EE463 GLOBALIZATION AND INTERNATIONAL DEVELOPMENT

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Urban development of Thailand during 1960s-1970s

Group 12

Members

Kulvara Chatpramote	6304640557
Lalitta Pattananusorn	6304640581
Panida Sektheera	6304640896
Phoraphat Kijratanasivanon	6304641027
Pounyanout Saruttayaporn	6304641225

FACULTY OF ECONOMICS

THAMMASAT UNIVERSITY

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Introduction

In Thailand, urban growth was rapid in 1960. Many canals had been filled in, new roads took their place and the population in urban was increased compared with 1950. One situation that caused rapid urban growth throughout the 1960s-1970s was the Vietnam war. The Vietnam War (1955-1975) had substantial economic impacts on the global economy, for example, the higher military spending by the United States and the disruption of trade and investment. However, the Vietnam War significantly boosted Thailand's exports of various goods through direct aid, building American bases and associated infrastructure, such as highways, spending by American soldiers on leave, support for the Thai military, financial assistance for building projects, and social programs to better welfare in Thailand rural areas, where were among the American countermeasures to the rise of communism in Thailand. (For example, agricultural improvements and better health and education). Social assistance and other initiatives helped improve living conditions in rural Thailand. Thailand's participation in Vietnam revealed a solid military partnership with the United States. As of 1961, many significant aviation facilities were being built. Between 1965 and 1972, US military expenditure inflows equaled 4% of GNP or approximately 26% of the total export value, as shown in Figure 1.

Table 1 US Military Expenditure as Percentage of National Income and Exports, 1960–72

Year	(1) National Income (million baht)	(2) US Military Expenditure as % of (1)	(3) Thailand Exports (million baht)	(4) US Military Expenditure as % of (3)
1960	46,448.5	0.1	8,541.9	0.4
61	50,453.1	0.1	9,922.7	0.7
62	54,332.6	0.3	9,434.5	1.8
63	57,496.1	0.5	9,577.7	3.2
64	62,203.1	0.7	12,165.0	3.5
65	70,321.1	1.3	12,663.5	7.2
66	85,050.1	2.9	13,817.2	20.2
67	89,594.0	5.0	13,808.1	32.6
68	95,345.0	5.6	13,227.6	40.1
69	104,581.0	4.5	14,267.2	33.2
70	111,598.0	4.1	14,256.4	31.0
71	117,175.0	3.4	16,567.3	24.2
72	125,399.0	3.6	21,252.3	21.1

Source: [Boonkong 1974: 34]

Figure1) *US Military Expenditure as Percentage of National Income and Exports, 1960-72*

However, for foreign direct investment in Thailand, Thailand is a country that has a low cost of labor compared with neighboring countries, and the domestic market is relatively large. The government also implemented policies that stimulate foreign investment such as the Board of Investment (BOI), which promotes and facilitates foreign investments in Thailand by providing various incentives, such as tax breaks, exemptions on import duties, and permission to own land. Therefore, in the 1960s, Thailand was a moderately attractive site for foreign investment and created many job opportunities. The following result is that Thai citizens and refugees from

Vietnam, Cambodia, and Laos migrated to urban areas in search of employment opportunities created by the war and its associated industries, such as manufacturing and transportation. Bangkok, being the capital city, saw a significant increase in population. According to statistics, the number of people in Bangkok increased from 1.8 million in 1960 to 3.5 million in 1970.

This growth helped to reduce poverty rates in the country. In 1962, urban poverty was more than 38 percent and had since uninterruptedly declined, reaching 16 percent in 1968. But the benefits of this growth were not distributed equally. Wealthier Thais, particularly those with connections to the military and government, were able to take advantage of the new economic opportunities and benefit from the growth. At the same time, many poor and rural Thais were left behind. This created a widening income gap between the rich and the poor. For example, in 1975, the wealthiest 10% of the population in Thailand earned 35% of the country's income, while the poorest 10% earned just 2%.

The population migrated from urban areas to Bangkok, which leads to congestion in the capital and makes a higher demand for infrastructure, such as the house, water supply, telecommunications, and energy. The Thai government developed infrastructure which is transportation. The government constructed highways, bridges, and public transportation to address the higher demand for efficient transportation systems in Bangkok and other urban areas. Because of the high cost of infrastructure, the government will not have enough money to invest more to improve the quality after the government construction. Therefore, the Thai government needs to borrow money to spend on infrastructure. According to the international monetary fund's data, Thailand’s central government debt as a percentage of GDP increased from 14.26% in 1960 to 18.53% in 1970. In addition, Thailand has the issue of corruption to disrupt infrastructure development. Corruption will create delayed projects, poor-quality infrastructure, or cost overruns. This can also hinder economic growth and exacerbate income inequality.

In summary, while urban development in Thailand during the 1960s and 1970s was rapid, various challenges hindered effective development. These challenges included income inequality, infrastructure development costs, debt, and corruption. Addressing these challenges remains a crucial task for the government and society in Thailand to achieve more sustainable and equitable urban development. There are many issues that the government tried to figure out through policies during 1969-1970 and many policies that were implemented after 1970

Key Challenges and Issues

Rapid urbanization and congestion

During the 1960s and 1970s, Thailand underwent rapid urbanization and congestion. This period was marked by significant economic growth, which drew many people from rural areas to urban centers, were “Bangkok”, in search of better opportunities. However, this also led to the need for more investments in urban infrastructure and services. One of the major challenges was housing. The influx of migrants to urban areas created a high demand for housing, leading to a shortage of affordable housing. This resulted in many people living in slums and informal settlements with inadequate access to basic services such as water and sanitation.

Another challenge was road congestion. The increasing demand for transportation and the rise in private car ownership led to road congestion in the capital, which affected productivity and economic growth. The inadequate public transportation system and poor traffic management exacerbated the problem, leading to traffic jams, delays, and accidents.

Rapid urbanization and congestion also led to environmental degradation. As more land was converted to urban areas, natural habitats were destroyed, leading to biodiversity loss. The increase in population also resulted in increased waste generation and pollution.

Finally, cost for infrastructure. Thailand faced major economic and social challenges such as poverty, limited education, limited resources to invest in infrastructure development, and poor healthcare during the 1960s and 1970s. As a result, the government struggled to invest in infrastructure development, making it challenging to support large-scale projects, and leading to disparities in access to basic services.

In summary, the economic growth of the country attracted many people from rural areas to the capital, leading to a shortage of affordable housing. This led to many people living in slums with inadequate access to basic services. Additionally, the increase in population and private car ownership led to road congestion, which affected productivity and economic growth. Environmental degradation was also a concern, with the destruction of natural habitats and increased waste generation and pollution. Finally, limited financial resources result in disparities in access to basic services.

Financing problems and Lack of the quality of infrastructure

Thailand's economic development program during the 1960 - 1970s mainly focused on industrialization and infrastructure development, which required significant funding. And due to the relatively low level of domestic savings (as shown in figure 2), the government has to borrow heavily from international lenders such as the World Bank and the Asian Development Bank to finance these projects. The low level of domestic savings was partly due to high levels of poverty. Many families had to prioritize immediate consumption needs over long-term savings for investment. Moreover, the financial infrastructure was underdeveloped, with limited access to banking services for rural communities and small businesses, making it difficult for people to save and access credit for investment during this time. Furthermore, the government did not have robust policies in place to encourage savings resulting in no incentive for people to save during this period.

As a result, all these factors contributed to a low level of domestic savings, forcing the government and private sector to rely heavily on external borrowing, which resulted in high levels of external debt. This external debt made the country vulnerable to external shocks such as the change in the global interest rate and fluctuations in commodity prices.

Corruption was particularly prevalent in the government and public sector, where officials often embezzled funds or took kickbacks in exchange for awarding contracts or approving projects. This situation led to the mismanagement of public funds and resources, including infrastructure projects. Corruption led to delays, cost overruns, and poor-quality construction. For example, a highway construction project in the northeastern region of Thailand experienced significant delays due to corruption and mismanagement.

The quality of infrastructure was also compromised due to corruption and mismanagement. A dam project funded by the Asian Development Bank was found to have poor-quality construction, resulting in the dam's failure and subsequent flooding in 1979, causing significant damage to local communities.

The poor condition of roads, bridges, and other infrastructure made it difficult for businesses to transport goods and for people to travel, hindering economic growth. Corruption in the public sector also led to a lack of trust in government institutions, further exacerbating the country's problems.

Poverty and inequality

During the Vietnam War period, Thailand experienced a significant shift from an agricultural-based economy to a manufacturing-based economy. This transformation highlighted several issues that had long existed but became more evident and exacerbated. According to data (Figure3) showed that Thailand had a Gini coefficient of more than 0.4, indicating a high level of income and wealth inequality among its population. The country faced three main challenges in poverty and inequality which hindered the country's economic growth and development.

An increase in the gap between the rich and poor: Despite the overall economic growth during industrialization, many people were left behind. This was due to the government's economic policy, which only focused on the urban areas and industries over the rural and agriculture. It led to a large gap between the rich and the poor. The wealth became concentrated in the hand of a small group of urban elites, while many rural communities remained poor. People who lived in rural areas still suffered from poverty and had limited access to basic services such as infrastructure, healthcare, and education (figure5). This has led to another issue, those who are educated and able to obtain the necessary skills will gain more opportunities to work in the growing industrial sector that provide a higher wage.

Lack of access to financial support: Farmers faced challenges in obtaining financial support. Even though agriculture was the backbone of the Thai economy, Many farmers struggled to access credit or inputs such as seeds and fertilizers. Because during that time Thailand was still in the developing process. Therefore, the limited financial infrastructure and support from the government hindered many small farmers' ability to obtain loans and access banking services. Making it difficult for them to invest in farms and run their businesses. As a result, the farmers produce low productivity and further perpetuated poverty among small farmers

Land ownership was concentrated in the hands of a few: The wealthy landowners who controlled a large proportion of the country's land. This resulted in widespread poverty and inequality, particularly in rural areas where many small-scale farmers lacked access to land and were forced to work as laborers on large estates that paid low wages and provided poor working conditions. This created a system of feudalism where the rich held power over the poor, making it difficult for ordinary people to improve their economic situation.

Government Policies

Rapid urbanization and migration

To address the housing shortage, the government created the National Housing Authority (NHA) on July 24, 1975. The NHA has had a significant impact on urbanization in Bangkok by providing affordable housing options for low and middle-income families, offering financial assistance to those who need it, managing the building construction industry, and acquiring land. As a result, it balanced the distribution of housing across the city.

Moreover, During the Vietnam War, Bangkok experienced a significant increase in traffic congestion due to the influx of American military personnel and vehicles. To address this issue, the Bangkok Metropolitan Administration (BMA) implemented several measures, including traffic diversion, parking restrictions, traffic police, and public transportation. These measures were implemented to alleviate traffic congestion during the Vietnam War, and many of them continue to be used today to address traffic issues in Bangkok.

The Forest Protection Act is focused on protecting forests, regulating the use of forest resources, which are often in high demand for urban development. As urban areas expand, there is often a higher demand for forest resources such as timber, fuelwood, and land for urban expansion. The Forest Protection Act helps to regulate the use of these resources, ensuring that forests are not depleted at a rate that is faster than they can regenerate

In the early 1990s, the Thai government established Public-Private Partnerships (PPPs) to encourage private sector involvement in infrastructure development. The major PPP project was the Bangkok Mass Transit System, launched in 1999 through a concession agreement between the government and the private sector. So, PPPs were a crucial instrument for the Thai government in attracting private capital and expertise for the construction of infrastructure.

Financing problems and lack of quality of infrastructure

To address external debt, Thailand focused on export-oriented industrialization to boost exports and reduce trade deficits. Additionally, the government collaborated with the World Bank and IMF to obtain and manage the country's external debt. To encourage individuals to save more, the government offers tax incentives such as tax-exempt saving accounts for investments. The government also launched the Village Fund Program to provide financial support and microcredit to rural communities.

Then, In 1999, the Thai government established the National Counter Corruption Commission (NCCC) as an independent agency tasked with investigating and prosecuting corruption cases in infrastructure construction. Additionally, they implemented the National Audit Office (NAO) to monitor the use of public funds and detect any signs of corruption. While these measures have helped to mitigate corruption,

Poverty and inequality

To address the poverty issue, the First National Economic and Social Development Plan was implemented in 1961, aiming to reduce poverty and inequality by promoting economic growth through the development of key sectors of the economy. The plan successfully reduced poverty and inequality by generating income, creating jobs, promoting education and healthcare investments, and improving the well-being of marginalized communities. However, the plan faced criticisms for neglecting small farmers and modernizing the agricultural sector.

Furthermore, to address poverty and inequality, the Bank for Agriculture was established in 1966, providing credit and financial services to farmers to increase agricultural productivity and promote rural development. The BAAC helped alleviate poverty for poor people who did not receive enough support from the government, which left them without the capital to invest or create opportunities for themselves. However, the Bank for Agriculture charged relatively high-interest rates, making it difficult for some farmers to repay their loans and maintain their agricultural productivity.

Lastly, The Land Reform Act of 1975 implemented by the Thai government aimed at addressing inequality and poverty by redistributing land to small-scale farmers, reducing the concentration of land ownership among a small group of wealthy elites, and promoting agricultural productivity. These policies aimed to promote rural development by providing support for small-scale industries and improving the quality of life for rural communities. However, the policy faced significant resistance from wealthy landowners, who often used their political power to undermine its effectiveness, and concerns arose about unfair or non-transparent land distribution processes.

Conclusion

From 1960-1970, The Vietnam War had a significant impact on Thai economy. Thailand acted as a transportation and logistics center for the United States, leading to increased trade and investment. The US military's involvement in Vietnam indirectly led to a surge in foreign direct investment in Thailand, which helped Bangkok's industry expand. However, rapid urban growth is impacting urbanization and migration, creating challenges for poverty and inequality, and low-quality infrastructure. To address these challenges, the Thai government implemented various policies and initiatives aimed at promoting sustainable urban development.

During this time Thailand faced various challenges, including rapid urbanization, housing shortages, road congestion, environmental degradation, and limited resources for infrastructure development. The country relied heavily on external borrowing, which led to high levels of external debt and corruption. Corruption also led to poor-quality infrastructure, hindering economic growth. The government's economic policies favored urban areas, leading to income and wealth inequality and limited access to basic services for rural communities. Farmers faced challenges in obtaining financial support, hindering the growth of the agricultural sector.

Government implemented policies to address rapid urbanization and migration, including the National Housing Authority, the Bangkok Metropolitan Administration, The Forest Protection Act, and Public-Private Partnerships. The government collaborates with global financial organizations and offers tax-exempt saving accounts. Also, they established the National Counter Corruption Commission and the National audit office to detect the signs of corruption. To address poverty and inequality, the government implemented the First National Economic and Social Development Plan, the Bank for Agriculture, the Land Reform Act to promote rural development, and redistribute land ownership. However, some policies faced challenges such as resistance from wealthy elites and concerns about transparency.

As a lesson learned, the Vietnam War boosted Thailand's export to the United States and made more employment opportunities for citizens. The government invests in infrastructure and a comprehensive approach that considers social, economic, and environmental factors is important to achieve long-term development goals. But The government's lack of interest in all areas can be a hindrance to development. Government intervention and collaboration with the private sector can address urbanization issues. Moreover, establishing independent agencies to investigate and prosecute corruption cases can help to mitigate corruption.

Appendix

Table 1 US Military Expenditure as Percentage of National Income and Exports, 1960–72

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Figure1) US Military Expenditure as Percentage of National Income and Exports, 1960-72

	1950-59	1960-69	1970-79	1980-89	1990-96	1997-99
Growth rate real GDP	5.4	8.0	7.1	7.3	8.5	-2.4
Savings /GDP ratio	11.5	20.6	21.8	25.1	34.1	31.0
Investment/GDP ratio	13.6	20.8	23.8	28.6	40.7	24.3
Inflation rate	5.1	2.2	8.0	5.8	5.1	4.7

Source: Ingram (1971:222); data from NESDB and Bank of Thailand.

Figure2) Main Economic Indicators, 19950-1999

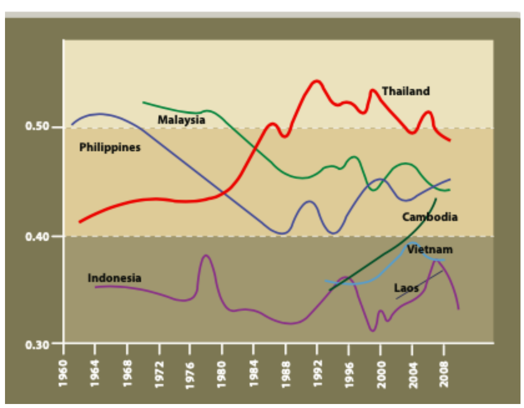

Figure3) Gini coefficients in ASEAN countries, 1960-2012

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