mean temperature at Bangkok, the capital, is 83°F.

### The People

Thailand had a population of 26.2 million people according to the 1960 census.<sup>11</sup> The ethnic make-up of the people is predominantly homogeneous Thai stock. This group makes up over 80% of the total population. There are 3.5 million persons of Chinese origin. Other minority racial groups are Malaysians, Indians, Mons, Vietnamese, and a Western population of between 3000 - 4000.<sup>12</sup>

Buddhism is the predominant religion and, in fact, the national religion of Thailand. It is manifested in all aspects of the Thai culture.

The official language of the country is Thai. It is in common usage throughout the Kingdom except in a few areas such as the extreme southern part of the country where the population speaks Malayan, and in the North where the tribal peoples use their own native languages. English is the second language of Thailand, being required in Thai schools beyond grade 4.<sup>13</sup>

---

<sup>11</sup>Thailand, Far Eastern Division, Bureau of International Programs, U.S. Department of Commerce, January 1962.

<sup>12</sup>Assignment: Thailand, Audio-Visual Division, U.S. Operations Mission to Thailand, United States Department of State, 1956.

<sup>13</sup>Ibid.

### The Government

Until 1932, Thailand was governed by an absolute monarchy. In that year, a revolution established a constitutional monarchy with a parliamentary - cabinet type system.

Since that time, the country has experienced a series of "peaceful" revolutions from the top. The most recent of these occurred in 1958 when Field Marshall Sarit led a movement that removed the Premier from office and simultaneously dissolved the parliament, abrogated the constitution and banned political parties. It is a measure of the "peaceful" nature of the Thai revolutions, that the former Premier of the deposed government now serves as Deputy Premier.<sup>14</sup>

Since 1958, the country has been ruled under a revolutionary regime with an interim constitution. A constituent assembly has been set up to draft a new constitution and serve as an interim parliament. The constitutional monarchy has been maintained.

Thailand has had an essentially modern bureaucratic form of governmental administration since 1890. At that time a series of ministries responsible for the various functions of government and a civil service system was established along Western lines. Siffkin<sup>15</sup> feels that the impact of the political changes at the top levels of the

---

<sup>14</sup>Thailand, International Economic Survey No. 130, International Division, Chemical Bank New York Trust Company, New York, May 1960.

<sup>15</sup>Siffkin, William J., The Civil Service System of the Kingdom of Thailand, Public Administration Division, United States Operations Mission, Bangkok, Thailand, 1959.

Thai government, since 1932, have been greatly reduced due to this firm bureaucratic structure which has largely remained untouched by top governmental changes and has continued to operate the government with "singular stability."

The administrative divisions of the government are provinces, districts, and communes or villages. There are 71 provinces, each containing four or five districts. Officials at provincial and district levels are appointed while commune or village level officials are elected.

#### Education

Education<sup>16</sup> in Thailand is essentially Western in organization and content. The central government, through the Ministry of Education is responsible for the establishment, financial support, and direction of the national school system.

Education is compulsory through the first four grades or primary school and steps are now being taken to extend this requirement to seven grades. It is estimated that 92 to 95 percent of the population of compulsory school age are enrolled. Literacy is rapidly increasing with 68 percent of the population 10 years old and older being literate.

In 1959, there were 24,000 primary and secondary schools, with nearly 4 million students, 414 vocational schools with 68,000 students,

---

<sup>16</sup>Basic Data on the Economy of Thailand, Economic Reports, World Trade Information Service, Part I, No. 60-45, U.S. Department of Commerce, 1960.



41 teacher training colleges with 16,000 enrollment, and 45,000 students enrolled in six universities.

In order to provide a pool of skilled manpower for industry, the Ministry of Education with the help of the United Nations, the United States Technical Aid Mission, and the Federal Republic of Germany, have established four Technical Institutes to provide training in such technical fields as radio, mechanics, electricity, printing, and photography.

In Thailand it has been traditional for the elite of the society to be educated or trained abroad. With the advent of United States Technical Aid programs as well as other international scholarship programs, an increasing number of persons are going abroad for study.<sup>17</sup>

#### Health, Sanitation and Public Welfare

Thailand has had public health services since 1888. The main activities of the public health services at present are communicable diseases control, rural health services, environmental sanitation, maternal and child welfare, school health services, nutrition, and health education. The general health and sanitation conditions are considered generally satisfactory and improving.<sup>18</sup> The ratio of physicians to the population is one per 7,400 persons compared to one

---

<sup>17</sup>Assignment: Thailand, op. cit.

<sup>18</sup>Thailand, op. cit.

physician to 740 persons in the United States.<sup>19</sup> The infant mortality rate is lower and the life expectancy higher in Thailand than other Southeast Asian countries.<sup>20</sup>

The University of Medical Services in Bangkok provides training in medicine, dentistry, pharmacy, public health, nursing, midwifery, sanitation, and medical technology.

Major public welfare programs being conducted include: child welfare for dependent, neglected, and destitute children; welfare for indigent families; housing projects; self-help land settlements; public recreational facilities; and labor welfare programs. Labor welfare programs largely involve investigations and regulations regarding working conditions and employee compensation and benefits. Public employment offices and job retraining programs are also provided.<sup>21</sup>

#### Labor and Industrial Relations

The Thailand adult civilian labor force 14 years and older was estimated at 10 million persons in 1958 with an estimated annual increase of 1.5 per cent since that time. This would be approximately the same in proportion to total population as the labor force of the U.S.

---

<sup>19</sup>Mayer, Paul A., Thailand - A Market for U.S. Products, Bureau of International Programs, U.S. Department of Commerce, April 1962.

<sup>20</sup>Thailand, op. cit.

<sup>21</sup>Thailand, Past and Present, Publicity Committee, Ninth Pacific Science Congress, Thai Watona Panich, Bangkok, B.E. 2500 (1957).

While 85 per cent of the labor force is engaged in agriculture, forestry, and fishing, there are important sectors of the labor force in commerce, manufacturing, transport, storage, communications, mining, quarrying, and services. Women form a significant part of the work force, particularly in agriculture.<sup>22</sup>

Unskilled labor is plentiful and wages are moderate. The Thai labor force in general has been characterized as being of a low productivity and low level of training, but intelligent and adaptable.<sup>23</sup> Foreign corporations generally find it advantageous to hire a high percentage of local personnel and provide training for them. In general, the number of skilled workers available is rapidly increasing due to increased industrialization and training facilities. Public employment offices exist in Bangkok but usually are concerned with providing employment only in specialized fields.

There are no real labor unions in Thailand and strikes and labor disturbances are not major problems. The relationship between management and labor, however, is probably based not so much on laws and regulations as on local customs concerning superior-subordinate relationship.<sup>24</sup> The owner or manager of a firm is looked upon as being in a sense the head of the family. No set procedures are established for

---

<sup>22</sup>Brief Information Concerning Investment in Thailand, Board of Investment, Bangkok, Thailand, 1959.

<sup>23</sup>Thailand, op. cit.

<sup>24</sup>Establishing A Business in Thailand, Economic Reports, World Trade Information Service, Part I, No. 56-6, United States Department of Commerce.



employee welfare but such things as provident funds, bonuses, medical care, and sometimes housing and food are often provided under this paternalistic relationship.

A recent (1958) labor law prescribes basic working conditions, working hours, and holidays, conditions of woman and child labor, overtime wages and welfare services.

### Structure of The Thai Economy

Table 1 presents the make-up of the Thai economy in 1960. The economy has been based predominantly on agriculture and the production of certain other raw materials. This pattern appears to be changing with other sectors of the economy now making up a substantial portion of the gross national product.

Table 1. Gross National Product in Amount  
and Percentage of Origin - 1960

	Amount	Per Cent
	(in millions of US dollars)	
Agriculture (including livestock)	\$787.9	31.4%
Fisheries	53.3	2.1
Forestry	62.7	2.5
Mining and quarrying	40.7	1.6
Construction	98.5	3.9
Manufacturing	364.4	14.5
Electricity and water supply	9.9	0.4
Wholesale and retail trade	504.9	20.1
Banking and finance	124.3	4.9
Communication and transportation	176.2	7.0
Services	290.7	11.6
Total GNP	\$2,513.5	100.0%

Source: Estimates by The Bank of Thailand (Hatch, A. W.,  
A Survey of Private Investment Opportunities in  
Thailand)

## Agriculture

About 85 per cent of the working population of Thailand is engaged in agriculture which accounts for about 35 per cent of the gross national product and 85-90 per cent of the annual exports.

Rice is the major crop, the staple food and the chief export. Rice is produced on about 90 per cent of the cultivated land and production over the past decade has averaged above seven million metric tons. Thailand is the second largest rice exporter in the world and annually exports over one million metric tons.

Rubber is the second most important export commodity and supplies 20-30 per cent of the total exports. Virtually all of Thailand's rubber production is exported. Rubber is grown on small holdings and production per tree is low due to poor varieties, poor tapping and handling methods and average trees.

Other important agricultural crops include: corn, tapioca flour, cotton, fiber crops, sugar, peanuts, tobacco, bananas, pineapples, coconuts, mung beans, soybeans, castor beans, sesame and livestock products.<sup>25</sup>

Wilkey<sup>26</sup> has pointed out the problems of Thai agriculture. The dependence on one single commodity, rice, means that the country's economic structure, particularly its export trade, is strongly affected

---

<sup>25</sup>Basic Data on the Economy of Thailand, op. cit.

<sup>26</sup>Wilkey, John J., A Digest of The USOM Consultant Team Report on Agricultural Credit, Cooperative Organization, and Agricultural Marketing, Audio-Visual Division, United States Operations Mission to Thailand, Bangkok, 1959.

by fluctuations in world demand and prices for rice. In addition, rice yields per acre have been declining and additional production has come from putting new areas under cultivation. There is a lack of incentive for rice farmers to use fertilizer and other modern methods to improve per acre production due to a rice premium or tax on rice that artificially depresses the on-the-farm sales price. The rubber industry is plagued by inefficiencies and increased competition both from producers in other countries and from synthetic rubber. Other serious problems of the agricultural industry are inadequate and high cost credit, lack of transportation facilities and marketing channels, and improved agricultural practices.

There are, however, many favorable factors on the side of agricultural development in Thailand. Land pressure is low in Thailand. Sizeable amounts of land are still available to be put under cultivation. It is estimated that some 12 million acres not presently used for farming are suitable for cultivation. While the average farm size is small (6.5 acres) only 13 per cent of the farmers do not own their own land.<sup>27</sup> Irrigation for some 2,600,000 acres will be available as a result of the two major dam projects now under construction.<sup>28</sup>

The heavy dependence on rice is being alleviated somewhat by diversification of agriculture. The production of crops for export other than rice, particularly corn and tapioca, have risen sharply.

---

<sup>27</sup>Mayer, Paul A., op. cit.

<sup>28</sup>Thailand, International Economic Survey No. 130, op. cit.

The domestic demand for cotton, sugar, and tobacco has caused increased production in these crops and favorable export markets are seen for kapok, certain spices, medicinal plants, and cacao.

In 1961 a major rubber improvement program was started to assist small holders in replanting with improved varieties and in training them in tapping and processing methods.

While the agricultural products other than rice and rubber are used mainly for domestic purposes, sizeable quantities of other crops are now available for export. More important, the domestic production of many crops are more adequately meeting the domestic demand thus easing the balance of payments problem, and providing raw material for Thai industry.

### Fishing

Fisheries rank next to agriculture in extent and value among the basic industries of the country. The coastal waters of Thailand are resorted to by a vast number of fishes, among them some of the most commercially valuable fish of tropical seas.<sup>29</sup>

The local market for fish is very extensive as fish is traditionally the most important animal food in the diet of the people. Most of the fish on the local market are sold as salted fish or live fresh fish.

---

<sup>29</sup>Thailand, Past and Present, op. cit., p. 140.

Commercial fresh-water fish production is from 50,000-60,000 metric tons annually, all for home consumption. The total salt-water catch is approximately 150,000 metric tons of which approximately 10 per cent is exported. The fishing fleet consists of 2200 boats with a total tonnage of 22,000 tons.

In addition to fish, shrimp production has gained importance due to the establishment of cold storage facilities at Bangkok. The United States has been the largest consumer of Thai shrimp.<sup>30</sup>

### Forestry

The estimated area of land under forest cover in Thailand is 321,289 square kilometers or 62 per cent of the total land area. Teakwood is the most important commercial timber product and ranks fifth as a major item of export.<sup>31</sup> Aside from teak, there are many other species of commercial importance in foreign trade, particularly the hardwoods.

Most of the timber products of Thailand are exported in the raw form. Thailand produces much of the timber that is processed into furniture and other wood products in other countries.

One of the main obstacles to the commercial development of the timber industry is the present inaccessibility of many of the timber areas and the prohibitive cost of extraction due to it. With the

---

<sup>30</sup>Basic Data on the Economy of Thailand, op. cit.

<sup>31</sup>Thailand, Past and Present, op. cit.

development of modern transportation and technology this should become less of a problem.

Some European firms are now processing finished wood products in Thailand. Modern technology is needed in the harvesting and curing of hardwoods that are to be used by the furniture and other wood products industries.

Other important forest products are: lac, which is in heavy demand for both domestic use and export, sawlogs, pulpwood, charcoal, firewood, bamboo, sutton, gums, resins, dyes, tan bark, turpentine, rosin tanin, and wood oils.

The forestry industry is potentially a great source of income to Thailand particularly as a source of raw materials to Thai industry. The industry has been marred by wasteful exploitation; however, the government has recently initiated programs to improve this situation. There has been some foreign capital participation in the forestry industry.<sup>32</sup>

#### Mineral Resources

Thailand's principal mineral commodities are: tin, tungsten, lead, zinc, antimony, and gold which are produced mainly for export; and iron, manganese, building stone, road building and cement materials, clay, gemstones, gypsum, quartz, feldspar, salt, soapstone, coal, and asphaltic sand which are mainly for domestic use.<sup>33</sup>

---

<sup>32</sup>Ibid.

<sup>33</sup>Thailand, International Economic Survey No. 130, op. cit.



Tin mining is the most important mining activity in Thailand, and tin concentrates are the third ranking export commodity, which in 1960 were valued at \$26.8 million. In general, however, mining has been relatively unimportant in the over-all Thai economy producing only 1.6 of the gross national product in 1960.

The full extent of Thailand's mineral deposits is unknown as adequate surveys have not yet been made. Since 1952, however, the Thai Government with the aid of the United States Operations Mission has been active in surveying for mineral resources, particularly iron and coal. Thailand's Six Year (1961-1966) Development Plan calls for additional exploration for minerals. Factors which hinder mineral development are inadequate access roads and other transportation facilities, deep tropical soil cover, dense vegetation, and rugged terrain. The lack of efficient mining equipment and inexperience in effective mining methods has also been a problem. It is expected that private interests will become more interested in mineral exploration and survey after the transportation and communication systems become more adequate.<sup>34</sup>

### Industry

Manufacturing and construction contributed over 18 per cent to the gross national product in 1960 as compared to 13 per cent in 1951. This gives some indication of the transition that is taking place in

---

<sup>34</sup>Mayer, Paul A., op. cit.



Thailand from a predominantly agricultural economy to a more modern economic structure.<sup>35</sup>

Traditionally, activity in the manufacturing sector is primarily concerned with the processing of rice and other agricultural commodities. Meat packing, textiles, galvanized iron, cigarettes, petroleum refining, tanneries, distilleries, cement, glass, and construction materials have also been developed. A great deal of manufacturing in Thailand is of the cottage-industry variety and therefore is done on a small scale. (See Appendix for a listing of Thai industries active in mid-1961.)

The extensive cottage industries in Thailand, while relatively unimportant in filling the domestic needs for the country seem to be playing an important role in industrialization. First of all, they have developed a high degree of skill in many industries,<sup>36</sup> and secondly, many of the present manufacturing firms have grown out of private workshops and family-type businesses.<sup>37</sup>

Large scale ventures, particularly in new industries, have depended upon capital from abroad and government developments. Capital from abroad in the form of bank loans has played a larger part in industrial development than direct operational investment.<sup>38</sup>

---

<sup>35</sup>Thailand, International Economic Survey No. 130, op. cit.

<sup>36</sup>Basic Data on the Economy of Thailand, op. cit.

<sup>37</sup>Report on Economic and Financial Conditions in Thailand,  
Research Dept., IBEC Thailand Limited, Bangkok, April 1962.

<sup>38</sup>Basic Data on the Economy of Thailand, op. cit.

The lack of iron ore has been noted as a limiting factor in the development of heavy industry in Thailand.<sup>39</sup> The known iron ore deposits, some of which have only recently been discovered, are estimated at 20 million tons. At present local production of steel and pig iron is about 6000 metric tons annually.<sup>40</sup>

The estimated quantities of known oil deposits are 22 million barrels. The future development of Thailand's mineral resources will be particularly important to the development of industry and the government of Thailand has assigned high priority to it.<sup>41</sup>

#### Basic Facilities in Thailand

##### Transportation and Communications

Inland waterways carry over one-half of Thailand's internal freight traffic which consists of 3,700 miles of rivers and canals. The Chao Phya River and its tributaries, which empty into the Gulf of Siam near Bangkok, are the primary link of inland water transport. Inland navigation in Thailand is being improved by the use of motor driven vessels and the larger and more economical inland ships and barges. The largest ocean port is Bangkok which can handle up to

---

<sup>39</sup>Investment Factors in Thailand, World Trade Information Service, Part 1, No. 61-61, U.S. Department of Commerce, 1961.

<sup>40</sup>Basic Data on the Economy of Thailand, op. cit.

<sup>41</sup>Thailand, Past and Present, op. cit.

10,000-ton vessels. Direct ocean facilities are available to the United States, Europe, and Asia.<sup>42</sup> Other water freight facilities include three coastal shipping routes.

The railways are the second most important means of transportation in Thailand. In 1960 there were 2,175 miles of track.<sup>43</sup> The railway system is considered to be nearly adequate at least from the standpoint of geographic coverage for present-day demand, however, in recent years programs have been initiated for the improvement and expansion of railway facilities.<sup>44</sup> The present highway system covers 8000 miles and is considered to be inadequate both technically and geographically for present-day demand.<sup>45</sup> This situation is being improved as a result of new construction. A significant improvement underway at the present time is the completion of a modern highway leading from Bangkok to the underdeveloped Northeastern section of the country.<sup>46</sup>

The United States Operations Mission (USOM ICA) has since 1958 furnished technical and financial assistance in road construction, road design, and maintenance. In addition, it is assisting

---

<sup>42</sup>Thailand, op. cit.

<sup>43</sup>Ibid.

<sup>44</sup>Thailand, Past and Present, op. cit.

<sup>45</sup>Thailand, op. cit.

<sup>46</sup>Ibid.

the Thai Government in designing and constructing a primary highway system that is due to be completed in 1967.<sup>47</sup>

Thailand has both a domestic and an international airline. The domestic airline serves all of the major cities of the Kingdom. Don Muang Airport, near Bangkok, is a modern airport with a 10,000 foot concrete runway capable of handling the largest aircraft. It is one of the most important centers of commercial aviation in Asia with 19 airlines having regular service there and providing air transport facilities all over the world.<sup>48</sup>

Post and telegraph services are available throughout Thailand, and foreign radio-telephone services are also available in Bangkok.

Thailand has 22 radio stations, of which 18 are located in Bangkok. All areas of the country are served by radio and broadcasts are made in Thai, Chinese, and English. There are two TV stations with over 80,000 licensed sets with transmission limited to the Bangkok area.<sup>49</sup> Telephone services are limited to the larger cities and towns.<sup>50</sup>

The whole field of communications in Thailand is due for a major overhaul under Thailand's Six Year Economic Development Program (1961-1966). In addition to improvement of existing facilities, a

---

<sup>47</sup>Thailand, Past and Present, op. cit.

<sup>48</sup>Brief Information Concerning Investment in Thailand, op. cit.

<sup>49</sup>Mayer, Paul A., op. cit.

<sup>50</sup>Investment Factors in Thailand, op. cit.

complete tele-communications system is being constructed at a cost of 17 million dollars. This system will provide nationwide radio, TV, and telephone services throughout the country.<sup>51</sup>

### Power

Increased economic growth has put great stress on the available electrical power supplies in Thailand. The total productive capacity of electrical power in Thailand at present is 138,000 kilowatts. This demand is expected to rise to 400,000 kilowatts at the end of six years.<sup>52</sup>

The Thai Government has given high priority to power generation. The largest power project thus far has been the Yan Hee Dam on the Ping River which is scheduled for completion in 1963. This project will furnish 140,000 kilowatts initially and will have an ultimate capacity of 460,000 kilowatts which should be reached in 1975. Present power needs are now supplied largely by thermal power plants located in Bangkok.

The availability of sufficient and dependable power would be a definite problem for medium and large sized industrial operations in Thailand until the mid-1960's when the power generations should be sufficient.

---

<sup>51</sup>Mayer, Paul A., op. cit.

<sup>52</sup>Ibid.

Long range projects such as the Mekong River Dam, nuclear power generation and thermal power plants using locally-mined lignite coal are underway or in the planning stage.<sup>53</sup>

### Economic Conditions in Thailand

Table 2 contains the economic data for Thailand from 1958 to 1961. A brief discussion of the various headings in Table 2 is taken up in this section.

#### Currency and Exchange

The baht, the Thai currenty unit, is considered to be a hard currency. A free exchange rate, which has been in effect since 1955, allows it to reach its own level.<sup>54</sup> At the time the restrictions were removed the exchange rate was 21 baht per United States dollar and it has fluctuated within narrow limits since that time. The rate at mid-year 1961 was 21.04. (See Table 2.)

Inflation appears to be a minor problem as is indicated by the comparison of the cost of living index and the wholesale price index in 1961. Gross national product has also managed to keep ahead of the money supply. (See Table 2.)

---

<sup>53</sup>Economic Developments in Thailand, Economic Reports, World Trade Information Service, Part I, No. 57-22, U. S. Department of Commerce, 1956.

<sup>54</sup>Basic Data on the Economy of Thailand, op. cit.



Table 2. Selected Economic Data for Thailand, 1958-1961

Item		1958	1959	1960	1961
<b>PRODUCTION</b>					
Gross National Product (GNP) (est.)	million dollars	2,152	2,410	2,530	
<b>DOMESTIC FINANCIAL DATA</b>					
<b>Price indexes:</b>					
Cost-of-living, Bangkok	1953=100	124	119	118	126 <sup>4</sup>
Wholesale prices, Bangkok	do	123	115	113	118 <sup>2</sup>
Money supply index (end of period)	do	144	155	172	176 <sup>1</sup>
<b>Central Government Finances:</b>					
Domestic revenues	million dollars	267	286	314	
Total expenditures	do	310	340	372	
(Of which: Defense)	do	(86)	(86)	(80)	
Surplus(+) or deficit(-) before all foreign aid	do	-43	-54	-58	
Revenue from non-U.S. grants	do	1	1	1	
Receipts from non-U.S. loans	do	3	12	20	
Revenue from U.S. grants	do	13	19	17	
Receipts from U.S. loans	do	1	2	6	
Remaining surplus(+) or deficit(-)	do	-25	-20	-14	
Gross debt (end of year)	do	390	428		
Domestic	do	353	380		
Foreign	do	37	48		
Local currency	do	(13)	(14)		
Foreign currency	do	(24)	(34)		
<b>TRADE</b>					
<b>Commodity trade:</b>					
Exports, f.o.b.	million dollars	307	360	410	340 <sup>4</sup>
Imports, c.i.f.	do	392	428	458	361
<b>PAYMENTS AND RESERVES</b>					
<b>Balance of Payments (selected items)</b>					
Balance of goods and services	million dollars		-64	-27	
Private capital transactions	do		11	11	
Official grants	do		40	32	
Long-term capital (official)	do		-24	13	
Gold and foreign exchange reserves	do		298	346	401 <sup>3</sup>
Exchange rates (end of period)	Baht per US \$1		21.01	21.14	21.04 <sup>3</sup>

<sup>1</sup>Five months.<sup>2</sup>Six months.<sup>3</sup>Eight months.<sup>4</sup>Nine months.

Source: Mayer, Paul A., Thailand - A Market For U.S. Products, U. S. Department of Commerce, Washington, D. C.



### Balance of Payments

Thailand's present balance of payments on goods and services is slightly negative. (See Table 2.) However, they have made rapid improvement in the last few years. From a peak deficit of \$84.5 million in 1958 the deficit has been reduced to \$27 million in 1960.

The gold and foreign exchange reserves of Thailand in August 1961, were at \$401 million (See Table 2) or enough to cover approximately nine months supply of imports. The Bank of Thailand, the official banking institution, keeps a watch on the exchange and has set up an Exchange Stabilization Fund to buy and sell foreign exchange whenever there is a shortage or over-supply. The control thus far has been more of a precautionary than a restrictive measure.<sup>55</sup>

### Public Finance

Thai Government budgets have risen steadily during the past few years and the public financial situation has been characterized by budget deficits. The government revenues, however, have increased faster than expenditures and thus a closer balance is being achieved. (See Table 2.) The deficits have been financed largely by foreign loans and grants and internal financing.

The increased budget expenditures have been due largely to increased expenditures in economic development activities while military expenditures and other administrative expenditures have held quite

---

<sup>55</sup>Report on Economic and Financial Conditions in Thailand, op. cit.

constant. According to Thailand's Six Year Plan, an estimated 29 per cent of the total budget will be eventually allocated for economic development activities.

Thailand's international debt record is excellent. The only default concerning a government loan occurred during the Japanese occupation in World War II.<sup>56</sup>

#### Foreign Assistance to Thailand

The United States provided aid programs valued at \$632.6 million from 1946-1961.<sup>57</sup> Of this total \$341.6 million has been allocated for military assistance and \$291.0 million for economic assistance; \$69.1 million of the economic aid has been in the form of loans.

Economic aid has been given in the form of technical and financial assistance to various economic development projects including: agriculture, transportation, public safety, public administration, education, communication, industry, and public health.

Assistance to Thailand from international agencies during the same period totaled \$139.3 million. Loans from the International Bank for Reconstruction and Development made up \$128.7 million of this total.

---

<sup>56</sup>Thailand, International Economic Survey No. 130, op. cit.

<sup>57</sup>US Foreign Assistance and Assistance From International Organizations, July 1, 1945 - June 30, 1961, Office of Statistics and Reports, International Cooperation Administration, Washington, D. C., 1961.

<sup>58</sup>A complete unofficial translation of the plan is available from the Bureau of International Programs of the U. S. Department of Commerce.

## Development Planning

Thailand initiated its first long-term economic development plan in 1961 which was adopted for a period of six years (1961-1966). The principal targets of the plan are to increase the rate of growth of the Gross National Product from the present rate of four per cent to five per cent, the rate of increase in per capita income from the present two per cent to three per cent, and the rate of capital formation which now varies between 14-15 per cent to 15 per cent. The rate of annual agricultural production is slated to advance by three per cent and the contribution to national income from the industrial sector to be raised from the present 10 per cent to 12 per cent.

These development activities involve a wide scope of projects. The following is an outline of the major sectors in the plan.<sup>58</sup>

### I. Agriculture

- A. Irrigation
- B. Agricultural research and extension
- C. Marketing
- D. Rubber improvement
- E. Fisheries and livestock
- F. Forestry and land distribution

### II. Cooperatives

---

<sup>58</sup>A complete unofficial translation of the plan is available from the Bureau of International Programs of the U. S. Department of Commerce.

### III. Industry

- A. Mining, water resources, and geological surveys
- B. Analysis and research
- C. Industrial promotion

### IV. Power

### V. Transportation and Communications

- A. Highways
- B. Railways
- C. Civil air transport
- D. Harbor development
- E. Post, telegraph, radio, and telecommunication

### VI. Internal affairs

- A. Community development program
- B. Land survey and classification
- C. Allocation of land to the landless
- D. Land settlement of hill tribes
- E. Water supply
- F. Public welfare

### VII. Commerce

### VIII. Public health

- A. Sanitation
- B. Medical services
- C. Medical research

## CHAPTER IV

THE INVESTMENT CLIMATE: INCLUDING  
THE ROLE OF GOVERNMENT

The investment "climate" for private foreign investments usually refers to the trend of concepts and attitudes toward private investments that prevail in a country. These concepts and attitudes are usually manifested in social or political policies and actions that can be either advantageous or limiting to the conduct of a private foreign business operation.

## Investment Team Survey

In the case of Thailand, the factors which constitute the "climate" there have been quite extensively catalogued as a result of a survey that was made in 1959 by a survey team of American investment specialists<sup>59</sup> under contract with the United States International Cooperation Administration. The survey was conducted through extensive consultations with government officials, and private Thai and foreign businessmen, bankers and lawyers. It was designed to examine the investment climate from the standpoint of the private businessman. The survey team in its report noted that many present conditions for investment in Thailand provided a favorable base for industrial expansion. Included in these were:

---

<sup>59</sup>Beitzel, George B., Expanding Private Investment For Thailand's Economic Growth, Board of Investment, Bangkok, Thailand, November 1959.



- (1) Little, if any, hostility toward private business.
- (2) Freedom of entry and exit of foreign capital.
- (3) Good internal security for persons and property.
- (4) Stability of internal and external finances.
- (5) Adaptable, reliable, and increasingly skilled labor force.
- (6) Presently high and potentially greater agricultural production.

The survey team also reported several factors in Thai investment climate which it considered to be impeding the growth of private investment. Some of the findings and recommendations of the survey team in regard to these problem areas are summarized in the following sections.

#### Administrative Procedures

The survey team reported a need for simplification of procedures for applicants for benefits under the investment laws. The requirements for extensive technical and engineering data before any tentative approvals were made by the government were found to discourage potential investors. Procedural improvements to reduce unnecessary clearances and speed up transactions were also suggested. For example, time lapses up to several months were reported before customs clearances were obtained.

#### International Agreements

In the report it was recommended that Thailand broaden and speed up its program of treaty negotiations with capital-exporting countries. Agreements for the avoidance of double taxation were

considered very important in this regard. Lacking such agreements between the United States and the Thai Governments for example, exemptions of taxes as an investment incentive cannot be used to full advantage.

### Governmental Enterprises

The existence of government-owned and operated enterprises, with the exception of railways, power, communications, and other public utilities, were found to create uncertainty in the minds of potential investors. It was believed that potential investors would avoid industries in which government enterprises exist and be hesitant to enter any industry in the face of ever-present possibilities of new government enterprises.

The survey team recommended that the government should establish a policy of not entering into enterprises of a commercial character and this policy should cover not only promoted industries, but all commercial industries. It further suggested the sale of some of the commercial enterprises presently owned by the government.

### Encouragement of Industrial Activity

The survey team determined that a greater interest in investment could be brought about by providing incentives for all kinds of industrial activity rather than to approach investment promotion on the basis of "approved lists," unnecessary administrative scrutiny, and the extension of special treatment to some and not to others. It recommended that complete exemption of customs duties be given in the



case of capital machinery and associated materials needed for plant installation and that administrative discretion be reduced to a minimum.

### Problems Affecting Growth and Development

In its survey, the investment team took up several problems present in Thailand which were considered to be indirectly related, but nevertheless important, to industrial growth in the private sector.

Specifically, it noted that expanded local markets must come about largely as a result of an increase in the purchasing power of the predominantly agricultural population. It was pointed out that one of the key problems of Thai farmers was their weak credit position, in that they did not have established credit from commercial banks and other institutional lenders. This had led to restricted and high-cost credit for farmers which had limited the growth of farm purchasing power. It recommended that the government make a study of this situation with particular emphasis on devising measures by which the government could support private and cooperative rural financing institutions.

The survey team noted that limited and high-cost credit had limited the growth of small scale business in Thailand. It noted that in a private enterprise system the small business is potentially a source of private know-how and experience which can grow into large scale industrial operations. The survey team recommended that the

Industrial Finance Corporation, which has been recently established by the Thai Government, concentrate on servicing the small-scale business activities of the country.

A problem that was found to be common to both agriculture and small-scale business was the lack of basic business skills and the need for business experience and integrity. To cope with this problem, the survey team suggested that such training be made available through the existing educational system and that local and foreign business organizations be utilized to carry out on-the-job technical and managerial training in private industrial plants in Thailand and other countries. It further recommended that the growth and strength of trade and manufacturing organizations and business management associations, which contribute to the advancement of sound management practices, be encouraged.

In line with the problems of credit financing the survey team mentioned the small amount of savings being generated in Thailand to support new growth in the private sector. A partial solution to this problem, that was offered by the survey team, was the use of the existing commercial banks in encouraging and managing savings accounts. At present the only savings institution is operated by the government.

#### Business Facilities and Business Contracts

The survey team pointed out that to attract investments, particularly foreign investments, Thailand needed to:

- (1) Make the opportunities for investment in Thailand better known.

- (2) Establish better economic communications and contacts.
- (3) Establish personal contacts with foreign business concerns.
- (4) Provide adequate business survey information and services to investors.

Recommendations for improvement of business facilities and contacts included:

- (1) Utilize Thailand's present tourist trade to show visitors some of Thailand's industrial opportunities such as existing industrial enterprises, natural resources and local products.
- (2) Publish brochures and handbooks with investment information.
- (3) Utilize Thailand's Foreign Service to collect and distribute information regarding private investment opportunities in Thailand.
- (4) To sponsor investment missions to foreign countries by Thai business leaders who are well prepared to provide complete information on specific investment areas and to conclude preliminary arrangements on specific investments.
- (5) To sponsor research which would provide detailed information on specific investment opportunities such as market surveys.
- (6) To provide an organization that would assist potential and existing investors in obtaining technical, managerial,

legal, and financial services as well as assisting them in making business contacts with government and private organizations.

### Government's Role in Industry

Through outright ownership, semi-governmental corporations, governmental participation and regulation, the Thai Government controls a rather substantial sector of the nation's industry.

The government owns the public utilities (postal services, telephone, telegraph, radio, and television communications), the railroads, and the national airlines. It also owns a substantial share in the trucking and bus systems, thus giving the government a dominant influence in communication and transport.

Government monopolies exist in the tobacco, opium, sugar, and alcoholic beverages industries and in the manufacture of playing cards, cigarettes, arms, ammunition, and explosives. Certain other fields require special contractual arrangement with the government. These include: the exploration of minerals and mining; the exploration, production, and refining of petroleum; forestry operations; banking and insurance; and passenger transportation. A royal decree specifies the categories and conditions for the metal, sugar, and gunny bag industries. In most of these industries government participation is dominant.<sup>60</sup>

---

<sup>60</sup>Report on Economic and Financial Conditions in Thailand,  
op. cit.



The government also has large interests in cement, glass, pharmaceuticals, batteries, tin, tanneries, textiles, canned goods, and plywood. These industries are often in direct competition with established private producers. It operates a number of plants making a diverse number of products such as shoe polish, alum, rubber footwear, metal cabinets, paper clips, and ceramics. In all, it controls over 60 establishments of which 40 can be classified as large since they employ more than 50 workers.<sup>61</sup>

A few industries such as barbering, operation of hired vehicles, handicraft and coastal shipping are reserved for Thai nationals.

Several reasons have been given for the governmental operations of industrial enterprises.<sup>62</sup> They are as follows:

- (1) Very few, or no, private entrepreneurs are able, or willing, to invest in public utilities because of the large capital outlays and small profit margins. Moreover, the rigid governmental regulations required in operating public utilities make them unattractive to private investors.
- (2) The manufacturing industries, under the control of the Ministry of Defense, were set up to make products needed by the armed forces and are maintained for strategic reasons.

---

<sup>61</sup>Ibid.

<sup>62</sup>Ibid.

Plan of Industrial Investment Act. Information Service of Thailand, Royal Thai Embassy, Washington 25, U. S. C., January 31, 1962.

(3) Local manufacture of certain products is essential for the economy of the country. They are needed to reduce absolute dependence on foreign sources of supply, lower prices to domestic consumers, to save foreign exchange and to provide a stable market for local produce, particularly agriculture.

(4) Some industrial establishments are set up as pilot projects in order that private investors may be convinced of their feasibility and be encouraged to set up similar operations.

Despite the rather extensive participation by the Thai Government in ownership and control of industrial enterprises, there seems to be reason to believe that it is not as serious an obstacle to private enterprise as it may appear. More important, it appears that it will be less of a problem in the future.

The Industrial Investment Act of 1962<sup>63</sup> which became effective February 9, 1962 provides guarantees that the government will not engage in competitive industry other than those already operated. It also guarantees against expropriation and nationalization of private industry. This move seems to coincide with an apparent recent change in government policy toward investment. In December of 1958, the leader of the Revolutionary Party announced that the government intended to "get out of business" except the oil business which is

---

<sup>63</sup>Promotion of Industrial Investment Act, Information Service of Thailand, Royal Thai Embassy, Washington 8, D. C., January 31, 1962.

"vital to the nation."<sup>64</sup> He stated that all government factories will be converted into private enterprises, with the present governmental enterprises being sold to companies with 50-60 per cent Thai capital. This statement, however, remains largely a statement of intent. One notable exception has been the government's large whiskey distillery which is now operated by a private local company under a 1960 lease arrangement with the government. Irvine<sup>65</sup> seems to throw some light on one of the basic motivations for governmental industrial operations in Thailand when he stated:

The Thai productivity for government enterprise appears to stem more from the entrepreneurial drive of some government officials than from ideology. There is no tendency in Thailand to draw sharp lines between public and private enterprise and exclude private competition from sectors in which the government has an interest. Private investment is warmly welcomed, and while some potential investors may be repelled by the prospect of having to compete with government firms which may have unfair advantages, others are demonstrating that private enterprise can thrive under these conditions.

IBEC's research report<sup>66</sup> sums up the present situation regarding government's role in industry in this way:

There has been a definite change in policy towards industry in the last few years. Its participation in manufacturing has been de-emphasized, while private investment is encouraged. Although there remains hesitation on the part of

---

<sup>64</sup>Investment Factors in Thailand, op. cit.

<sup>65</sup>Irvine, Reed J., Investment Climate In Southeast Asia, Remarks delivered at the annual meeting of the American Institute of Mining Engineers, New York City, February 20, 1962.

<sup>66</sup>Report on Economic and Financial Conditions in Thailand, op. cit.



certain members of the government to relinquish government owned enterprises, there have been public pronouncements of its intention to sell or lease its industrial establishments to private entrepreneurs. Nevertheless, it is believed that the government will hold on to the monopolies which are a source of substantial revenue to the treasury, and that they will continue to operate the public utilities.

Regarding the present governmental industries competition with private businesses, the report states:

Theoretically, while the government's participation in industry may appear as unfair competition, in practice this has not been the case. Inefficiency in operation and management and the basic technical incompetence prevailing in some government establishments have made them ineffective as competitors; in fact, private industries have competed successfully with government owned enterprises in many cases.

### Industrial Policy

The basic code covering private investment policy is the Industrial Promotion Act of 1954. This act was liberalized in 1958, and again in 1962. The most recent Industrial Promotion Act, which went into effect February 9, 1962, has two primary purposes:<sup>67</sup>

- (1) To give investors more privileges and benefits.
- (2) To alter legal procedures so that they will be more convenient and less complicated.

Under the new act, industrial activities are divided into three priority groups. Group A industries are those which are considered to be necessary and vital to the national economy. Industries of

---

<sup>67</sup>Kosin, Osit, Thailand's New Law to Promote Industrial Development, Board of Investment, Bangkok, Thailand, 1962.

relatively less importance are included in Group B. The rest of the industrial activities are classified under Group C. These priorities are reinforced by the privileges and benefits afforded to each, i.e., a Group A industry is eligible for more benefits than Groups B or C, and Group B more than Group C. (A complete listing of industries being promoted under the 1962 Investment Law is provided in the Appendix.)

Promoted industries must meet certain other requirements to be eligible for the benefits and privileges under the Promotion of Investment Act. These requirements deal mainly with requirements for quality and quantity of production, minimum investment required and requirements for the use of local material.

All foreign owned or operated industries are placed on the same basis in respect to requirements, rights, and privileges as local industries of the same type, other than those reserved for the government or subject to special agreement with the government.<sup>68</sup>

Approved industries are exempted from import duties on machinery, component parts and accessories to be used in the industrial activity as well as materials, tools and instruments, prefabricated frames and other equipment used in factory construction. The approved industry also receives exemption from business taxes on these materials.

---

<sup>68</sup>Brief Information Concerning Investment in Thailand, op. cit.

Approved industries are also exempt from income tax on profits for a period of five years starting from the first year that the business renders a profit on sales. Group A industries also receive full exemption from import duties and business taxes on imports of necessary raw materials for a duration of five years. Group B industries receive a 50 per cent reduction and Group C industries a one-third reduction of import duties and business taxes on raw material imports for a period of five years. Exemption of export business taxes may be wholly or partially reduced by approval of the Thai Board of Investment.

Investors in an approved industry may make remittance abroad in any type of currency for repatriated capital, profits, repayments of loans, interest, patent rights payments, licensing agreements or other services.

The Thai Government also guarantees that the State will not initiate any similar industrial activity or transfer private industrial activities to State ownership. Alien skilled workers, along with their families, which are needed to operate the industry are permitted entry into the country, irrespective of immigration quotas. The export of products is also permitted.

Apart from the rights and benefits already mentioned, the approved industry may receive other special rights and benefits to the extent deemed appropriate by the Thai Board of Investment. They are:

- (1) Prohibition or restriction of competitive imports.
- (2) Increase of import duties on competitive imports.

- (3) Exemption from or reduction of export duties.

The 1962 act also provided for a simplification of the procedures involved in authorizing the benefits and privileges provided to investors.

#### Industrial Promotion

Industrial expansion through private industrial investments is a major feature of Thailand's Six Year Plan (1961-1966).<sup>69</sup> The programs that have been undertaken to promote industrial expansion are wide in scope and have been made a joint responsibility of all of the ministries of the Thai Government. A summary of the programs listed in the plan is as follows.

- (1) Collection and dissemination of production and technical data on raw materials.
- (2) Increasing quantity and quality of agricultural raw materials needed to meet the demands of increased industrial activity.
- (3) Protection of infant industries through temporary imposition of import controls and other measures.
- (4) Provision of transportation services and facilities to industry.
- (5) Provision of basic services such as power, water, and industrial estates.

---

<sup>69</sup>Unofficial Translation of Thailand's Six Year Economic Development Plan, Commercial Section, American Embassy, Bangkok, Thailand.

- (6) Initiate tax reform inducive to industrial growth.
- (7) Providing technical information and assistance to prospective and existing industry.
- (8) Establishment of financial institutions to finance private industry at reasonably low rates of interest.
- (9) Grant patent rights to investors.
- (10) Establish a product design center.
- (11) Provide necessary facilities for industry such as factory sites.
- (12) Provide training for skilled workers needed by industry.
- (13) To assist the cottage industries of Thailand to expand by providing them technical and financial assistance and market facilities.

#### Joint Business Ventures

Joint business ventures by private foreign companies and local entrepreneurs are permitted and in fact, encouraged by the Thai Government.<sup>70</sup> There are no requirements or limitations on foreign capital participation on such ventures. Licensing agreements are also permitted.

No requirements are imposed as to corporate form of foreign investments. All of the usual forms of business including partnerships, corporations, and associations are permitted.<sup>71</sup>

---

<sup>70</sup>Investment Factors in Thailand, op. cit.

<sup>71</sup>Ibid.



### Social Attitudes Toward Private Enterprise

The social attitude toward private enterprise in Thailand traditionally held that persons engaged in industry and commerce did not have equal prestige and social status with civil servants. This was due largely to the fact that the people engaged in business were mainly Chinese who had little formal education. For this reason many Thai people were reluctant to engage in business, especially those who were educated or socially prominent.

This attitude appears to be changing rapidly, although it has not vanished completely. Many prominent Thais now enter the field of business and the Chinese merchants themselves are no longer "men who come from China with just a straw mat and wooden pillow."<sup>72</sup> Businessmen are now afforded higher prestige and are consulted by the government on various economic matters, while some of them sit on committees set up by the government to deal with problems of national importance. The business community is drawing more of the college graduates with education in economics and business, who formerly preferred the Civil Service. This trend is conducive to economic development and greater participation by private investors in the economic activity of the country.

In the author's view, another factor regarding the social attitudes toward foreign investment that seems pertinent, is that Thailand

---

<sup>72</sup>Report on Economic and Financial Conditions in Thailand,  
op. cit.

does not have a history of foreign colonization. There does not appear to be the resentment and fear of foreign interests that characterizes the attitudes of the government and the people of most of the other Southeast Asian countries.



## CHAPTER V

## FACTORS AFFECTING THE THAI MARKET

## Population and Income

The population of Thailand in 1960 was 26.2 million with an estimated annual growth rate of three per cent. The annual population growth rate of the cities is growing faster than the population in general. Bangkok, the capital, is growing at a rate of 7.7 per cent per year.

The per capita annual income was estimated at \$100 and rising at an estimated two per cent. Many observers, however, believe that the official estimates of the income figures are unrealistic, and estimate the average income to be as high as \$250.<sup>73</sup> The \$100 estimate was based on statistics compiled in 1956 from income tax returns. These figures are subject to many errors and omissions since many people with income from non-salary incomes do not report or report only part of their earnings. In addition, it is believed that there have been considerable changes since 1956. The introduction of new farming techniques, the diversification of agriculture, the improvement of marketing facilities and the transportation system, and the increment of export earnings from agricultural produce have resulted

---

<sup>73</sup>Mayer, Paul A., op. cit.

in a general increase in farm income. The rapid expansion of industry and commerce, has created many jobs and brought about a general rise in the wage level. For example, skilled workers in Bangkok can earn from \$150-300 per month and secretaries can earn as much as \$250 per month.<sup>74</sup>

### Growth Rate Indicators

According to many of the usual standard market indicators such as: gross national product, electrical power consumption, motor vehicles, number of telephones, and imports, the Thai economy is exhibiting considerable growth.<sup>75</sup>

Gross national product is increasing at the rate of four per cent. In the years between 1957-1959 the per capital consumption of electricity rose four kilowatt hours per capita. From 1957-1961 the number of motor vehicles rose from 33,400 to 134,000 and the number of telephones in the Bangkok area rose from 10,500 to 31,000.

Imports have been growing at the rate of approximately \$30 million a year and constitute approximately one-fifth of the gross national product. Imports are high in relation to per capita income. The average for the period 1958-1960 was \$30 per capita compared with \$185 per capita in the United States.

---

<sup>74</sup>Report on Economic and Financial Conditions in Thailand,  
op. cit.

<sup>75</sup>Mayer, Paul A., op. cit.

### Market Characteristics

In Thailand, the consumer spectrum ranges from a sizeable band of the population at the bare subsistence level up to approximately 10-15 per cent at the middle and upper income classes. The great majority of the people including the farmers and other rural people lie in between these two groups. They live comfortably, but very simply and have some limited purchasing power for consumer goods. Some indications of the unevenness of the distribution is given by income tax figures in 1956 which show that 7.24 per cent of the taxpayers accounted for 56.52 per cent of the total income declared. Income tax figures, as has been mentioned earlier, are suspect in estimating total income.

The Thai market is, however, considered to be a "middle income" market.<sup>76</sup> Although the average per capital income is low by American standards the average Thai family makes purchases beyond bare essentials. The "easy spending" habits of the Thai people are mainly responsible for the middle income receptivity of the Thai market. In addition, the mild climate, ample food supply, and lack of population pressure makes the provision of the basic necessities of life comparatively easy and inexpensive.

---

<sup>76</sup>Ibid.

### Market Channels

Marketing channels for either imported goods or goods of local manufacture are well established in Thailand. Most of the market channels have been set up to handle and distribute imported goods due to the dominance of this type of trading.<sup>77</sup>

Foreign companies or merchant houses which maintain wholesale and retail outlets throughout the country are one of the largest marketing channels in Thailand. These firms are primarily British or continental European firms, but include a few American firms. These firms have very diversified activities which include both importing and exporting and sometimes also include such activities as mine operation, plantation management; and technical, financial, shipping, and insurance services.

Large Thai trading firms carry out essentially the same type of activities as the foreign companies except that they conduct all of their activities in Thailand and are not a branch operation of a foreign trading firm.

Another important channel for marketing in Thailand is small specialized Thai companies which wholesale and retail products throughout the country. They handle only a specific line of goods such as automotive parts.

Some manufacturing firms have established branch operations for handling the products of the parent firms. These firms sometimes

---

<sup>77</sup>Ibid.

handle products from other manufacturers as well. In a few limited cases, primarily the large oil companies, the foreign companies have built up their own direct local sales organizations. Some goods are sold through Thai commission agents.

#### Market Promotion Media

Newspapers are the major advertising medium in Thailand.<sup>78</sup> Bangkok has two daily and three weekly English-language newspapers, 14 daily and 20 weekly Thai-language newspapers and four Chinese-language dailies. Eight daily papers are distributed in the provinces. Total newspaper circulation is 566,000. Several monthly magazines are also published. All of these publications carry advertising and reach a great many more people than the circulation figures show due to the fact that each newspaper reaches several people.

With the entire population having access to radio broadcasts, radio is an important advertising media. The television coverage is limited to the Bangkok area where 80,000 sets are licensed. Other media include billboards, displays, and sound trucks. Fourteen advertising agencies have been established in Bangkok for handling commercial advertising.

---

<sup>78</sup>Ibid.

### Market Research

Market research in Thailand is in its infancy. Two of the new United States firms recently established in Thailand are engaged in providing investor services including market research. The Thai Board of Investment is also engaged in market research, and market research is one of the major points of the industrial promotion policies previously mentioned under Thailand's Six Year Plan.

Some market research is being carried out by three large oil companies marketing their products in Thailand.<sup>79</sup> In addition, one small research firm which is an affiliate of a German organization and operated by an American economist is available for making specific market studies.

### Savings

The savings generated by the Thai public and invested in banking and other saving institutions are small. In October of 1961, the total money supply was approximately the equivalent of \$500 million and 57 per cent of this amount was held by the public in the form of currency.<sup>80</sup> This indicates that there are sizeable savings outside of the money market.

---

<sup>79</sup>Ibid.

<sup>80</sup>Report on Economic and Financial Conditions in Thailand,  
op. cit.



The Thai people in general still prefer to keep their earnings at home rather than place them in a bank. Several reasons have been given for this small amount of savings. They are:<sup>81 82</sup>

- (1) Most commercial transactions are conducted in cash.
- (2) The Thai people prefer to invest their savings in gold, jewelry, and land.
- (3) The spending habits of the Thai people are such that spending is much preferred to saving.
- (4) There is a lack of commercial savings institutions and a lack of understanding of their function.

There are indications of the increased use of banking institutions for holding the savings of the public. For example, the Government Savings Bank, the principal savings institution in the country, reported an increase in the number of savings accounts from 54,629 in 1956 to 87,127 in 1960. The total deposits in these accounts rose from approximately \$5,780,000 to \$12,310,000 during that period. Demand deposit accounts rose from 1,193,780 in 1956 to 1,944,961 in 1960 and the total deposits increased some \$12,500,000. Other commercial banks reported similar increases.<sup>83</sup>

Other forms of saving in Thailand are government bonds, savings bonds, and life insurance. Private holdings of government bonds in

---

<sup>81</sup>Ibid.

<sup>82</sup>Mayer, Paul A., op. cit.

<sup>83</sup>Report on Economic and Financial Conditions in Thailand,  
op. cit.

May of 1961 stood at approximately \$14,600,000. Savings bonds in the hands of the public were approximately \$1,200,000. Total insurance funds at the end of 1959 were approximately \$15 million.<sup>84</sup>

Other savings institutions are private thrift and credit societies and savings lotteries operated by the government.

There is no active or organized securities market in Thailand and stock sales are sporadic and generally limited to circles of families and friends. This indicates that such activities are of little importance from the standpoint of generating public savings.<sup>85</sup>

#### Availability of Credit

The availability of credit both for commercial and long-term industrial loans is extremely limited in Thailand. Interest rates are high. The maximum legal rate is 15 per cent per annum, but the rates actually charged by the lenders are in many cases far higher.<sup>86</sup>

Credit is available from two sources - institutional lenders and private lenders. Institutional lenders are the commercial banks, insurance companies, and development banks. Private lending constitutes the largest portion of loan capital circulating in the Thai

---

<sup>84</sup>Ibid.

<sup>85</sup>Ibid.

<sup>86</sup>Report on Economic and Financial Conditions in Thailand,  
op. cit.

economy.<sup>87</sup> Both institutional and private lenders prefer short-term trade financing to long-term industrial loans.

Commercial banks have not played a major role in providing credit for industrial ventures. They have, however, provided assistance to local industries in obtaining foreign loans by providing guarantees of repayment and by accepting foreign loans of local businessmen as fixed deposits and lending money to the actual borrowers.<sup>88</sup>

The only institution which makes long-term industrial loans is the newly established Industrial Finance Corporation which is financed by the Thai Government largely through foreign loans. Loans are made from 5-10 years. This institution has not as yet made a very significant contribution to the finance of industrial investment due to the small amount of capital that has been made available to it.

#### Taxation<sup>89</sup>

Major revenue taxes of importance to business operations in Thailand are the personal income tax, the Companies Income Tax, and the Business Tax.

Personal income tax is based on six categories covering income from employment, properties, profession and business. Tax rates are

---

<sup>87</sup>Ibid.

<sup>88</sup>Ibid.

<sup>89</sup>Kosin, Osit, Outline of Revenue Taxes, Board of Investment, Bangkok, Thailand, 1962.

progressive starting with 10 per cent on the first 10,000 baht (\$475) of net income up to 50 per cent on net incomes of 400,000 baht (\$19,000) and over. Any person residing in Thailand over 180 days is liable for income tax on income from local sources or foreign income brought into the country.

Companies organized under Thai Law which carry on business operations in Thailand are also subject to the Companies Income Tax which is based on net profit. This tax is also progressive with 15 per cent on the first 500,000 baht (\$20,000) to 25 per cent on net profits over 1,000,000 baht (\$50,000). A company disposing of profits outside of Thailand is subject to 15 per cent tax on their profits as in the case of a branch office sending its profits to its main office. Remittances for dividend payments, interests, royalties, and purchase price of goods and services, however, are not treated as disposals of profit.

Business operations in Thailand are subject to a Business Tax which is levied on the turnover of business. Rates vary from 0.5 to 25 per cent according to the classification of the products sold and the services rendered. Wholesalers and retailers are exempt from this tax as collections are assumed to be made at the source.

In all cases, the same tax treatment is given foreign residents as the local residents of Thailand.

## Import Duties

The Thai customs tariff is primarily for revenue, but increasing use is being made of the tariff system to protect local industry.<sup>90</sup> The rates are variable with luxury items dutiable at the highest rate. Imports of manufactured goods produced locally of a similar quality are also assessed at comparatively high rates. Import of manufactured goods not produced locally is at lower rates and essential raw materials are often duty free.

Uniform rates are charged for all imports. The rate structure is changed from time to time due to local economic conditions such as hoarding and balance of payments problems.

The use of restrictive tariffs to keep out goods manufactured locally has been one of the incentives provided foreign investors.

## Foreign Trade

### Imports

One of the most useful indicators of market potential for which accurate statistics are available is imports. They provide a rough estimate of domestic demand and the feasibility of trade and investment.

The rough breakdown of total Thai imports are given in Table 3. The principle items in terms of the value of the imports are also included.

---

<sup>90</sup>Import Tariff System of Thailand, Operations Reports, World Trade Information Service, Part II, No. 61-1, U. S. Department of Commerce, 1961.

Table 3. Summary of Imports By Thai Customs Commodity Classification, 1956-1960  
(In approximate U.S. Dollars = 000 omitted)

	<u>1956</u> \$	<u>1957</u> \$	<u>1958</u> \$	<u>1959</u> \$	<u>1960</u> \$
Food products (milk products, wheat flour, coffee, tea, spices, and seasoning)	30,592	34,682	39,055	40,639	39,224
Beverages and tobacco (87% of this total represents unmanu- factured leaf tobacco)	8,513	10,170	9,861	8,527	5,394
Crude materials (inedible), except fuels (raw cotton, sulphur, asbestos, and seed [agricultural and otherwise])	3,977	3,680	3,630	3,535	7,159
Petroleum products (gasoline, diesel fuel, fuel oil, lubricating oil, greases, and petroleum asphalt)	38,759	46,405	45,053	47,278	51,234
Animal and vegetable oils and fats (tallow and linseed oil)	1,421	959	1,238	1,535	986
Chemicals (drugs, pharmaceuticals, medicinals, industrial chemicals, dyes, pigments, fertilizers, insecticides, household chemicals, cosmetics, and plastics)	32,704	37,694	37,850	46,101	48,682



Table 3. (continued)

	<u>1956</u> \$	<u>1957</u> \$	<u>1958</u> \$	<u>1959</u> \$	<u>1960</u> \$
Manufactured goods (rubber tires and tubes, paper and products, textiles and related products, fishing nets, rope and twine, gunny bags, glass, ceramics, iron and steel products, tools and other metal products)	148,892	157,444	148,207	155,811	164,459
Machinery and transport equipment (agricultural machinery, internal combustion engines, passenger vehicles, trucks, aircraft, heavy capital equipment, service equipment, components, machine tools, and consumer durables.	76,144	95,364	93,041	110,013	119,502
Miscellaneous manufactured articles (apparel, household equipment, plumbing and light fixtures, medical and scientific equipment, photographic equipment, military equipment, and miscellaneous light consumer goods)	27,605	24,561	23,482	24,353	26,122
Miscellaneous items (pets, diplomatic imports, personal effects of travelers, gold bars, coins, and other special transactions)	14,146	15,883	10,431	11,619	18,339
Total imports	\$382,753	\$426,842	\$411,848	\$449,411	\$481,101

Source: Hatch, A. W., A Survey of Private Investment Opportunities In Thailand.

## Exports

Export figures give some indication of the possibilities for investment opportunities in the area of processing of basic commodities for export on their use in local manufacture based upon their availability and the domestic demand for the imported finished products for which they are used.

Table 4 gives a rough breakdown of Thai exports for 1960.

Table 4. Summary of Exports - 1960

	(US \$ millions)
Rubber	129.0
Rice	128.5
Corn	27.5
Tin	26.8
Teak	17.8
Oil seeds	8.5
Live animals	6.7
Other agric. products <sup>1</sup>	29.8
Other goods <sup>2</sup>	46.5
Re-exports	9.6
<b>Total</b>	<b>\$430.7</b>

<sup>1</sup>Other agricultural products refer to duck and hen eggs, fish and fish products, beans, chili peppers, leaf tobacco, fruits, and vegetables.

<sup>2</sup>Other goods consist principally of lumber, hides, tapioca flour and meal, kapok, and lac.

Source: Hatch, A. W., A Survey of Private Opportunities In Thailand.

## Investment Feasibility Studies

Import and export statistics, while they can provide some basis for investment feasibility, are apt to be misleading unless other factors are also taken into consideration, i.e., investment feasibility cannot be entirely based on import replacement and the utilization of local raw materials.

In regard to this problem, a preliminary investment feasibility study was conducted in Thailand from December 1961 to March 1962 by Ebasco Services Incorporated, a United States investment firm.<sup>91</sup>

The purpose of the survey was to:

Analyze the economic, social, and political factors influencing private investment including: resources, market potential, production capacities, investment conditions, and climate in order to ascertain private investment opportunities in Thailand and to recommend a minimum of four projects that should be given priority in development into investment feasibility studies on the basis of the country's needs and their attractiveness to private inventors.

While the ultimate objective of the survey was the selection of projects for further feasibility studies, the importance of the survey to this study lies in the analysis of the feasibility for the various kinds of investment in Thailand.

Basic guidelines which were set up for the study were:

- (1) Present market demand (internal and external)
- (2) Use of Thai raw materials

---

<sup>91</sup>Hatch, A. W., A Survey of Private Investment Opportunities In Thailand, EBASCO Services Inc., United States Agency For International Development, Washington, D. C., 1962.

- (3) Extent of import reduction and conservation of foreign exchange.
- (4) General contribution to Thailand's economy in providing employment and stimulating satellite industries.
- (5) Productive capacity at present stage of development.
- (6) The potential for profit sufficient to attract private investment.

A summary of the determinations made on specific industries is as follows:

- (1) Light consumer goods are produced in substantial quantities but are low in quality. There is a marked preference for imports. The industry does not offer attractive opportunities for local manufacture nor is it considered as important to the economy as more basic industry.
- (2) Consumer durables have a good market potential. Apropos of consumer goods in general, a merchandising organization of the Sears Roebuck type which would establish product specifications, design, and quality standards would be desirable.
- (3) Automobile assembly and metal refinishing industries are of marginal value with respect to the economy.
- (4) Tobacco manufactures, petroleum refining, and the lumber and wood products industries are not considered as feasible due to the government's position in these industries.

- (5) Classifications of industry such as: professional, scientific and control instruments; photographic and optical goods; watches and clocks are not justified by the market or technical resources.
- (6) Food and allied products are in adequate supply for local demands with the exception of milk products, coffee, and tea. The milk products industry is not considered attractive in light of the experimental nature of Thai dairying and existing activity in this field. Possible industrial projects in this area were vegetable oil processing, corn processing, storage, and food canning.
- (7) Textile mill products do have possibilities for investment in Thailand although there is considerable activity and interest in this field already and the government of Thailand has placed these products in a low priority class. The best investment possibilities lie in synthetic or mixed cotton and synthetic fabrics which are now imported in substantial quantities. The production of gunny bags and fabric packaging materials is approaching the demand so it does not provide good investment opportunities. The limited market precludes investment in the "ready made" apparel industry.
- (8) Chemicals and related products industries offer good investment opportunities in industrial chemicals, plastics, fertilizers, pesticides, synthetic fibers, and paint due to their

value to the economy in replacing imports and contributing to development. Substantial local production of drugs, pharmaceuticals, soaps, and detergents is now close to meeting demand.

- (9) Due to the available supply of local raw materials the rubber products industry is of high priority. A group of major companies is currently negotiating with the Thai Government to establish tire and tube producing plants. This is a very large import item at present so prevents a good possibility for strong local markets.
- (10) Flat-glass production offers good possibilities due to heavy domestic demand and limited local production. Other construction materials are in ample supply locally although many are of inferior quality.
- (11) The primary metal industries, while being very valuable to the development of the country and conservation of considerable foreign exchange, are not considered to be priority investment possibilities due to the uncertain condition of raw materials and the projects already underway in this field. Local production of small fabricated metal products is presently high enough to preclude important opportunities in this field.
- (12) Production of lighter types of machinery and equipment provide good investment opportunities, especially small internal combustion, farm machinery, and water pumps.



- (13) Current demand in the electrical equipment and household appliance industries, present investment opportunities, especially small electrical equipment, transformers, small motors, switching equipment, pole-line hardware, wiring devices, fans, irons, ranges, refrigerators, air conditioners, radio, and television.
- (14) The manufacture or partial manufacture of bicycles warrants consideration for potential investors.
- (15) Paperboard production was considered to be a feasible investment project while other paper production is uncertain due to the local sources of raw material.

The screening of industrial possibilities by this survey resulted in the selection of 18 projects in three priority groups. Under the first priority group were industrial chemicals, plastics, paperboard, corn processing and storage, vegetable oils, small machinery, and synthetic fiber.

In the second priority group were flat-glass, food canning, electrical equipment and supplies, household appliances, agricultural equipment, tractors, paint, bicycles, insecticides, and fungicides. In the third, or conditionally selected group, were automobile tires and tubes and fertilizers.

The survey team explicitly stated that their survey was to find the most feasible industrial projects under the guidelines set forth and not to discourage investment in other sectors of the economy. The

disqualifications and lower priority assignments to other industries because of various factors would, however, be of great importance to potential investors in their fields.

#### International Assistance to Promote Trade and Investment

Various efforts under the joint sponsorship of the Thai Government and the U.S. Foreign Aid program have been made to promote and provide assistance to private investment, both foreign and domestic.

Programs of the U.S. Foreign Aid program available for use in Thailand are: (1) loans to private enterprise from the Development Loan Fund of the Agency For International Development, (2) investment guarantees, (3) feasibility and investment surveys, and (4) loans for the establishment of development banks and investment centers. In addition, Thailand has been selected as one of four pilot countries where special emphasis is being made to encourage and assist United States' private investment.

All of these activities are handled through the Industry Division of the United States Operations Mission of the Agency For International Development in Bangkok which also provides advisory services to the Thai Government in such fields as taxation reform and investment legislation.

Other sources of assistance to private foreign trade or investment in Thailand are: (1) The International Bank for Reconstruction and Development, (2) The International Finance Corporation, (3) The

Export - Import Bank, (4) The World Bank, and (5) The United Nations Special Funds for Pre-Investment Survey.

While a complete discussion of all of these programs in detail is perhaps neither pertinent nor feasible in this study, some general guidelines that are followed by these organizations are as follows:<sup>92</sup>

- (1) Their activities are designed to supplement private capital sources rather than replace them.
- (2) A basic consideration is that the financing or service provided will contribute to the over-all development of the economy.
- (3) Insofar as financing is concerned, the loans made must have a reasonable assurance of repayments.
- (4) Guarantee provisions cover only specific risks such as inconvertibility, expropriation war, revolution, and insurrection.
- (5) Loans or other assistance are provided only when there is maximum participation from the resources of the borrower.

---

<sup>92</sup>For further information see:

1. Richards, R.B.J., The Role of the World Bank and Its Associates, World Bank, London, 1961.
2. Rivkin, Arnold, U.S. Private Investment Abroad: Facilities and Programs of IFC, EXIM - Bank and ICA Available to U.S. Investors, Massachusetts Institute of Technology, Cambridge, Massachusetts, 1958.

## CHAPTER VI

## BUSINESS INTERESTS IN THAILAND

Estimates by the Thai Board of Investment in mid-1960, the latest year that such estimates were available, put total foreign investment in Thailand at \$100 million. Of this, United States' private business interests accounted for \$25 million -- larger than any other single country.<sup>93</sup>

In the years 1954-1960, total foreign investment in Thailand increased at a rate of more than \$5 million a year. United States' investment increased by about 20 per cent in that period.

On the basis of lists compiled by the American Embassy in Bangkok and the U.S. Department of Commerce, <sup>94, 95</sup> 69 American firms have interests in the form of stock, sole ownership, or partnership. The 1962 listings show that 13 new U.S. firms have established investments in Thailand since 1960.

American firms investing in Thailand are required to register capital in the amount that they will be liable in case of bankruptcy. These registered capital figures, however, have no bearing on the

---

<sup>93</sup>Investment Factors in Thailand, op. cit.

<sup>94</sup>American Firms, Subsidiaries and Affiliates - Thailand, Bureau of Foreign Commerce, U.S. Department of Commerce, Washington, D. C., April 1960.

<sup>95</sup>American Investors in Thailand, American Embassy, Bangkok, Thailand, January 1, 1962.

actual capital invested so it is not possible from this data to estimate actual capital investment figures on each company or groups of companies. The largest single amount of this investment is estimated to be in the storage and distribution of petroleum products.<sup>96</sup>

Trading and distribution activities in general appear to constitute the major portion of American direct investments. Of the 69 firms with American investment in Thailand, 33 are primarily engaged in trading and distribution activities, 20 in industrial or manufacturing activities and 16 are service-type organizations. The complexion of American investment interests in Thailand over the past few years appears to be changing, however, with increased expansion of industrial and manufacturing activity. Some indication of this is given in the breakdown of the 13 new American firms listed as initiating operations in the past two years. Ten of these were primarily engaged in industrial and manufacturing activities, while only three were in the trading and distribution fields. In addition, there has been some changes from strictly trading and distribution to local manufacture by some of the existing firms.

This change in the investment direction, i.e., from a heavy concentration on commerce to industry, seems to follow the over-all change taking place in investments in Thailand.<sup>97</sup>

---

<sup>96</sup>Investment Factors in Thailand, op. cit.

<sup>97</sup>Report on Economic and Financial Conditions in Thailand, op. cit.

Present manufactured products currently being produced or processed by American firms are: batteries, recombined milk products, fertilizers, paints and paint products, flashlights, oxygen, CO<sub>2</sub>, dry ice, bakery products, coconut fiber, copra and related products, silk fabrics, tires and rubber products, television receivers, soft drinks, pharmaceuticals, cosmetics, sea food, tapioca flour, and purified drinking water.

The American service agencies include: banking, insurance, engineering and architect consultants, investor services, air transportation, hotel accommodations, and newspaper publications.

Of the American firms primarily engaged in trading and distribution activities, there are two general types: those handling a wide variety of products from several manufacturers and those handling a specific line of products of their present firms or products in a specific industry. Nine trading and distribution firms are in the former category and 22 in the latter.

#### Total Investment Picture in Thailand

The capital investment of newly registered companies in Thailand averaged \$35.1 million equivalent in the years 1959-1960 the latest year such figures were available. The great majority of this was domestic investment. Foreign investment for this period excluding Chinese investment averaged \$2.15 million per year. Table 5 gives a breakdown of the sources, amounts, and types of investments for the period 1959-1960. Chinese investments are usually considered to be domestic investments as most of the Chinese investors are permanent Thai residents.



Table 5. Capital Investment of Newly-Registered  
Companies and Partnerships, 1959-1960  
(Millions of dollars of paid-in capital)

	1959	1960
By nationality:		
Thai	25.2	24.2
Chinese	9.3	7.2
Others	3.1	1.2
Total	37.6	32.6
By enterprise:		
Agriculture	.4	.1
Forestry	.1	.4
Fishing	--	.2
Mining	1.1	.7
Rice milling	3.7	2.3
Saw milling	1.1	.4
Liquor distilling	1.0	.4
Sugar refining	.3	5.7
Metal manufacture	.3	--
Spinning and weaving	.9	--
Motion-picture production	.1	--
Other manufacturing	5.6	5.0
Construction	2.5	3.3
Electricity	--	.1
Trade and commerce	16.9	10.4
Banking and finance	.1	.2
Insurance and warehousing	.3	.3
Transportation	.4	.5
Hotels	.3	.3
Restaurants	.1	.3
Theaters	.4	.2
Others	2.0	.7
Total	37.6	32.6

Source: Bank of Thailand Monthly Report, March 1961 (Department of Commercial Registrations).

Trade and commerce, industrial and manufacturing, and construction activities in order of investment size, made up the bulk of new investments.

The industrial promotion program has been quite successful in promoting both Thai and foreign investments. Since the establishment of The Board of Investment and new incentives for investors in April of 1959 to the end of December 1961, 160 new business ventures have been approved for promotional benefits. Of these, 130 were new investments and 30 were existing industries undergoing large scale expansion. The capital investment involved was 4,400 million baht (\$22 million). Thirty-six thousand new jobs were created as a result and 38 skilled foreign technicians were brought into the country. In addition, at the end of January 1962, 42 new applications for industrial plants were under consideration.<sup>98</sup>

Of the total of new ventures being promoted, 56 were fully owned by Thais, six are foreign owned and 68 are Thai-foreign joint ventures.<sup>99</sup> These figures show an increasing awareness on the part of the Thai people of the soundness and profitability in the industries of their country. It also indicates that foreign business firms are concentrating more on jointly-owned enterprises rather than on sole ownership by the foreign country.

---

<sup>98</sup>Report No. 15, Thai Board of Investment, Statistical Section, Bangkok, January 1962.

<sup>99</sup>Report on Economic and Financial Conditions in Thailand,  
op. cit.

## United States Trade and Commerce

Approximately 1100 United States-based companies sell their products in Thailand through local representatives.<sup>100</sup> In 1960 they exported a total of \$76,000 million worth of merchandise to Thailand. This made the United States the second largest exporter to Thailand or 17 per cent of total Thai imports.<sup>101</sup>

The United States maintained its position in the Thai market with approximately 17 per cent of total imports since 1955 by virtue of increasing its total yearly sales over the period by 13 per cent. While the United States has maintained its position in the Thai market, there has been considerable reshuffling of positions among other countries. Japan and West Germany have been particularly active in their efforts to gain ground in the Thai market and have accomplished percentage gains of 62 1/2 and 50 per cent respectively since 1955.

Five major groupings of United States' products made up approximately 90 per cent of United States export trade to Thailand in 1960. They were: (1) machinery and vehicles, (2) chemicals and related products, (3) textile fibers and manufactures, (4) metals and metal manufactures, and (5) inedible vegetable products (primarily raw tobacco and rubber manufactures).<sup>102</sup>

---

<sup>100</sup>American Firms and Their Thai Representatives, Commercial Section, American Embassy, Bangkok, Thailand, May 1961.

<sup>101</sup>Mayer, Paul A., op. cit.

<sup>102</sup>Ibid.

United States' exports in terms of total value of exports to Thailand have been maintained at a fairly constant ratio of approximately 17 per cent. There has, however, been considerable variation in the United States' share of individual products. This variation is shown in Table 6 on 113 items or groups of items which has made up over 85 per cent of Thai imports for the past decade. The years 1954 and 1960 are used because in 1954 Thailand had all but completed its post-war rehabilitation and 1960 was the last year for which complete figures were available.<sup>103</sup>

A review of Table 6 appears to indicate that the Thai market for United States' products is becoming more specialized. The rather large gains in a few of the major exports have offset losses in numerous smaller-value exports. For example, 37 of the products or groups of products showed a gain in the United States' share of those products while 76 cases showed a decline in the United States' share of particular products. It can also be noted, that the total imported value of most of the products listed has increased and thus the losses are due to gains by other-country competitors rather than a declining market.

United States' imports from Thailand in 1960 totaled \$55,745, approximately 70 per cent of which was crude rubber.<sup>104</sup> Other major imports in order of their importance were tapioca, tin concentrates, and kapok. This placed the United States as the third largest importer of Thai products.

---

<sup>103</sup>Ibid.

<sup>104</sup>Ibid.

Table 6. United States Share of Thailand's Import Market, 1954, 1960

Item	1954		1960	
	Value, in Thousands Of dollars	Percent Of total Imports	Value, in Thousands Of dollars	Percent Of total Imports
1. Tobacco, unmanufactured	3,423	98.00	4,354	99.54
2. Animal oils, fats, and greases (except lard)	625	93.57	11	1.98
3. Refrigerators, self-contained units	664	78.20	312	49.23
4. Synthetic perfume and concentrates	382	75.68	236	47.04
5. Truck chassis, with engines mounted	2,785	74.48	789	10.07
6. Soaps and detergents	731	73.20	153	24.26
7. Lubricating oil and grease	2,625	73.01	2,186	36.90
8. Aircraft parts	936	72.08	237	44.94
9. Miscellaneous manufactured articles	6,577	67.18	5,900	25.25
10. Tractors	944	66.63	75	6.41
11. Photo and cinematographic apparatus	476	60.56	146	39.70
12. Automobile components	1,857	54.89	2,728	20.09
13. Milk and cream, dry or powdered	577	53.49	72	5.01
14. Miscellaneous articles made of plastic	353	52.74	55	19.10
15. Surgical, dental and medical instruments	416	52.59	130	37.54
16. Buses, trucks and other road vehicles	2,149	51.74	1,142	26.49
17. Pitch, resin, petroleum, etc.	584	49.34	-----	Nil
18. Electric batteries	1,425	48.99	275	23.48
19. Measuring, controlling and scientific instruments	362	44.62	789	13.67
20. Insecticides, fungicides and disinfectants	279	43.72	281	17.71
21. Typewriters	248	43.67	34	9.43
22. Antibiotics	748	43.26	1,519	36.88
23. Automobiles	1,787	40.19	887	6.81
24. Fountain pens, penholders and pencils	391	39.61	307	32.14
25. Cosmetics, dentitrices, etc. (except soaps)	679	38.87	529	51.51
26. Radio apparatus	1,124	36.39	72	23.90
27. Miscellaneous office supplies	236	33.98	186	21.24
28. Domestic glass articles	223	33.86	30	20.09



Table 6. (continued)

Item	1954		1960	
	Value, in Thousands Of dollars	Percent Of total Imports	Value, in Thousands Of dollars	Percent Of total Imports
29. Miscellaneous electrical machinery	1,025	33.83	616	15.41
30. Photographic film, plates and paper	217	32.55	323	32.02
31. Non-electric machine parts and accessories	1,557	32.18	7,852	36.85
32. Medicinal and pharmaceutical products	2,751	30.55	3,910	9.93
33. Pumps	333	29.61	101	73.11
34. Non-electric machinery and appliances	2,267	27.77	8,696	31.62
35. Electric lighting equipment	216	27.64	78	7.79
36. Metal containers for transport and storage	460	26.36	212	18.95
37. Electrothermic appliances, all types	131	25.02	5	26.87
38. Road construction and mining machinery	245	24.47	2,896	65.61
39. Miscellaneous dairy products	387	22.44	191	9.03
40. Ships and boats (including those for scrap)	-----	-----	-----	-----
41. Lighting fixtures of all materials	229	21.37	78	7.79
42. Stockings and hose	143	20.36	10	1.23
43. Prepared paints, enamels, lacquers, etc.	578	20.22	642	25.82
44. Inorganic compounds and chemicals	561	18.18	279	1.28
45. Spices (except pepper and pimento)	480	18.04	1	3.69
46. Electric generators, motors, conveyors, etc.	544	17.76	1,283	38.76
47. Metal furniture and fixtures	284	17.72	55	16.28
48. Handtools, all types	406	17.01	568	13.32
49. Miscellaneous paper and cardboard	110	16.79	395	13.27
50. Internal combustion and diesel engines	742	15.37	2,030	23.04
51. Cotton fabrics, bleached, dyed, or finished	4,842	15.15	1,540	5.09
52. Vegetable oils	85	14.93	12	3.26
53. Fabrics of synthetic fibers and spun glass	485	14.11	1,622	21.17
54. Manufactures of soft and hard rubber	99	12.42	24	35.60
55. Outwear, other than knitted	172	12.07	123	4.28
56. Silk fabrics	341	11.46	.07	.048
57. Common packing and wrapping paper	70	11.09	.8	.270



Table 6. (continued)

Item	1954		1960	
	Value, in Thousands Of dollars	Percent Of total Imports	Value, in Thousands Of dollars	Percent Of total Imports
58. Hardware (locks, safety bolts, etc.)	73	10.27	120	14.05
59. Miscellaneous cutlery	51	10.14	1	.869
60. Newsprint	157	9.98	3	.146
61. Underwear and nightwear, not knitted	283	9.75	785	43.48
62. Printed matter on paper or cardboard	219	14.84	375	12.38
63. Nails, bolts, nuts, washers, etc.	256	9.08	172	4.82
64. Optical instruments and appliances and parts	46	8.60	39	8.78
65. Vegetables for human consumption	49	8.52	130	12.02
66. Miscellaneous clothing accessories	53	8.13	122	18.83
67. Linen (table, bed, toilet, and kitchen)	78	5.82	156	9.01
68. Gasoline	627	5.81	744	4.52
69. Coal-tar dyestuffs and natural indigo	47	4.89	29	1.97
70. Tires, auto and aircraft	206	4.35	1,264	15.08
71. Wire, netting, fencing, grills, mesh, etc.	50	4.20	103	12.00
72. Steel plates and sheets	373	2.79	1,827	8.71
73. Clocks and clock movements	14	2.78	1	.472
74. Copper and copper alloys, worked	18	2.58	20	1.92
75. Ships and boats (parts and those for scrap)	297	15.54	11	3.35
76. Sewing machines	28	2.42	10	.742
77. Beer	22	2.32	3	.444
78. Wheat flour	75	2.23	186	5.68
79. Railway track construction accessories	14	2.09	9	.765
80. Aluminum and aluminum alloys, worked	21	1.99	13	.758
81. Steel joists, girders, sections, bars, etc.	99	1.89	221	6.26
82. Pipes and fittings, cast iron	29	1.87	-----	.2
83. Cotton yarn and thread	56	1.83	-----	Nil
84. Fiberboard (not cardboard)	12	1.74	-----	Nil
85. Printing and writing paper (not newsprint)	49	1.69	23	.673
86. Cordage, cables, ropes and twines	17	1.54	14	.302
87. Plants, seeds, flowers, etc.	10	1.52	105	10.69

Table 6. (continued)

Item	1954		1960	
	Value, in Thousands Of dollars	Percent Of total Imports	Value, in Thousands Of dollars	Percent Of total Imports
88. Diesel oil and other fuel oils	120	1.51	-----	Nil
89. Plain sheet glass, unworked	12	1.44	-----	Nil
90. Insulated electrical cables and wires	25	1.30	140	6.18
91. Cardboard (except building board)	6	1.24	126	10.50
92. Kerosene and illuminating gas	43	1.16	-----	Nil
93. Watches and watch movements and parts	13	.95	126	8.00
94. Footwear, wholly or mainly of leather	13	.87	2	.584
95. Kitchen utensils of iron and steel	13	.79	2	1.05
96. Linen, hemp, and ramie fabrics	10	.74	-----	Nil
97. Steel tubes and fittings, welded or drawn	8	.67	524	14.33
98. Cotton fabrics, grey unbleached	36	.63	4	.249
99. Coffee, not roasted	10	.53	3	.017
100. Woolen and worsted fabrics	3	.45	1	.064
101. Blankets, traveling rugs and coverlets	4	.21	4	.195
102. Bicycle parts and accessories	3	.17	-----	Nil
103. Tea	2	.17	4	.419
104. Refined beet and cane sugar	5	.13	1	21.9
105. Table, household, and art articles of faience	.7	.12	8	.302
106. Railway and streetcar coaches	.9	.07	151	28.61
107. Milk and cream, evaporated and condensed	5	.045	16	.108
108. Cement	.4	.03	-----	Nil
109. Bicycles and other, not motorized	.2	.01	-----	Nil
110. Cotton thread and yarn, bleached and dyed	.07	.001	.6	.042
111. Bags and sacks for packing, new or used	.04	.000001	.1	.002
112. Raw cotton, other than linters	-----	Nil	2,284	82.15
113. Railways rails	-----	Nil	6	.276

Source: Mayer, Paul A., Thailand - A Market For U.S. Products

## CHAPTER VII

SURVEY OF UNITED STATES PRIVATE BUSINESS FIRMS  
REPRESENTED IN THAILAND

In order to obtain additional information regarding United States' private business representation in Thailand, a mailed-questionnaire survey was conducted by the author in August of 1962. United States' private business firms having direct investments in Thailand as well as those exporting their products to Thailand through Thailand-based representatives were contacted. They were asked to provide information on: (1) the nature and scope of their firm's present Thai business interests and their plans for future operations, (2) their business firm's experience and evaluation regarding market size, market growth, and profits in Thailand, (3) the businessmen's evaluation of the various investment factors in Thailand, and (4) the business firm's present contributions to Thai economic development. (A copy of the questionnaire used is included in the Appendix.)

It was possible to contact nearly the whole population of American firms with business interests in Thailand on the basis of information prepared by the American Embassy in Bangkok.<sup>105 106 107</sup> This included 1080 United States' private business firms listed as

---

<sup>105</sup>American Firms and Their Thai Representatives, op. cit.

<sup>106</sup>American Firms, Subsidiaries and Affiliates - Thailand, op. cit.

<sup>107</sup>American Investors in Thailand, American Embassy, op. cit.

exporting their products to Thailand and selling them through local representatives and 69 firms or individuals having a direct involvement in Thailand in the form of stock, sole ownership, partnership, or a license basis. In the cases where there were no United States-based parent firms, the questionnaires were sent directly to Thailand.

A total of 71 business firms were removed from the survey. Of these, 32 were removed on the basis of questionnaires returned by the Post Office, eight firms indicated that they would not take part in the survey, and 31 denied any business representation in Thailand. This reduced the number of firms contacted to 1015 exporting firms and 61 firms with direct investments.

The questionnaire survey was answered by 166, or 16.35 per cent of the exporting firms with Thai representation and 29, or 42 per cent of the investors with direct representation. Many of the questionnaires were not entirely completed. From the explanations given, the failure of some of the firms to provide complete information arose from the fact that those firms which had only spot sales or highly fluctuating sales generally indicated that they could not realistically answer all of the questions. Others stated that certain questions did not apply to their operation. Still others stated that some of the information asked for was confidential and thus could not be given.

In presenting the results of this survey, the total number of responses per question is given and any percentages listed are based on these.

### Denials of Business Representation

The number of replies received from firms denying any business representation in Thailand, if projected to the entire population, would indicate that quite a large number of the present firms whose products are handled by various local Thai trading firms are not aware of it. Assuming that the listings used are accurate, the reasons for this situation can only be speculated upon. It does suggest, however, that a sizeable number of firms are not, directly at least, active in promoting their products in Thailand.

### The Nature and Extent of United States' Private Business Operations in Thailand

#### Description of Sample Firms

Although it was not specifically asked for in the questionnaire, information which was volunteered by many of the 166 United States' business firms in the general category of wholesale supplies to local Thai representatives indicated that a rather full range of business arrangements was present in the sample.

Some of the firms contracted their export sales through United States-based export firms which handled all further arrangements for sales and distribution in Thailand. Other arrangements were: (1) representation by major Thai and foreign export-import houses in Thailand, (2) independent distributorships for products, (3) exclusive distributorships, (4) franchised dealerships, (5) sales representative



companies, (6) catalogue sales, (7) commission agents, and (8) direct customer sales.

Of the 166 United States' exporting firms, 53 or approximately 32 per cent indicated that their products were sold on an irregular or spot-sales basis. It was assumed that the remainder of the firms had arrangements for regular distribution and sales of their products.

Of the 29 United States' firms in the sample with direct investments in Thailand, 13 were subsidiary companies of United States' firms, 13 were branch operations of United States' firms and three were independent Thai-American companies. Two of the United States' firms had both branch and subsidiary company investments. Twelve of these firms were sales representative companies, nine were involved in manufacturing and industrial activities, and seven were in the service industries.

#### Thailand As a Central Base of Operations

Due to its central location, the transportation, communication, and other trade facilities available in Thailand, especially Bangkok, there appears to be a good possibility that the country might stand to benefit as a central base of operations for companies that are also doing business in other Southeast Asian countries.

The sample survey, however, indicates that this is not the case at present. Only six or 4.4 per cent of 130 respondent firms having local Thai representatives indicated that Thailand was used as central point of sales or distribution. Five or approximately 17 per cent of



the firms with direct investment interests indicated that Thailand was used as a central base of business operations in neighboring countries.

The countries served and the number of firms serving each from Thailand-based operations were as follows: Laos (10), South Viet Nam (4), Burma (3), and Cambodia, Indonesia, Borneo, Singapore, Sarawak, Timor, the Philippines, and Hong Kong one each.

Japan and Hong Kong appear to be the most popular as central bases of operations for Southeast Asia with Thailand being of only minor importance in this regard.

#### Chronological Expansion of United States' Private Business Interests

By tracing the chronological expansion of United States' private business interests in Thailand, especially since World War II, it is possible to show whether or not there have been any significant over-all trends toward expansion or contraction of total United States' private business activity there.

Table 7 gives the information on dates of initiation of 123 firms operating through Thai representatives and 23 firms with direct investments by five year intervals starting with 1962. The firms with direct investments are listed according to the period in which the direct investment took place, although several of them had been operating in Thailand prior to that time. The period, 16-20 years, covers the period of World War II and accounts for the low amounts of activity during the period.

Table 7. Five Year Interval Breakdown of  
New United States' Private Business  
Initiations in Thailand

Five year intervals Starting with 1962	Firms operating through Thai representatives (Number of firms)	Firms with direct Investments (Number of firms)
1 - 5 years	24	10
6 - 10 years	30	4
11 - 15 years	37	7
16 - 20 years	7	
20+	25	3
Total	123	23

It appears that the period following World War II was a high point for United States' firms establishing dealerships and other business connections in Thailand in order to establish their products in the Thai market. It was also important from the standpoint of new direct investments. Following this period, there seemed to be a decline in the establishment of new trade and investment activities. This period coincided with a period of internal strife in Thailand and a deteriorating political situation throughout Southeast Asia.

In the past five years, the trend seems to have been toward increased direct investments by United States' private business firms and a leveling off of the number of firms establishing new trading contacts.

It should be noted that two of the firms that established trading representation in Thailand during the period immediately following World War II have since discontinued their operations. Other than that all of the firms listed are still operating in Thailand.

Past Changes in Operations and  
Planned Future Changes

The business firms were asked to provide information regarding operational changes that had been made in their business activities in Thailand since their initiation there. Table 8 shows the number of the various changes that have been made based on 121 replies received from the firms operating through Thai representatives and 22 replies from firms having direct investments.

Table 8. Past Changes in Operations of United States'  
 Private Business Firms Represented in Thailand

Changes listed	Firms operating through Thai representatives	Firms with direct Investments
1. Change distributorship	5	
2. Establish dealer network	1	
3. Discontinued Thai accounts	2	
4. Subsidiary company to franchised dealer	1	
5. Export sales to local manufacture		6
6. Expansion of staff and facilities		4
7. Establishment of regional branch office		1
8. No change	112	11
Total	121	22

The business firms also were asked to indicate any changes that they were planning to make regarding the firms' Thai operations. Table 9 shows the planned changes listed from the respondent firms.

Table 9. Planned Changes in Operations of  
United States' Private Business Firms  
Represented in Thailand

Planned changes listed	Firms operating through Thai representatives	Firms with direct Investments
1. Export sales to local manufacture	6	
2. Manufacture under license arrangement	4	
3. Establishment of joint sales and service organization	1	
4. Addition of distributor outlets	6	
5. Changing distributorship	7	
6. Expansion of number of products sold	2	
7. Expansion of present facilities		7
8. Increased advertising and promotion	22	
9. No changes planned	<u>93</u>	<u>15</u>
Total	121	22

A comparison of the operation changes made in the past with those planned for in the future appears to show an over-all trend of increased activity by the United States' firms presently represented in Thailand.

A look at some of the individual changes that have been made or are being planned may show their significance on the over-all United States' private business picture in Thailand.

Firms which are involved in the export sales of their products appear to be a good source of future investors. Six of the firms which had direct investments previously were exporters to Thailand and 10 of the firms now exporting to Thailand are planning investments. This

would indicate that approximately one firm in every 12 of the firms presently exporting through local representatives is planning some direct investment.

Another potential source of investment in Thailand appears to be the expansion of present investments there. Four of the Investor firms indicated they had expanded and seven were making plans to expand. This might also mean that there is an increase in reinvestment of earnings.

Four of the ten firms planning industrial investments indicated they would do so under a license arrangement with a Thai firm. This seems to follow a general trend in Thai investments toward joint operations rather than those entirely owned by the foreign investor.

#### Growth Rate, Rate of Return, and Reinvestment

One of the major segments of the survey questionnaire dealt with financial estimates of business investments, sales volume, rate of return, and reinvestment. Unfortunately, United States' business firms operating in Thailand were very reluctant to provide such information. The main reason offered for refusing to provide the information was that the firm's policy did not allow the release of such information. In many of the cases of firms operating through Thai representatives, they indicated that this information was not known with any degree of accuracy.

The following information is presented on the basis of a small number of replies in an attempt to salvage as much information as

possible from this important section of the survey. It is not intended that the information should serve as a basis to describe the over-all situation, but to show some examples of the growth rate and rate of return experience of a few of the firms.

### Sales Volumes

Thirty-nine business firms operating through Thai representatives and seven firms with direct investments did provide information on the volume of sales in Thailand. Five of the firms in the former classification indicated that their sales volumes had been decreasing. Seven reported that their volume of business was staying about the same from year to year. Ten of the firms reported annual increases up to 50 per cent annually and eight had experienced 50 to 100 per cent annual gains in sales volumes and nine of the firms, mainly those newly established in Thailand, showed gains of 100 per cent and over. Percentage gains or losses were calculated by finding the differences between original volume of sales and sales volumes during the most recent year. This difference was then divided by the number of years the firm had been operating in Thailand.

On the same basis, six of the seven firms with direct investments showed substantial annual volume gains. In the case of five of the seven firms, the increase was over 100 per cent annually. In the case of the one firm that showed declining sales, the decline was less than one per cent.



### Evaluation of Market Potential

The business firms were asked to evaluate the future potential of the Thai market in regard to their own business operation. No particular percentage or monetary range was established for evaluating the market, as businessmen most likely vary a great deal on how they would evaluate the market situation in those terms. Table 10 shows the future Thai market evaluation by the United States' business firms in the sample.

Table 10. United States' Business Firm's Evaluation of Future Thai Market Potential

Future potential	Firms operating through Thai representatives	Firms with direct Investments
1. Declining volume of business	5	
2. Same as present	18	2
3. Slow rate of growth	67	18
4. Moderate to rapid growth	16	3
Total	106	23

The majority of firms in both categories indicated that they looked for a slow rate of growth for their products or services.

This evaluation of future market potential would be one of the primary considerations of potential investors. The fact that the majority of the United States' business firms in the sample viewed the potential growth of the Thai market for their products as being slow may point to one of the difficulties in encouraging private United States' investment in Thailand.

### Rate of Return

The United States Department of Commerce estimates that net earnings on Thai investments after Thai taxes are approximately 20 per cent.<sup>108</sup> Five firms with direct investments provided rate of return figures on their Thai investments. The rate of return percentages listed by the five firms ranged from three to ten per cent with the average percentage being 5.7 per cent. These five firms represented approximately \$5.5 million in Thai direct investments.

### Comparison of Earnings

It is assumed that United States' private business firms make their decisions to carry on foreign operations, at least in part, on the basis of the various profit alternatives open to them. While such alternatives may include a choice of various foreign countries, perhaps the major basis of comparison is the United States-based operations of the companies.

On this basis, the United States' firms represented in Thailand were asked to give a comparison of earnings between United States and Thai operations. The response to this question was poor, with only 39 replies from the trading group and seven replies from those having direct investments. Sixteen or approximately 41 per cent of the trading group reported earnings being the same as in United States' operations. Eleven or approximately 28 per cent found earnings were slightly lower,

---

<sup>108</sup>Investment Factors in Thailand, op. cit.

eight or approximately 20 per cent thought them considerably lower, and four or approximately 10 per cent indicated that their earnings were slightly higher.

Of the investor group, slightly lower earnings were reported by three, considerably lower by three, and slightly higher by only one. None of the replies from either group considered earnings to be considerably higher than in United States' operations.

### Reinvestment of Earnings

The United States Department of Commerce estimates that there has been very little reinvestment of earnings by the United States' private business interests in Thailand.<sup>109</sup> Eleven of the firms with direct investments provided information on reinvestment of earnings. Of this group, five firms indicated that they were reinvesting earnings in Thailand. Percentages of earnings reinvested by this group ranged from 10 per cent to 100 per cent. The average percentage of reinvestment by the five firms was 68 per cent.

Only one of the firms in the trading group out of some 67 replies indicated that any of their Thai earnings were being reinvested. In this case the reinvestment was for market development.

### The Climate for Investment

### Evaluation of the Role of Government

Three factors that were listed as having negative effects on the

---

<sup>109</sup>Ibid.

investment climate in the investment survey, "Expanding Private Investments For Thailand's Economic Growth" which has already been summarized in Chapter 5, were: (1) the complicated and arbitrary administrative procedures of the Thailand Government in their dealings with private business, (2) the governmental ownership and operation of business firms, and (3) the lack of commercial surveys, statistics and services.

This survey reflected the views of private businessmen in 1958. Since that time, the Thai Government has taken steps designed to correct this situation. It was thought that it would be useful to obtain the viewpoints of businessmen on these issues three years later to get some indication of the effectiveness of the measures that had been taken to correct the situation and to determine the extent to which they still presented a problem.

The respondents were asked to evaluate the effects of these factors on the administration of their Thai business operations.

Table 11 was developed on the basis of 120 responses from firms operating through Thai representatives and 25 firms with direct investment interests regarding their evaluation of the importance of these factors.

Administrative procedures of the Thai Government do not appear to be a major problem to the majority of business firms. Many of the firms indicated that, while they objected to Thai "red tape" they did not feel it was a deterrent to business operations. One firm with business operations throughout Asia mentioned that it considered Thailand to be relatively good in this regard. The most common complaint of

Table 11. Business Firm's Evaluation  
of Investment Factors

Ratings of investment factors	Firms operating Through Thai Representatives only	Firms with Direct Investment
1. Administrative procedures		
-have not been an obstacle	69	12
-an inconvenience but not an obstacle	44	12
-a major obstacle	7	1
2. Governmental competition		
-not competitive with present operations	104	21
-competitive with present operations	16	4
3. The lack of commercial ser- vices, surveys, and statistics		
-not an obstacle	60	12
-an inconvenience but not a major obstacle	51	11
-a major obstacle	9	2

firms finding this a major obstacle to business operations was that im-  
port restrictions or high tariffs had been placed on their products.

Governmental competition does not appear to be a major factor in  
investment since only a small number of firms indicated that they were  
in direct competition with government owned or operated firms. The fig-  
ures here, however, may be misleading as they do not tell the number of  
firms which declined to engage in business operations in competition  
with the government. Several firms, including one with a variety of  
investments in Thailand, pointed out that governmental competition pre-  
cluded any consideration in certain fields that might otherwise be  
attractive to private business operations.



Several firms noted that there has been a great deal of improvement in the commercial services, statistics and surveys, and the survey data on this problem which shows that the majority of business firms did not consider it a major problem. Here again, there is no way of determining how many firms have been discouraged by the lack of such facilities or how many might have been attracted if a better picture of the opportunities were available as a result of such research.

#### Evaluation of Industrial Promotion Legislation

The Thai Industrial Promotion Act of 1962 provided increased incentives for investment in Thailand through tax holidays, exemptions from import duties, and other incentives. It was desirable for the purpose of the study to check the reactions of American business firms represented or located in Thailand to this promotional legislation and to determine whether or not it might provide a basis for future investment plans. The questions asked were: (1) "Do you feel that the Promotion Act provides sufficient incentives for expansion of present operations?", and (2) "Is your company considering any new investment as a result of these incentives?"

Sixty-four replies were received from the trading group. Of these, two indicated that they did consider the Promotion Act to provide incentives sufficient to expand their present facilities and that they were planning new investments as a result of it. Twelve of the firms considered the incentives sufficient, but did not plan new investments as a result. Thirty-seven did not believe it provided sufficient incentives and, therefore, did not plan any new investments as



a result. Thirteen did not reply on the Investment Act other than to indicate that they did not plan any new investments as a result.

Twenty-three of the investor firms responded to the questions. Of these, three replied that the new Promotion Act did provide sufficient incentives for expansion and they did plan new investments as a result. Four indicated that the incentives were sufficient to warrant new investments but were not planning any. Sixteen indicated that the incentives were not sufficient and, therefore, did not plan any new investments as a result of the Promotional Act. Four firms in the latter group, however, qualified their answers by saying that they did plan new investments but not as a result of the new incentives provided.

It is difficult to evaluate the effects that Thailand's industrial promotion program is having on potential American investors on the basis of the information received. Thailand has had programs to encourage foreign business activity since 1954, and the 1962 legislation merely represented further liberalization of the incentives offered. It appeared, however, that most American business firms operating in Thailand through Thai representatives were not familiar with them. This was indicated by the small number of direct replies, and by the large number of respondents indicating either complete ignorance of the programs or misunderstanding of them. It was assumed that most of the business firms would be familiar with the industrial promotion programs as a result of the extensive efforts of the Thai

and United States governments to publicize them; however, this did not seem to be the case.

Many of the firms qualified their replies by saying that they thought that such programs were a step in the right direction, but were not in themselves sufficiently attractive to stimulate new investments. One respondent termed the incentives as "fringe benefits."

There are other implications of the Industrial Promotion Act of 1962 which may affect the present United States trade and investment situation. The Act provides priority listings of promoted industries with the benefits offered in each industry corresponding to the priority it has been given. The incentives include high tariffs and import limitations on imported commodities that compete with local manufacture. This means that United States' exports to Thailand could suffer if local industries are established which produce competing products. Exporters would then face the alternative of losing their Thai market or having to start manufacturing or assembling their products in Thailand. The extent to which this might be a problem is indicated by the priority classifications of the products of the 166 firms in the survey sample. Sixty of those listed are in Group A, 13 in Group B, 52 in Group C, and 41 are unclassified. A detailed description of the priority classifications are given in Chapter IV.

#### Joint Finance

Jointly financed and managed business ventures between foreign and local investors are often considered to be more satisfactory to the

foreign investor than sole foreign ownership. This is because such ventures often are advantageous from the standpoint of public relations within the host countries and also from the standpoint of costs and profits. This arrangement also involves less risk. Such ventures also tend to be more desirable from the standpoint of economic development because they mobilize domestic sources of capital and increase entrepreneurial talent. There are also disadvantages in that the foreign investor does not have complete control over the management of the firm.

The Thai Government does not have requirements for local participation of capital in most investment ventures.

For the purposes of this survey, it was considered to be important to find out how American business firms evaluated the desirability of local capital and management participation in their business operations in Thailand. One question was asked regarding present local participation in present business operations and another on the desirability of local participation in future business ventures.

Table 12 is based on 114 replies received from firms operating through Thai representatives and 24 firms with direct investments.

Of the firms which indicated that they are jointly financed, all preferred this arrangement to complete financing by the parent companies. In addition, a number of firms in both categories, which were not presently jointly financed, indicated that they would prefer such an arrangement in the future.

Another point that was brought out by many of the replies was that due to the lack of financing many Thai distributors did not carry

Table 12. Joint Financial Arrangements  
of United States' Firms

	Firms operating through Thai representatives	Firms with direct Investments
1. Firms jointly financed	12	8
2. Firms not jointly financed	102	16
3. Firms preferring joint finance	41	14
4. Firms not preferring joint finance	73	10

a sizeable inventory of products. This resulted in holding down the volume of products sold. On the other hand, very few of the firms indicated that they provided any inventory financing.

#### Basic Facilities

Basic public facilities such as: electric power, transportation, networks, communication systems, post facilities, and other facilities needed in the conduct of a business operation are an important consideration to investors. It is obvious that Thailand, both in its present accomplishments and its future plans, is making progress in this area. The point in question is whether or not it has gone far enough to convince business firms that sufficient progress has been made to eliminate this consideration as a barrier to private investment.

A series of questions was directed at finding out whether the business firms thought this presented a problem insofar as present operations were concerned and if the lack of such facilities might be a consideration in future operations. These questions were primarily

aimed at the trading firms as the present might be suitable for a trading operation, but not for future expansion of sales facilities or industrial investment. The firms with direct investments would also be concerned with the situation for future expansion.

Only 83 of the firms operating through Thai representatives provided information on their evaluation of the adequacy of the basic facilities in Thailand. Many of those who did not indicated that they did not consider the questions applicable to their present type of operations. These explanations plus the low number of replies probably indicates that the questions asked were not adequately explained, especially for a trading type of operation. Of those who did reply, 74 or approximately 90 per cent indicated that they felt the present basic facilities were adequate for their present operations and nine considered such facilities to be inadequate. Only six or approximately 7.1 per cent indicated that the lack of adequate basic facilities would have a negative effect on future business operations in Thailand.

Twenty-four of the firms with direct investments provided information on their evaluation of the adequacy of basic facilities. Only four replied that basic facilities were presently inadequate and none of the 24 respondents considered that the lack of basic facilities would have a negative effect on their future operations.

### Political Risk

The present political and military turmoil in Southeast Asia raises an external threat to Thailand. In view of businessmen's



experience in other countries with similar situations, it was thought that if the external risks were an overriding factor in the minds of businessmen contemplating trade expansion or investment in Thailand other factors would be relatively unimportant.

In the survey, businessmen were asked how they evaluated present external threats to Thailand's security from the standpoint of its effect on their future business operations there. The questionnaire offered four alternatives: (1) little or no risk, (2) moderate risk, (3) serious risk, or (4) indefinite.

The information in Table 13 was developed on the basis of 93 responses from the firms operating through Thai representative firms and 24 firms which have direct investments regarding their evaluation of these risks as an investment factor.

Table 13. Business Firms' Evaluation of External Threats to Thailand's Security in Regard to Private Business Operation

	Firms operating through Thai representatives	Firms with direct Investments
1. Little or no risk	8	4
2. Moderate risk	50	13
3. Serious risk	19	4
4. Indefinite	16	3
Total	93	24



This sampling would indicate that external risks are not a major deterrent to business operations in Thailand in the minds of the majority of the United States' businessmen. One respondent pointed out that he considered the internal stability a greater factor to consider than the external threats.

### Contributions to Economic Development

The survey provided some measure of the contributions to Thai development that resulted from the activities of private United States' business firms there. The business firms were asked to provide information on the various contributions they were making through the employment and training of local people, the use of local services, and supplies, and the use of trained American technical and administrative personnel. These contributions to development were discussed in a theoretical concept in Chapter II and this survey attempted to provide empirical data on the size and extent of the contributions that were being made in the case of Thailand.

#### American Technical and Administrative Personnel

The contribution made by United States' private business interests to economic development through the provision of technical and managerial skills is shown by the number of American technical or administrative personnel assigned to the business operation.

Responses from the trading group showed that seven of the firms had American technical or administrative personnel assigned to their

Thailand operations. The total number of American personnel assigned by these firms was 12.

Of the 20 investor firms responding, 15 reported having American technical or administrative personnel assigned to their Thai operations. The total for the 15 firms was 59.

#### Thai Technical and Administrative Personnel

The number of Thai technical and administrative personnel employed by the American firms gives some indication of the adaptability of the local Thai people to fill responsible positions either as technicians or administrators in modern business operations. It also may give some indication of the contribution the United States' private business firms are making to the development of a local entrepreneurial law.

Five of the trading firms reported that Thai technical or administrative personnel were employed by their firms in their Thai operations. The total number of such employees was 20. Fourteen of the 19 investor firms responding to this question reported having a total of 276 local personnel in such positions with their firms.

#### Training of Local Personnel

The survey questionnaire asked for information on the number of Thai technical or administrative personnel that had been trained by the respondent firms. It did not specify that the number of personnel listed as being trained still be employed by the firm.

Seventeen of the trading firms specified that they did provide some training for their Thai personnel. A total of 58 were listed as having received such training.

Of the investor firms, 12 of the 18 responding business firms reported that they had provided training. The total number of trained personnel in this group was 2086.

#### Thai Employees

What contribution do American business firms with direct investment in Thailand make regarding total employment of local people? The responses of 21 firms shows that in total they employed 3703 people.

Some idea of the wages that are paid by the American firms can be gained from 13 firms providing wage figures for local personnel. The average wage for this group was \$1052.00 annually.

#### Use of Local Services

Twenty firms operating through local representatives indicated that they utilized local services. The types of services used and the number of firms using each were as follows: banking (9), transportation (8), advertising (6), public utilities (1), legal (5), accounting (2), printing (1), warehouse (1), insurance (1), and translation (1).

Twenty-five of the investor firms indicated that they did utilize local service organizations in their business operations. The types of services used and the number of firms using each of them were as follows: transportation (16), banking (15), legal (15), auditing (7), advertising (17), printing (4), freight (3), construction (1),

rent (1), professional services (3), technical services (2), accounting (5), hotel accommodations (3), food services (8), and insurance (4).

#### Use of Local Supplies

Twenty-one of the investor firms indicated that they utilized local supplies and materials. The types of supplies and the number of firms using each were as follows: delivery equipment (6), office equipment (13), office supplies (16), advertising materials (4), raw materials (5), packaging materials (7), construction materials (7), fuel (1), and components for manufacture (1).

#### Businessmen's Comments on Contributions to Thai Development

The business firms were asked to comment on what they considered to be the main contributions to the development of the Thai economy that resulted from their operations. The replies from 54 firms operating through Thai representatives and 21 of the firms with direct investments are shown in Table 14.

Table 14. Businessmen's Comments on The Contributions  
To the Thai Economy That Resulted From Their  
Private Business Operations

Comments listed	Business firms Operating through Thai Representatives	Business firms With direct Investments
	(number of times listed)	
1. Development of small privately owned local business enterprises	5	
2. Increased productivity of agri- culture and industry	16	7
3. Supply of raw material to Thai industry	2	
4. Improvements in local raw material processing	4	1
5. The training of local people in modern techniques of business and industry	2	4
6. Introduction of sound business management		1
7. Development of quality standards for products and services	2	2
8. Introduction of modern statistical and accounting practices for business		1
9. Establishment of local satellite manufacturing industries	1	3
10. The rise of local services and supplies	1	3
11. The promotion and use of local savings in industrial activities		1
12. Savings of foreign exchange		3
13. Earnings of foreign exchange		2
14. Providing substantial tax revenues	1	4
15. Assistance in establishing manufacturing activities	3	4
16. Increased employment opportunities and earning power	3	5
17. Higher wage scales		1
18. Increased and improved services to local or foreign business firms	3	7
19. A higher standard of living	4	
20. Improved product design		1
21. The introduction of modern marketing and research techniques		3
22. No contribution	10	

## CHAPTER VIII

## SUMMARY AND CONCLUSIONS

The objectives of this study were to answer two important questions regarding the role of United States' private investments in the economic development of Thailand. To repeat, they were: (1) Why are United States' private investments lagging in Thailand, and (2) What might Thailand do to encourage increased private investments in that country?

This study was necessarily exploratory, descriptive, and problem delineating. It was anticipated that secondary source material relating to the subject would be difficult to obtain, and that difficulties would also be encountered in getting certain types of information from United States' private business firms through a mailed questionnaire survey. Despite these limitations the subject seemed sufficiently timely, important, and unique to justify the study.

Regarding question number (1) in the objectives stated above, limited markets due to lack of purchasing power appear to be the largest single deterrent to United States' private investment in Thailand. This is particularly true in the industrial and manufacturing fields. Evidence to support this conclusion was obtained both on the basis of a survey of United States' business firms presently operating in Thailand and a background study of the Thai market.

The study was unable to produce any conclusive evidence of the relative profitability of Thai investments. From the limited information



obtained, however, it might be concluded that profit margins are not high enough to justify large-scale investments in the face of limited markets.

The limited markets also partly explain why the major emphasis of United States' private investments has been in the fields of trade and commerce. Another factor which limits capital industrial investment is a shortage of industrial raw materials.

These factors are somewhat offset by low labor costs, increasing per capita income, and the "middle income receptivity" of the Thai market. Nevertheless, the limited markets seem to be the predominant consideration in making investments in Thailand.

On the other hand, there is evidence that opportunities do exist in some industries which would justify investment. The market size for some products or groups of products appears to justify local manufacture. For other firms the market size appears to offer profitable opportunities for investment in local assembly operations, license arrangements, and sales and service organizations. The processing of some raw materials also appears to offer opportunities for industrial investment.

It appears that the Thai market has not been investigated or evaluated very extensively by many of the United States' business firms. The high percentage of firms reporting sporadic sales in many cases where a sizeable and consistent market for their products exists, indicates that sufficient attention is not being given to the market. For example, in the majority of products or product groupings listed

as major Thai import commodities the United States' business firms have not maintained their share of the market in recent years.

In the survey responses there appeared to be an undertone, although not supported by any specific evidence, that indicated an indifference to Thai sales by many of the firms because they were considered too risky, too marginal, or too complicated. In order to attract investment, Thailand may find it necessary to provide intensive market research, investment financing, and profit guarantees to overcome the reluctance of many United States' business firms to explore and develop Thai markets on their own.

Factors other than those directly related to the economic feasibility of investment were explored in this study in order to determine their effect on the investment situation in Thailand.

Responses from the business firms did not confirm the hypothesis that they were greatly concerned with the external political and economic risks involved in their Thai operations. While many firms were concerned with these risks, the majority indicated that they considered them only moderate in nature. In addition, there appears to be little indication from the historical or present policy and attitudes in Thailand toward private business operations that would pose any imminent threat regarding nationalization of private business or disruption of private business operations.

Governmental ownership and operation of business firms, which has been mentioned often as a major barrier to foreign investments in Thailand, was not thought to be a major factor in the investment climate

by the majority of survey respondents. Governmental ownership and operation of business firms does stand out, however, as the main barrier to what otherwise is considered to be a favorable investment climate.

Both the evidence obtained in the survey and from other sources point to the fact that the basic facilities, commercial services, business organizations, and marketing channels are developed sufficiently in Thailand to permit modern business operations.

The reluctance of United States' private business firms to invest in Thailand is perhaps best explained by the fact that the firms consider that they have equal or better alternatives for their limited investment capital in the United States or some other country rather than by any serious obstacles to investment in the Thai investment situation.

While United States' private business firms do not appear to be a likely source of large amounts of private capital for Thai business and industry in the immediate future, it may be possible that their skills of technology and management can be utilized through joint business ventures where control and ownership are shared with local enterprises. The trend of recent business arrangements being initiated in Thailand appears to be moving toward such business ventures. In addition, the survey results show that many United States' firms would be interested in such arrangements for future business investments. Thailand's expanding industrial base and the growing class of local entrepreneurs would indicate that there will be increased opportunities for joint business arrangements with United States' business firms.

Thus, it appears that Thailand's efforts to attract United States' investment should be concentrated on encouraging such business arrangements.

The major drawback is the availability of local capital. This situation also appears to be showing some improvement with the growth in the Thai economy and the increased amount of local savings. The Thailand Government's strong international credit position could be used to obtain capital from international sources to assist local Thai entrepreneurs in financing such ventures.

The experience of Thailand in recent years lends strength to the hypothesis that over-all development and increased interest and participation by both local and foreign private investors go together. Its efforts to mobilize its own resources in basic economic development have coincided with increased participation in the Thai economy by private capital. In the case of United States' private investments in Thailand, there has not only been increased interest in investment there, but there has also been a trend toward more industrial and manufacturing investments.

On the basis of this study, it would appear that the gains that have been made in encouraging private investments of the type and size needed for economic development are a reflection of the increased over-all efforts that have been made to bring about social and economic improvements.

The contributions of present United States' private investments cannot, as yet, be considered a large force in Thai economic development.

This is due to the nature and size of their operations. However, a study of these contributions serves to point out the role that United States' private investments can play in economic development. Despite the limitations and difficulties of trying to utilize private foreign investments as a developmental total, this study would indicate that it is worth the effort.

## LITERATURE CITED

1. American Firms and Their Thai Representatives, Commercial Section, American Embassy, Bangkok, Thailand, May 1961.
2. American Firms, Subsidiaries and Affiliates - Thailand, Bureau of Foreign Commerce, United States Department of Commerce, Washington, D. C., April 1960.
3. American Investors in Thailand, American Embassy, Bangkok, Thailand, January 1, 1962.
4. Assignment: Thailand, Audio-Visual Division, United States Operations Mission to Thailand, United States Department of State, 1956.
5. Basic Data on the Economy of Thailand, Economic Reports, World Trade Information Service, Part I, No. 60-45, United States Department of Commerce, 1960.
6. Beitzel, George B., Expanding Private Investment For Thailand's Economic Growth, Board of Investment, Bangkok, Thailand, November 1959.
7. Brief Information Concerning Investment in Thailand, Board of Investment, Bangkok, Thailand, 1959.
8. Establishing A Business in Thailand, Economic Reports, World Trade Information Service, Part I, No. 56-6, United States Department of Commerce, 1956.
9. Galbraith, John Kenneth, A Positive Approach to Foreign Aid, Secretariat Note 23, United States Department of State, March 3, 1961.
10. Galbraith, John Kenneth, The Non-Affluent Society, AID Digest, Agency for International Development, United States Department of State, June 1962.
11. Hatch, A. W., A Survey of Private Investment Opportunities in Thailand, EBASCO Services Inc., Agency for International Development, Washington, D. C., 1962.
12. Import Tariff System of Thailand, Operations Reports, World Trade Information Service, Part II, No. 61-1, United States Department of Commerce, 1961.



13. Investment Factors in Thailand, World Trade Information Service, Part I, No. 61-61, United States Department of Commerce, 1961.
14. Irvine, Reed J., Investment Climate in Southeast Asia, Remarks delivered at the annual meeting of the American Institute of Mining Engineers, New York City, February 20, 1962.
15. Kosin, Osit, Outline of Revenue Taxes, Board of Investment, Bangkok, Thailand, 1962.
16. Kosin, Osit, Thailand's New Law to Promote Industrial Development, Board of Investment, Bangkok, Thailand, 1962.
17. Mayer, Paul A., Thailand - A Market for U. S. Products, Bureau of International Programs, United States Department of Commerce, April 1962.
18. Mikesell, Raymond F., The Role of Private Foreign Investment in Economic Development, Economic Policies Toward Less Developed Countries, Sub-committee on Foreign Policy, Congress of the United States, Superintendent of Documents, U.S. Government Printing Office, 1961.
19. Miller, Raymond W., Can Capitalism Compete?, The Ronald Press, New York, 1959.
20. Most Saleable Commodities in 104 Countries, International Commerce Magazine, United States Department of Commerce, August 6, 1962.
21. New Frontiers for U.S. Business Abroad, Seventh Annual Business International Washington Roundtable, Washington, D. C., March 1961.
22. Promotion of Industrial Investment Acts, Information Service of Thailand, Royal Thai Embassy, Washington 8, D. C., January 31, 1962.
23. Report on Economic and Financial Conditions in Thailand, Research Dept., IBEC Thailand Limited, Bangkok, April 1962.
24. Report No. 15, Thai Board of Investment, Bangkok, Thailand, January 1962.
25. Richards, R. B. J., The Role of The World Bank and Its Associates, World Bank, London, England, 1961.

26. Rivkin, Arnold, U.S. Private Investment Abroad: Facilities and Programs of IFC, EXIM-Bank and ICA Available to U.S. Investors, Massachusetts Institute of Technology, Cambridge, Massachusetts, 1958.
27. Schwenger, Robert B., General Factors Affecting Market Growth, Lecture, United States Department of Agriculture Graduate School course, "Economics of Market Expansion," Fall, 1959.
28. Siffkin, William J., The Civil Service of Thailand, Public Administration Division, United States Operations Mission, Bangkok, Thailand, 1959.
29. Thailand, Far Eastern Division, Bureau of International Programs, United States Department of Commerce, January 1962.
30. Thailand, International Economic Survey No. 130, International Division, Chemical Bank New York Trust Co., New York, May 1960.
31. Thailand, Past and Present, Publicity Committee, Ninth Pacific Science Congress, Thai Watana Panick, Bangkok, Thailand, BE 2500 (1957).
32. U.S. Foreign Assistance and Assistance From International Organizations, July 1, 1945 - June 30, 1961, Office of Statistics and Reports, International Cooperation Administration, Washington, D. C., 1961.
33. Wilkey, John J., A Digest of The USOM Consultant Team Report on Agricultural Credit, Cooperative Organization, and Agricultural Marketing, Audio-Visual Division, United States Operations Mission to Thailand, Bangkok, 1959.

## LIST OF EXHIBITS RECEIVED IN MID-1961

## Food and Food Products

Rice  
 Rice flour  
 Maize flour  
 Salt  
 Instant noodle  
 Eggs  
 Condensed milk  
 Instant coffee  
 Condensed milk (acid)  
 Beef oil  
 Coconut oil  
 Castor oil  
 Safflower oil  
 Corned beef, pork, and  
 fish preparations  
 Canned vegetables  
 Fish sauce and paste  
 Shrimp sauce and paste  
 Pork sausage  
 Sausages  
 Sugar, brown  
 Palm sugar  
 Central bank, coconut, banana,  
 pineapple, etc.

## Beverages and Tobacco Products

Tobacco  
 Cigarettes  
 Cigars  
 Beer

## Drugs

Salt  
 Potash  
 Soda ash

## Wood and Wood Products

Teak and other hard woods  
 Plywood and veneer  
 Bamboo  
 Paper and paper products  
 Wood and wood products  
 Furniture

## Paper and Paper Products

Paper

## Metal and Metal Products

Pig iron and steel  
 Tin concentrates  
 Tungsten (wolfram) concentrates  
 Zinc concentrates  
 Lead concentrates  
 Antimony concentrates  
 Aluminum householdware  
 Bronze householdware  
 Balls  
 Wire fencing  
 Steel drums  
 Steel furniture  
 Vacuum flasks  
 Flashlight and storage batteries

## APPENDIX

## Rubber and Rubber Products

Sheet rubber  
 Rubber and canvas shoes  
 Bicycle tubes  
 Mats  
 Toys  
 Foam rubber articles  
 Gloves, household and industrial  
 Hot water bottles

## Cement

## Copper

## Lignite and Lignite Briquets

## Marble

Jewelry (diamonds, all-sterling  
 and goldsmith products, pearls  
 and semi-precious stones, watch  
 rubies, sapphires, and diamonds)

## Manufacture of many materials

## LIST OF THAI INDUSTRIES ACTIVE IN MID-1961

## Food and Food Products

Rice milling  
 Rice flour  
 Maize flour  
 Salt  
 Seasoning powder  
 Sago  
 Noodles  
 Tapioca flour  
 Vermicelli (rice and bean basis)  
 Bean oil  
 Coconut oil  
 Castor oil  
 Chaulmoogra oil  
 Canned beef, pork, and  
   fish preparations  
 Canned vegetables  
 Fish sauce and paste  
 Chili sauce and paste  
 Pork sausage  
 Molasses  
 Sugar, brown  
 Palm sugar  
 Canned fruit (rambutan, bananas,  
   pineapples, litchi)

## Tobacco and Tobacco Products

Tobacco  
 Cigarettes  
 Cigars  
 Snuff

## Beverages

Beer  
 Whisky  
 Soft drinks

## Wood and Wood Products

Teak and other hard woods  
 Plywood and veneer  
 Shaving board  
 Parquet Flooring  
 Wood and rattan furniture  
 Toothpicks

## Paper and Paper Products

## Matches

## Metal and Metal Products

Pig iron and steel  
 Tin concentrates  
 Tungsten (wolfram) concentrates  
 Zinc concentrates  
 Lead concentrates  
 Antimony concentrates  
 Aluminum householdware  
 Bronze householdware  
 Nails  
 Wire fencing  
 Steel drums  
 Steel furniture  
 Vacuum flasks  
 Flashlight and storage batteries

## Rubber and Rubber Products

Sheet rubber  
 Rubber and canvas shoes  
 Bicycle tubes  
 Hose  
 Toys  
 Foam rubber articles  
 Gloves, household and industrial  
 Hot water bottles

## Cement

## Gypsum

## Lignite and Lignite Briquets

## Marble

Jewelry (nielloware, silversmith  
   and goldsmith products, precious  
   and semiprecious stones, such as  
   rubies, sapphires, and zircons)

## Handicraft of many varieties

Crocodile leatherware

Ivoryware

Lacquerware

Enamelware

Glassware

**Textiles and Fibers**

Silk, silk fabrics, and  
silk apparel

Handloomed cotton fabrics

Grey shirting

Canvas

Rush mats

Gunnybags

Blankets

Rope

**Chemicals and Related Products**

Sulfuric acid

Carbon dioxide

Pharmaceuticals

Alcohol

Lac

Toilet and laundry soap

Toiletries

Cosmetics

Candles

Joss-sticks

Plastic Goods (buttons, combs,  
dinnerware, coat hangers,  
school supplies, table mats,  
lamp shades, dolls and other  
toys, floor and wall tiles,  
etc.)

Sports Goods

---

Source: American Embassy, Economic Division, Bangkok

LIST OF INDUSTRIES ELIGIBLE FOR BENEFITS UNDER THE  
INDUSTRIAL INVESTMENT PROMOTION ACT OF 1962

Group A Industries

1. Iron smelting
2. Steel making
3. Tin smelting
4. Lead smelting
5. Zinc smelting
6. Copper smelting
7. Antimony smelting
8. Tungsten smelting
9. Manganese smelting
10. Tractor manufacturing or assembly
11. Motor vehicle spare parts
12. Bicycles or tricycles (with or without motor)
13. Internal combustion engines or electric motors
14. Agricultural machinery
15. Water pumps
16. Machine tools
17. Cast iron, asbestos cement, or plastic pipe
18. Motor vehicle tires and inner tubes
19. Carbon dioxide
20. Caustic soda
21. Sodium carbonate (soda ash)
22. Ammonia
23. Nitric acid
24. Hydrochloric acid
25. Concentrated latex
26. Chemical fertilizer
27. Plastic powder
28. Synthetic fibers
29. Lac products
30. Household electrical appliances
31. Fungicides or insecticides
32. Radio parts
33. Television parts
34. Electronic products (other than items 32 and 33)
35. Photographic film
36. Vegetable oils
37. Cold storage plants

Group B Industries

1. Ship building
2. Automobile and truck manufacture or assembly
3. Internal combustion engine or electric motor assembly



4. Agricultural machinery assembly
5. Water pump assembly
6. Machine tool assembly
7. Carpenters' or blacksmiths' tools
8. Sewing machines - manufacture or assembly
9. Sewing thread
10. Paper
11. Wood pulp
12. Electric wire and cable
13. Electrical equipment
14. Household electric appliances - assembly
15. Spectacle glass or lens
16. Fountain pens
17. Food canning
18. Concentrated cream or evaporated milk

Group C Industries

1. Mineral oil prospecting
2. Crude oil production
3. Oil refining
4. Lead ore production and/or dressing
5. Copper ore production and/or dressing
6. Zinc ore production and/or dressing
7. Antimony ore production and/or dressing
8. Tungsten ore production and/or dressing
9. Manganese ore production and/or dressing
10. Fabricated steel products and castings
11. Rolling mills
12. Tin plating
13. Galvanized iron wire
14. Galvanized iron pipe
15. Other galvanized iron products
16. Barbed wire
17. Bolts and nuts
18. Agricultural tools and implements
19. Electric bulbs
20. Radio receivers - manufacture or assembly
21. Television receivers - manufacture or assembly
22. Cotton spinning (or other fibers)
23. Cotton weaving (or other fibers)
24. Other cotton products
25. Rope and mat
26. Fabric or yarn finishing (bleaching, dyeing, printing)
27. Coconut fiber or shell products
28. Bicycle tires or inner tubes
29. Hard rubber products
30. Other rubber products (not elsewhere classified)
31. Reclaimed rubber

32. Turpentine or dammar
33. Wood shaving and cement board
34. Wood Parquet Flooring
35. Wood drying or curing
36. Wood preserving
37. Wood distillation
38. Pressed sawdust briquettes
39. Glazed ceramics
40. Floor or wall ceramic tile
41. Edible flour
42. Tea processing
43. Rice-bran oil
44. Agricultural products curing
45. Tannin
46. Artificial leather
47. Paint
48. Printing ink
49. Feather processing
50. Neutral glass
51. Crystal glassware
52. Pharmaceutical products
53. Electric storage batteries
54. Pencils
55. Buttons
56. Rattan and bamboo products
57. Deep sea fishing
58. Fish processing
59. Pearl oyster culture
60. Marble quarrying and polishing
61. Mineral water bottling
62. Hotels
63. Sea transportation (international)

---

Source: Kosin, Osit, Thailand's New Law to Promote Industrial Development, Board of Investment, Bangkok, Thailand, 1962

Questionnaire No. \_\_\_\_\_

AN ANALYSIS OF FACTORS AFFECTING THE ROLE  
OF UNITED STATES' PRIVATE INVESTMENT  
IN THAILAND'S ECONOMIC GROWTH

The flow of foreign trade and investment is an important tool in economic development. The information you provide regarding your operations in Thailand will be of great value in analyzing the nature of United States business operations there, the various factors affecting them, and a measure of their effectiveness in economic development.

The Nature and Extent of your operation

1. Type of representation in Thailand (please check)

- \_\_\_\_\_ subsidiary company
- \_\_\_\_\_ branch
- \_\_\_\_\_ wholesale supplier to local Thai agent or distributor
- \_\_\_\_\_ other (please list) \_\_\_\_\_

2. Type of operation in Thailand (please check)

- \_\_\_\_\_ distribution and sales
- \_\_\_\_\_ manufacturing, distribution, and sales
- \_\_\_\_\_ service
- \_\_\_\_\_ other (please list) \_\_\_\_\_

3. Type of product or service in Thailand (petroleum products, food products, banking, insurance, etc.)

Please list \_\_\_\_\_

4. Geographical range of operation in Thailand (please check)

- \_\_\_\_\_ Bangkok only
- \_\_\_\_\_ country-wide
- \_\_\_\_\_ other (please list) \_\_\_\_\_

5. Is your Thailand operation a central base of operations or distribution point for neighboring countries? yes \_\_\_\_\_  
no \_\_\_\_\_ if yes please check countries.

\_\_\_\_\_ Laos                      \_\_\_\_\_ Malaya                      \_\_\_\_\_ (others)  
\_\_\_\_\_ Burma                      \_\_\_\_\_ Indonesia                      \_\_\_\_\_  
\_\_\_\_\_ Cambodia                      \_\_\_\_\_ South Viet Nam                      \_\_\_\_\_

6. Has your original type of operation in Thailand changed?  
yes \_\_\_\_\_ no \_\_\_\_\_ (if yes, please check changes made)

\_\_\_\_\_ from distribution and sales to local manufacture  
\_\_\_\_\_ expansion of staff and facilities  
\_\_\_\_\_ reduction of staff and facilities  
\_\_\_\_\_ significant annual decrease in volume of business  
\_\_\_\_\_ significant annual increases in volume of business  
\_\_\_\_\_ other (please list) \_\_\_\_\_

7. Is your company contemplating any change in the type of operation in Thailand? yes \_\_\_\_\_ no \_\_\_\_\_ if yes please list possible changes \_\_\_\_\_

#### Growth Rate and Rate of Return on Thailand Operations

8. Approximate date of initiating Thailand operation \_\_\_\_\_  
9. Approximate value of original investment in Thailand? \$ \_\_\_\_\_  
10. Approximate value of present investment in Thailand? \$ \_\_\_\_\_  
11. Approximate value of original annual volume of business in Thailand \$ \_\_\_\_\_  
12. Approximate value of present annual volume of business in Thailand \$ \_\_\_\_\_  
13. Approximate annual net earnings after all Thai and US taxes for the past fiscal year \_\_\_\_\_% (est.)  
14. Approximate per cent of net earnings reinvested in Thailand \_\_\_\_\_% (est.)

15. If applicable, note your comparison between earnings on US based operations and Thailand operations (please check).

☐ Thailand operations considerably higher

☐ Thailand operations slightly higher

☐ about the same

☐ Thailand operations slightly lower

☐ Thailand operations considerably lower

#### Investment Factors

16. Are the basic public facilities such as electric power, transportation, port facilities, communication adequate for your present operation?

yes ☐ no ☐

17. Has the lack of basic facilities been a consideration in planning future operations? yes ☐ no ☐

18. How would you rate the future potential of the local Thai market regarding your operation?

☐ approximately the same volume as at present

☐ slow rate of growth

☐ rapid rate of growth

19. The following situations have been listed by a United States Investment Survey Team as possible obstacles to foreign trade and investment in Thailand. Please evaluate them from the standpoint of your present operation.

- (a) Thai government administrative procedures affecting the conduct of business

☐ has not been an obstacle

☐ an inconvenience but not a major obstacle

☐ a major obstacle

Comments \_\_\_\_\_

- (b) Business enterprises owned and operated by the Thailand government

\_\_\_\_\_ not competitive with present operations

\_\_\_\_\_ competitive with present operations

Comments \_\_\_\_\_

- (c) The lack of commercial services, surveys and statistics

\_\_\_\_\_ not an obstacle

\_\_\_\_\_ an inconvenience but not a major obstacle

\_\_\_\_\_ a major obstacle

Comments \_\_\_\_\_

20. Is your present operation jointly financed by United States and local Thai investors?

yes \_\_\_\_\_ no \_\_\_\_\_

21. Would your company favor a jointly financed operation with local Thai investors in future business ventures there?

yes \_\_\_\_\_ no \_\_\_\_\_

22. Evaluate the present external threats to Thailand's security as to its effect on future business operations.

\_\_\_\_\_ little or no risk

\_\_\_\_\_ a moderate risk

\_\_\_\_\_ a serious risk

\_\_\_\_\_ indefinite

23. The Thailand Industrial Promotion Act of 1962 provided increased incentives in the form of tax holidays and exemption of import duties.

- (a) Do you feel that this new promotion act provides sufficient incentive for expansion of present operations?

yes \_\_\_\_\_ no \_\_\_\_\_

- (b) Is your company considering any new investment as a result of these incentives?

yes \_\_\_\_\_ no \_\_\_\_\_



## Contributions to Thai Economy

24. Number of American and non-Thai technical or administrative personnel assigned to Thailand operations \_\_\_\_\_
25. Number of Thai technical or administrative personnel employed by your company \_\_\_\_\_
26. Number of Thai technical and administrative personnel trained by your company \_\_\_\_\_
27. Types of local services purchased (transportation, banking, legal, etc.)  
Please list \_\_\_\_\_
28. Types of locally produced supplies purchased (please list)  
\_\_\_\_\_
29. Total number of Thai employees \_\_\_\_\_
30. Approximate total of annual payroll to local Thai employees  
\$ \_\_\_\_\_
31. Approximate total of Thai taxes paid \$ \_\_\_\_\_
32. Please comment on what you consider to be the main contributions to the development of the Thai economy that result from your operation.