

# Evolution of Rural Development Strategies and Policies

## *Lessons from Thailand*

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## **Evolution of Rural Development Strategies and Policies. Lessons from Thailand**

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### **Abstract**

This country case study has been financed by the OECD Development Centre, in partnership with Korean authorities, for the preparation of its Rural Development Policy in Perspective. Agriculture has played a critical role in Thai development trajectory and was for long a focus of government's efforts. It has supported industrial development through transfers of labour and capital, and with a downstream strategy promoting the transformation of products. It resulted in the emergence of national champions with large agro-businesses. The progressive integration of overall rural development objectives into the policy agenda occurred in parallel with an effective and continuous effort towards the improvement of living conditions in rural areas and human development. Thailand has a good record in terms of access to basic services due to a continuous investment in rural infrastructure (roads, water and electricity) education and health. However, rural-urban disparities, as well as lagging regions, remain a critical issue for the government. More has to be done than providing compensatory measures, and new, integrated and place-based strategies need to be designed in order to address the existing challenges related to mega-urbanisation, food safety issues and new consumers' requirements, climate change, and the degradation of the natural environment. The necessary policy shift raises the question of effective decentralisation and the need to strengthen local governments.

### **Keywords:**

Structural Change, Rural development, Thailand

### **Résumé**

Cette étude a été financée par le Centre de développement de l'OCDE, en partenariat avec les autorités coréennes, pour la préparation de ses recommandations en termes de politique de développement rural. L'agriculture a joué un rôle crucial dans la trajectoire de développement de la Thaïlande et a été pendant longtemps au centre des efforts du gouvernement. Elle a soutenu le développement industriel grâce à des transferts de main-d'œuvre et de capital avec une stratégie favorisant la transformation des produits. Elle a donné lieu à l'émergence de champions nationaux avec de grandes entreprises agro-industrielles. Cette intégration progressive des objectifs globaux de développement rural dans l'agenda politique a eu lieu en parallèle avec un effort effectif et continu pour l'amélioration des conditions de vie dans les zones rurales. La Thaïlande a de bonnes performances en matière d'accès aux services de base en raison d'un investissement continu dans les infrastructures rurales (routes, eau et électricité), l'éducation et la santé. Mais, les disparités rurales-urbaines ou entre régions demeurent un enjeu crucial pour le gouvernement. Des stratégies intégrées et localisées doivent être conçues de manière à relever les défis actuels liés à la méga-urbanisation, aux questions de sécurité alimentaire et de nouvelles exigences «consommateurs», aux changements climatiques, et à la dégradation de l'environnement naturel. Le changement de politique nécessaire soulève la question de la décentralisation effective et la nécessité de renforcer les gouvernements locaux.

### **Mots-clés : D**

Changement structurel, Développement rural, Thaïland

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## Introduction and methodology

This country case review on Thailand is a desk study which was completed by a five-day mission in the country from April 19 to 24, 2015. The mission included Jacques Marzin, Cirad, Karlheinz Knickel, consultant for OECD, and Thang Nguyen, OECD Development Centre. It focused on interviews and meetings with major stakeholders from the government (ministries), public agencies, public–private partnerships and private platforms, research institutions, and donors. The organisation of the mission benefited from helpful support from the Thailand Development Research Institute (TDRI).

The report was prepared by identifying accessible documentation – major policy documents, relevant research work (see Bibliography) – and by using international databases (e.g. WDI, FAO, UNCTAD, and Comtrade) and national websites resources, when possible. Access to information, and particularly reliable data and long-time series, was a major difficulty. This constraint, as well as the short time allocated for this work, created a drawback for an in-depth analysis of rural development policies in the country and prevented any effective assessment of their outcomes.

As a consequence of these limitations, the adopted methodology was to engage in a periodization of rural development policies and agricultural policies, the latter being a major component of rural development, attributable to the weight of agriculture in the rural economy. The identified policies were put into perspective with the broader context of national development strategies over the last fifty years. This approach made possible a sequencing of successive policies and the presentation of their rationale, orientation, objectives and major characteristics. This overview of successive public policies was completed by a review of insights on what have been the major developments in rural areas with regard to productive sectors and rural welfare.

The report is organised as follows. The first section sets the scene and presents the major characteristics of the country with regard to its geography, political system and administrative structure, demography and population, and macro-economic trends. The second section proposes a sequencing of development strategies since the 1960s with relation to national and international dynamics. The third section discusses the evolution of agriculture and rural development policies within the overall development framework. It is followed by a tentative review of the major rural development outcomes. The last section proposes main lessons learned from Thailand's experience.

## Section 1. Country profile

### 1.1. Main geographical characteristics

Thailand covers approximately 513 000 km<sup>2</sup>. Eighty per cent of the country lies below 500 m altitude, with only 5 % being above 1000 m. The country has four main agro-ecological areas (Donner, 1978): the South has an equatorial climate and the three others fall under the monsoon influence.

- The Southern region receives between 1900–4700 mm rainfall per annum, mostly during the rainy season (September–May). This region is mainly dedicated to rubber, oil palm, fruits and coconut (occupying almost 2 million ha), although rice and horticultural crops are also developed.
- The Central Plains region is known as the “rice bowl of Thailand”: 90 % of producers grow rice. It receives 1260 mm/year (between October and April).
- The Northern region’s rain regime is between 900 and 2000 mm per annum (October–April). This region covers three major physiographic zones:
  - o The lowland (15 % of the area) is a fertile basin dedicated to rice production;
  - o The uplands (45 % of the area), around 500 m altitude, are dedicated to upland rice, maize, and grain legumes;
  - o The highlands (40 % of the area) lie between 500 to 2500 m altitude, with mountains and high valleys. Cultivated crops are upland rice, maize and opium.
- The Northeast region receives 1250 mm, on average, mainly between mid-April and mid-October. It is a slightly elevated plateau of 17 million ha, between 100 and 300 m altitude. Main crops are rain-fed paddy rice, upland field crops, forests and grazing lands. This region also presents the highest ruminant population (with a high forage improvement potential).

### 1.2. Political system and administrative organisation

Thailand is a constitutional monarchy. The King of Thailand, King Bhumibol Adulyadej (or Rama IX) has reigned since 1946. He remains the figurehead and symbol of the Thai nation.

#### **The Three Powers**

Since 1932, the head of Government has been the Prime minister. He is elected by the House of Representatives (Lower House) and then is officially appointed by the King. The Council of Ministers is comprised of ministers of state and deputy ministers. It is responsible for the design and implementation of policies.

According to the 2007 Constitution, the National Assembly of Thailand is a bicameral legislature with two houses: the Senate and the House of Representatives. The Senate has 150 members. Seventy-six members are elected, one for each of the 75 provinces and one for the Bangkok Metropolitan Area. The other 74 are selected by the Senate Selection Commission, comprised of both elected and appointed officials. The Senate has little legislative power, but holds considerable influence in terms of scrutiny and appointment. The House of Representatives has 500 members. Three hundred seventy-five MPs are elected directly from single-seat constituencies around the country. The other 125 members are selected using “proportional representation” through party lists. Therefore, a voter has two votes, one for electing an MP, and the other for a party. The House has the power to remove both the Prime Minister and cabinet ministers through a vote of no confidence.



Thailand has a tradition of turbulent political life, characterised by frequent coups. The last one, by the “*National Council for Peace and Order*” (NCPO), occurred on 22 May 2014 and the Senate and the House of Representatives were disbanded. The judiciary in Thailand is comprised of three distinct bodies: the Court of Justice, the Administrative Court and the Constitutional Court. The military powers used to delegate part of the executive power to technocrats and academicians. This feature has been important in the last 50 years.

#### **Local government and decentralisation issues**

Thailand is divided into 76 provinces. The Ministry of Home Affairs appoints governors for all provinces. Each province is divided into districts. In total, there are 877 districts comprised of several sub-districts (*tambons*). The Bangkok metropolitan area is a special administrative zone at the same level as a province, but the governor is elected.

Decentralisation, which started in the 1990s, was based on an elaborated and carefully sequenced reform process. Its implementation was extremely slow as a result of the strong political instability. A proliferation of reforms endeavoured to devolve State power to local governments, with the objectives of increasing people’s participation, delivering basic services, and ensuring accountability. The constitution of 1997 is a major step for decentralisation. It transferred functions from higher level to *Local Government Organisation* (LGO) institutions, the functions of which cover infrastructure; life quality promotion; orderliness and security of community; planning, investment; promotion, commerce and tourism; management and conservation of natural resources and environment; and art, culture, custom and local wisdom. It delineated powers and duties in the management of public services between the State and LGOs, and among LGOs, allocated taxes and duties between the State and LGOs and set up committees to perform the duties of LGOs. The constitution of 2007 expanded and clearly identified the roles and responsibilities of LGOs, improved the balance between supervision and autonomy of LGOs, developed internal operation and management of LGOs, allowed participation of the public, communities and the civic sector to jointly manage with LGOs, and defined the bases for transparency in local politics. From 2005 to 2011, the revenues of LGOs were a bit more than 25 % of government’s incomes (Chardchawan, 2010).

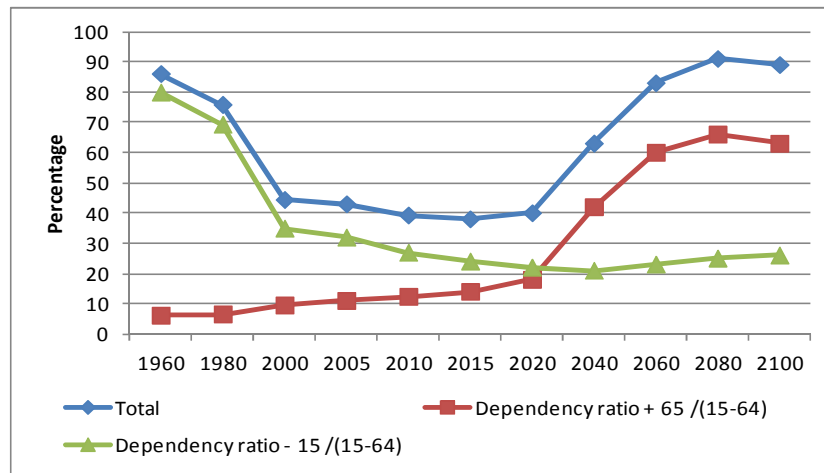
The process of decentralisation directly confronted State elites, who argued that decentralisation was resulting in the increasing of inter-regional disparities, challenging national unity, and facilitating local corruption and cronyism (Haque, 2010). These diverging visions largely overlooked the legacy of centralisation, the configuration of local power, and the strength of bureaucratic elitism.

### **1.3. Demography and population**

Thailand’s population more than doubled over the last 50 years, from 27 million in 1960 to 66 million in 2013. The demographic transition is now over: the crude birth rate decreased from 43 per 1000 in 1960 to 11 per 1000 in 2012. The fertility rate diminished too, from 6.1 births to 1.4 births per woman. This strong decrease occurred in parallel with, and was influenced by, a rapid urbanisation.



**Figure 1 - Evolution of the dependency ratio (1960-2100)**

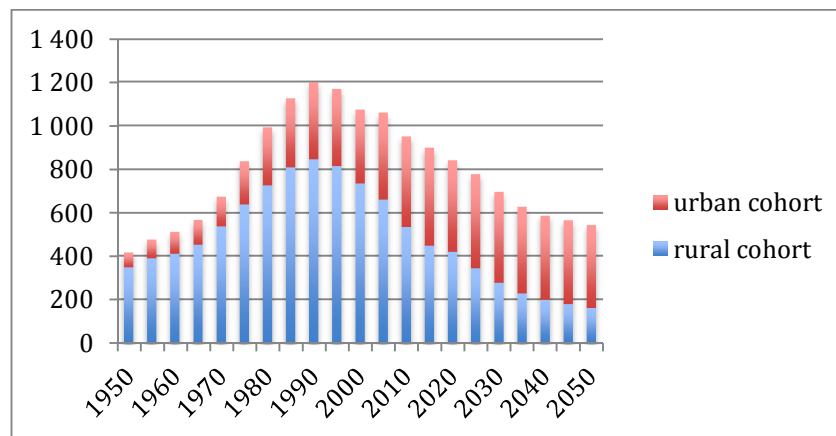


Source: WDI

Thailand has almost completely “used” its demographic bonus, as shown in Figure No 1: the inactive/active population ratio began to decline in the 1980s and will start increasing again in 2020. The aging of the population will accelerate, and the weight of intergenerational redistribution will then turn to become a major macro-economic issue.

The cohorts of young workers arriving in the labour market culminated in the 1990s (Figure No 2). The rapidly decreasing size of the rural cohort will have consequences, such less pressure on agricultural land, a need for foreign workers, and a huge impact for the pension system.

**Figure 2 – Estimated labour market entrants 1950-2050 (thousands)**



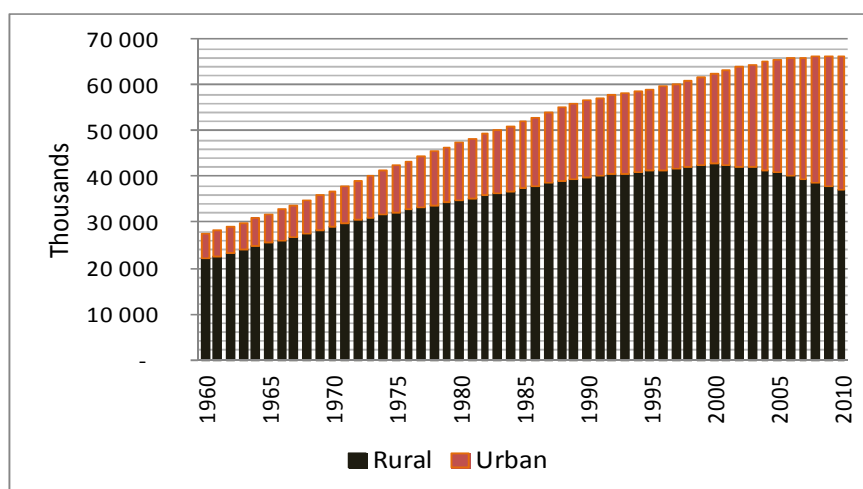
Source: WUP

### The rural / urban dynamic

Thailand has experienced a major dynamic of urbanisation. The urban population grew from 5.4 million people in 1960 (19.7 % of the population) to 29.3 million people in 2010 (44.8 %). This trend is very similar to other Southeast Asian countries, where 47 % of the population lives today in cities. The rural population started to decrease in absolute terms in 1999. This will have a strong impact on land issues, farms models, and the role of rural areas (Figure 3). In Thailand, the percentage of the population living in a city of more than 1 million inhabitants grew from 8 % in 1960 to 16 % in 2013. The urban population is mostly

concentrated in the highly congested metropolitan area of Bangkok, which ranges between 10 and 14 million people, and expresses a strong regional asymmetry in terms of city sizes.

**Figure 3 – Evolution of the rural-urban distribution (1960-2010)**

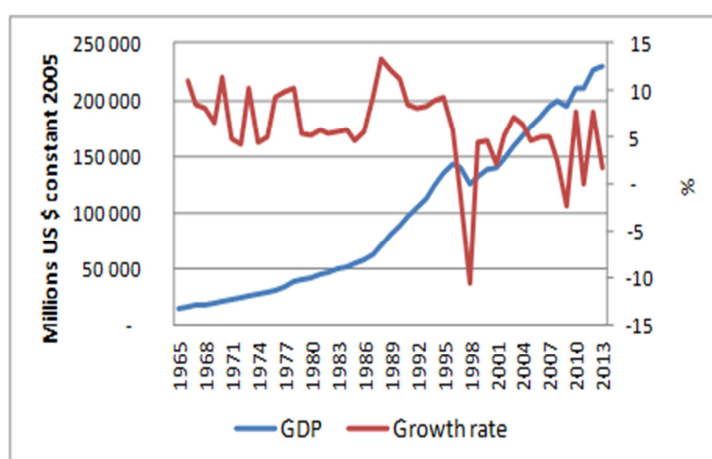


Source: WDI

#### 1.4. Main macro-economic characteristics

Between 1965 and 2013, Thailand's GDP grew quickly, from 13.9 to 230.3 billion in constant 2005 US\$. The impact of the Asian Crisis (1997–1998) was brutal (from +10 to –10 % growth in 2 years), but the recovery was fast, even if followed by greater volatility (Figure 4). The last two periods of growth (1985–1997 and 2002–2015) were mainly driven by manufacturing. Since 1960, the GDP of manufacturing has increased from 1.1 billion to 78.2 billion US\$ (constant 2005). In comparison, agricultural GDP was only multiplied by five, from 3.7 to 21.7 billion.

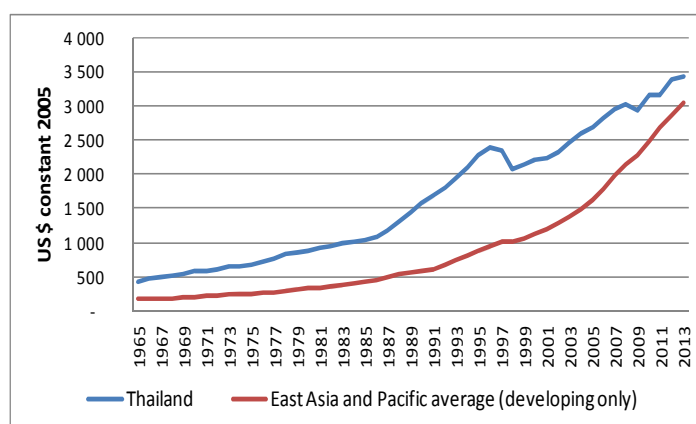
**Figure 4 - Evolution of GDP (1965-2013)**



Source: WDI

The GDP per capita had increased continually since the 1960s, except during the crisis. In absolute value, GDP per capita grew from 437 US\$ in 1965 to 3 438 US\$ (constant 2005) in 2013. The country was one of the best performers in the region (Figure 5).

**Figure 5 - Evolution of the GDP per capita (1965-2013)**

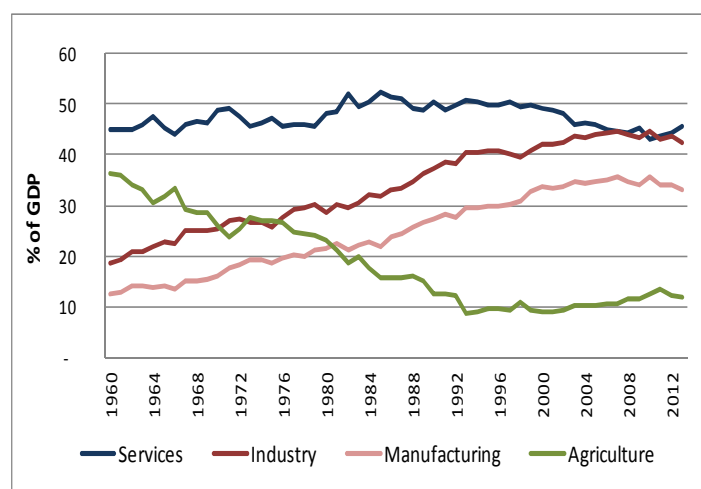


Source: WDI

### Sector shares in GDP and employment

GDP growth has resulted from Thailand's structural transformation. Agriculture's GDP share decreased from 36 % to 10 % in nearly thirty years, when it reached a plateau in 1993. Since then, agriculture's contribution has stabilised, with the exceptions of a slight increase during the Asian Crisis and then a very progressive rise to around 12 % today: a consequence of a substantial improvement of sector value from 11.6 billion in 2002 to 40.2 billion US\$ (constant 2005) in 2012 (Figure 6). During the same time period, the industrial sector's share increased from 19 % in 1960 to 43 % in 2013 as a consequence of a steady development of manufacturing. In comparison, services' share remained globally stable.

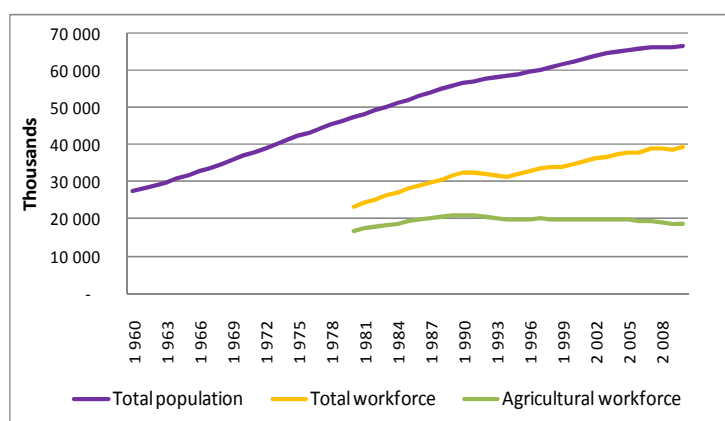
**Figure 6 - Evolution of GDP sector shares (1960-2013)**



Source: WDI

Data on employment are only available from 1980 onwards. A major change has occurred in the evolution of Thailand's workforce. The share of employment in agriculture drastically decreased from 71 % in 1980 to only 40 % in 2012. This is the consequence of the strong development of employment in other sectors. In absolute terms, the number of people employed in agriculture slightly increased (from 16.8 million people in 1980 to 18 million in 2012). In comparison, employment in services and in industries increased respectively from 18 % of the workforce in 1980 to 39 % in 2012, and from 10.3 % to 20.9 % (Figure 7).

**Figure 7 - Evolution of employment and share of agriculture**

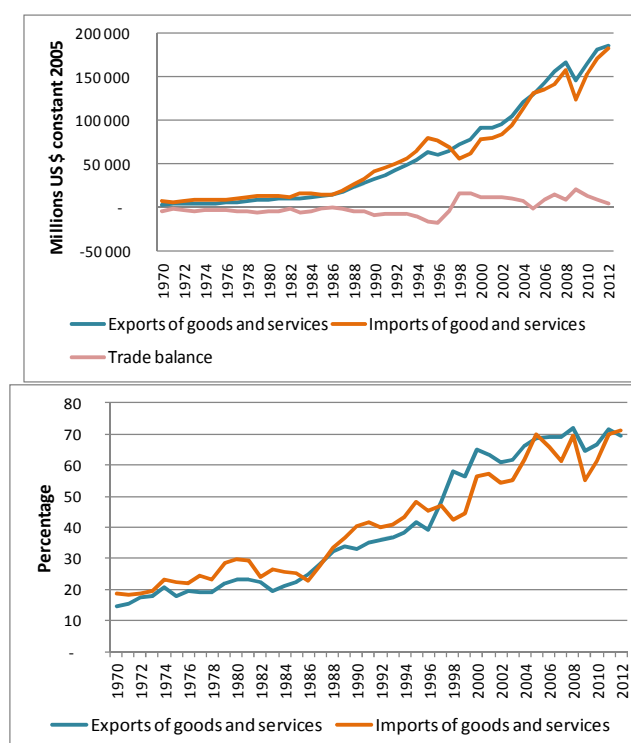


Source: UNCTAD

### International trade and payments accounts

Over the last 50 years, Thailand's international trade grew steadily. Imports and exports of goods and services reached, respectively, 182 billion and 186 billion US\$ (constant 2005), or around 70 % of the GDP in 2012. Import volumes declined sharply during the Asian crisis, with the fall in domestic activity, while exports attracted by other regions continued to grow (Higgins, 2000). This resulted in significant improvement in the trade balance (Figure 8).

**Figure 8 – Importance of trade and evolution of trade balance**

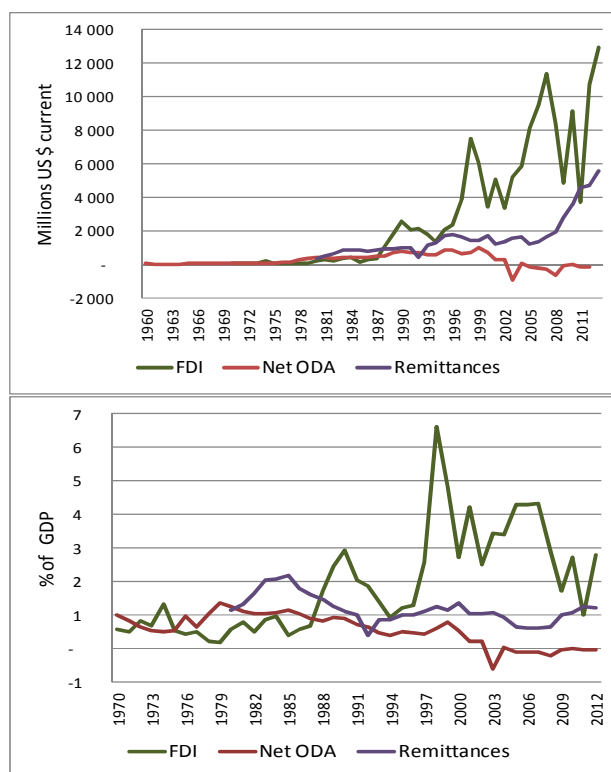


Source: UNCTAD

During the Cold War, Thailand benefited from significant flows of foreign aid, provided in order to limit the influence of communist movements from neighbouring countries (Cambodia, Laos and Vietnam). Nevertheless, ODA has always represented a small share of GDP and dried up after the end of the Vietnam War. FDI largely offset ODA reduction and increased rapidly when Japanese companies started to relocate manufacturing activities (thanks to the high yen exchange rate and low costs in Thailand). Despite the impact of the financial bubble preceding the Asian Crisis, FDI remained quite significant and stable until

the political troubles and the related instability, aggravated by massive floods in Bangkok in 2011. FDI fell from 7 % of the GDP in 1987 to 3 % 2013 (Figure 9). Remittances are a new contributor to the current account balance: they increased from 1.9 billion US\$ in 2008 to 5.5 billion today.

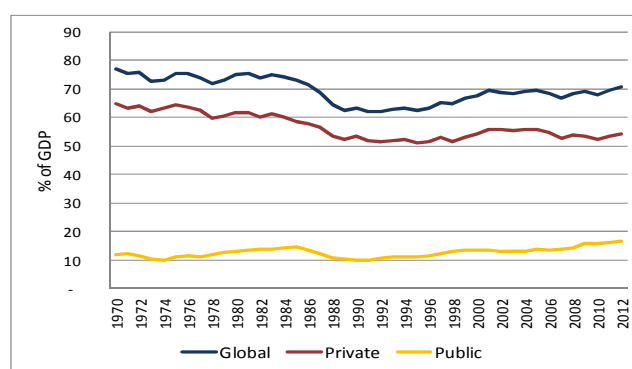
**Figure 9 - Evolution of ODA, FDI and remittances**



Source: WDI and UNCTAD

Consumption represented 70.5 % of the GDP in 2012, with private consumption reaching 54 %. Despite a slight increase since 2006, public consumption always remained low (around 15 % of the GDP) (Figure 10).

**Figure 10 - Evolution of consumption shares in GDP**



Source: UNCTAD

## Section 2. An overview of development policies since the 1960s<sup>1</sup>

Thailand opted for economic liberalisation in the early 1960s and, during the Cold War, the successive governments received significant technical and financial assistance from the US Government to contain the perceived communist threat. As a consequence, the country was particularly exposed to global crises and geopolitical shifts. First, the two oil shocks weakened the Thai export-led growth strategy, which was directly impacted on by economic stagnation in Western countries. Then, financial liberalisation and strong foreign investments, associated with a weak financial supervision, generated the conditions for the formation of a financial bubble, which started the 1997 Asian crisis.

Nevertheless, economic growth supported the emergence of a middle class – not limited to Bangkok – aspiring to higher consumption patterns and political expression. Both challenged the traditional socio-political balance of the Thai society and its regional component (capital city vs regions). This tension culminated in the 1970s with the student movement of 1973, and more recently in the two political crises initiated during the two Shinawatra's governments (Thaksin Shinawatra and then Yingluck Shinawatra).

Over the last fifty years, the role of agriculture has deeply changed. Thailand is no longer limited to the production of basic commodities. Welfare in rural areas first strongly improved through strategic investments in marginalised regions, as justified by Cold War tensions. Then, the rural investments were progressively replaced by social investments. Migration remittances have contributed to households' private investments. Employment shortage in agriculture has also led to the development of labour immigrations from Cambodia and Myanmar, and rural development is now recognised as being a key issue for public policy.

Four major periods can be identified: (i) the end of economic nationalism and adoption of laissez faire (1957–1975), (ii) the “Asian shift” towards the export-led strategy (1976–1988), (iii) the time of liberalisation and deregulation policies (1989–2001), and (iv) the tentative redistribution strategies (2001–2015).

**Figure 11 - Sequencing of development policies**

[illegible]

Source: authors

## 2.1. From economic nationalism to laissez faire (1957-1975)

After the military coup of 1957, the Thai governments progressively replaced nationalist economic policies of import substitution with free market policies. In 1961, the government introduced the first national economic plan which focused on infrastructure investments. Thanks to global economic growth and to a fixed exchange rate system, the Thai economy enjoyed rapid progress, mainly due to the growth of the agricultural sector. Thailand opted for a liberal orientation, promoting private investment in order to first achieve existing programs of Import Substitution Industrialisation (ISI) and then to facilitate the development of Export Oriented Industrialisation (EOI) (Chambers, 2013). During this period, the State withdrew from private industries and modified existing laws in order to secure private

<sup>1</sup> This section draws on TDRI (2015).

investment. The *Investment Promotion Act* (1960) established the *Board of Investment* (BoI). It provides investment information and services for investors, as well as many incentives. Moreover, it repealed the existing constraints on land ownership and created incentives (tax-breaks) for investment (Goss et al., 2001). Nevertheless, the State continued using tariff protection in order to protect sectors considered to be strategic, like sugar (Goss et al., 2001).

A clear choice was made to use capital accumulation in the agricultural sector to develop industrialisation. The rice sector played a critical role. It was submitted to high taxation and price control in order to: (i) maintain a low cost of workforce – through cheap food – as a way to attract FDI for investment in manufacturing; and (ii) generate important resources to be invested in infrastructure projects. This policy was successful in developing infrastructure and manufacturing in Bangkok and its inner suburbs (Kermel-Torrès et al., 2000).

Investments in infrastructure also occurred out of Bangkok, with a major development of roads in the countryside, including in remote areas. They were strongly influenced and supported by the United States in relation to the Vietnam War and the desire to control any risk of the rise of a rural rebellion in Thailand (Goss et al., 2001). In addition to its support for manufacturing, the government also extended its policy of attracting private capital to the agricultural sector. The BoI mandate, previously oriented to attract investments in industry, was extended to agribusiness. The State also provided incentives to companies implementing new activities outside Bangkok. This strategy facilitated the emergence of Thai conglomerates, which first invested in production and food processing through contract farming, and then diversified their investments into non-agricultural sectors, before expanding their activities abroad.

In spite of these objectives of regional investments, this policy led to growing inequalities between rural and urban dwellers. The situation worsened with the fall of agricultural export prices (sugar, cassava and rice) at the end of the 1970s and sparked political tensions, including rural rebellion (Goss et al., 2001).

## 2.2. The “Asian shift” towards an export-led strategy (1976–1988)

With the end of the war in Vietnam, the strong impact of the two oil shocks on Western economies, and the growing economic power of Japan, an important shift occurred in terms of international influence and geostrategic positioning towards major Asian neighbours. As a consequence of the withdrawal of its military forces and the reduction of its financial support, the role of the USA faded and was progressively substituted by Japanese investors. Their objectives were to relocate labour-intensive industries to low-cost countries, to escape the high yen exchange rate, and also to start building a “food import complex” with Thailand. It consisted in direct co-investment with Thai firms in agriculture and agri-business in order to supply food markets in Japan.

In the early 1980s, the successive Prem governments were confronted with an economic crisis attributable to growing deficits, inflation and excessive borrowings from commercial banks. In order to tackle these problems, voluntary structural adjustment policies were decided on and implemented: devaluation of the baht, budget cuts, and reduction of export taxes (Chambers, 2013).

Thanks to the discovery of gas in the Gulf of Siam in the 1970s and the growing impacts on public finances, the government initiated the *Easter Seaboard Development Project*, aiming at attracting foreign investments in export-oriented industries and in the petro-chemical complex. High value goods were manufactured and directly shipped worldwide from Laem



Chabang, Thailand's largest port and now the 23<sup>rd</sup> busiest port in the world (2014). As a result, Thailand moved massively towards an export-oriented industrialisation, which led to an important increase of its GDP, with strong impacts on absolute poverty alleviation (poverty at 1.25 USD/day had been reduced from 20 % in 1985 to 0.3 % in 2010). Nevertheless, regional disparities related to an uneven development increased, as did relative poverty (Chambers, 2013).

### 2.3. The time of liberalisation and deregulation policies (1989–2001)

In the 1990s, Thailand accelerated its economic integration in both the world and regional economies with its participation in the WTO, the signing of a bilateral free trade agreement with China, and the creation in 1992 of the *Asian Free Trade Association* (AFTA), the economic trade bloc of the ASEAN countries.<sup>2</sup> AFTA was quickly joined by Vietnam and neighbouring Laos and Cambodia, and progressively implemented a trade zone with tariffs limited to 0–5 %.

Being confronted with a significant current account deficit in the early 1990s, the country and its successive governments decided to further engage in their liberal orientation. The economic priority of the Anand government between 1991 and 1993 was to first liberalise the energy and telecommunication sectors. It provided new rules and regulations to guarantee a fast development. The liberalisation of the financial sector followed under the supervision of the Bank of Thailand: acceptance of IMF's rules (compliance with Article 8), end of controls on foreign exchange transactions, and creation of the *Bangkok International Banking Facilities* (BIBF) in 1993. These developments positioned Bangkok as a major financial hub and resulted in important inflows of capital that went to basic industries. However, it also led to 'Dutch disease' effects, with a large inflow of foreign currency, an overvaluation of the currency and a quick asset price bubble which resulted in a deep economic crisis in 1997 in which 2 million Thais lost their jobs.

The second government led by Chuan Leekpai (1997–2001) then had to accept harsh adjustment measures to benefit from IMF and World Bank loans. The government reduced funds allocated to social programs and agriculture, and increased taxes. This resulted in a significant degradation of the social welfare.

### 2.4. Political instability and the tentative redistribution strategies (2001–present)

The appointment of Thaksin Shinawatra as Prime Minister in 2001 generated a major shift in government's economic approach, characterised by the return of the State as a major actor in economic development. A new development paradigm was promoted with two major objectives: firstly, create better conditions to attract investments and, secondly, tackle poverty with social programs and the promotion of small- and medium-size businesses.

The main instruments of the related policies were: (i) to increase credit access for small economic agents (loans for small urban vendors and small enterprises) and a moratorium on farmers' debt; (ii) to encourage the diversification of activities in rural areas (loans for village development and OTOP program<sup>3</sup>); and (iii) to improve access of the poorest to social and health services (with the "30-baht health care" and the "one district, one scholarship" schemes). Moreover, the government put in place a price subsidy for rice in order to protect

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<sup>2</sup> *Association of the Southeast Asian Nations*, created in Bangkok in 1967.

<sup>3</sup> OTOP: *One Tambon One product*. See box in section 3.2.

producers from international instability. It also changed the fiscal regime to encourage investments and capitalist development in the peripheral areas of the country. The last aspect of Thaksin's government policy was its active role in the creation of the *Arrewaddy-Chao Phraya-Mekong Economic Cooperation Strategy* (ACMECS) in 2003, aimed at developing regional cooperation with neighbouring countries through infrastructure development.

The results of Thaksin's policies raised controversy, mainly because it increased the government's debt without a clear impact on poverty alleviation, when compared with earlier periods (Chambers, 2013). Thaksin was overthrown by a military coup in 2006. The following Democrat Party government changed the economic orientations of the country, rejecting protectionism but also promoting an integrated economic model, including social welfare programs. The Surayund Chulanond government (2006–2008) adopted a new economic ideology calling for a *Sufficiency economy*<sup>4</sup> that was explicitly recorded in the new constitution enacted in 2007. Due to economic and political tensions, a new government was elected in 2008. It implemented the *Wara Prachachon* (people agenda) which aimed to: (i) restore investor confidence; (ii) make new investments to increase national competitiveness; and (iii) improve human capital.

During the last years, despite political instability, the regional integration within the ASEAN area deepened. Additional social programs (free education and old age pension) and community projects were financed. Moreover, the government restored a mechanism to guarantee farmers' income through a quasi-subsidy on crops (especially for rice). In 2011, with the election of Yingluck Shinawatra (Thaksin's sister), the Thai government deepened its orientation towards social welfare policies. It restored the "30 baht health care" program, facilitated loans to farmers, and established a minimum wage. The most important income distribution policy is probably the "paddy pledging policy": the government committed to buy every grain of rice from farmers at a price around 40-50 % higher than the market price. This commitment appears difficult to sustain: over the two-and-half years of implementation, the government spent 970 billion baht\ and the fiscal loss was estimated at 560–660 billion baht.

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<sup>4</sup> Philosophy of *Sufficiency Economy*, as defined by the King Bhumibol Adulyadej: *"Economic development must be done step by step. It should begin with the strengthening of our economic foundation, by assuring that the majority of our population has enough to live on.... Once reasonable progress has been achieved, we should then embark on the next steps, by pursuing more advanced levels of economic development.... Being a tiger is not important. The important thing is for us to have a sufficient economy. A sufficient economy means to have enough to support ourselves ... we have to take a careful step backward ..."* (Chaipattana Foundation, see web source in Bibliography)

### Section 3. Agriculture and rural development policies in practice

Agricultural production and rural areas have played different roles during the last 50 years: suppliers of food, capital and workforce for the industry, suppliers of foreign currencies, and tools for land control during the Cold War, as well as tools for dealing with migrations. As a consequence, their position in the policy agenda shifted several times with reference to the overall periodisation of the political economy of the country.

**Figure 12 - Sequencing of development policies and rural development objectives**

[illegible]

Source: authors

### 3.1. Support to production to facilitate industrialisation (1957–1975)

Since the 1960s and even before, and until the mid-1970s, the agricultural sector played a central role in fuelling industrialisation. The State encouraged the development of agriculture through: (i) support for farm settlement and the development of deforestation in pioneer fronts, transforming forest areas into agricultural land, and consuming environmental capital; and (ii) the modernisation and diversification of agriculture. In 1966, the *Bank for Agriculture and Agricultural Cooperatives* (BAAC) was established with the mission to provide credit to farm households through a “group-guarantee” system (Poapongsakorn, 2009). This policy was quite a success, since 90 % of households were able to access credit (Goss et al., 2001). The availability of rural finance in Thailand is a key component of Thailand’s success.

Diversification efforts from rice were limited to small developments in maize, cassava and sugarcane production. Rice remained the first choice of production, although its importance relatively decreased. High production and low prices facilitated access to food for city dwellers and workers. Nevertheless, this first movement towards diversification initiated a first expansion of agricultural commodities for the development of agro-industries (animal feed, sugarcane and food packaging) which were fully part of the industrialisation strategy (Goss et al., 2001). In order to support this dynamic, the State provided adequate infrastructure, and protection for small industries through price guarantee mechanisms, as well as incentives for industrial development outside of Bangkok (extension of the *Investment Promotion Act* to the agribusiness sector in 1972 and 1977). The expansion of the agricultural sector was also influenced by the progressive development of contract farming which boosted technology transfer (especially in the poultry sector) This has been facilitated by the emergence of conglomerates, first dedicated to food production, and then diversified into a large range of activities in industry or services.

In the 1970s, Thailand began to export high-value products (chicken, canned tuna, frozen shrimp, and vegetables). However, from the mid-seventies, this agricultural development model started to show its limits: land concentration had increased, with 48 % of landlords owning only 16 % of the cultivated land. Even if progressive labour migration flows to the cities (mainly Bangkok) partly reduced tensions in rural areas, spatial inequalities and the rural–urban divide increased.

### 3.2. Vertical integration, export strategy, and early signs of interest in rural development (1976–1988)

In the eighties, the export-oriented industrialisation resulted in massive rural–urban migrations. The rural workforce working in agriculture around Bangkok became scarce. Simultaneously, the agricultural development model was challenged by the limits of deforestation and the fall in agricultural commodity prices (in 1979–1980 and in 1986) which impacted on profitability (Kermel-Torrès et al., 2000; Poapongsakorn, 2009). In reaction, the government supported agricultural intensification and continued with incentives for agro-industries (numerous projects were financed during the 5<sup>th</sup> development plan). Diversification and intensification of agricultural production differed from one region to another as a result of their differing intrinsic characteristics (with a higher intensification in the central region due to easy irrigation) and also of the influence of agro-industrial firms. They contributed to the emergence of vertically integrated agri-food production (especially for poultry) which directly influenced production patterns: crop choices, technical systems, etc.

In parallel, the government first initiated programs to support rural diversification as a way to mitigate the impact of intensification and concentration in agriculture, and to foster the development in lagging regions. One of the major policy instruments was the promotion and the development of *Community Based Enterprises* (CBE), in charge of providing support to new activities and facilitating improvement of the existing ones. Teerakul (2012) explains that although the contribution of income from the CBE to total household income is small, the CBE also plays an important role in community development because it contributes opportunities for social capital development, social participation, capacity building and, potentially, gender empowerment.

### 3.3. Neglect of agriculture and rural issues, increasing inequalities and rural poverty (1989–1998)

In the early 1990s, agricultural prices fell again, which resulted in increasing migrations to cities where labour demand for manufacturing was high. This trend led to growing labour scarcity, which translated into increasing agricultural labour costs in some rural areas and justified the development of new labour-intensive techniques. In parallel, following agricultural prices decreases, an important amount of capital resources was drawn away from agriculture, while trade integration and increasing competition impacted on the regional distribution of production. It resulted in increased land pressure in the major agricultural hot spots of the country.

In that context, the reaction of agro-businesses was to develop further contract farming, which had initially been promoted by the State. The “relation between farmers and agribusinesses without state intervention became predominant” (Goss et al., 2001), with contracts being a way for agro-industries to secure access to production and capture agricultural labour. Contracts were more widely applied for export production items (such as swine, shrimp, cashew, asparagus, tomato, eucalyptus, baby corn, bamboo shoots, pineapple and mushrooms), but also contributed to a continued economic transformation of agriculture.

The 1997 crisis had a major impact: adjustment measures intensified state withdrawal from the sector and the privatisation of the remaining state enterprises; the budget of the

Ministries of Agriculture and of Cooperatives was reduced by 25 %. This led anew to a strong orientation of production towards exports. The farmers' economic situation continued to worsen, with decreasing product prices and increasing input prices being attributable to the depreciation of the baht. Farmers' debt multiplied significantly and this became a major problem, while agricultural intensification techniques increased environmental degradation.

### 3.4. Social policies, rural development and renewed rice support (1999–2014)

Thaksin's access to power marked a return of state intervention in the agricultural sector. The government responded to farmers' liquidity and debt problems with a three-year debt deferment program and the provision of cheap credit. Moreover, through the pledging program, it reinstated a costly price support system for rice. It encouraged exports with deepening regional integration and low tariffs. A rice export strategy was initiated together with other major rice exporting countries, together with a food safety strategy in order to address problems with chicken and shrimp exports. The level of farming contracts was nearly halved, and the government allowed the employment of foreign workers to reduce the relative labour scarcity.

In parallel, the government promoted the development of local communities and the diversification of activities in rural areas through the *One Tambon One Product* program (OTOP), the implementation of village funds, and the *One District One Scholarship* program. This approach was amplified with the adoption of the ideology of the *Sufficiency economy*, promoted by a new government after Thaksin was overthrown. Several billion baht were committed in the 10<sup>th</sup> *National Economic and Social Development Plan* to promote the development of activities in rural areas through support for local dynamics and improvement of social capital. The projects aimed to (i) build knowledge and occupational skills, (ii) create market opportunities for community products and reduce household expenditures, (iii) rehabilitate natural resources, (iv) give assistance to vulnerable people, and (v) provide basics services (health, education, etc.).

#### **Box: The “One Tambon One product” program (OTOP)**

The OTOP<sup>(\*)</sup> was introduced under Thaksin's Government to promote the development of Thai villages (Haraguchi, 2008; Natsuda et al., 2012). It originated in the Community-based enterprises (CBE) system, which was the first instrument to promote the diversification of rural incomes (5<sup>th</sup> NESDB, 1982–1986). The OTOP approach was mainly inspired by the OVOP movement in Japan during the late 1970s, which promoted regional products.

The Thai government assumed a central role by devolving the implementation and the functioning of the program to local governments. It promoted different strategies to enhance products' quality and facilitate their exports (brand marketing strategy and contests). In 2007, when Thailand moved toward the sufficiency economy, OTOP programs were maintained, although they were less market oriented. In 2010, approximately 4 000 producers were registered under OTOPs covering 85 000 products: decorative items (37 %), textiles (25 %), foods (24 %), herbal products (11 %), and beverages (4 %).

This program was recognised as an instrument that facilitated job creation in rural areas, valorised employment of women and marginalised people, and contributed to the reduction of rural–urban migration. However, it was also criticised for benefiting producers with the highest potential, and limiting the impact on poverty alleviation. Furthermore, it had a limited impact on the overall economy (less than 1 %).

<sup>(\*)</sup> <sup>1</sup>Tambon means village community

The rural non-farm economy provides around half of all rural jobs. Many of these are linked to prospering agriculture: agro-processing, both upstream and downstream of farms, construction operations, metal workshops, and agricultural equipment manufacturers, as well as livestock feed and village retail shops. In the less agriculturally prosperous areas, different non-farm activities emerged, centred around labour-intensive export activities, such as gemstone cutting, silk weaving, and the production of artificial flowers, all for export (Poapongsakorn 1994; Haggblade et al., 2007)

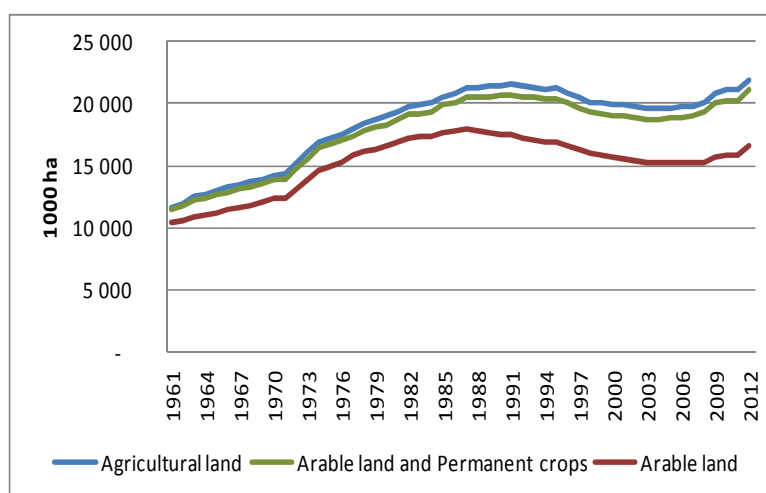
## Section 4. Main rural development outcomes

### 4.1. A few reminders about the agricultural sector

In Thailand, the level of diversification of activities in rural areas is higher than in other similar Asian countries (Thapa et al., 2010). However, agriculture's importance remains critical in the Northeast and the South, the former suffering from very low productivity, impacting on rural incomes (Poapongsakorn et al., 2006).

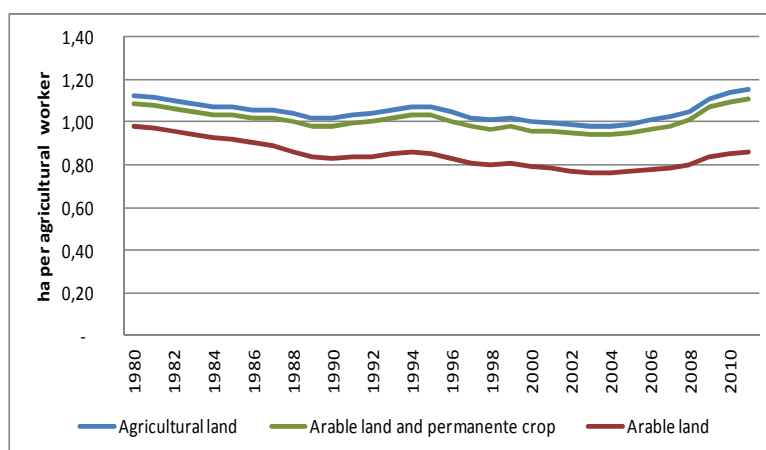
Areas of arable land and agricultural land began to increase significantly in the early 1970s (see definition in annex). Between 1970 and 1990, they respectively grew by 42 % and 50 % (Figure 13). After a recession in the early 2000s following the economic adjustment measures, they progressively reacquired their acreage as a result of strong policy signals sent to producers. In spite of a growing labour force, agricultural and arable land per agricultural worker only slightly decreased due to urbanisation and rural diversification. Land allocation in the pioneer frontier to small-scale farmers served as guarantee for the credit system. The average acreage stands at around 1 ha per worker. This is quite high when compared with other Asian countries (Thapa et al., 2010). The average farm holding is 3.65 ha, as against 0.57 ha in Vietnam (Figure 14).

**Figure 13 - Evolution of agricultural and arable areas (1961-2012)**



Source: FAO stat

**Figure 14 - Evolution of land available per agricultural worker (1980-2011)**



Source: FAO stat and UNCTAD



Irrigation has gradually increased since the early 1970s and today reaches around 40 % of the arable land (Table 1). Farming systems and rice cultivation models are relatively mechanised, compared with others Asian countries: the number of tractors grew very rapidly after the beginning of the 1990s and reached 1 tractor for 4 workers in 2002 (Table 2). This is a direct consequence of increasing and relatively high labour cost (Bruneau, 2008; Thapa et al., 2010). Poapongsakorn (2006) estimated that, from 1980 to 2005, almost all the contribution to agricultural growth has come from capital (60 %) and from technical progress (43.5 %).

**Table 1 - Irrigation development (1961-2012)**

	1961	1966	1971	1976	1981	1986	1991	1996	2001	2006	2011	2012
Total irrigated land (1 000 ha)	1 621	1 768	2 106	2 448	3 171	3 912	4 349	5 120	5 710	6 305	6 415	6 415
Total irrigated land (% of arable land)	16	16	17	16	19	22	25	31	37	41	41	39

Source:

FAO Stat

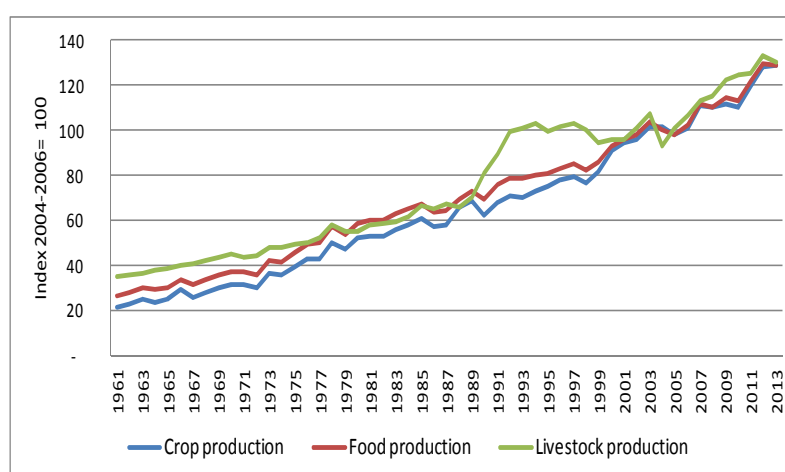
**Table 2 - Agricultural machinery**

	1963	1968	1973	1978	1983	1988	1993	1998	2002
Tractors (units)	5 000	5 000	7 000	7 000	20 824	34 823	65 010	183 704	439 139
Tractors per 100 sq. km of arable land	5	4	6	5	12	20	37	111	281

Source: WDI

Livestock and crop production increased steadily after the early 1960s. Gross production value multiplied more than fivefold owing to huge productivity gains, which mainly occurred after 1980. As a result, labour productivity doubled: from 560 to 1 166 US\$ per agricultural worker (constant 2005) between 1980 and 2012, particularly after 2000 as a consequence of improving mechanisation (Figure 15).

**Figure 15 - Evolution of the production index (1961-2012)**



Source: WDI

Since the early 1960s, cereal production has exceeded the domestic demand and a large part is exported. Meat production followed the same path, but at a much lower pace: meat exports only started in the 1990s and were mainly driven by poultry (Table 3). The average food supply per capita and per day progressively improved, with a significant increase being experienced since the early 1990s. With 2 782 kcal per capita/day in 2013, it prevents

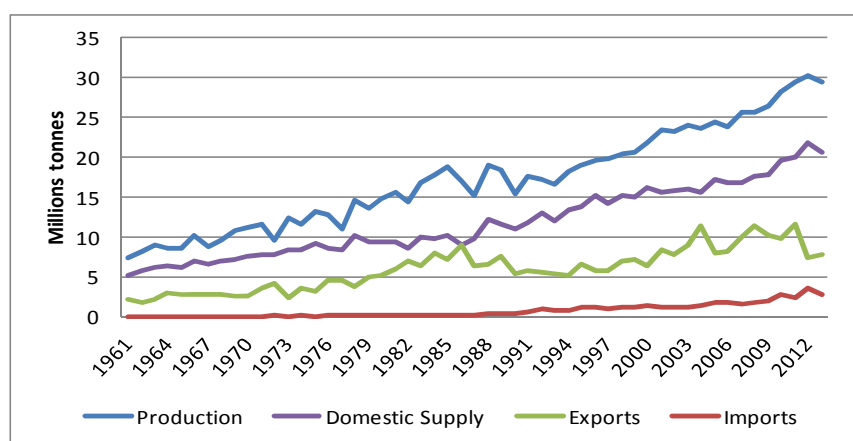
undernourishment (Figure 16). Around 7 % of the population, or about 5 million people, remain undernourished (Figure 17).

**Table 3 - Food supply (kcal/capita/day)**

	1961	1966	1971	1976	1981	1986	1991	1996	2001	2006	2011	2013
Grand Total	1 942	2 280	2 194	2 220	2 198	2 096	2 260	2 558	2 578	2 796	2 760	2 784
Vegetal Products	1 775	2 093	2 007	2 040	1 995	1 890	1 978	2 241	2 284	2 460	2 415	2 433
Animal Products	166	187	188	181	203	205	282	317	294	336	345	351

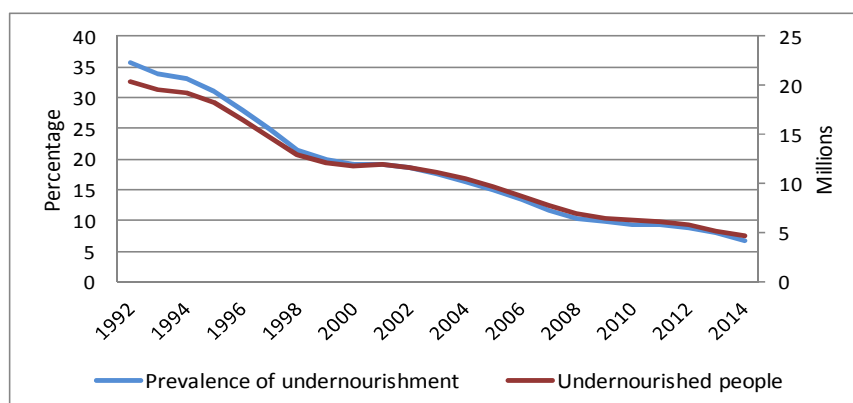
Source: FAO Stat data

**Figure 16 - Evolution of the cereal balance**



Source: FAO stat

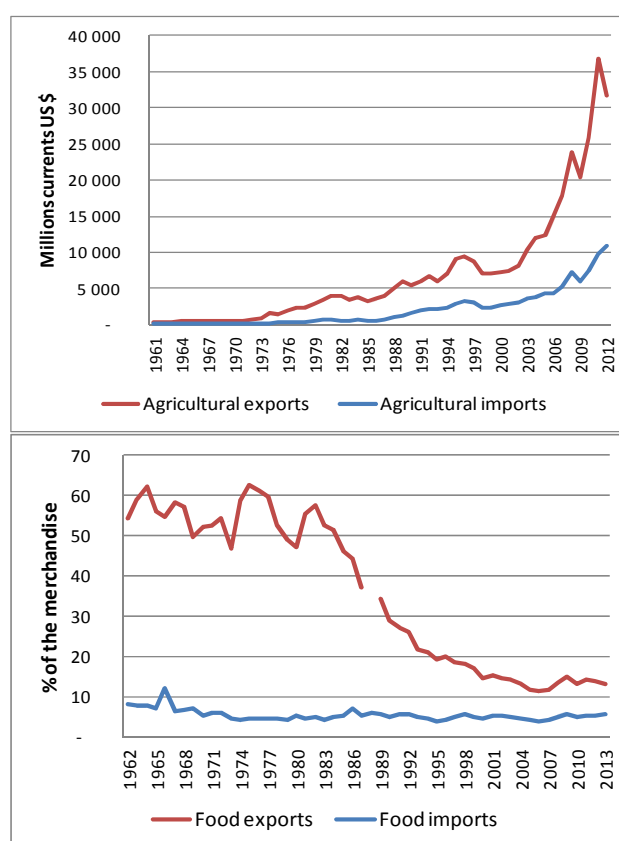
**Figure 17 - Evolution of undernourishment (1992-2014)**



Source: FAO Stat

Public support for agriculture has had a positive impact on the agricultural trade balance. Since the early 2000s, the value of agricultural exports has increased by seventeen times (in current US\$). However, the weight of agricultural products in the global trade balance sharply decreased: from 52 % to 13 % of the merchandises exports between 1962 and 2013. The main decrease occurred in the 1980s and 1990s, when the economy diversified strongly as a result of the export-oriented strategy (Figure 18).

**Figure 18 - Evolution and importance of agricultural trade<sup>5</sup>**



Source: FAO and WDI

## 4.2. Rural welfare

### Poverty reduction policies

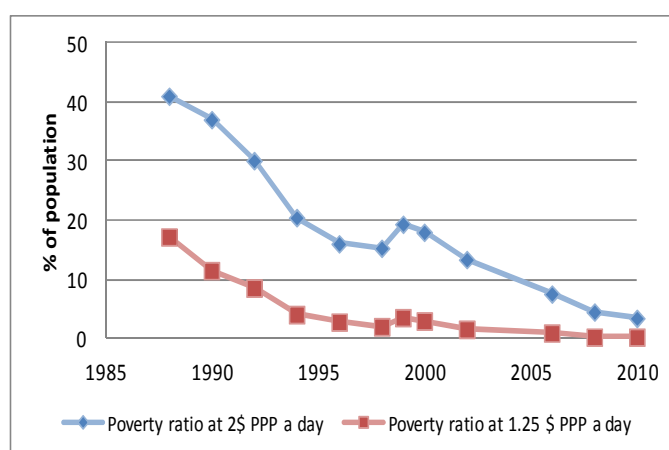
Although the Asian crisis placed a temporary break in the downward trend, poverty reduction in Thailand has been dramatic: in 1988 around 40 % of the population was living below the 2 US\$ (PPP) poverty line, while the ratio was less than 4 % in 2010. The 1.25 US\$ (PPP) poverty rate followed the same trend: it dropped from 17 % in 1988 to less than 1 % in 2010 (Figure 19). National ratios are less spectacular: in 2011, 13 % of the population was still living under the national poverty line and poverty is more a rural problem (17 % rural poor vs 9 % urban). However, since 2000, the gap between rural and urban poverty has narrowed (Figure No 20). Poverty is mainly concentrated in the North East and North regions where agriculture remains the major and often unique activity (Poapongsakorn, 2006). Until the Asian crisis, economic growth and industrialisation and rural-urban migration had been the most powerful drivers of poverty reduction (Deolalikar, 2002). Through tax on agricultural exports (rice in the central region, rubber in the South, and cassava in the North), export agriculture has provided resources to support growth; it has supplied cheap food to the urban worker; it has offered the basis for a dynamic and labour-intensive agro-processing industry; and it has fuelled the development of the rural non-food economy (Watanabe, 2009).

<sup>5</sup> Agricultural products (exports/imports) include food products (considered edible and containing nutrients) plus animal feed products, alcoholic beverages, coffee and tea (FAO).

Fan (2004) established that agricultural labour productivity growth, growth in non-farm employment, and changes in agricultural prices were the three most important factors in rural poverty reduction in Thailand. For every 1 % growth in agricultural production, rural poverty is reduced by 0.4 %; in Thailand, most farmers are net food sellers, so higher food prices tend to reduce rural poverty. Fan demonstrated, too, that 1 % of non-farm employment growth reduces poverty by 1 %.

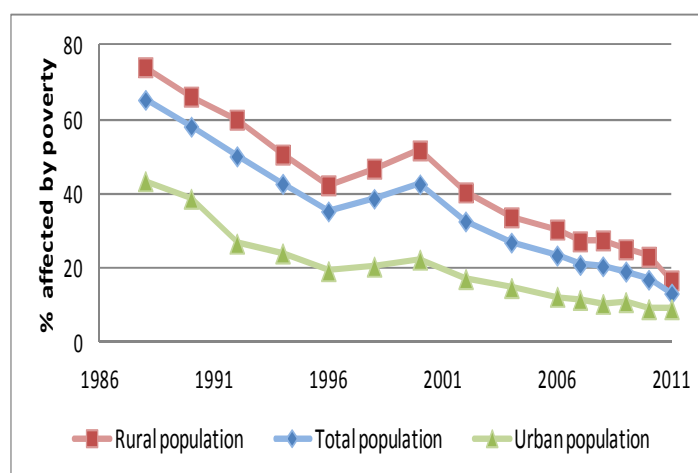
This positive evolution results from specific targeted policies, but above all from the progressive shift of the active population to cities (either permanently, or during low farm activity periods), where an effective economic diversification towards more productive activities has occurred. After the Asian crisis, social policies have substituted growth for poverty reduction (see next section).

**Figure 19 - Evolution of poverty (1985-2010)**



Source: WDI

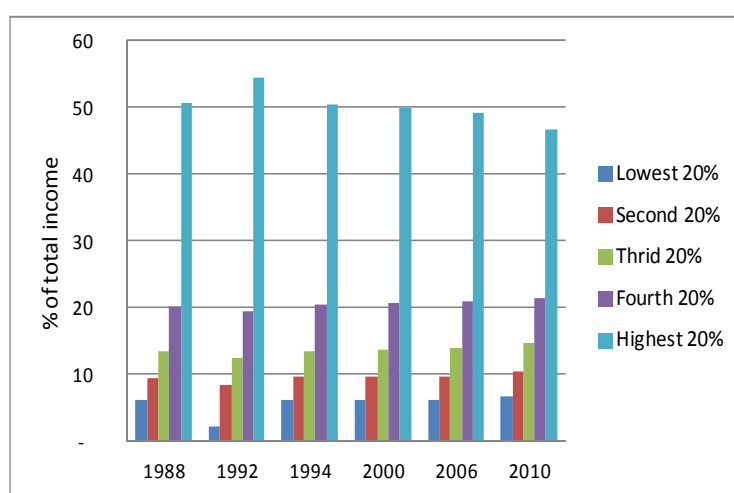
**Figure 20 - Rural – urban distribution of poverty (national poverty line -1985-2011)**



Source: WDI

The GINI index slightly decreased from 0.44 in 1988 to 0.39 in 2010, but inequalities remain high: despite improvement in the distribution, the richest 20 % still earn more than 47 % of the total income, whereas the poorest 20 % only received 7 % (Figure 21).

**Figure 21 - Evolution of income distribution (1988-2010)**



Source: WDI

### Social policies and human development

During the 1960s, priorities were given to infrastructure improvement and investment in human capital through the establishment of compulsory education supported by the Colombo plan.<sup>6</sup> Indeed, the first three national plans implemented by the *National Economic and Social Development Board* of Thailand (NESDB) focused on roads, dams, electricity generation, water supply and primary education. The main targets of education policies were the expansion of primary schooling in rural areas and the promotion of tertiary education, with the creation of the first two universities. However, despite these plans, the Thai development model faced a critical shortage of educated workers in the early 1990s, which prompted the government to promote secondary education by expanding education programs and converting primary schools into secondary schools in order to train more teachers.

After the 2000s and with the renewed interest in a welfare state, the number of programs dedicated to health and education increased: a first universal health insurance was established through the “30 baht for all” health program; the “one district, one scholarship” was developed in rural areas; and more universities were created (through the conversion and grouping of thousands of technical colleges). In 2008, the Democrat government increased the duration of education with the establishment of the “twelve year free education”, which significantly increased access to secondary and higher schools.

As a consequence of these long-standing investments and of the 1990s push, the level of infrastructure is particularly high. About 88 % of the roads were already paved in 1988, and the road density has been multiplied by more than threefold since 1990. Social infrastructure reached high standards in the 1980s and today, 96 % of the Thai population has access to an improved water source, 93 % to sanitation facilities, and 100 % has access to electricity. Differences between rural and urban areas are inconsequential (Table 4).

Education has also improved drastically. The school enrolment rate in primary school has been high since the sixties and the rate of enrolment in secondary and tertiary education took off after the early 1990s: respectively, 95 %, 91 % and 51 % in 2013 (Figure 22). This

<sup>6</sup> A US-funded regional organization created in 1950 to support governments fighting communism.

performance is confirmed by a high literacy rate (96 % in 2010, against already 88 % in 1980).

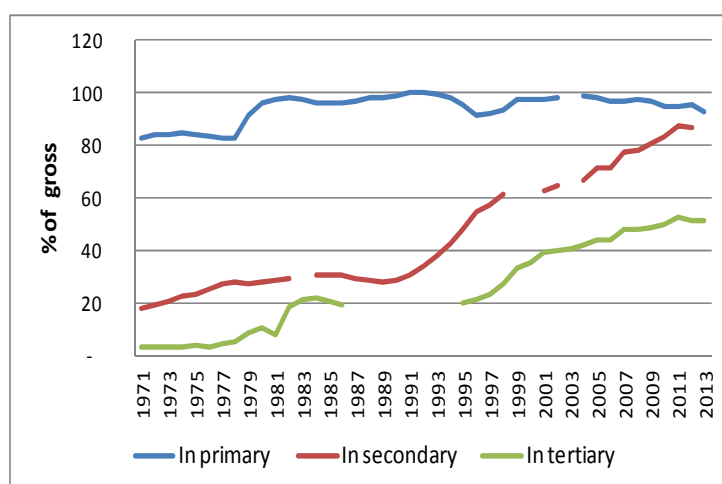
As a consequence of targeted programs, particularly in the mid-2000s and since 2011, health expenditures increased more than twofold between 1995 and 2013, growing from 238 US\$ to 653 US\$ per capita (PPP constant 2005) (Figure 23). This rate is particularly high according to international standards and expresses the performance of public policies. Maternal mortality, as well as infant mortality, has sharply decreased over the past 50 years and the improvement in living conditions is reflected in life expectancy that increased from 55 to 74 years between 1960 and 2012.

**Table 4 - Evolution of welfare indicators**

	1990	1995	2000	2005	2010	2012
<b>Improved water source (% of population with access)</b>	86	89	92	94	96	96
% of rural population with access	82	86	90	93	95	95
% of urban population with access	96	96	97	97	97	97
<b>Improved sanitation facilities (% of population with access)</b>	82	87	91	94	94	93
% of rural population with access	80	86	93	96	96	96
% of urban population with access	87	88	88	89	89	89
<b>Access to electricity (% of population)</b>	93		96		100	
% of rural population	80		87		97	
% of urban population	100		100		100	

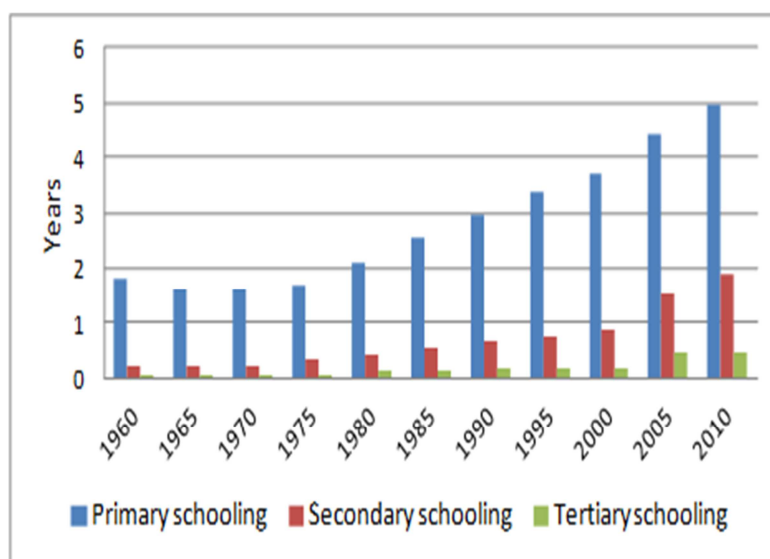
Source: WDI

**Figure 22 - Evolution of school enrolment (1971-2013)**



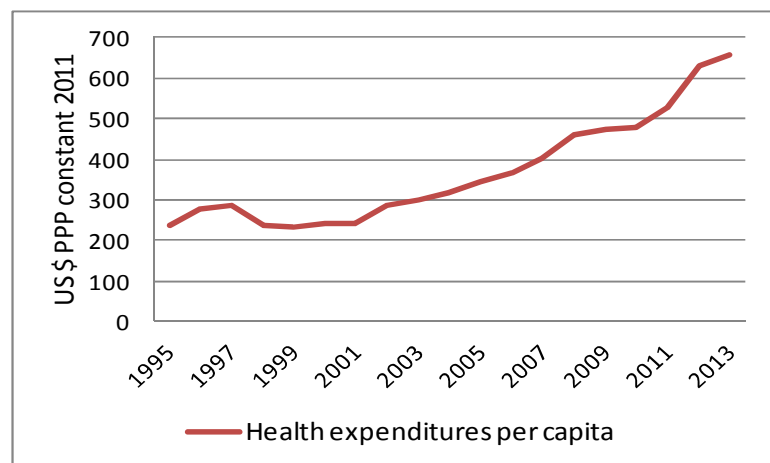
Source: WDI

**Figure 23 - Evolution of schooling duration**



Source: WDI

**Figure 24 - Evolution of health expenditures (1995-2013)**



Source: WDI



## Section 5. Main lessons from the Thai experience

### About development policies

Thailand's development trajectory over the last 50 years has been complex, with shifting public policies in a context of political instability, which, however did not prevent structural change. It was marked by external drivers: the Cold War, the rise of Asian powers in the world economy, trade liberalisation, financial instability, and volatility of capital flows at the global level. Internally, several issues shaped its development path: an accelerated demographic transition (the demographic issues are now those of an ageing country), a strong economic transition with rapid diversification and a declining weight of agriculture and, finally, a difficult political landscape experiencing recurring efforts to gain stability.

At the confluence of these different dynamics, four periods were identified with different development paradigms, economic comparative advantages, and levels of expectations from the Thai population. In the first period until 1975, characterised by the Cold War, the development paradigm was that of state interventionism. Thailand benefited from the geopolitical rent from the “containment” of communism, which resulted in strong investments in irrigation and transport infrastructure, and basic education. Agriculture's role was to supply food markets and growing cities, as well as the workforce for the industrial sector which was oriented towards import substitution.

Between 1976 and 1988, Thailand experienced a geopolitical swing with the end of the Vietnam War and the new opportunities related to booming East Asian economies (Japan and then Korea). The import-substitution strategy was replaced by an export-oriented strategy. Agriculture started to experience changes with the development of contract farming and the emergence of large private groups. Final food products began to take over from raw materials in exports. In parallel, Government initiated support for rural diversification.

Between 1989 and 2001, successive governments benefited from capital inflows and gas revenues, which contributed to the emergence of a financial bubble. Agriculture was neglected, and support programs for farmers were eliminated or reduced. However, the Asian crisis deeply weakened Thailand's economy and placed inequality and poverty at the heart of the political debate.

As a reaction, the recent period has been characterised by a tentative reorientation of the development trajectory. The concept of “sufficiency economy” was intended to give more weight to internal dynamics. Community support was promoted and agriculture won back attention. Spatial imbalances between Bangkok and rural regions were discussed, which led to targeted social policies. However, the extraversion of the Thai economy, as well as the difficulties of decentralisation, hampered the process.

The political ability and financial capacity of the Thai state to manage the existing economic, social and regional tensions appear today as a major challenge, which translates in recurring political instability, a divided country and successive coups. decentralisation remains a key issue in the political game. Local governments face limited human and financial capacity, which complicates the definition and the implementation of public policies. Weak governmental coordination is an additional difficulty and hampers the adoption of multi-sectorial and territorial approaches.

## About rural development

Agriculture has played a critical role in Thai development trajectory and was for long a focus of government's efforts. It has supported industrial development through transfers of labour and capital, and with a downstream strategy promoting the transformation of products. It resulted in the emergence of national champions with large agro-businesses. The sector was also part of the political game, with price supports being a way to gain political backing from the countryside.

Since agricultural growth was, and remains, a major driver of change in rural areas, rural development policies started to emerge at the end of the seventies. They had two major objectives: initiate a process of rural diversification as an answer to the consequences of agricultural modernisation (notably farm differentiation, related to market integration and land concentration); and provide support to lagging regions. Government's action initially relied on community-based approaches, but it became progressively more sophisticated with targeted programs focusing on the development of local resources, and with a broader strategy embedded in the national development plan and addressing multi-sectorial issues (education, natural resources management, and targeted assistance to vulnerable people).

This progressive integration of overall rural development objectives into the policy agenda occurred in parallel with an effective and continuous effort towards the improvement of living conditions in rural areas and human development. Thailand has a good record in terms of access to basic services due to a continuous investment in rural infrastructure (roads, water and electricity) and progress in education and health has been massive.

## Main cross-cutting themes

In spite of its political instability, which sometimes impacted on policy orientations (as exemplified by the agricultural price policy), Thailand was able to design and implement development strategies and to deal with their progressive adaptation. This ability for embrace change helped the country to take advantage of an evolving international environment and to deal with the successive challenges of its structural transformation. This relative flexibility results from the existing Thai technostructure, the performance of which relies on a long-standing tradition of self-government, rooted in the longevity of the Thai state (with an old reigning dynasty and the non-existence of formal colonisation), a class of high-skilled professionals trained in high standard universities, and a fluidity between research, universities and high-level civil service. This specific pattern explains the autonomy of Thai development policies.

This adaptation capacity has resulted in successive strategies for agricultural modernisation and import-substitution industrialisation, export-oriented development, and a tentative, more endogenous and self-reliant approach. At every stage, the state has played a significant role and provided the necessary infrastructure, together incentives and support, which have helped farmers, as well as facilitating the emergence of agro-businesses, which were able to somewhat take over from the state through the development of contract farming. Accumulation in agriculture was key and helped to diversify and progressively switch towards higher productivity sectors.

The international environment of the country facilitated the process of change through the long-lasting support received from the West during the Cold War, which assisted investment in infrastructure and education, and also because of the vicinity of high-growing East Asian

countries which gave access to opportunities for diversification and participation in the global value chains.

The state invested in agriculture modernisation through key outlays in infrastructure (roads, irrigation, electrification and telecommunications) and providing adequate support with credit, vocational education and extension services that facilitated the use of inputs and mechanisation, which resulted in significant productivity increase. The process was facilitated by exits of workers from agriculture, which was made possible by existing labour opportunities in other sectors, as well as by a long-lasting effort in education. Thailand was able to adapt and to reap the benefits of its geographical location because it had a numerous and skilled workforce.

Although progress in rural welfare is highly significant, rural–urban disparities, as well as lagging regions, remain a critical issue for the government. More has to be done than providing compensatory measures, and new, integrated and place-based strategies need to be designed in order to address the existing challenges related to mega-urbanisation (the congestion of Bangkok metropolitan area), food safety issues and new consumers' requirements, climate change, and the degradation of the natural environment (impacts of fertilisers, deforestation, and salinisation of coastal deltas). The necessary policy shift raises the question of effective decentralisation and the need to strengthen local governments in order to benefit from bottom-up contributions to local and national development issues.

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#### **National websites:**

Chaipattana Foundation

[http://www.chaipat.or.th/chaipat\\_english/index.php](http://www.chaipat.or.th/chaipat_english/index.php)

[http://www.chaipat.or.th/chaipat\\_english/index.php?option=com\\_content&view=article&id=4103&Itemid=293](http://www.chaipat.or.th/chaipat_english/index.php?option=com_content&view=article&id=4103&Itemid=293)

Ministry of Agriculture and Cooperatives

<http://eng.moac.go.th/main.php?filename=index>

#### **International websites:**

Barro-Lee , Educational Attainment dataset

<http://www.barrolee.com/>  
Food and Agriculture Organization of the United Nations, Statistics Division (Fao stat)  
<http://faostat3.fao.org/home>  
United Nations Conference on Trade And Development (UNCTAD)  
<http://unctad.org/en/Pages/Statistics.aspx>  
UNDP Human development index  
<https://data.undp.org/dataset>  
World Development Indicators (WDI)  
<http://data.worldbank.org/data-catalog/world-development-indicators>  
World Population Prospect (WPP)  
<http://esa.un.org/wpp/>  
World Urbanization Prospect (WUP)  
<http://esa.un.org/unpd/wup/>

## Annexes

### Maps



Source: Texas University Libraries ([www.lib.utexas.edu/maps/middle\\_east\\_and\\_asia/thailand\\_admin-2013.pdf](http://www.lib.utexas.edu/maps/middle_east_and_asia/thailand_admin-2013.pdf))

### Agroecological zones



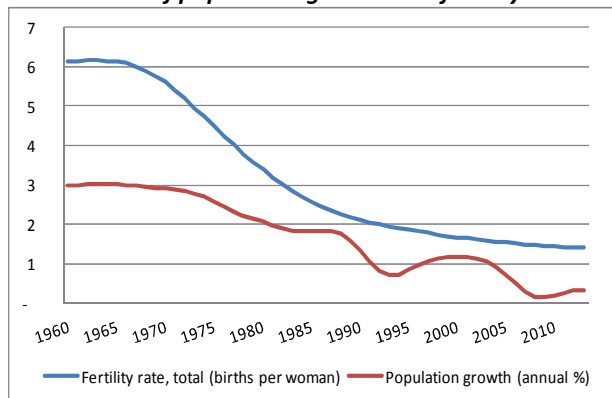


Source : FAO (<http://www.fao.org/ag/agp/AGPC/doc/Counprof/Thailand/Thailand.htm>)



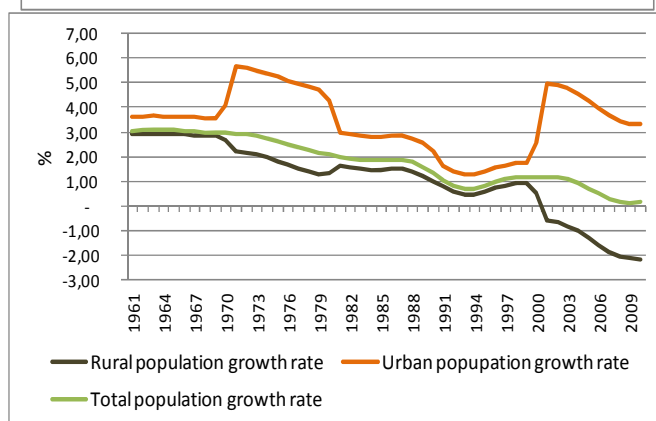
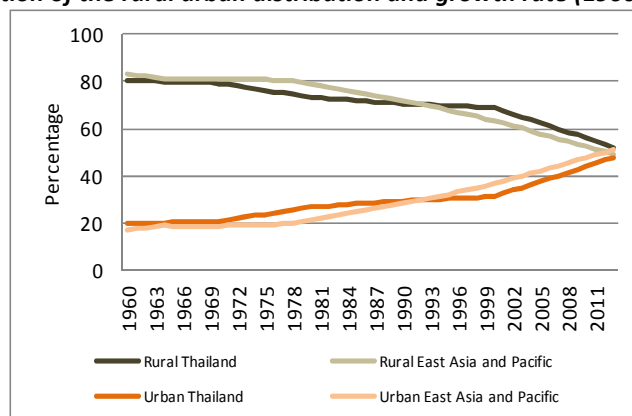
## Demography

**Evolution of population growth and fertility rates**



Source: WDI

**Evolution of the rural urban distribution and growth rate (1960-2011)**



Source WDI

## Economy

*Share of the GDP per sector*

Share of the GDP per sector	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2013
Services	45	45	49	47	48	52	50	50	49	46	43	45
Industry	19	23	25	26	29	32	37	41	42	44	45	43
Manufacturing	13	14	16	19	22	22	27	30	34	35	36	33
Industry -Manufacturing	6	9	9	7	7	10	10	11	8	9	9	10
Agriculture	36	32	26	27	23	16	12	10	9	10	12	12

Source: WDI

*Share of the total employment per sector (%)*

	1980	1986	1991	1996	2001	2006	2012
Agriculture	71	67	60	50	46	42	40
Industry	10	11	15	21	19	21	21
Services	19	23	24	29	35	37	39

Source IKO-KILM

## Definition of agricultural land

**Agricultural land** refers to the share of land area that is **arable**, under **permanent crops**, and under **permanent pastures**.

- **Arable land** includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. *Land abandoned* as a result of shifting cultivation is *excluded*.
- **Land under permanent crops** is land cultivated with crops that occupy the land for long periods and need not be replanted after each harvest, such as cocoa, coffee, and rubber. This category includes land under flowering shrubs, fruit trees, nut trees, and vines, but *excludes* land under trees grown for *wood* or *timber*.
- **Permanent pasture** is land used for five or more years for forage, including natural and cultivated crops.

(Source: FAO)

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