The Economic Outlook for Thailand: 1991-1993

THE ECONOMIC OUTLOOK FOR THAILAND:

1991 - 1993

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CONTENTS

		Page
1.	Introduction	1
2.	Developments in 1990	7
3.	The Situation in 1991	36
4.	The Forecast Assumptions	44
5.	The Forecast for 1991-1993	45
6.	Major Economic Policies, Reforms and Development Issues	62
7.	Conclusion	84
8.	Appendix	85

1. Introduction

This paper summarizes the development of the Thai economy in 1990 and provides the forecasts for 1991-1993 with some major economic policies and development issues. Since performance of the Thai economy depends, to a large extent, on external conditions, our forecasts are based on certain assumptions on the world trade scenario for the 1991-1993 periods (see Table 1 and 2).

In the first half of 1990, the world celebrated the end of the Cold War and entertained hopes that world trade would become freer and more just as a result of the Uruguay Round of trade negotiations.

These hopes were dashed in the second half, however, as war loomed in the Middle East, the liberalization of socialist economies proved far from easy and the Uruguay Round ended on an inconclusive note and had to be extended.

It is undoubted that the world economic environment is less favorable than of the past four years. Major economic indicators in the first half of the year such as energy consumption figures, tax revenues and investment index has shown a diminishing trend.

In Thailand's case, four consecutive years (see Table 3) of excellent economic performance had put producers, traders and consumers in a euphoric, optimistic mood, so the psychological effect of the negative turn in world events was greater than its actual effect.

Thailand's economy is headed for a much needed softlanding. Major industrialized countries (G 7) predict a lower economic growth of one percent compared with 2.5 percent of last year. The U.S. economy, which suffered negative growth in the first half of 1991, has managed to recover, due partly to the end of the Gulf war and partly to an easing of monetary policy (see Table 4).

Table 1
Total trade as % of GDP

	Exports (f.o.b)	Imports (c.i.f)	Total Trade	GDP	Total Trade as % of GDP
1970	14,270	26,407	40,676	147,385	27.60
1971	16,692	26,606	43,299	153,417	28.22
1972	21,750	30,635	52,385	170,076	30.80
1973	31,253	42,055	73,307	222,110	33.00
1974	49,002	63,305	112,307	279,206	40.22
1975	44,365	64,526	108,890	303,319	35.90
1976	60,361	71,446	131,807	346,516	38.04
1977	70,463	96,005	166,468	403,529	41.25
1978	82,251	109,956	192,207	488,226	39.37
1979	106,881	153,464	260,345	558,861	46.58
1980	132,041	190,025	322,066	658,509	48.91
1981	150,218	216,000	366,218	760,195	48.17
1982	157,203	193,320	350,523	820,002	42.75
1983	145,076	234,279	379,355	910,054	41.68
1984	173,520	242,284	415,804	973,412	42.72
1985	191,703	253,334	445,037	1,014,399	43.87
1986	231,481	245,690	477,172	1,095,368	43.56
1987	298,099	341,376	639,475	1,253,147	51.03
1988	399,230	498,873	898,103	1,506,977	59.60
1989	509,925	647,416	1,157,341	1,775,978	65.17
1990	583,206	832,139	1,415,345	2,051,208	69.00

Source: Bank of Thailand.

Table 2
Capital Inflows as % of GDP

	Capital Inflows	GDP	As % of GDP
1970	2,479	147,385	1.68
1971	1,733	153,417	1.13
1972	3,643	170,076	2.14
1973	2,938	222,110	1.32
1974	9,055	279,206	3.24
1975	7,755	303,319	2.56
1976	9,264	346,516	2.67
1977	13,967	403,529	3.46
1978	14,858	488,226	3.04
1979	33,767	558,861	6.04
1980	50,737	658,509	7.70
1981	55,130	760,195	7.25
1982	38,345	820,002	4.68
1983	34,681	910,054	3.81
1984	58,365	973,412	6.00
1985	51,433	1,014,399	5.07
1986	11,354	1,095,368	1.04
1987	21,624	1,253,147	1.73
1988	73,158	1,506,977	4.85
1989	152,229	1,775,978	8.57
1990	208,407	2,051,208	10.16

Source : Bank of Thailand.

Table 3
The Comparison of the Growth Rates

	1987	1988	1989	1990	Average
Thailand	9.5	13.2	12.0	10.0	11.2
Korea	11.1	11.5	6.1	8.7	9.4
Singapore	8.8	11.1	9.2	8.3	9.4
Taiwan	12.4	7.3	7.6	5.1	8.1
China	10.6	10.8	4.0	5.0	7.6
Hongkong	13.8	7.9	2.3	2.3	6.6
Malaysia	5.2	8.9	8.8	9.4	8.1
Indonesia	3.6	5.7	7.4	7.0	5.9
Philippines	4.7	6.3	5.6	2.5	4.8

Sources: For Thailand from NESDB and others from
Asian Development Outlook 1989, 1991

Table 4
Economic Growth of Industrialized Countries and United States

	1987	1988	1989	1990
United States	3.8	4.4	2.8	1.0
Canada	4.5	5.0	2.9	1.0
United Kingdom	4.7	4.5	2.3	0.7
France	2.4	3.9	3.7	2.6
Germany	1.8	3.7	3.9*	4.6
Italy	3.0	4.2	3.2	2.5
Japan	4.0	5.5	4.9	4.9

Sources: 1990 from Asiaweek October 18, 1991 and others from World Tables 1991

* GNP Growth Rate

This paper is divided into seven sections. The next section explores the actual situation in 1990 in more details. The economic performance of 1991 will be on section three while the forecast assumptions and the future prospects of 1992 and 1993 will be covered in section four and five, respectively. The major economic policies will be discussed in section six while conclusions will be on the last section.

2. Developments in 1990

After several years of continuous growth, the world economy began to slow down in the second half of 1990. The crisis in the Middle East, which began when Iraq annexed Kuwait in early August, aggravated the economic slowdown and made it felt worldwide. Hostilities in the area that produces much of the world's oil caused oil prices to fluctuate wildly, leading to heightened inflationary pressure, a drop in stock prices and a slowdown in trade and investment on a global scale.

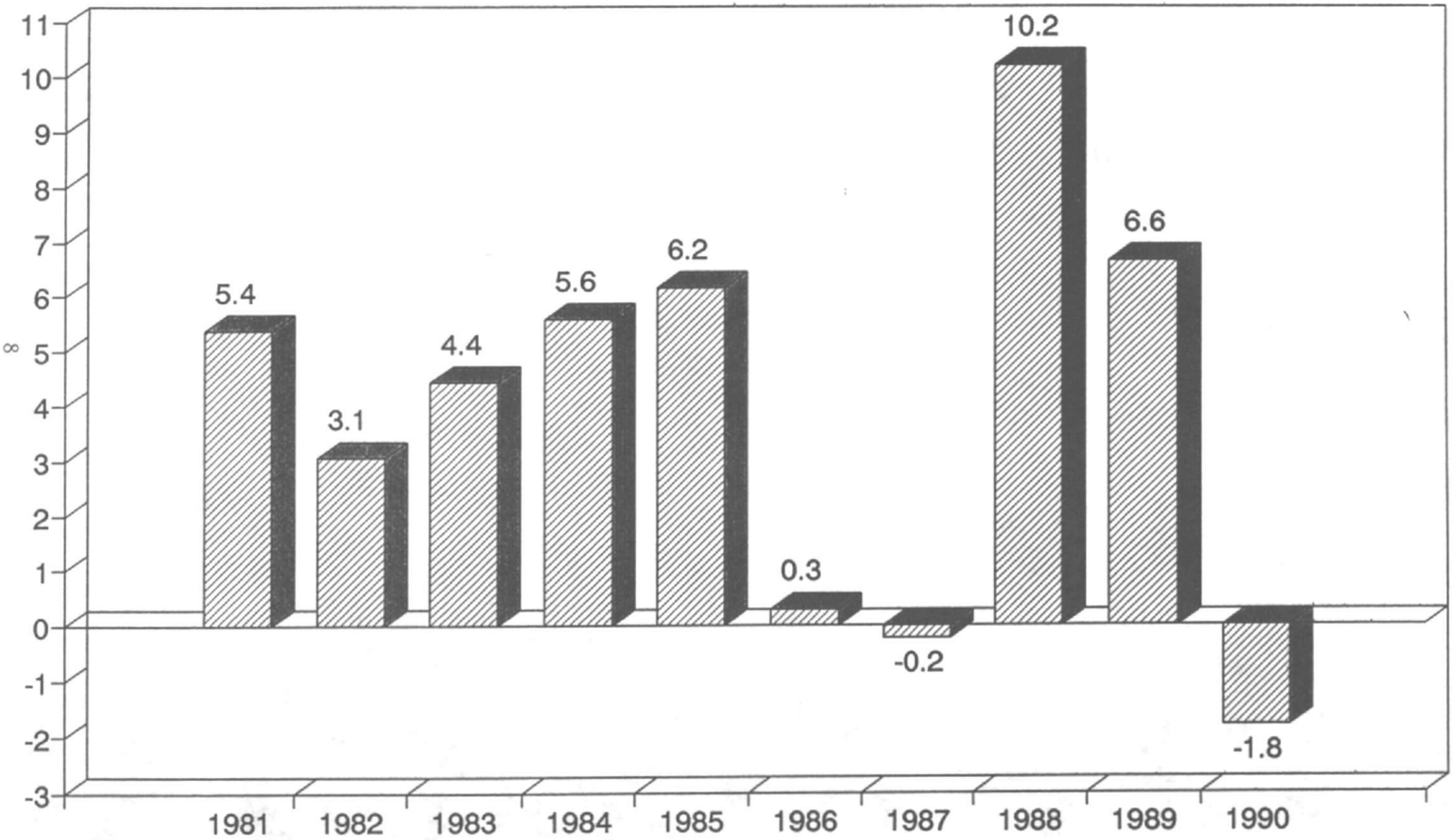
In 1990, world trade and economic growth rates were only 6.5 percent and 2.4 percent, respectively, compared to 7.3 percent and 3 percent in 1989. Economic growth in the U.S. fell from 2.8 percent to only 1 percent, that of the industrial world dropped from 3.4 percent to 2.5 percent and that of ASEAN from 8.6 percent to 7.4 percent while that of the Asian NIEs declined slightly from 6.3 percent to 6.1 percent.

2.1 Economic Growth, Sectorial Performance and Employment

Agricultural production in 1990 contracted by 1.9 percent against an expansion of 4.1 percent in the prior year as unfavorable weather and floods in several provinces damaged crop and livestock production (see Figure 1). Moreover, production of several major crops dropped because of an epidemic of brown hoppers in the central region and price disincentives as world commodity prices declined.

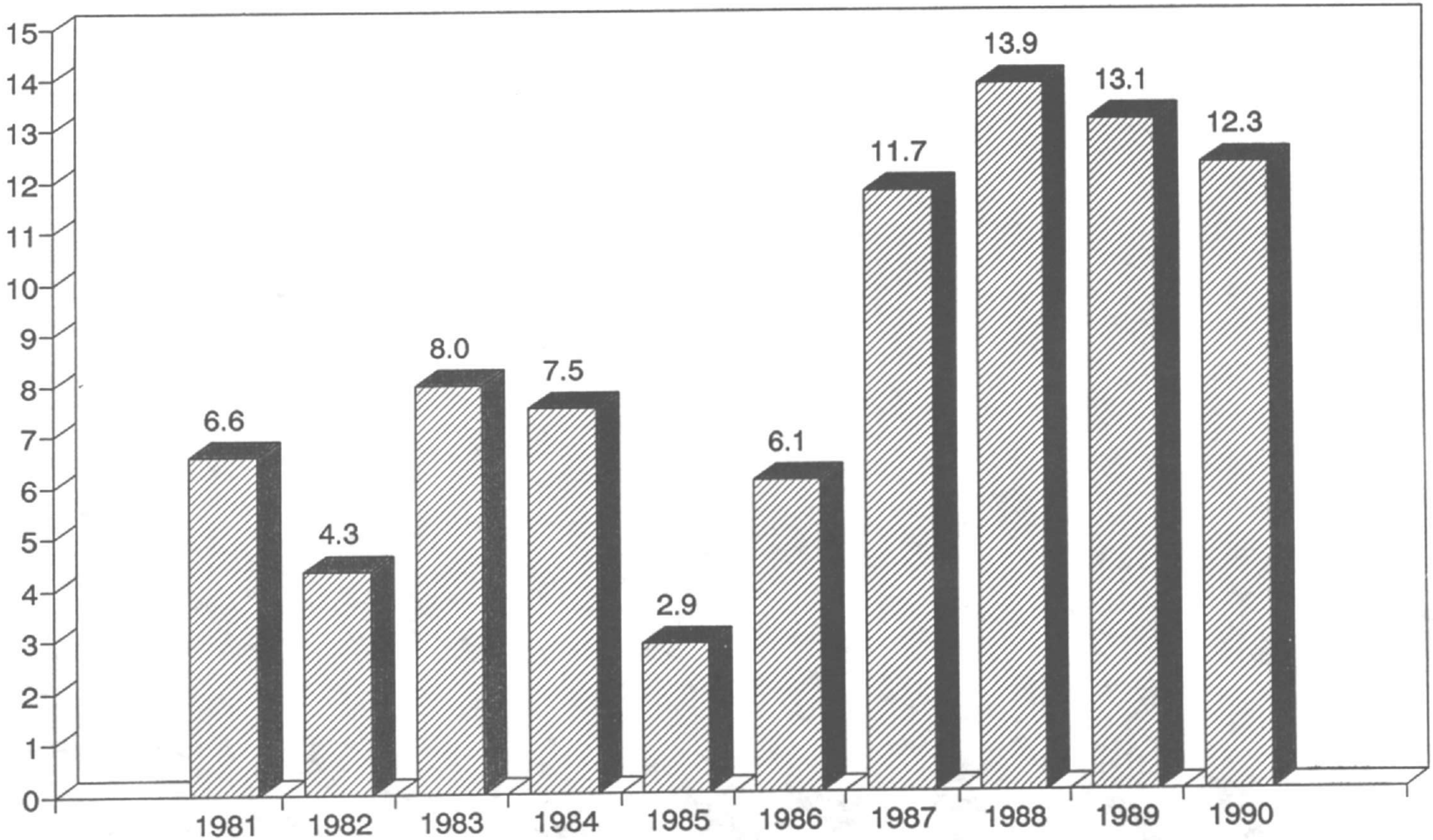
For non-agricultural sector (see Figure 2), the growth rate still maintained at a high level but somewhat lower than the prior year. The growth rate was 12.5 percent comparing to 13.8 percent of the prior year. Construction still expands consecutively for the third year (see Figure 3). Higher construction material costs, tight money and high interest rates were also causing delays in the implementation of projects, while much fewer new projects appear in the offing. As a result, we observe the continued changing structure of the Thai

Figure 1
Growth Rates of Agricultural Sector



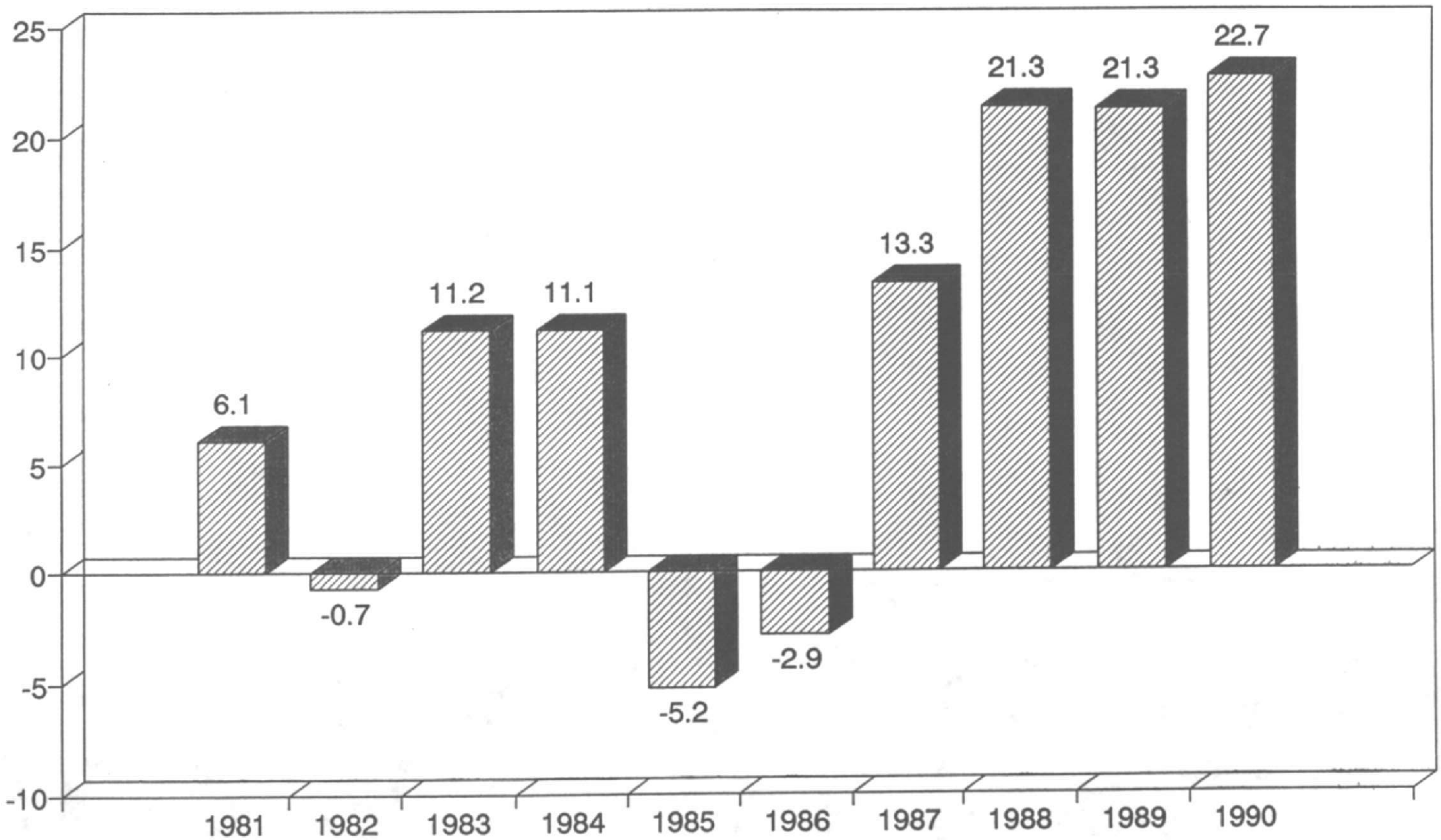
Source : NESDB

Figure 2
Growth Rates of Non-Agricultural Sector



Source : NESDB

Figure 3
Growth Rates of Construction Sector



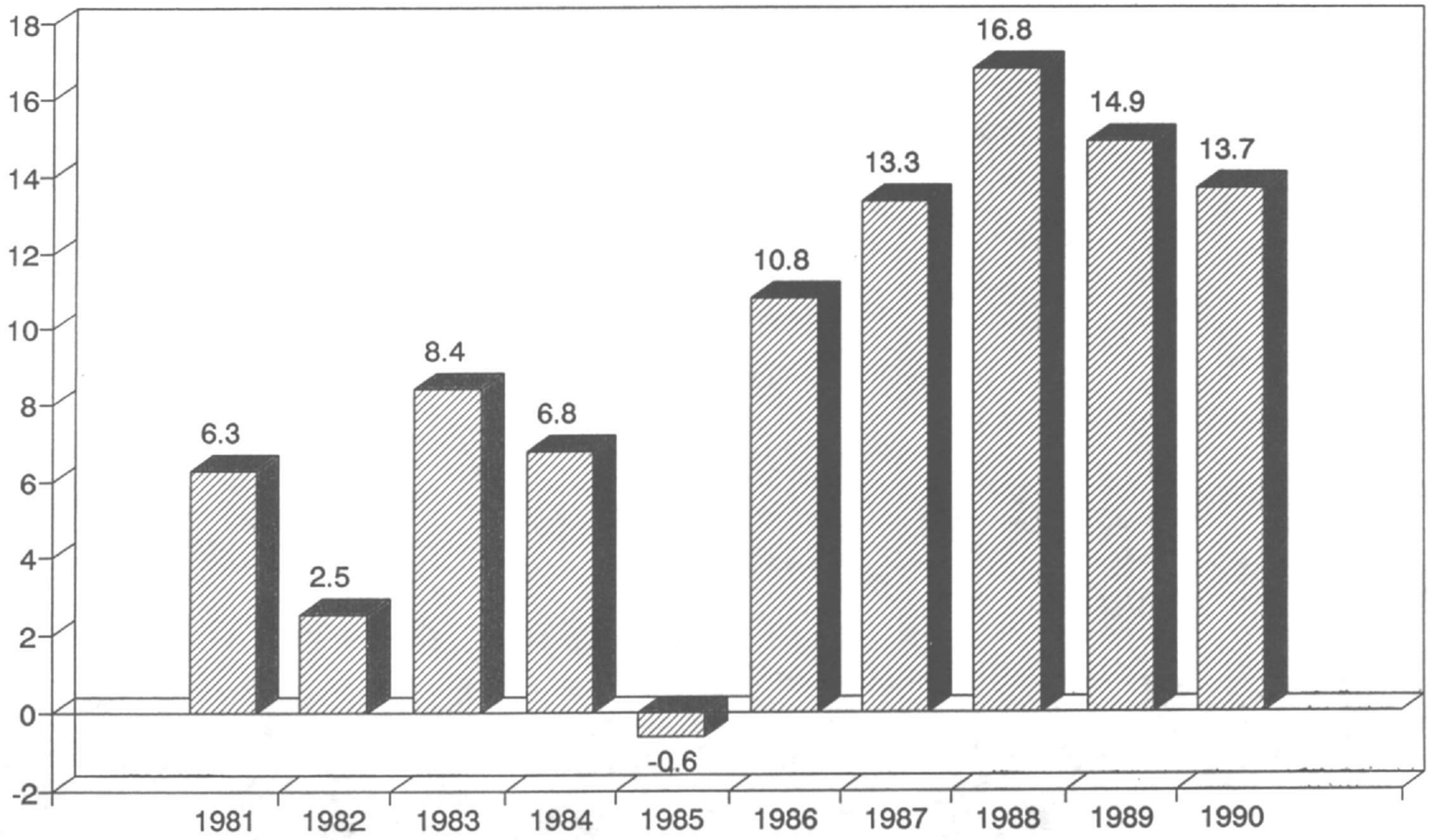
Source : NESDB

economy as observed in many LDCs: The share of agricultural product in GDP declines while the share of manufacture gradually increased as indicated in Figures 4 and 5.

National income increased at the rate of 16.7 percent which was very close to the rate of a year earlier. The per capita income increased by 15 percent to 36,700 baht per year (US$ 1,440 per year) see Figure 6. Most of the increase came from income outside the agricultural sector especially from entrepreneurs of construction sector, money and banking sector. For labor force in the private sectors, the increase in income mostly came from the increase in wage rate due to the adjustment in the minimum wage and from the satisfactory business performance. On the contrary, the income of the agricultural sector declined from the previous year because of some of the production has been destroyed by the natural disasters and brown hoppers in the central region (see Figure 7).

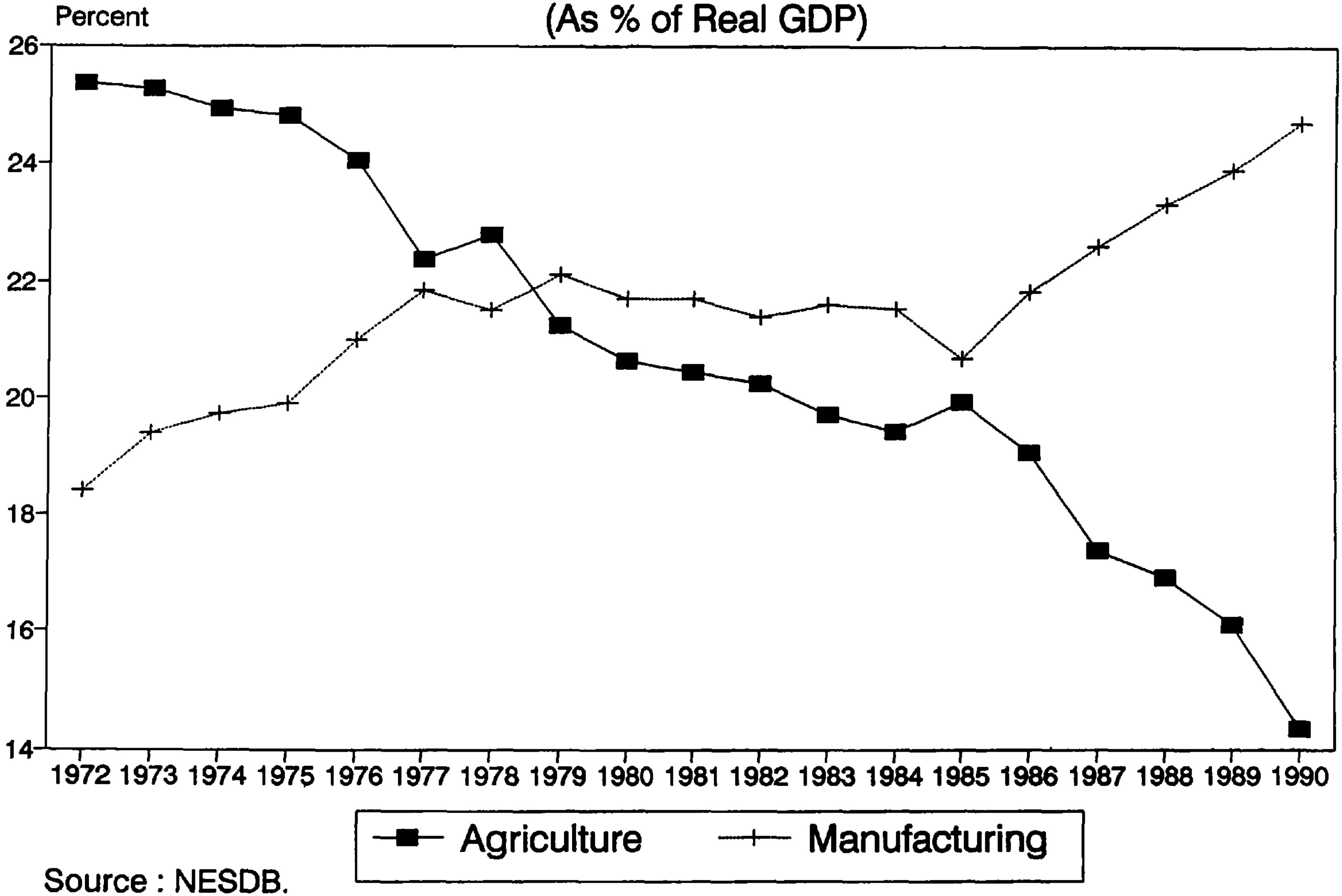
As in most other developing countries, the majority of the Thai labor force is employed in agriculture sector. Figure 8 presents the employment picture in Thailand which breaks down into the agricultural and industrial sectors. The figure shows that there is a slowly decreasing transfer in the labor share from the agricultural sector to the industrial sector. The ability to absorb new laborers into the agricultural sector depend on the availability of new cultivated area. In response to past population pressures, a portion of the the rural population has migrated to other rural areas to open up new lands for cultivation. Furthermore, there are some barriers to obtaining employment in the industrial sector -- notably, the education level. In recent years, the demand for low-education labor has become saturated while the demand for laborers with higher education has increased. For the above reasons, the agricultural sector has retained a very high share of employment, even though its share in value added is new fairly small.

Figure 4
Growth Rates of Manufacturing Sector



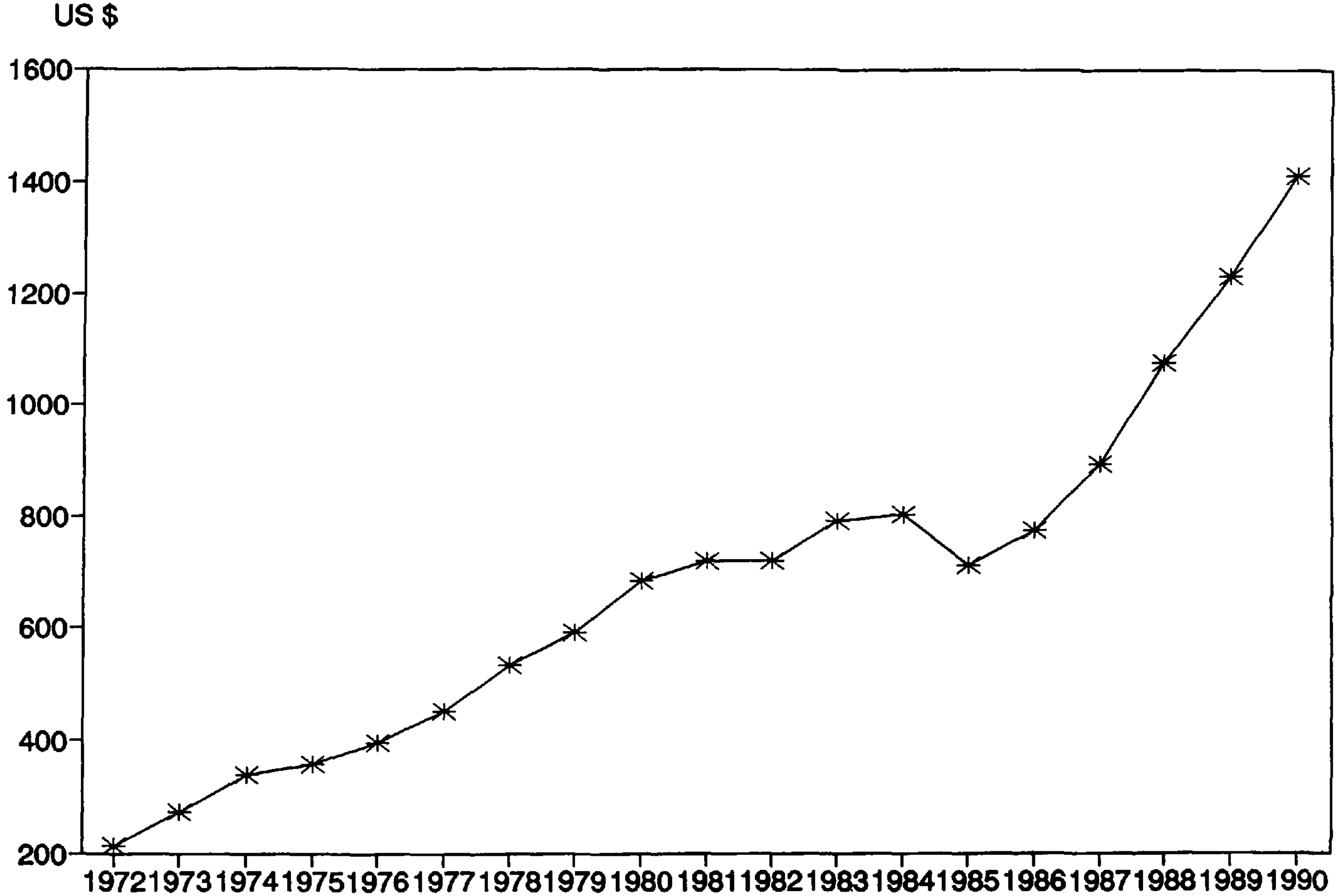
Source : NESDB

Figure 5
Agricultural & Manufacturing Sectors
(As % of Real GDP)



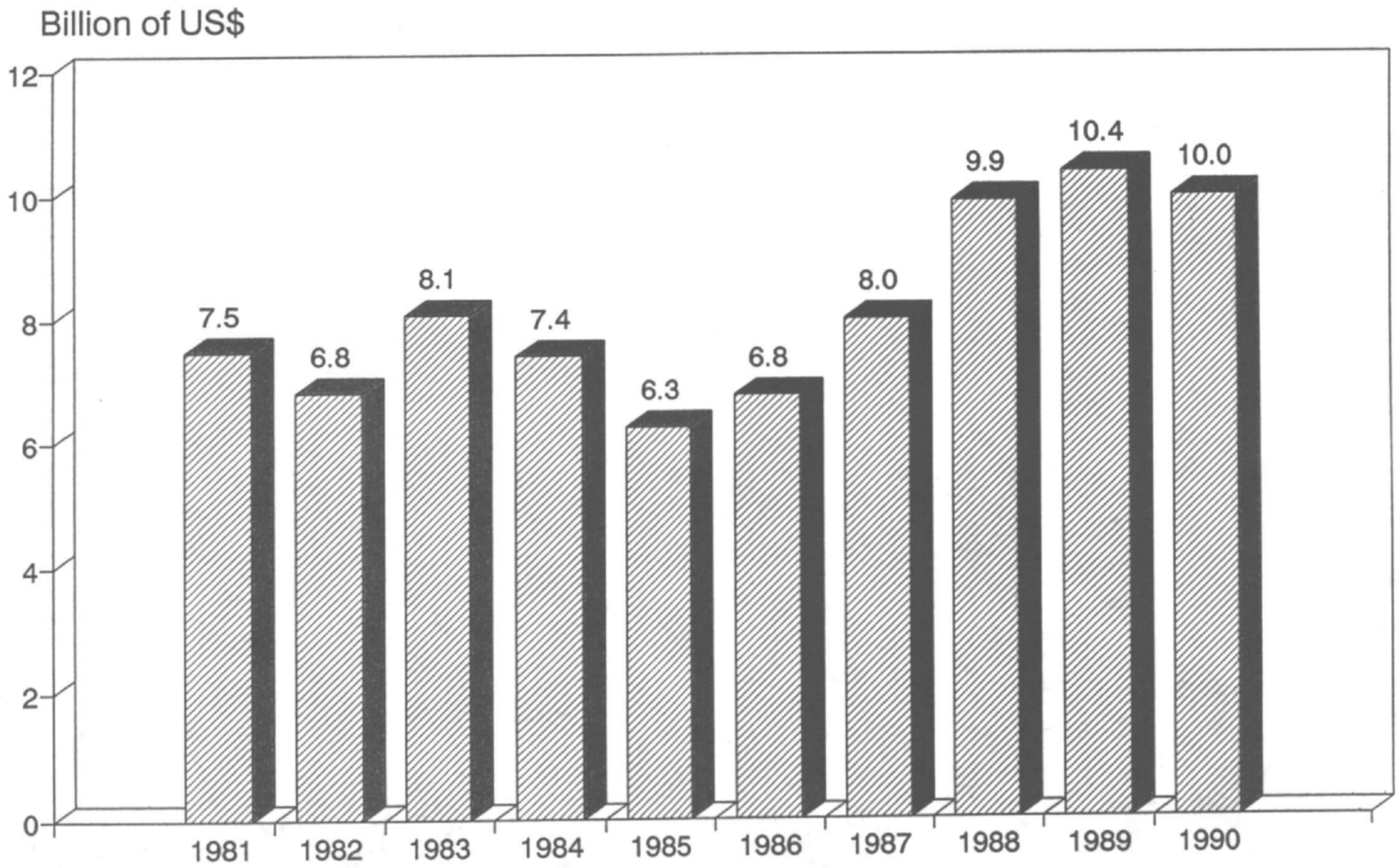
Source : NESDB.

Figure 6
Per Capita Income



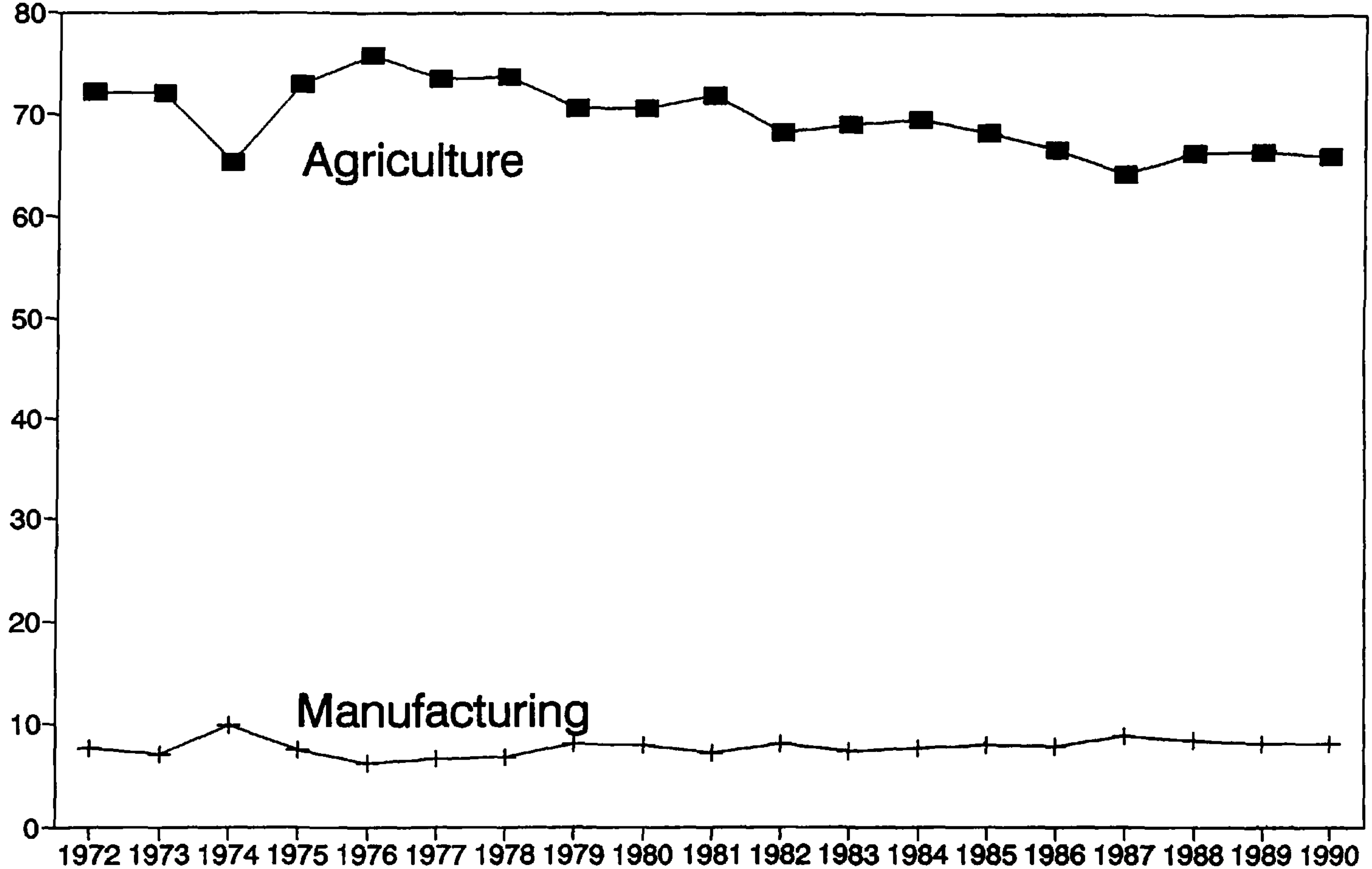
Source: NESDB

Figure 7
Income of Agricultural Sector



Source : NESDB

Figure 8
Shares of Employment



Source : Key Indicators of Developing Member Countries of ADB

2.2 Saving and Investment

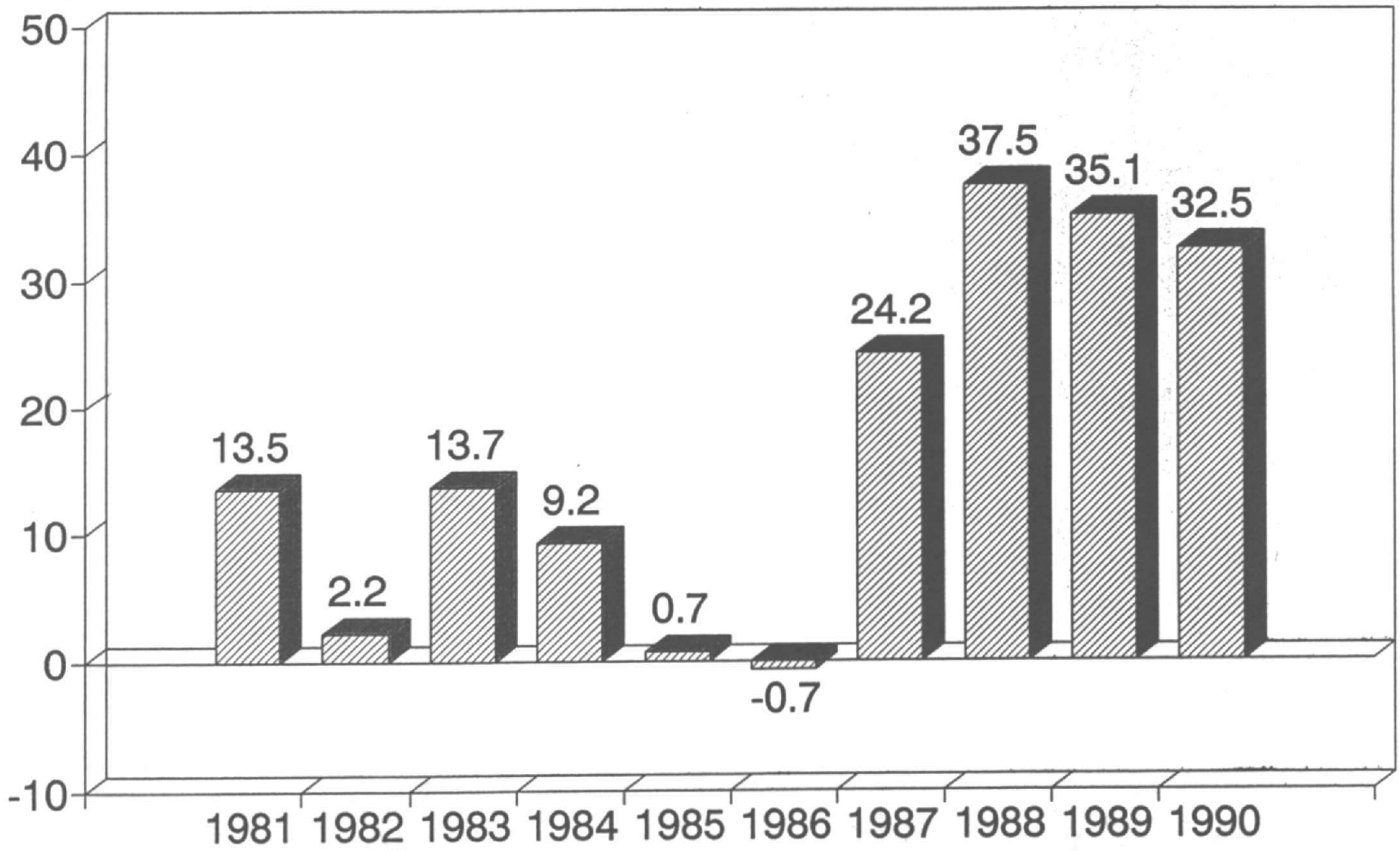
Growth in nominal investment is estimated at 32.5 percent as shown in Figure 9, slightly below the previous year when investment was particularly bullish. The private investment index stood at 136.6 in 1990 compared to 145.8 in 1989 (see Figure 10). The number of new projects dropped in the second half. Foreign investment inflows to the private sector increased markedly in 1990.

Private investment in general expanded at almost the same rate of the prior year, i.e., 30.5 percent comparing to 38.9 percent, since both domestic and foreign demand in commodities were still able to expand at a satisfactory rate as indicated in Table 5. In addition, the stabilities in both economic and politic plus the abundances in human and natural resources have promoted Thailand to have a comparative advantages over other developing countries.

The expansion in government and government enterprises expenditures especially public investment expanded 42.4 percent, the highest rate in the last ten years. It can be separated into central and local government investment 29.5 percent, investment from government enterprises 59.8 percent. More than half (60 percent) of government enterprises were for infrastructure. Government consumption for 1990 increased at the rate of 14.7 percent.

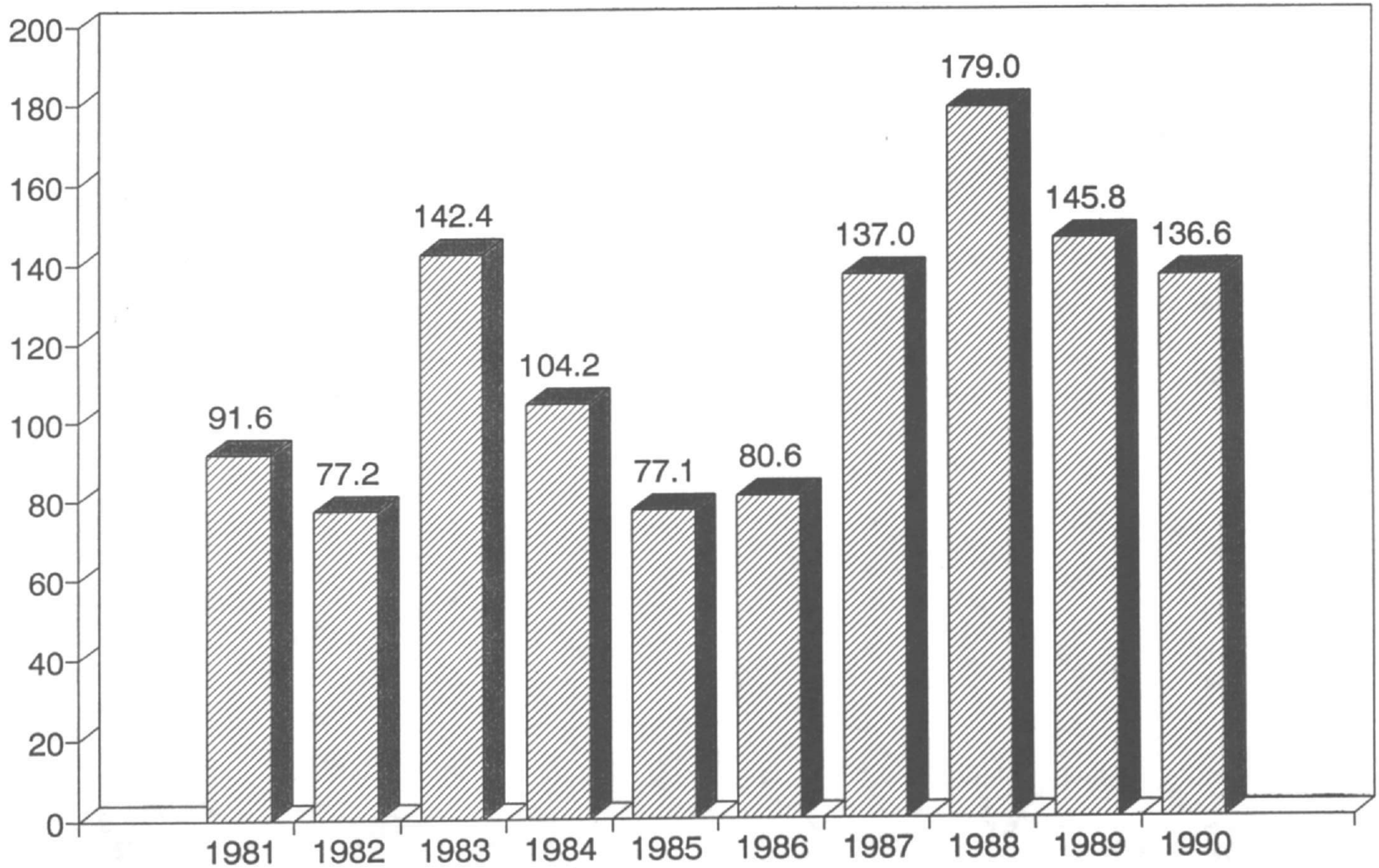
Savings in 1990 increased 21.91 percent comparing to 25.97 percent for 1989 due to high consumption rate (see Figure 11). In this year, savings expanded at the lower rate than the expansion in GDP, thus the saving/GDP ratio slightly increased from 27.9 percent in 1989 to 29.1 percent as indicated in Figure 12 while private saving growth rate showed the negative growth rate of 5.23 percent comparing to 20.3 percent in 1989. However, due to the surplus in the government budget, public saving still expand at the much higher rate than last year from 34.8 to 54.7 percent (see Figure 13).

Figure 9
Nominal Investment Growth Rates



Source: NESDB

Figure 10
Private Investment Index



Source : Bank of Thailand

Table 5

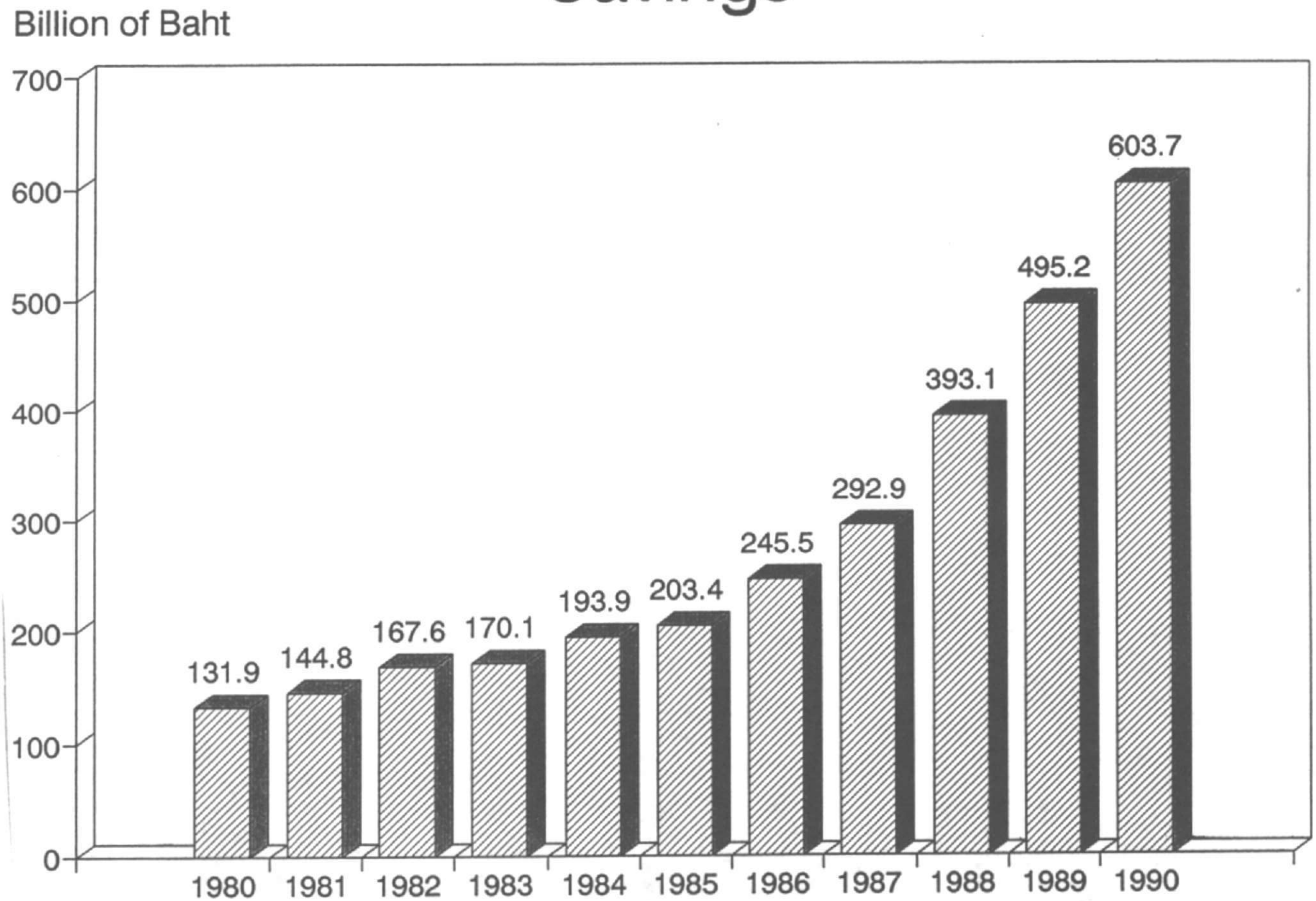
BALANCE SHEET OF NATIONAL INCOME AND EXPENDITURE AT CURRENT MARKET PRICES

Year	C	Growth Rate	I	Growth Rate	G	Growth Rate	X	Growth Rate	M	Growth Rate
1970	103,190	-	34,995	-	16,578	-	22,140	-	28,569	-
1971	104,823	1.58	35,787	2.26	17,676	6.62	24,527	10.78	28,859	1.02
1972	117,605	12.19	38,631	7.95	18,572	5.07	30,940	26.15	32,632	13.07
1973	149,037	26.73	49,937	29.27	21,635	16.49	41,317	33.54	44,523	36.44
1974	190,135	27.58	65,031	30.23	26,085	20.57	60,277	45.89	66,884	50.22
1975	211,292	11.13	69,380	6.69	31,290	19.95	55,695	-7.60	69,683	4.18
1976	237,665	12.48	79,367	14.39	38,009	21.47	70,115	25.89	78,673	12.90
1977	271,865	14.39	104,622	31.82	42,923	12.93	80,532	14.86	102,399	30.16
1978	314,983	15.86	123,249	17.80	54,583	27.16	97,082	20.55	117,721	14.96
1979	364,028	15.57	142,859	15.91	66,798	22.38	126,150	29.94	163,740	39.09
1980	438,624	20.49	165,715	16.00	81,431	21.91	159,736	26.62	201,180	22.87
1981	499,619	13.91	188,046	13.48	96,981	19.10	181,325	13.52	229,029	13.84
1982	540,678	8.22	192,195	2.21	110,162	13.59	192,870	6.37	207,282	-9.50
1983	598,603	10.71	218,454	13.66	118,572	7.63	185,222	-3.97	251,184	21.18
1984	635,939	6.24	238,622	9.23	130,095	9.72	216,411	16.84	258,557	2.94
1985	662,665	4.20	240,283	0.70	142,917	9.86	245,251	13.33	274,073	6.00
1986	705,665	6.49	238,665	-0.67	144,594	1.17	290,169	18.32	267,131	-2.53
1987	794,623	12.61	296,350	24.17	147,410	1.95	375,596	29.44	368,316	37.88
1988	900,660	13.34	407,341	37.45	156,703	6.30	514,922	37.09	537,947	46.06
1989	1,049,006	16.47	550,415	35.12	174,924	11.63	648,387	25.92	696,948	29.56
1990	1,214,302	15.76	729,053	32.46	200,706	14.74	755,370	16.50	892,094	28.00

SOURCE: NESDB.

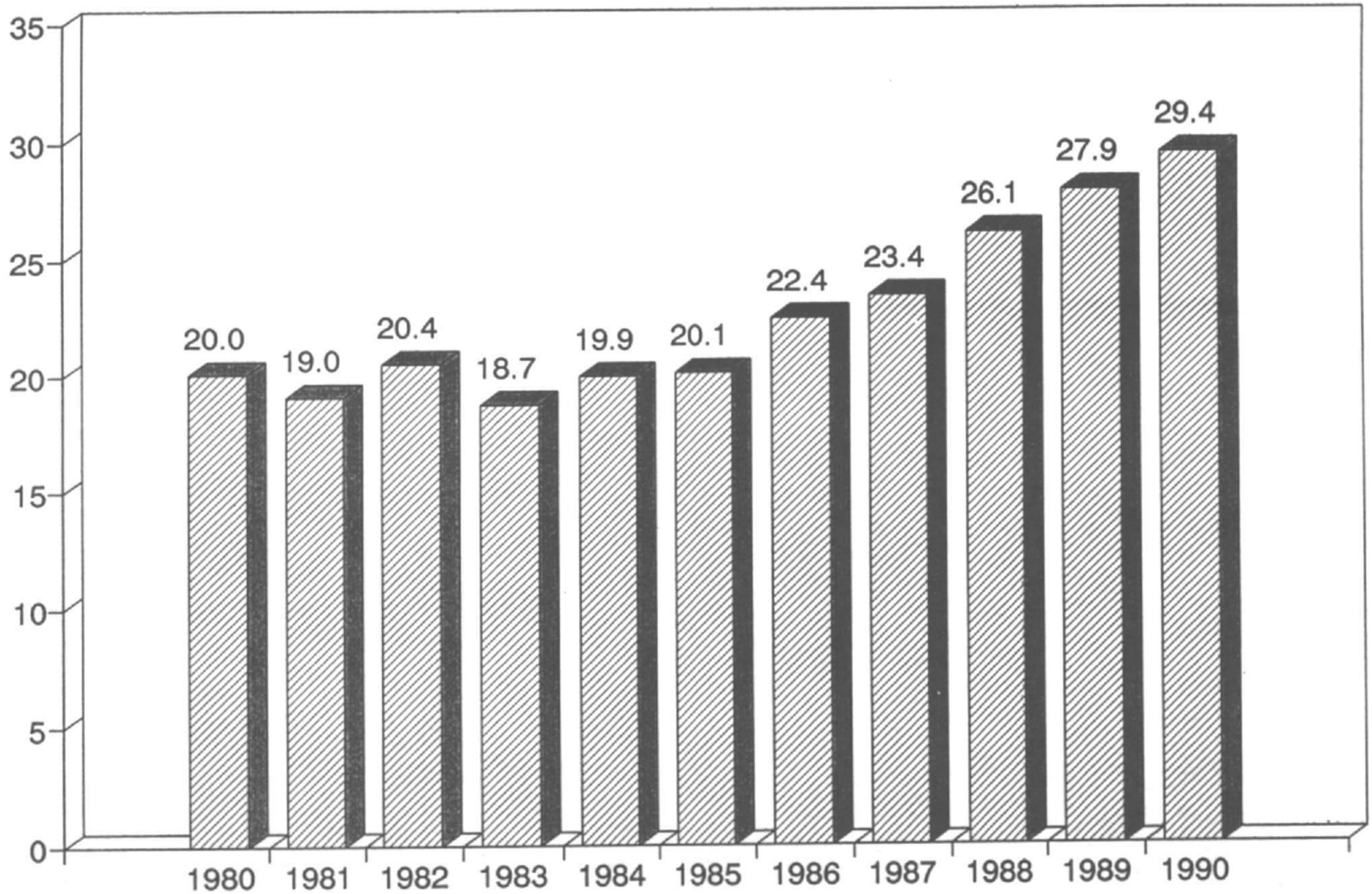
NOTE: C = Private consumption expenditure
I = Gross fixed capital formation
G = Government consumption expenditure
X = Exports of goods and services
M = Imports of goods and services

Figure 11
Savings



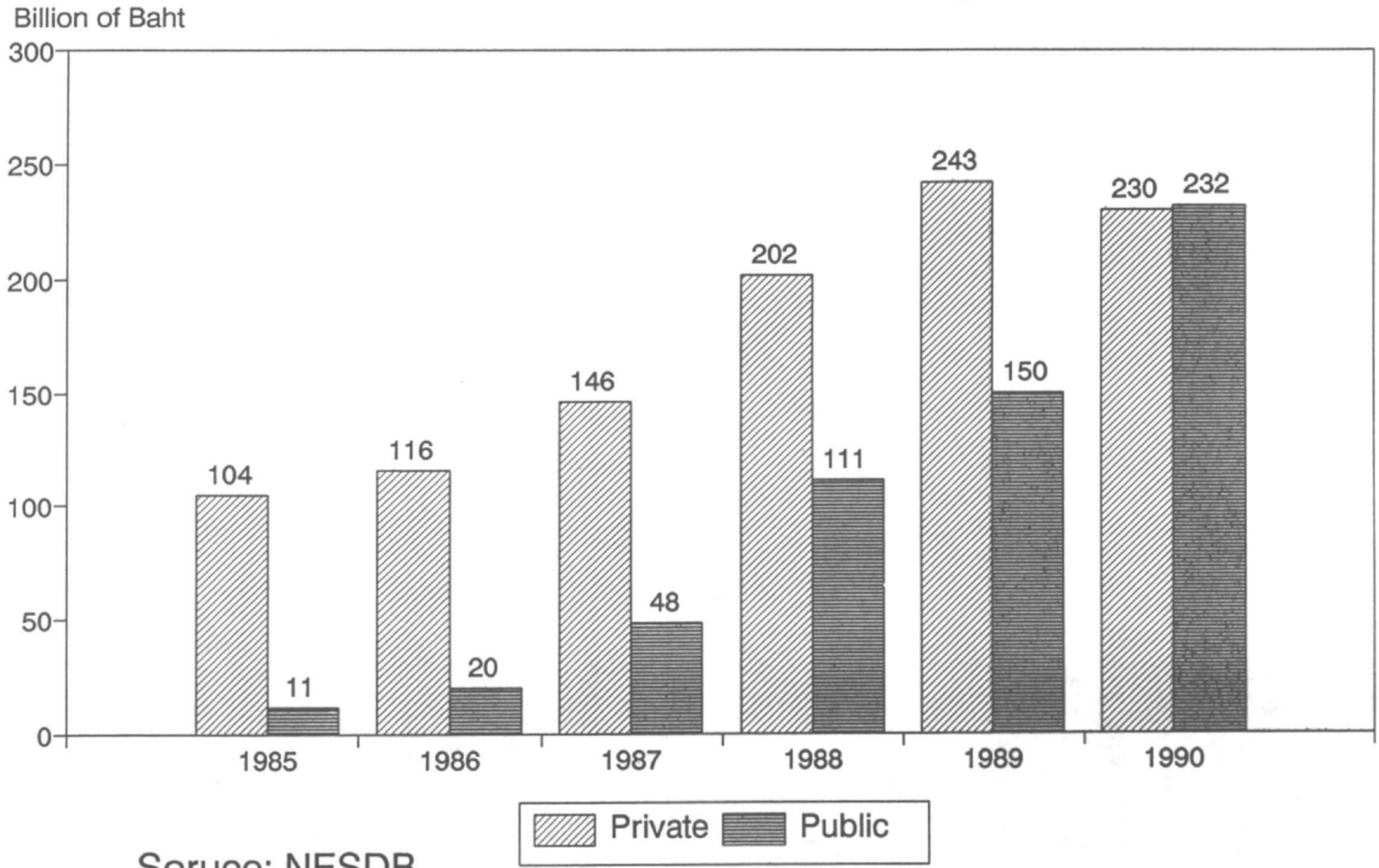
Source: NESDB

Figure 12
Savings/GDP Ratio



Source: NESDB

Figure 13
Private & Public Savings



Soruce: NESDB

2.3 Inflation

Inflation in 1990 was not as high as had been expected, the consumer price index rising 6 percent as indicated in Figure 14, compared to 5.4 percent in 1989. On the other hand, the prices of basic commodities fell in line with world commodity prices which dropped 8.1 percent, a severe blow to farmers.

2.4 Money and Budget

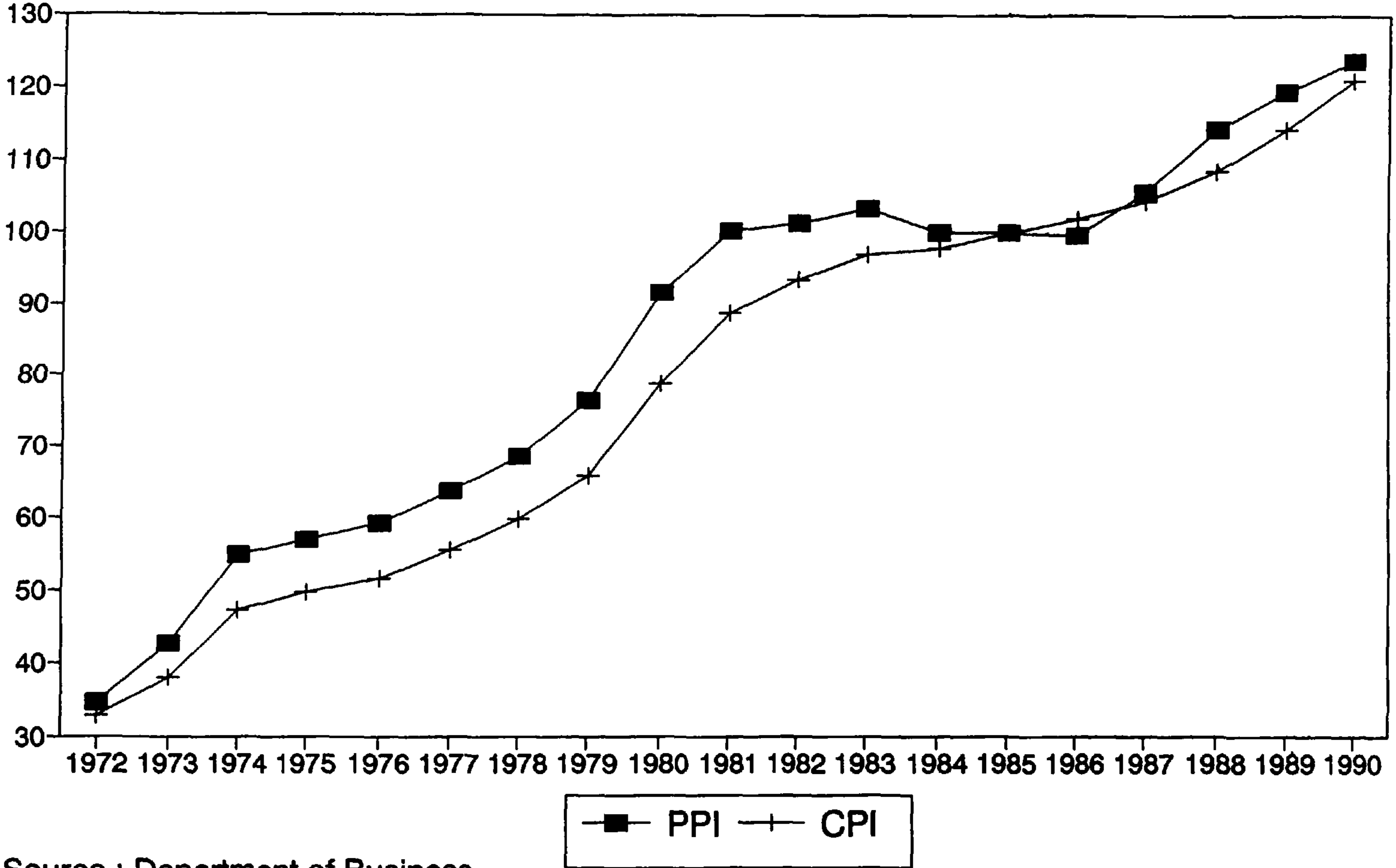
Both M1 and M2 increased by 11.8 percent and 26.7 percent, respectively in 1990 as indicated in Figure 15. Domestic liquidity in 1990 was much tighter than had been hoped, particularly after August. Deposits expanded by 27.1 percent due partly to the fact that the ceiling on time deposit rates was removed in March permitting these rates to rise and attracting more savings.

In fiscal 1990, the government's fiscal position remained strong with a budgetary surplus of 103.8 billion baht (US$ 4.07 billion) -- a surplus for the third consecutive year. Revenue forwarded to the Treasury rose 27.8 percent, while expenditure increased 17.3 percent (see Table 6). However, expenditure of 39 billion baht (US$ 1.53 billion) or 11.9 percent of total expenditure was transferred from 1989, up by as much as 39.9 percent because a number of government projects had been postponed. Budgetary disbursements in Fiscal 1990 remained low at only 276.8 billion baht (US$ 10.85 billion) or 82.6 percent of total expenditure, putting treasury reserves at a high of 132.7 billion baht (US$ 5.2 billion) at the end of the period.

2.5 Exports, Imports and Current Account Balance

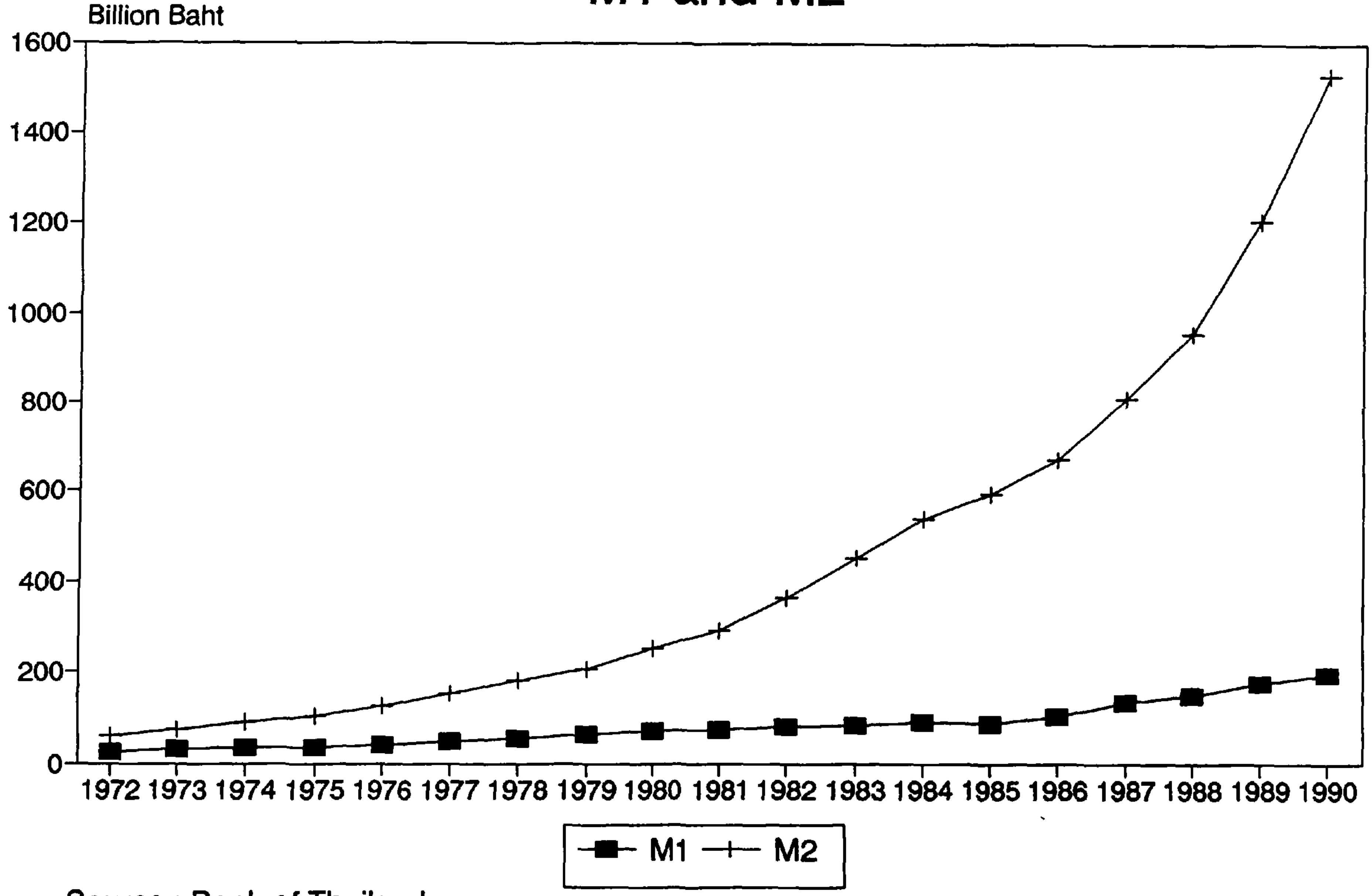
The trade deficit in 1990 was higher due to high imports worth 837,600 million baht (US$ 32, 847) which was equivalent to 28.7 percent growth rate and slower rate of export growth at 14.5 percent or its values of 584,000 million baht (US$ 22,902 million). Furthermore, the surplus in service and unrequited transfer accounts declined 2.1 percent from the prior year to 73,800 million baht (US$

Figure 14
PPI and CPI



Source : Department of Business
Economics, Ministry of Commerce

Figure 15
M1 and M2



Source : Bank of Thailand

Table 6
Government Revenue and Expenditures
(Fiscal Year)

(Millions of Baht)

Fiscal Year	Revenue	Expenditures	Surplus
1980	92,146	114,287	(22,141)
1981	110,459	129,941	(19,482)
1982	113,809	152,169	(38,360)
1983	136,448	165,098	(28,650)
1984	147,847	177,403	(29,556)
1985	159,196	197,468	(38,272)
1986	165,253	204,016	(38,763)
1987	192,483	207,817	(15,334)
1988	245,647	220,655	24,992
1989	309,206	248,359	60,847
1990	395,029	291,226	103,803

SOURCE: Bank of Thailand.

2,894 million) which made the deficit in the current account soar to 179,800 million baht (US$ 7,050 million) or 8.6 percent of GDP. It was from the decline in tourist income plus the less amount of income from Thai workers abroad especially from the Middle East. Moreover, outward transfer in the forms of interest, profits and dividends produced by foreign investment has tremendously increased. Nevertheless, the surplus in the capital movement accounts make the balance of payments manage to be on the plus side of 57,000 million baht (US$ 2,235 million) which decreased almost half amount of the 1989 figure (see Figures 16-18).

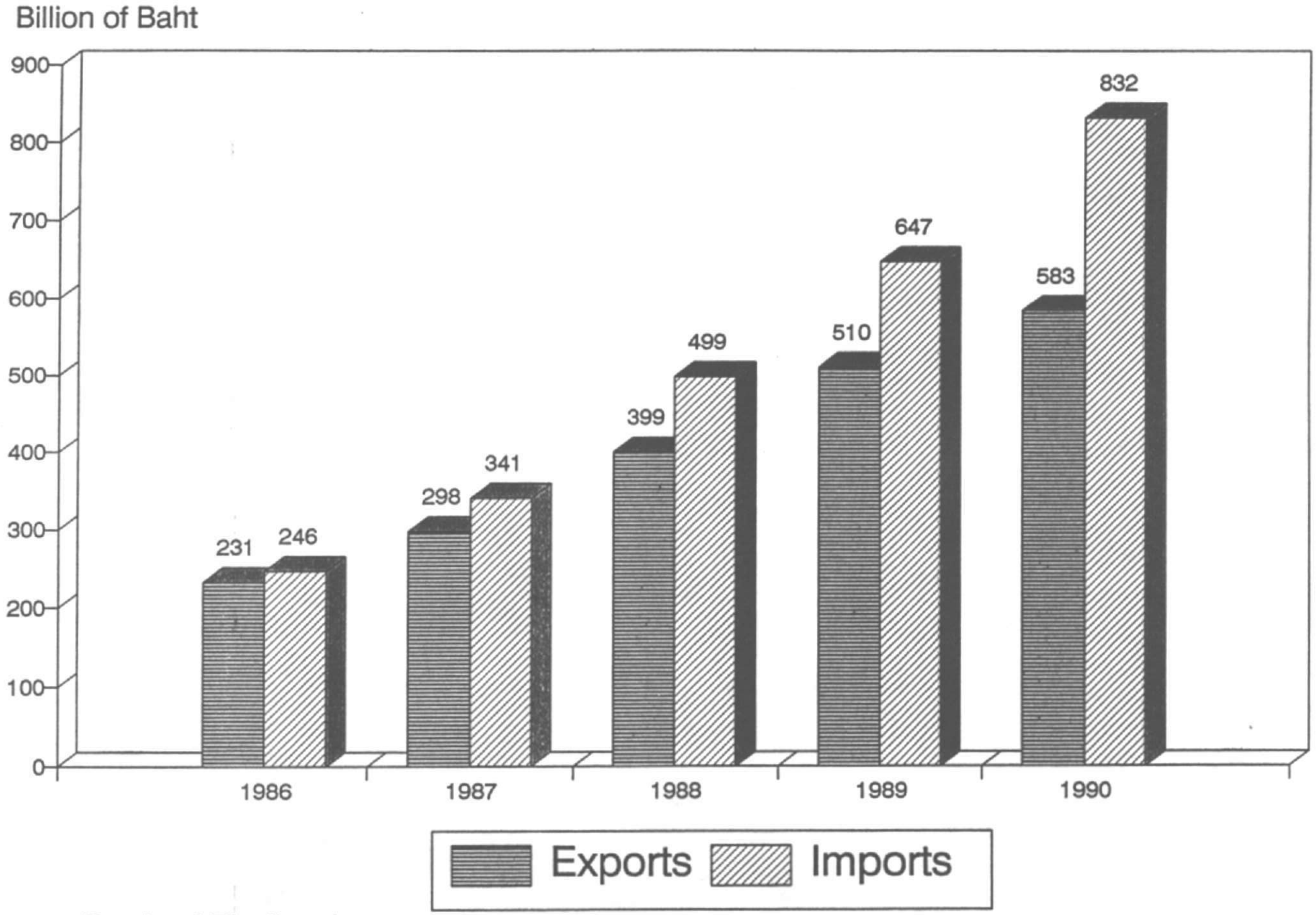
2.6 Financial Flows and External Debt

In 1990, the stock exchange became more volatile. The set index peaked at 1,143.8 points in July as a result of continued buoyancy of the economy and financial deregulation and relaxation of foreign exchange controls in May. However, in the wake of the outbreak of the Middle East Crisis, the stock exchange turned bearish.

The capital movements account showed the surplus of 208,400 million baht (US$ 8,172.5 million) which increased 3.7 percent from a year earlier. Half of this amount was in the form of loans while the rest were direct investment (57,221 million baht or US$ 2,244 million) and portfolio investment (11,650 million baht or US$ 456.9 million) see Table 7.

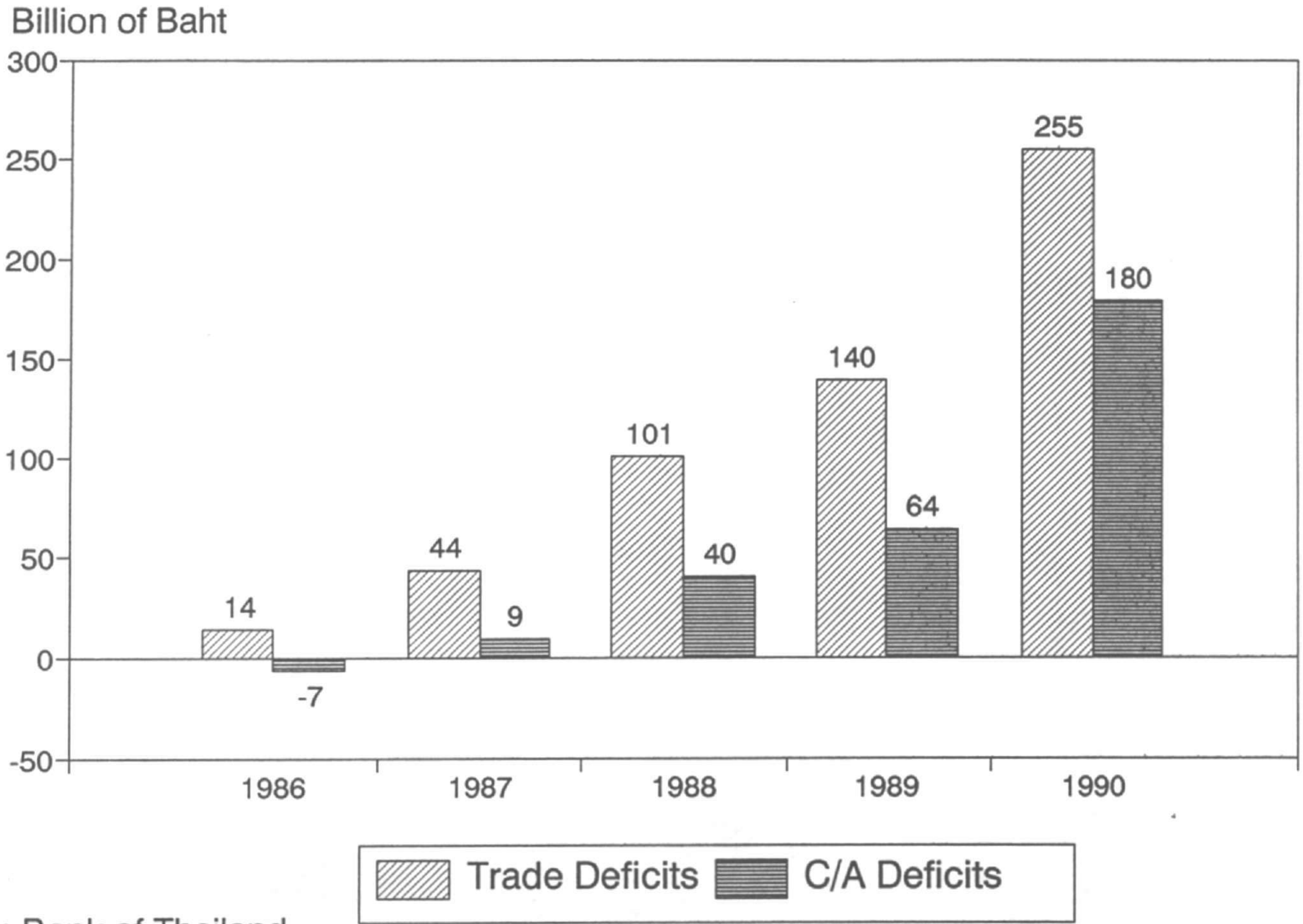
The amount of external debt at the end of 1990 stood at US$ 26,965 million -- increased by 36 percent. The reason came from the 58 percent increase in private loans due to the high amounts of loans (see Table 8 and Figure 19). Nevertheless, the government loans have decreased by 4.4 percent due to the early repayments. The international reserve were at US$ 14,273 million which is equivalent to 5.3 months of imports (see Figure 20).

Figure 16
Merchandise Exports and Imports



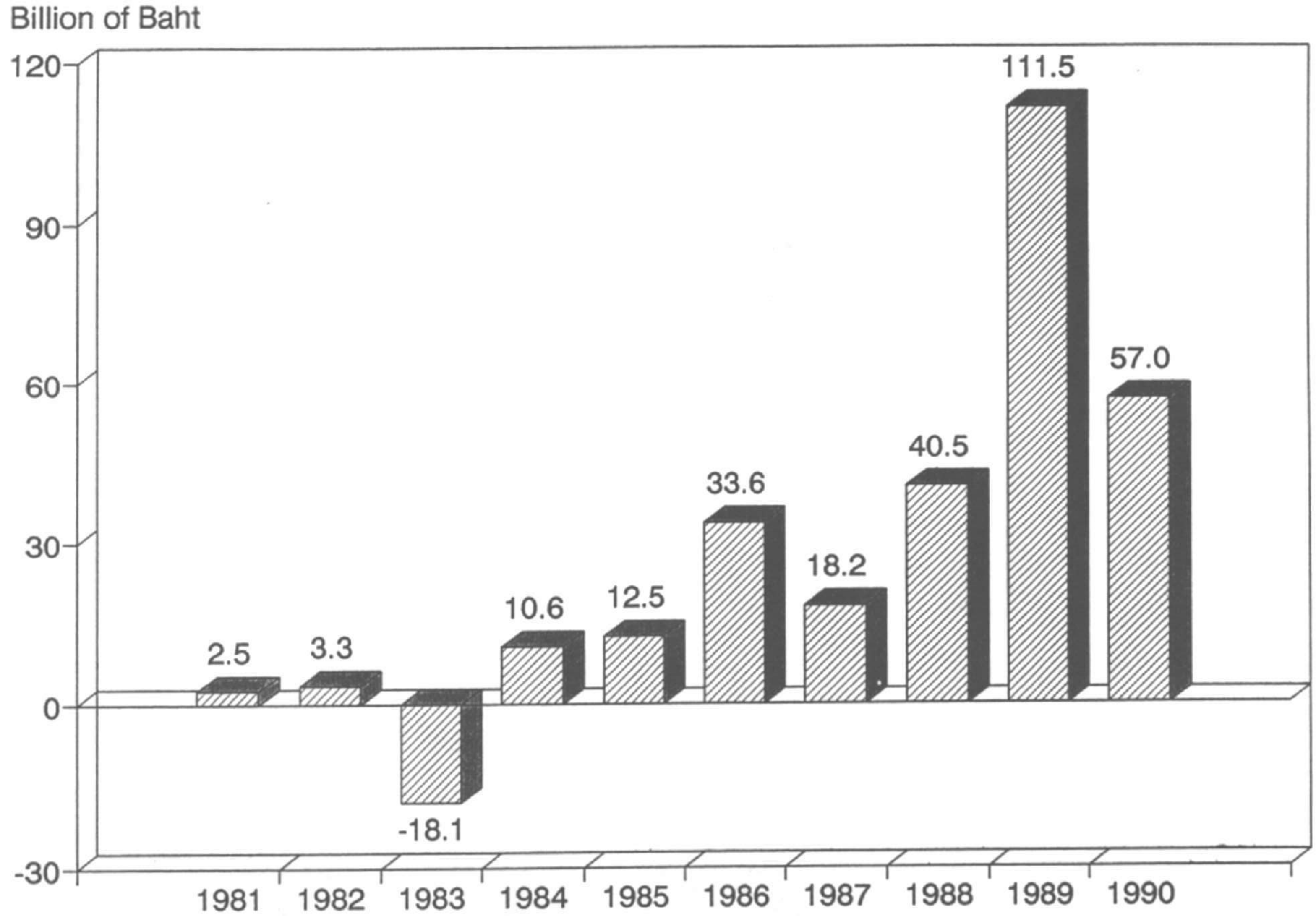
Source: Bank of Thailnad

Figure 17
Trade and Current Account Deficits



Source: Bank of Thailand

Figure 18
Balance of Payments



Source: Bank of Thailand

Table 7
Capital Movements

(Millions of Baht)

	Loans	Direct Investment	Portfolio Investment
1970	1,351	891	237
1971	824	808	101
1972	1,939	1,427	277
1973	1,122	1,605	211
1974	5,023	3,836	195
1975	5,983	1,745	27
1976	7,671	1,614	(21)
1977	11,802	2,164	2
1978	13,723	1,011	124
1979	30,588	1,048	2,131
1980	45,887	3,816	1,034
1981	48,748	6,363	19
1982	33,397	4,339	610
1983	26,149	8,192	340
1984	48,827	9,624	(87)
1985	43,195	4,379	3,859
1986	1,957	6,880	2,517
1987	4,051	4,712	12,862
1988	34,089	27,883	11,185
1989	71,157	44,413	36,658
1990	139,536	57,221	11,650

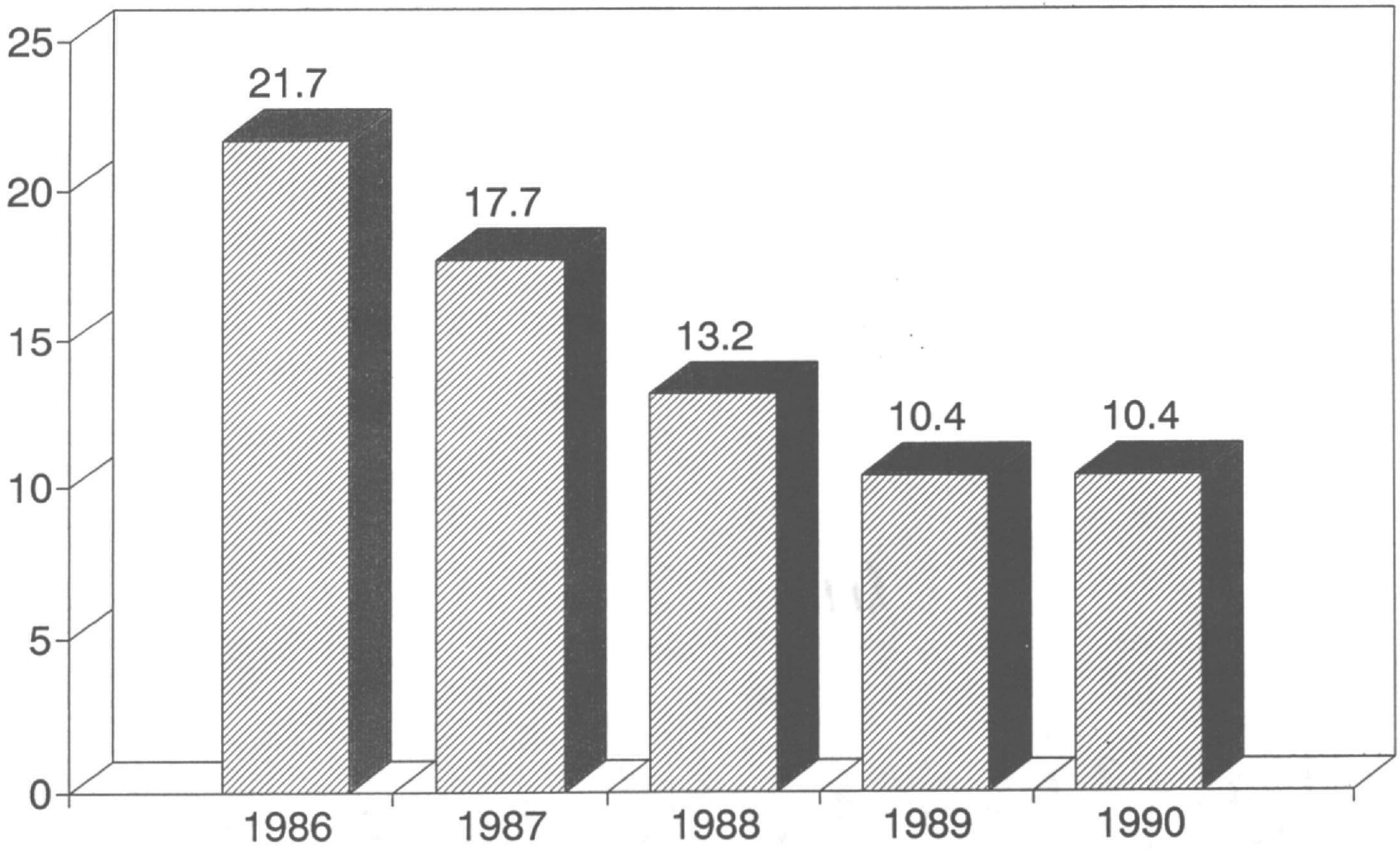
Source: Bank of Thailand.

Table 8
External Debt

	Total	Public	Growth	Private	Growth
1981	9,367	5,077	28.4	2,099	19.8
1982	10,374	6,021	18.6	2,296	9.4
1983	12,906	6,865	14.0	2,663	16.0
1984	13,830	7,425	8.2	3,372	26.6
1985	14,991	9,406	26.7	3,370	-0.1
1986	15,544	10,954	16.5	3,117	-7.5
1987	17,359	12,911	17.9	2,837	-9.0
1988	18,590	12,363	-4.2	3,016	6.3
1989	19,799	11,743	-5.0	4,658	54.4
1990	26,965	11,222	-4.4	7,368	58.2

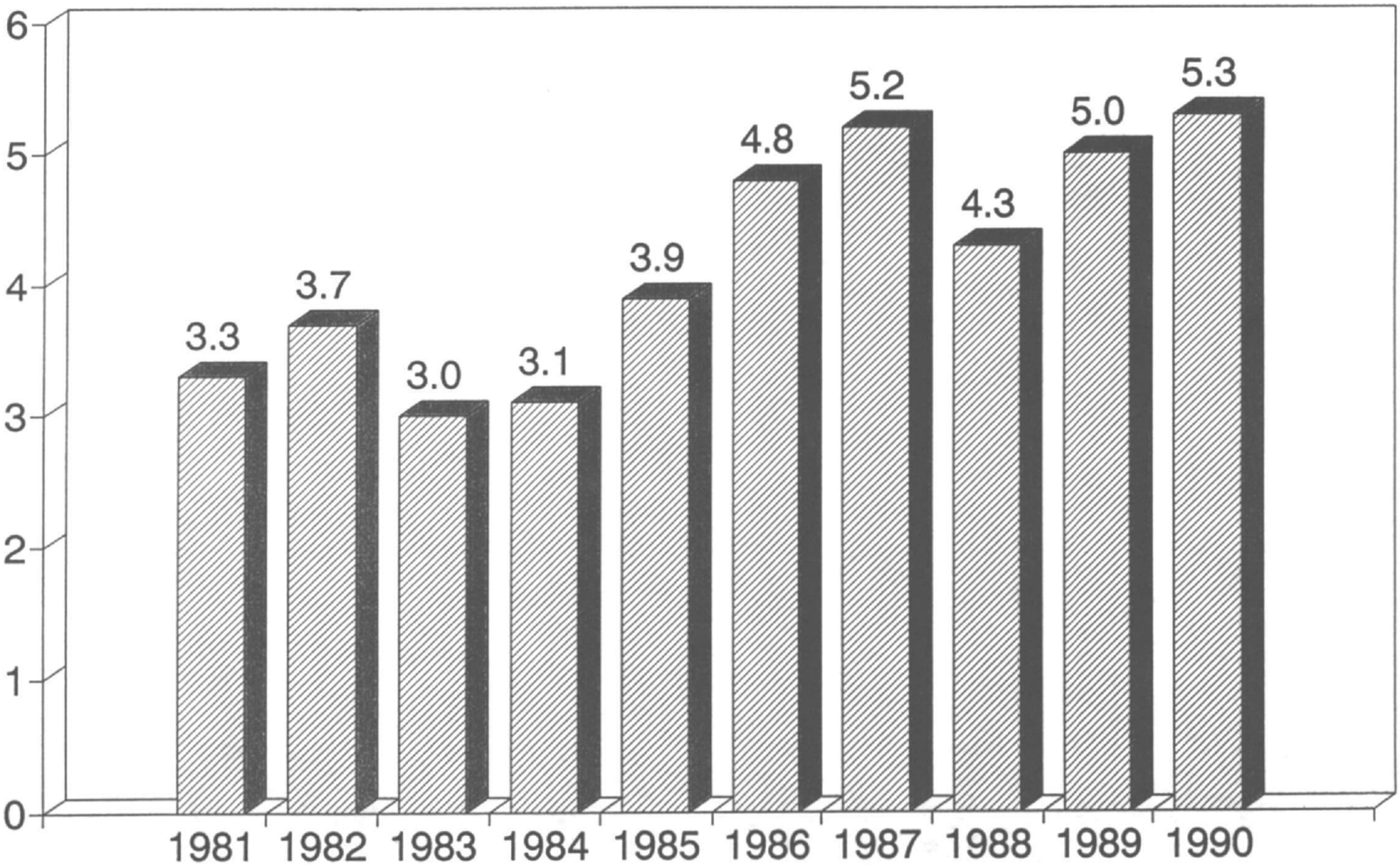
Source : Bank of Thailand

Figure 19
Debt Service Ratio



Source : Bank of Thailand

Figure 20
International Reserves
as Number of Months of Imports



Source : Bank of Thailand

3. The Situation in 1991

After the close of 1990, Thailand's economy is finally starting to show signs of slowing after four successive years of high economic growth. Double-digit economic growth spanning four years from 1987 has been the envy of many.

The year began amid considerable uncertainty. War was imminent in the Persian Gulf and it was not known how long it would last or in what shape the Middle East would be when it finally ended. The Uruguay Round of talks under the General Agreement on Tariffs and Trade still hung in the air unresolved and efforts to make the Eastern European economics more market oriented were proving a major challenge.

The opening up of Eastern Europe and the swift unification of divided Germany attracted funds into this area, opening up a new market for products and a source of inexpensive labor and raw materials for the West.

The multilateral negotiations under the Uruguay Round which began in 1980 were temporarily suspended in December 1990 because of a disagreement over subsidies given by industrial countries to producers of farm commodities. It was feared the world trade system would degenerate as a result, leading to the formation of trade blocs to ensure the preservative of interests of members countries at the expense of those not belonging to the blocs. These practices could cause world trade to contract.

However, among the positive factors was the rapid ending of the ground war in the Persian Gulf. World oil prices nosedived after the cessation of international hostilities, lowering production costs, taming inflation and strengthening the purchasing power of consumers throughout the world.

The favorable world environment which supported Thailand's high economic growth during 1987-89 faltered in 1990 and continues to deteriorate further in the current year. As the economy is very open with the total value of international trade accounting for roughly to percent of GDP, Thailand is bound to be affected economically by this exogenous trend.

Inadequate infrastructure and skilled manpower will also prove intractable, at least in the near term, constraining growth in investment and the overall economy. Further aggravating the situation was the military coup on February 23 which toppled the Chartichai Choonhavan administration and shook investor confidence at least temporarily.

In this section, the actual situation and some important indicators of growth will be examined in details:

3.1 International Trade

Merchandise exports in the first eight months of 1991 have already accounted for 464,700 million baht (US$ 18,223), an increase of 22.5 percent over the corresponding period of 1990. These available statistics show that exports are providing a groundswell boosting overall growth or the economy.

This was made all the more remarkable as the protectionism of recent years, will all types of barriers to trade, gained ground. A very recent reflection of this has been the fact that Thailand has been upgraded by the United States Trade Representative (USTR) to Priority Foreign Country (PFC) status, which makes it a potential target for trade retaliatory measures by the US provided that further negotiations on copyright issues do not satisfy US authorities. Thus, economic conditions in Thailand's export markets have not been favorable. Yet, this country has been able to override this difficult global economic situation while apparently succeeding in circumventing intensified worldwide trade protectionism, to record on encouraging growth rate in its exports as noted above.

The four most important markets for Thai exports[1] will continue to be the US, absorbing on estimated 19.7 percent of the total, the EC with an estimated 20.4 percent,[2] Japan with an estimated 18.2 percent and ASEAN with an estimated 12.2 percent. Markets with growing importance include Eastern Europe and Indochina.

By category, agricultural exports have their share of 16 percent of overall exports and an increase of roughly 7 percent. In the manufactured goods category, they occupied 76 percent of overall exports and an increase of 24 percent over the eight months of 1991.

In the meantime, imports continued to grow by leaps and bounds. They totalled 670,000 billion baht (US$ 26,274 billion) in the first eight months, up 25 percent on the same period of 1990.

Under the non-oil category, capital goods imports increased 31 percent for the first eight months compared to the same period of last year with leading items being machinery and aircraft. Imports of raw materials and intermediate products increased 9 percent for the first eight months compared to the same period of last year with major items including iron, steel, chemicals.

The deficits in trade balance for the first eight months was at 194,300 million baht (US$ 7,619 billion) increased by 14.7 percent from last year. Even though the balance of services and transfers showed the positive sign of 53,500 million baht (US$ 2,098 million), it was still not enough to finance the trade deficits. Thus, the current account was on the deficit side for 140,800 million baht (US$ 5,521 million) for the first eight months. However, the net capital inflows did show the positive sign of 200,500 million baht (US$ 729 million). Thus, the surplus in the balance of payment was 85,985 million baht (US$ 3,371 million) for the first eight months with the

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[1] For the first five months.

[2] Only Belgium, France, W. Germany, Italy, Netherlands, United Kingdom are counted

international reserves in August 1991 at the level of US$ 17,400 million or equivalent to 5.4 months of imports.

3.2 Investment

The year of 1991 still sees the related authorities struggling to keep their promises to remove obstacles to investment, major ones of which center on the inadequacy of utilities and other infrastructure items and a lack of qualified personnel.

Another problem had to do with the abrupt change of governments, which took place in late February when a coup was pulled off by the military. This definitely posed as a negative actor affecting domestic investment. However, as the majority of local and overseas investors were familiar with Thai history of non-violent and largely non-disruptive putsches, the harmful effects were limited both in scope and time span.

Nonetheless, despite general confidence in continued stability, a number of executives, particularly from western nations who had not been in the region long and were not familiar with the Thai political scene, expressed reservations and concern about the coup and its impact on Thailand's investment prospects.

Besides internal problems, external negative factors also took their toll on the investment scene, the leading culprit being Iraq's lightning invasion of Kuwait on August 2, 1990. As the untoward went was showing signs that it would be protracted lasting well into 1991, it caused uncertainties for all concerned.

In the first instances, oil prices were driven up sharply. Fluctuating while showing a steady rise since August 2. However, increased production by other OPEC members, particularly Saudi Arabia, helped stabilize oil prices, which nonetheless stayed on a relative high level well into 1991, affecting investors' confidence. In consequence many investors chose to remain on the sidelines until the dust settled.

In the case of Thailand, the local investment situation suffered a set back when a coup took place on February 23, 1991. Problems not withstanding, Thailand remains an attractive place for investment. In fact a survey by a leading world-class sources names Thailand as one of "hidden treasures."

The private sector composite investment index continued to slide from 136.6 in December 1990 to 121.6 in July 1991. Despite the fact that investment continued to weaken from prior year's level, the private sector composite investment index July 1991 was still well above the level regarded as "strong investment activity" by the Bank of Thailand.

Reflecting investment climate were applications for promotional privileges tabled to the Board of Investment (BOI). These numbered 395 proposing to invest a total of 150,537 million baht (US$ 5,903.41) in the first seven months, drops of 35.46 percent and 33.6 percent respectively from the same period in 1990.

In the year to July 1991, the number of applications approved by the BOI fell 45.69 percent to 315 projects and funds to be invested in them 51.41 percent to 100,143 million baht (US$ 3,950.7 million). Promoted firms beginning operations numbered 332 in January to July 1991, a decrease of 27.35 percent, while funds invested in them were 109,938 million baht (US$ 4,311.3 million), a rise of 16.87 percent (see Table 9).

Investment as reflected by the inflow of machinery was still active. Imported capital goods in the first eight months of 1991, increase 31 percent over the same period in 1991. Domestic credits granted to industries outstanding at end-July 1991 amounted to 467,300 million baht (US$ 18,325.5 million), up 19.2 percent on that the same point in time in prior year.

Domestic credits for construction purposes rose steeply by 56.91 percent from 231,026 million baht (US$ 9,059.84 million) at end-July

Table 9

Promotional privileges from Board of Investment (Million Baht)

	1989	1990	Jan.-Jul. 1991
No. of applications for promotional privileges	420	612	395
Growth rates	-	45.7	-35.5
Total investment	166,308	226,724	150,537
Growth rates	2.5	36.3	-33.6
No. of promoted firms	504	580	315
Growth rates	-	15.1	-45.7
Total investment	121,951	207,313	100,743
Growth rates	202.7	70.0	-51.3
No. of promotion certificates issued	393	457	332
Growth rates	-	16.3	-27.4
Total investment	66,613	94,069	109,938
Growth rates	127.6	41.2	16.9
No. of firms starting operation	104	265	218
Growth rates	-	154.8	-17.7
Total investment	7,966	45,511	40,798
Growth rates	118.7	471.3	-10.4

Source: Key Economic Indicators July 1989, 1990 and 1991, Bank of Thailand

1990 to 362,500 million baht (US$ 14,215.69 million) at end-July 1991.

In summary, though the pace of investment of 1991 appeared to slow further from 1990, the local investment situation was far from being bearish, as reflected by the private sector composite investment index noted above. Nonetheless, the fact that a slower growth may be a blessing in disguise as the cooling off may help the country regain its internal and external stability, which is essential for long-term economic expansion.

3.3 Prices

The high growth of the Thai economy, which has continued over the last four years, has resulted in increased inflationary pressure. The sharp increase in Thai exports caused by strong overseas demand and the relocation of production bases by companies affected by the world currency realignment have resulted in sharp increases in investment and construction, hence demand for construction materials and factors of production.

The consumer price index (CPI) for Thailand in the first seven months of 1991 increased by 5.9 percent over the same period last year.

Broken down by product category, the CPI for food and beverages increased by 6.6 percent while the CPI for non-food items rose by 5.5 percent.

After taking power from the Chartichai Administration on February 23, the National Peace-Keeping Council (NPKC) tried to help alleviate the cost of living. Early in March this year, the NPKC approved a change in the Revenue Code which would result in lower income tax and greater take-home pay for the general public, reduced oil prices.

All these factors with the subsequent reduction in interest rates and oil prices and sluggish investment helped reduce inflationary pressure.

3.4 Public Finance

The fiscal 1991 (October 1990 - September 1991) was the first year which balanced budget was brought down by this country. A balanced budget means piloted expenditure has been set to equal total revenue to be collected, with no borrowings being intended by the government to cover an expected revenue shortfall.

For the first 10 months of the 1991 fiscal year (October 1990 - July 1991), the government's budget showed the surplus of 955 million baht (US$ 37.45 million) compared to the surplus of 161 million baht of the same period last year. The government was able to collect more tax revenues by 20.68 percent which was 3,467 million baht (US$ 135.96 million) in total. It can be broken down into the corporate tax (13.44 percent increased), the sales tax (24.49 percent increased), the personal income tax (12.32 percent increased), and the import duty (22.44 percent increased).

On the expenditure side, it also expanded at the quite high rate of 17.67 percent equivalent to 2,777 million baht (US$ 108.9 million) for the first seven months of the current fiscal year. Thus, the budget surplus was 95.5 million baht (US$ 3.75 million) after the interest payment of 287 million baht (US$ 11.25 million) has been deducted.

4. The Forecast Assumptions

To predict the prospect of the Thai economy during the period of 1991-93, the crucial factors had to be assumed. The following assumptions based on the hypothesis that there will be no major shock affecting world economy.

The assumptions are:

1. The world imports although probably slow down slightly. It is assumed to expand at a rate that does not much harm Thai exports earning, while the world income is assumed to have steady growth at the 3 percent level.

2. The nominal exchange rate, baht against US dollar, is relatively not changed. The rate of 25.56 is assumed through out the period.

3. The oil price decreases after the gulf crisis in 1991 at the average 15.0 US$/barrel, and then move along with its present trend to 19.3 US$/barrel in 1993.

4. Prices of imports increase slightly compared to the past two years as the world inflation which is expected to be moderate. The import price level will rise by 3.6, 5.8 and 6.1 percent in 1991, 1992 and 1993 respectively.

5. Eurodollar rate decreases in 1991 due to the world recession, and then, rising to the 1990 level in 1993.

5. The Forecast for 1991-1993

Tables 10-21 show economic forecasts for 1991-1993. The figures for 1991 are based on the most up-to-date information available, while the figures for 1991-1992 are based on the forecast assumptions mentioned in the previous section. The following discussion focuses on three main issues, namely, economic growth and price levels, the external balance and the external debt.

5.1 Economic Growth and Sectoral Performance

Economic growth, which has averaged 11 percent annually during 1987-90, is forecast to slow to about 8.14 percent in 1991. Agricultural production will record a low rate of increase estimated at 2.7 percent, due to damage inflicted on some crops by prolonged flood towards the end of 1990 and low level of water in major reservoirs in the North, necessitating the curtailing of the second rice crop in the central and lower northern regions.

The non-agricultural sector will continue to expand but at a slower rate. The rate of expansion in the manufacturing sector appears to be slackening as a slowdown in the world economy and trade. Fortunately, this has been partly compensated for by strong domestic demand. The manufacturing sector is expected to expand 11.6 percent. The industry sector faces increased production costs, while many industries within the sector are plagued by limited production capacities and a shortage of raw materials.

Cement production will continues to grow despite a temporary break in operations at several plants for maintenance. The production of steel still have a good trends resulted from a sufficiently active construction sector and continued firm demand from export-oriented canneries. On the contrary, the vehicles and transport equipment market weakens somewhat because of reduced purchasing power.

Table 10. Economic Growth and Employment

	1988	1989	1990	1991	1992	1993
Economic Growth (%)	13.22	12.05	10.00	8.14	8.65	8.06
Agriculture	10.21	6.65	(1.81)	2.71	2.91	3.21
Industry 1_/	17.41	16.23	15.63	9.21	10.15	9.24
(Manufacturing)	16.79	14.90	13.68	11.62	12.06	11.35
Services 2_/	11.63	11.13	9.96	8.94	9.13	8.45
GDP and GNP in value terms (In millions of domestic currency)						
In current prices						
GDP	1,506,977	1,775,978	2,051,208	2,344,113	2,691,936	3,072,577
GNP	1,482,207	1,752,574	2,030,064	2,316,844	2,662,861	3,041,695
In constant prices (1972 prices)						
GDP	512,467	574,195	631,610	683,035	742,113	801,934
GNP	505,756	568,470	626,970	676,181	734,816	794,195
Unemployment rates (%)	4.9	4.6	4.9	5.5	6.0	6.0

1_/ Industry includes manufacturing, mining and quarrying, construction, electricity, gas and water.

2_/ Services include Transportation and Communication, Wholesale and Retail trade, Banking, Insurance and Real estate, Ownership of dwellings, Public administration and defence, and Services.

Sources: 1988-1990 from NESDB.
1991-1993 from the projections.

Table 11. Economic Growth and Employment

	1988	1989	1990	1991	1992	1993
Value terms (In millions of domestic currency, 1972 prices)						
Agriculture	86,629	92,386	90,711	93,166	95,881	98,959
Industry 1_/	168,468	195,804	226,402	247,259	272,355	297,517
(Manufacturing)	119,464	137,260	156,043	174,174	195,176	217,324
Services 2_/	257,370	286,005	314,497	342,610	373,876	405,458
GDP and GNP in value terms (In millions of domestic currency)						
In current prices						
GDP	1,506,977	1,775,978	2,051,208	2,344,113	2,691,936	3,072,577
GNP	1,482,207	1,752,574	2,030,064	2,316,844	2,662,861	3,041,695
In constant prices (1972 prices)						
GDP	512,467	574,195	631,610	683,035	742,113	801,934
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Unemployment rates (%)	4.9	4.6	4.9	5.5	6.0	6.0

1_/ Industry includes manufacturing, mining and quarrying, construction, electricity, gas and water.

2_/ Services include Transportation and Communication, Wholesale and Retail trade, Banking, Insurance and Real estate, Ownership of dwellings, Public administration and defence, and Services.

Sources: 1988-1990 from NESDB.
1991-1993 from the projections.

Table 12. Share of Economic Sector as % of GDP

	1988	1989	1990	1991	1992	1993
Economic Share (%)						
Agriculture	16.90	16.09	14.36	13.64	12.92	12.34
Industry 1_/	32.87	34.10	35.85	36.20	36.70	37.10
(Manufacturing)	23.31	23.90	24.71	25.50	26.30	27.10
Services 2_/	50.22	49.81	49.79	50.16	50.38	50.56
GDP	100.00	100.00	100.00	100.00	100.00	100.00
GDP and GNP in value terms (In millions of domestic currency)						
In current prices						
GDP	1,506,977	1,775,978	2,051,208	2,344,113	2,691,936	3,072,577
GNP	1,482,207	1,752,574	2,030,064	2,316,844	2,662,861	3,041,695
In constant prices (1972 prices)						
GDP	512,467	574,195	631,610	683,035	742,113	801,934
GNP	505,756	568,470	626,970	676,181	734,816	794,195
Unemployment rates (%)	4.9	4.6	4.9	5.5	6.0	6.0

1_/ Industry includes manufacturing, mining and quarrying, construction, electricity, gas and water.

2_/ Services include Transportation and Communication, Wholesale and Retail trade, Banking, Insurance and Real estate, Ownership of dwellings, Public administration and defence, and Services.

Sources: 1988-1990 from NESDB.
1991-1993 from the projections.

Table 13. Expenditure on GDP

	1988	1989	1990	1991	1992	1993
(In millions of domestic currency in current market prices)						
Total Consumption	1,057,363	1,223,930	1,415,008	1,603,364	1,836,584	2,057,283
Gross Capital Formation	434,546	559,707	753,952	890,477	1,032,739	1,189,986
Gross Fixed Capital Formation	407,341	550,415	729,053	860,692	1,007,106	1,172,568
Increase in Stocks	27,205	9,292	24,899	29,785	25,633	17,418
Exports of Goods and Services	514,922	648,387	755,370	874,158	1,014,491	1,155,639
Imports of Goods and Services	537,947	696,948	892,094	1,044,324	1,204,695	1,369,168
Statistical Discrepancy	38,093	40,902	18,972	20,438	12,818	38,836
Gross Domestic Product	1,506,977	1,775,978	2,051,208	2,344,113	2,691,936	3,072,577
Net Factor Income from the rest of the World	(24,770)	(23,404)	(21,144)	(27,269)	(29,075)	(30,882)
Gross National Product	1,482,207	1,752,574	2,030,064	2,316,844	2,662,861	3,041,695
(As per cent of GDP)						
Domestic Saving	26.09	27.88	29.43	29.49	30.89	31.97
National Saving	24.44	26.57	28.40	28.32	29.81	30.96
Gross Capital Formation	28.84	31.52	36.76	37.99	38.36	38.73

Sources: 1988-1990 from NESDB.
1991-1993 from the projections.

Table 14. Expenditure on GDP (% Growth)

	1988	1989	1990	1991	1992	1993
Total Consumption	12.24	15.75	15.61	13.31	14.55	12.02
Gross Capital Formation	44.95	28.80	34.70	18.11	15.98	15.23
Gross Fixed Capital Formation	37.45	35.12	32.46	18.06	17.01	16.43
Increase in Stocks	690.84	(65.84)	167.96	19.62	(13.94)	(32.05)
Exports of Goods and Services	37.09	25.92	16.50	15.73	16.05	13.91
Imports of Goods and Services	46.06	29.56	28.00	17.06	15.36	13.65
Statistical Discrepancy	841.96	7.37	(53.62)	7.73	(37.28)	203.00
Gross Domestic Product	20.26	17.85	15.50	14.28	14.84	14.14
Net Factor Income from the rest of the World	(10.61)	5.51	9.66	(28.97)	(6.62)	(6.21)
Gross National Product	20.43	18.24	15.83	14.13	14.93	14.23

Sources: 1988-1990 from NESDB.
1991-1993 from the projections.

As crude oil is expected to average only US$ 15 per barrel in 1991, the CPI is projected to rise 5.8 percent compared to 6.3 percent in 1990. The lower crude oil price on the world market is expected to lead to a reduction in retail oil prices later on. This and the tight monetary measures taken in 1990 are expected to avert the once feared high inflationary pressure.

Next year economic growth is predicted to be slightly better than this year at 8.65 percent. Major stimulus to growth are an expected recovery of export of goods and services, in particular tourism and the starting up of big private investment projects in expanding infrastructure. Agricultural production will be increasing around 2.9 percent due to the constraint in factors of production such as land, water and labor force. However, the industry growth for next year will stand at 10.1 percent to serve an increasing in both domestic and foreign demand.

For the construction sector, there is a tendency to expand according to investment especially in large investment project, utilities by government enterprises. On the contrary investment in hotels and resorts will be slower partially according to tourism and the other part comes from the huge investment of this sector in 1991. The services sector is expected to grow at 9.1 percent in 1992.

From above, the production structure for the Thai economy will be slightly changed from 1991. That is, the share of agricultural sector will reduced from 13.6 percent to 12.9 percent while the industrial sector will cover more share from 36.2 percent in 1991 to 36.7 percent in 1992.

With our assumptions, the outlook for 1992 is not quite different from 1991. The overall growth rate for 1992 will still be at 8.06 percent consumption and investment can grow 8.98 percent and 10.71 percent, respectively.

Inflationary pressure is expected to soften slightly in line with world inflation and a reduction in pressure on factor costs such as

Table 15. Inflation, Money Supply and Govenment Budget

	1988	1989	1990	1991	1992	1993
1.Inflation *						
Consumer Prices (1985=100) Annual Average Index	108.41	114.13	120.95	128.02	135.20	143.13
Wholesale Prices Annual Average Index	115.32	124.76	130.43	138.55	149.36	158.45
2.Money Supply (In millions of domestic currency) *						
M1 (narrowly defined money)	148,493	174,212	195,414	221,504	253,291	288,078
M2 (broadly defined money)	956,126	1,206,608	1,529,116	1,843,385	2,029,576	2,249,442
3.Government Budget						
Revenue *	258,169	327,149	411,652	474,192	547,827	625,595
Tax	241,745	302,057	385,742	443,600	512,277	584,693
Non-Tax	16,424	25,092	25,910	30,591	35,550	40,902
Expenditure **	223,089	263,798	304,473	328,636	367,239	409,195
Current	194,379	226,179	248,708	268,903	297,868	330,348
Captial	28,710	37,619	55,765	59,733	69,371	78,847
Budgetary Surplus/Deficit	35,080	63,351	107,179	145,556	180,588	216,400
Non-budgetary Surplus/Deficit	1,601	(380)	2,000	2,000	2,000	2,000
Net Other Reciepts	(583)	2,364	(2,133)	0	0	0
Overall Surplus/Deficit	36,098	65,335	107,046	147,556	182,588	218,400

Sources: * 1988-1990 from Bank of Thailand.
** 1988-1990 from NESDB.
1991-1993 from the projection.

Table 16. Inflation, Money Supply and Govenment Budget (% growth)

	1988	1989	1990	1991	1992	1993
1.Inflation						
Consumer Prices Annual Average Growth	3.84	5.27	5.98	5.85	5.61	5.86
Wholesale Prices Annual Average Growth	5.94	8.18	4.54	6.23	7.80	6.09
2.Money Supply (In millions of domestic currency)						
M1 (narrowly defined money)	12.16	17.32	12.17	13.35	14.35	13.73
M2 (broadly defined money)	18.25	26.20	26.73	20.55	10.10	10.83
3.Government Budget						
Revenue *	27.79	26.72	25.83	15.19	15.53	14.20
Tax	30.19	24.95	27.71	15.00	15.48	14.14
Non-Tax	0.57	52.78	3.26	18.07	16.21	15.05
Expenditure **	5.24	18.25	15.42	7.94	11.75	11.42
Current	7.47	16.36	9.96	8.12	10.77	10.90
Captial	(7.74)	31.03	48.24	7.12	16.14	13.66
Budgetary Surplus/Deficit	451.90	80.59	69.18	35.81	24.07	19.83
Non-budgetary Surplus/Deficit	(38.90)	(123.74)	626.32	0.00	0.00	0.00
Net Other Reciepts	61.50	505.56	(190.23)	100.00	0.00	0.00
Overall Surplus/Deficit	507.40	80.99	63.84	37.84	0.00	0.00

Sources: * 1988-1990 from Bank of Thailand.
** 1988-1990 from NESDB.
1991-1993 from the projection.

land and labor than of the past few years. Thus the inflation is projected at 5.6 percent.

5.2 The External Balance

Tables 17 show Thailand's merchandise trade and the expected external position. Merchandise exports are expected to be US$ 27,566 million (704,587 baht) in 1991, 20.9 percent higher than last year values, despite the fact that the prices and volumes of agricultural products are lower owing to poor crop output of the 1990/91 season, and expected unfavorable prices of primary products in foreign market.

Good export performance not withstanding, several factors are marring the country's foreign trade scene, a very important one of which was the decision taken by the USTR on April 26, 1991 to name Thailand a priority foreign country. The Thai-US trade dispute could damage Thailand's export industry through the loss of a very large market. If the US decided to impose trade sanctions against Thailand by rescinding the Generalized System of Preferences (GSP) privileges, banning imports, setting quotas or raising import tariffs, Thai exports might become less competitive than similar products from other countries which do not fare retaliation.

Thus, it is necessary in the long run for the Government to promote or expand Thai exports to other potential markets, particularly the Middle East and Eastern Europe, where prospects are promising for Thailand to increase its market shares.

Merchandise imports of 1991 is expected to be around US$ 37,377.78 (953,133.33 million baht) for the entire year of 15.7 percent above last year's level. The slow down in imports comes from the non-oil imports, while oil imports continue to expand at a similar rate to that in 1990. The trade deficit is expected to be around US$ 9,811.78 (250,200.33 million baht). However, more than half of this deficit is financed by a surplus of US$ 3,147 million (80,248.5 million baht) in the services and requited transfer accounts. The current account deficit is approximately around US$ 7,870 million

Table 17. Trade and Current Account Balances
(In millions of US Dollars)

	1988	1989	1990	1991	1992	1993
Merchandise: Exports fob	15,784	19,842	22,808	27,566	32,007	36,779
Merchandise: Imports cif	19,671	25,093	32,294	37,377	42,614	47,327
Merchandise: Imports fob [(Import cif) * 0.9]	17,704	22,584	29,065	33,640	38,352	42,594
Trade Balance (cif)	(3,888)	(5,251)	(9,486)	(9,811)	(10,607)	(10,548)
Trade Balance	(1,921)	(2,741)	(6,257)	(6,074)	(6,346)	(5,815)
Other goods, serv. and income, credit	5,944	7,042	8,665	9,633	11,212	12,913
Other goods, serv. and Income, debit (cif)	5,761	6,864	9,175	10,552	12,162	13,626
Other goods, serv. and Income, debit	3,794	4,355	5,946	6,814	7,901	8,893
Private unrequited transfers	47	47	25	28	22	18
(Workers' remittances)						
Official unrequited transfers	96	20	(267)	300	275	253
Current Account Balance	(1,600)	(2,507)	(7,032)	(7,870)	(7,870)	(8,130)
As percent of GDP	2.69	3.63	8.76	8.58	7.47	6.76
Memorandum Items						
Exchange Rate (per U.S. dollar: annual average)	25.3	25.7	25.6	25.6	25.6	25.6
Terms of Trade	107.6	103.4	101.3	102.1	99.8	97.1
Exports Unit Value (1985 = 100)	119.2	122.7	126.5	132.1	136.6	141.1
Imports Unit Value (1985 = 100)	110.8	118.7	124.9	129.4	136.9	145.2
Merchandise Imports cif	19,671	25,093	32,294	37,377	42,614	47,327

Sources: 1988-1990 from Bank of Thailand.
1991-1993 from the projections.

Note: Non-monetary gold is not include in Trade Balance.

Table 18. Trade and Current Account Balances (Growth Rates)

	1988	1989	1990	1991	1992	1993
Merchandise: Exports fob	36.2	25.7	14.9	20.9	16.1	14.9
Merchandise: Imports cif	48.5	27.6	28.7	15.7	14.0	11.1
Merchandise: Imports fob [(Import cif) * 0.9]	48.5	27.6	28.7	15.7	14.0	11.1
Trade Deficit (cif)	134.4	35.1	80.7	3.4	8.1	(0.6)
Trade Deficit	475.1	42.7	128.2	(2.9)	4.5	(8.4)
Other goods, serv. and income, credit	42.6	18.5	23.1	11.2	16.4	15.2
Other goods, serv. and Income, debit (cif)	31.7	19.2	33.7	15.0	15.3	12.0
Other goods, serv. and Income, debit	24.4	14.8	36.5	14.6	15.9	12.6
Private unrequited transfers	0.0	0.4	(46.9)	12.8	(21.4)	(18.2)
(Workers' remittances)						
Official unrequited transfers	17.1	(79.2)	(1,435.0)	212.4	(8.3)	(8.0)
Current Account Deficit	342.0	56.7	180.5	11.9	0.0	3.3
Memorandum Items						
Exchange Rate (per U.S. dollar: annual average)	(1.7)	1.6	(0.5)	0.0	0.0	0.0
Terms of Trade	(1.8)	(3.9)	(2.0)	0.7	(2.3)	(2.6)
Exports Unit Value	8.3	2.9	3.1	4.4	3.4	3.3
Imports Unit Value	10.3	7.1	5.3	3.6	5.8	6.1
Merchandise Imports cif	48.5	27.6	28.7	15.7	14.0	11.1

Sources: 1988-1990 from Bank of Thailand.
1991-1993 from the projections.

Note: Non-monetary gold is not include in Trade Balance.

(200,685 million baht), about 8.56 percent of GDP.

1992 should prove somewhat better as import growth which has averaged 23.4 percent during first five months of this year is expected to further ease in line with slackening growth of domestic demand. However, this may be partly offset by expected cuts in imports duties which may spur import demand in the short run.

The current account deficit will probably stay at about 7.46 percent of GDP in 1992, though the more relevant issue perhaps is if it will drop thereafter.

Conventional wisdom has been that the external deficit will be corrected as exports come on stream from the large investment influx in recent years. However, for this to happen it is important that investments going into Thailand truly reflect the country's real comparative advantage. If they do not, the external deficit may not be a short-term problem but a long-term structural issue that requires more deep-seated policy responses. The current account deficits imply that management of the capital amount will be crucial in the short run.

The liberalization of foreign exchange rules last April was a sound step in this respect, but more attention is needed to attract long-term funds as opposed to short-term funds.

5.3 External Debts

The recent lifting of the annual ceiling on foreign borrowings by state enterprises and the government to US$ two billion is thus, welcome especially in light of a reported 70 percent drop in foreign investments in the local stock market during the first five months of this year.

Development of more financial instruments, like long-term bonds and other paper, could help to reduce the volatility of capital flows that is currently inherent in the large share of short-term funds in

Table 19. External Debt
(In millions of US Dollars)

	1988	1989	1990	1991	1992	1993
External Debt Outstanding						
Long-term	15,379	16,401	18,590	15,515	15,243	14,971
Short-term	3,211	3,398	8,275	5,035	5,392	5,750
Use of IMF Credit	672	275	-	-	-	-
Debt-service Payments	6,071	7,699	8,420	9,589	10,773	12,144
Principal repayment						
Long-term	1,509	1,541	1,938	2,383	2,845	3,492
Short-term	3,311	4,906	5,173	5,857	6,540	7,224
Interrest payment on Long-term Debt	1,170	1,091	1,139	1,149	1,158	1,168
Interrest payment on Short-term Debt	81	162	170	200	230	260
Export of Goods & Services	20,357	25,230	29,553	34,200	39,691	45,213
Debt-service Ratio (%) *	13.2	10.4	10.4	10.3	10.1	10.3

* The ratio of longterm debt-service payments to exports of goods and services.

Sources: 1988-1990 from Bank of Thailand.
1991-1993 from the projections.

Table 20. Financial Flows
(Net Receipt Basis, Millions of US Dollars)

	1988	1989	1990	1991	1992	1993
Official Flows	585	(318)	120	120	140	140
Private Flows	2,521	6,406	9,062	12,025	14,988	16,951
Direct Investment	1,082	1,652	2,442	3,175	3,910	4,645
Portfolio Investment	442	1,406	1,689	2,142	2,595	3,048
Other	997	3,348	4,931	6,708	8,483	9,258
Total Receipts (Net)	3,106	6,088	9,182	12,145	15,128	17,091

Sources: 1988-1990 from Bank of Thailand.
1991-1993 from the projections.

Table 21. Financial Flows
(Net Receipt Basis, % Share)

	1988	1989	1990	1991	1992	1993
Official Flows (Mn US$)	585	(318)	120	120	140	140
Private Flows (% share)	100.00	100.00	100.00	100.00	100.00	100.00
Direct Investment	42.92	25.79	26.95	26.40	26.09	27.40
Portfolio Investment	17.53	21.95	18.64	17.81	17.31	17.98
Other	39.55	52.26	54.41	55.78	56.60	54.62

Sources: 1988-1990 from Bank of Thailand.
1991-1993 from the projections.

the capital account.

The external debt forecast are given in Table 19. The ratio of debts to GDP has declined substantially from 27.05 percent in 1990 to 25.25 percent in 1991 and it will keep smaller to 23.36 percent and 21.68 percent in 1992 and 1993, respectively. It is also predicted that the share of public external debts in the total external debts will increase overtime from 66 percent in 1991 to 66.28 percent and 66.5 percent in 1992 and 1993, respectively, while that of the private sector will decrease from 4.67 of GDP in 1991 to 4.27 percent and 3.91 percent in 1992 and 1993 respectively. The debt-service ratio is expected to be around 10-10.3 through 1993.

However, Thailand's external debt position may be worse and impose serious constraints upon long-term industrial development if the world economy does not show the sign of improvement in the coming years.

6. Major Economic Policies, Reforms and Development Issues

6.1 Major Economic Policies and Development Issue

The changes in the Thai economy in 1991 by the Anand administration may be considered as sudden and radical ones, compared with previous changes in Thai way. In order to understand the reasons underneath such changes, which will be said later, an understanding of his government's policy statement is unavoidable. Parts of his government's policy statement are as follows:

6.1.1 Economic Policy

To cope with problems resulting from rapid economic expansion, especially in the areas of income distribution, poverty, environment deterioration, the government will:

(1) Solve short-term economic problems that are seriously affecting the livelihood of the people. The government will also:

(a) Relieve effects of drought and declining prices of agricultural produce by providing farmers with adequate water supply and other necessities.

(b) Spend 2 billion baht to provide housing for low-income people in urban areas and maximize urban land-use efficiently with town planning and tax measures.

(c) Implement delayed infrastructure projects which are found to be sound and accelerate the review of projects under consideration based on the people's and country's maximum benefits.

(d) Create confidence in local and foreign investors.

(e) Revive tourism which was adversely affected by the Gulf crisis.

(2) Improve the efficiency of the economic system to make it more responsive to changing world economic conditions. The government will also:

(a) Improve the efficiency of state enterprises by mobilizing funds from the stock market and allowing greater participation by the private sector.

(b) Promote the private sector's role in the economy through free and fair competition.

(c) Improve the tax structure to make it fair and prevent tax evasion and duplications.

(d) Improve the rates for tax and fees for government services to enable Thai businesses to compete more efficiently with foreign businesses.

(e) Improve the Thai monetary system.

(f) Review laws that have impeded investments and business activities and reduce bureaucratic red tape.

(g) Increase the ability of government agencies in analyzing and monitoring major projects to ensure maximum benefits for the country.

(h) Improve the country's international economic management, especially in international trade negotiations.

(i) Lift the incumbent ban on new and expansions of businesses and industries except for those affecting economic security, national safety and the morality of the people.

(3) Tackle basic problems on income distribution and environment. The government will:

(a) Set up adequate budget and an organization to directly help farmers cope with natural disasters and falling prices of their produces.

(b) Set up a national agriculture council to help farmers plan their production in relations to marketing situation.

(c) Distribute ownership and land-use rights of land among farmers and improve the land reform programme.

(d) Promote the private sector's role in joining the government and people in developing rural industries to help in income distribution and protecting the environment.

(e) To provide promotional privileges to industries in rural areas and industries benefiting the people and the society, especially the environment, and the development of science and technology potential of the country.

(f) Developing water resources for agricultural and industrial purposes.

(4) Laying the groundwork for future economic expansion with continuity and stability. The government will:

(a) Promote public saving and diversification of services by financial institutions and make the Stock Exchange of Thailand a place to promote investments and mobilize funds by private sector and state enterprises.

(b) Maintain monetary and financial discipline through tighter control in state budget spending and foreign debts.

(c) Improve the efficiency in allocations and spending of the state budget.

6.1.2 National Resource, Energy and Environment Policy

(1) Make government agencies more efficient in conserving natural resources and preventing the destruction of the environment, and promote citizens' role in environmental protection.

(2) Give government agencies dealing with the environment more power through legal amendments.

(3) Set up a fund on environmental development and quality of life to which people responsible for destroying the environment would make financial contributions.

(4) Urgently tackle water, air and noise pollution and require industrial plants responsible for polluting the environment to pay for its clean-up.

(5) Tighten controls on the transportation, storage, use and disposal of toxic chemicals and dangerous materials.

(6) Introduce legislation on energy saving and work out an energy-saving plan for the transport section.

(7) Work out a long-term policy on energy production and development compatible with the environment.

6.1.3 Science and Technology Policy

(1) Urgently develop personnel in science and technology by adding more funds to studies in these two fields and supporting more research.

(2) Set up a mechanism to promote cooperation in science and technology development between the government and the private sector, such as through the creation of science parks.

(3) Adjust the structure of tax on scientific and technological know-how and introduce incentives for research work by the private sector.

(4) Promote the use of computers and modern technology by government agencies to improve their efficiency and public service.

6.2 Policies Undertaken in 1991

6.2.1 Economic Stabilization

Prime Minister Anand Panyarachun instructed the Bank of Thailand to put the brakes on the rapidly growing Thai economy and asserted that the government would support any stable growth rate.

The premier endorsed the central bank's plan to implement a tight monetary policy by controlling interest rates and money supply through various market instruments to achieve a better balanced economy.

The central bank was sticking to the growth target of the economy this year at 8.5 percent although it was believed that the economy is currently growing at an annual rate of above nine percent. The Bank of Thailand would adhere to the plan to float all interest rates.

The economists assessed that two-thirds of the economic problems, including the worsening current account deficit, which may be at 8.6 percent of the gross domestic product compared with 7.5 percent in 1990, were the result of excessive domestic spending and imports as well as an overheated economy.

Anand ordered the central bank, the Finance Ministry, the Commerce Ministry and the National Economic and Social Development Board to jointly drew up a framework to bring the worsening current account deficit under control.

The central bank would also encourage more capital outflows since excessive short-term capital inflows have tended to push up domestic spending and inflation by creating short-term excess liquidity.

Anand also wanted to maintain monetary and fiscal discipline and the central bank to ensure that the economy grows with stability.

6.2.2 Trade

In a significant move toward market liberalization, the Commerce Ministry agreed to cut the list of price-controlled goods from 109 to 63 items, giving manufacturers a relatively free hand in setting retail prices.

At the same time, the ministry exercised its power over the listed products through price-monitoring instead of the current price-fixing by giving up two stringent requirements on manufacturers and importers, but continuing to maintain other measures.

The lifting of price controls, which have been in place for over a decade, have been lead to flexible price movements for some products.

Products on which price restrictions have been lifted include garments, unmilled rice, sanitary napkins, sports shoes, refrigerators, television sets, radios, rice cookers and electric irons, packaged foods, fish sauce, vinegar, margarine and fishmeal.

Tense competition among sellers of the 46 products to be freed from government price control would automatically control prices of the same products available in the market.

All of the merchandise whose prices are to be deregulated by the ministry, are considered to be competitive enough in terms of production, marketing and distribution.

For the existing 63 products on the fixed-price list, the ministry will continue to maintain measures to monitor and partially control prices.

In term of quantitative control, the authorities continued to require the producers and importers to report the volume of their stocks at warehouses and storage sites for surplus goods beyond the permitted ceilings. The authorities set maximum holding allowances and control the movement and distribution of some strategic products.

In terms of price controls, the ministry set maximum retail prices, require producers and importers to label retail prices, post the buying prices for farm commodities from farmers and require producers and retailers to agree on distribution conditions.

The Trademark Bill, providing tough penalties against copiers of world-famous brand name products, passed its first reading in the National Legislative Assembly.

Copiers face up to four year's jail or a fine of 400,000 baht -- or both -- if they are found guilty of copying products with trademarks registered in Thailand.

The value added tax is expected to replace the business tax next January at a rate of 7 percent (municipal tax included) instead of the earlier proposal of 10 percent.

The Finance Minister, Dr. Suthee was not worried that the VAT would reduce the Government's tax revenue as the objective was to create a fair taxation system and promote exports. He said not all types of business would be subject to VAT.

Service industries like banking, finance and hotels would be excluded from VAT and would continue to pay business tax.

6.2.3 Investment

Board of Investment (BOI) has revised its promotion policies as follows:

Creating a favourable climate for national investment in order to boost both local and foreign investor confidence. This will be done through the promotion of general investment and the granting of special privileges to projects important to the development of trade and industry.

Supporting the establishment of factories and promoting projects which create job opportunities in rural areas.

Promoting export-oriented projects which keep pace with changes in the global environment.

Supporting investment projects using technology transferred from elsewhere and which develop local technology.

Supervising the development of major industries to ensure they are effective and benefit related industries.

Supporting investment projects which help protect the environment.

Supporting Thai interests in foreign investment projects, both in the form of joint ventures, technology transfer and production sub-contracting.

Supporting Thai companies expand abroad. The government sector will help private companies negotiate with foreign firms and provide assistance on legal problems and other information.

The National legislative Assembly voted almost unanimously to revoke the right of some 250,000 state enterprise workers to strike, destroying a powerful bargaining weapon that often involved political interference and was blamed for the poor performance of some state monopolies.

The military-dominated assembly passed two bills in three straight reading. They will exclude state enterprises from the Labour Relations Act of 1975, which allows strike action by workers, and replace unions at state-run firms with much less powerful "associations." One of the bills will dissolve all state enterprise unions as soon as it becomes law after being printed in the royal gazette, probably in a few days. The other, called the State Enterprise Relations Bill, rules that unions will be replaced by workers' associations, each of which is required to comprise at least 30 percent of the employees of a given agency. The associations' function will be to "protect the rights and interests of its employees." The latter bill bans strikes "for any reason" and violators face a maximum one-year jail-term or a fine of 20,000 or both. Instigators of work stoppages are liable to a double penalty.

6.2.4 Energy

The government approved a two-phase deregulation programme for oil prices with the first phase taking effect on June 1.

From that date, retail oil prices have been freed nationwide as the government no longer imposed any ceilings. However, it still fixed prices of oil released by the refineries, and introduced wholesale price ceilings instead.

PM's Office Minister, Phaichitr Uathavikul, who is in charge of petroleum affairs, said oil price deregulation was an important step in helping the Thai economy. There must be greater flexibility for local industries to adjust when oil prices fluctuate.

He added in the second round of deregulation, there would be virtually no restrictions on prices as the government will abolish the Oil Fund, the mechanism which currently stabilizes retail prices, while removing the fixing of ex-refinery prices and wholesale price ceilings. But no time frame has been set for the second round of deregulation.

The energy committee also approved new tax rates for oil products which were less harmful. Unleaded gasoline would be subject to 2.40-2.90 baht a litre, while premium gasoline with 0.15-gramme lead content would be taxed at 3.10-3.60 baht a litre compared to 3.40-3.19 for 0.50-gramme lead content gasoline currently on sale. Unleaded gasoline is available at some stations while 0.15-gramme gasoline is not yet available.

Tax rates on diesel were adjusted upwards to 2.20-2.50 baht (0.5-gramme sulphur) and 2.30-2.60 baht (1-gramme sulphur) while kerosene is subject to 2.30-2.60 baht a litre taxes.

6.2.5 Public Sector

The 460,400 million baht draft budget bill for the 1992 fiscal year was approved by Cabinet. It represents an increase of 18.8 percent on the current budget of 387,500 million baht. The budget accounts for 16.7 percent of the country's gross domestic product.

The budget proposal was made by the Finance Ministry after a joint meeting with the Budget Bureau, the National Economic and Social Development Board and the Bank of Thailand.

According to the Cabinet announcement, the balanced budget is intended to suit the country's economic and social development specified under the Seventh National Economic and Social Development Plan which was due to start this October.

The main objectives which are set to be achieved from such spending are:

- To support stable and continuous economic growth.
- To generate fair income distribution from such social and economic development
- To develop human resources as required by economic growth.
- To conserve and develop natural resources and environment.
- To promote research and development on science and technology.

As part of the income distribution, there are measures like rural development, promoting safety and security of the people's lives and property and promoting land ownership among the low income earners.

Provide sufficient infrastructure, public utilities like electricity and water supply. There will also be spending to contain AIDS.

Finance Minister Suthee said the austerity policy would continue to be pursued next year to arrest inflation and also to prevent the economy from overheating.

Government spending will be controlled at an appropriate level that will not cause inflation to go too high and harm economic growth. The formulation of the fiscal policy this year has taken into account monetary policy, said Mr. Suthee, citing the Finance Ministry's plan to buy back government bonds to arrest inflation.

The Finance Minister gave an assurance that revenue collection would meet the projected target. This was because the policy of austerity and monetary stability was still being pursued.

Budget Bureau director, Bodi Chunnanon said that the government set aside 130,700 million baht which constitutes 4.8 percent of GDP or 28.4 percent of the budget for investment compared to this fiscal year's 105,000 million baht for the same purpose. On top of that, 301,700 million baht was earmarked for expenditure.

This represents 11 percent of GDP or 65.5 percent of the budget compared to 261,900 million baht this fiscal year. Of the expenditure 207,965 million baht was allocated for debt servicing which constitutes 40.4 percent increase from this year's debt repayment.

Commenting on Salary Scale C which, if approved, will give government officials an average 13 percent pay rise, the matter was still under the government's consideration but only necessary spending would be included in the budget because the government had given special emphasis on investment budget which totals 130,700 million baht next fiscal year.

The Economic Policy Screening Committee approved a plan to allow the Finance Ministry to invest fiscal reserves in foreign currencies and securities as well as increases in the public sector's annual external debt ceiling and municipal taxes on oil products.

The plan, requiring a legal amendment, will give more flexibility in utilizing fiscal reserves, which totalled 144 billion baht at the end of last month. Under this plan, fiscal reserves can be used to purchase foreign currencies, securities and foreign government bonds in currencies which can be used to pay back foreign debts.

The plan also allows authorities to redeem financial instruments other than Thai government bonds issued to raise offshore funds. The committee also approved a US$ 500 million rise in the public sector's annual debt ceiling to a total of US$ 2 billion for 31 government and state enterprise projects.

As for municipal taxes on oil products, the committee agreed to a new rate of 10 percent on top of excise taxes. This will result in more revenue for local municipalities.

6.2.6 Capital Market

The Scrutinizing Committee on Economic Affairs approved in principle the drafts of three bills -- the Securities Exchange Commission, Public Companies, and Financial Instruments Bills.

The Public Companies Amendment Bill, in particular, is necessary because the existing Public Companies Act was impractical.

The Securities Exchange Commission Bill was proposed to enable the law to cope with the current situation, which has changed a lot from the past.

The bill will govern the primary and secondary markets. At present, there are no direct law controlling activities in the primary market. It also will empower authorities to setup a Securities Exchange Commission, an independent body with the same status as the Bank of Thailand, to supervise and control the SET.

The Financial Instruments Bill, which was proposed by the Bank of Thailand through the Finance Ministry, is aimed at encouraging the issue of more monetary notes in the money market.

6.3 Development Issues

6.3.1 The Seventh National Economic and Social Development Plan

During the Sixth National Economic and Social Development Plan (1987-1991), Thailand's economic development was a success with some targets being surpassed by a large margin. This fast growth had certain affects on the economy and society. Production and trade became more internationalized, fiscal position and international financial status were very strong, but income disparities remained unaddressed and factors of production including manpower and infrastructure become insufficient. The Seventh Plan beginning in October 1991 and ending September 1996, therefore stresses greater balance in development, both quantitatively and qualitatively, and greater social justice. Major details of the Seventh Plan are:

1. to sustain economic expansion with stability;
2. to distribute income and prosperity to the regions; and
3. to develop human resources quality of life, natural resources and environment.

In order to ensure the achievement of the major objectives, equal importance must be given to each objective and the following opportunities and constraints also must be taken into consideration.

1. External financial instability the trade and current account deficits have become very high because of faster growth in investment than in savings. Thailand's investment/savings gap would be high as public savings would not increase sufficiently to cope with the demand for funds to finance investment. The gap, however, is expected to remain to the region of 5.6 percent of GDP during the Seventh Plan. If the inflow of foreign funds dries up this will have a negative effect upon international reserves and the value of the baht. Apt policies and measures must be prepared to meet such a situation.

2. Scarcity of factors of production such as manpower, water resources and land. Thailand's comparative advantage on labor and human resources in terms of quality, quantity and wages had been on the decline. It was true that Thailand had gained better basis quality, but on the other hand there was a wide shortage of stilled labor, technician and engineers. Thailand had an excess of unskilled labor which was not in accordance with the demand for skilled labor during the development process over the next five years.

The wage difference between skilled and unskilled labor would widen and may hamper efforts to solve the income disparity.

Land wood become scarce and prices would increase as a result of past expansion and speculation and this would reduce the country's international competitiveness.

3. Deterioration of natural resources on the environment was expected as a result of past development and would be a major constraint in the Seventh Plan. This had created more land less people and made it extremely difficult for planners to solve chronic poverty.

Past development had forced rural people to migrate to urban and city areas where water, noise, and air pollution had become acute, affecting quality of life.

Basic infrastructure would continue to be insufficient during the next three years as the effort to privatize state enterprises had not met with success so far.

4. Uncertainties in the world economic situation as a result of higher protectionism and increasing oil prices could have a negative effect on the country.

Nevertheless, Thailand still have hood opportunities to pass through those above constraints.

1. The Thai economy has opened up and become highly internationalized. It has also become highly dependent on foreign investment and technology. It is therefore necessary to prepare flexible and timely plans to meet volatility in the world economy. However, Thailand still has a good opportunity to continue to expand exports to the EC and free-trade areas of the US, Canada and Mexico. Good prospects for economic growth in Asia and the Pacific, as well as the market liberalization policies of Japan and newly-industrialized countries in Asia and the market expansion in the Middle East, South America and Indochina, would continue to support Thailand's exports.

2. During the Sixth Plan, Japan and the Asian NIEs relocated much of their productive base into Thailand to take advantage of low production costs and special international trade concessions. This type of investment is, therefore, unreliable as they may easily relocate elsewhere if terms are better. Therefore private manufacturing, which has so far acted as a powerful engine of growth will weaken. Private investment in times to come will be large projects which have already been planned and decided upon, or the government has agreed to participate in them, or for which concessions in infrastructure projects have been granted.

The opportunity had also risen for Thai investment in and exports to Indochina and Myanmar where normalization of trade and political relations with these countries had become a reality. Thailand could become a front-line state for these countries where international trade was concerned.

3. Growth in manufacturing will continue to be strong as there are large number of promoted projects involving huge amounts of investment in the pipeline. In the Seventh Plan, tax structure, outdated laws and regulations that obstruct exports will be improved or abolished investment policy will be to provide less protection, stress market mechanisms and promote competition in order to increase efficiency, reduce costs and improve quality of goods and service to compete with their foreign counterparts.

For agricultural sector, the production is limited by the scarcity of suitable land, water resources and manpower. Traditional land intensive crops will gradually give way to new cash-crops, fisheries and animal husbandry. Therefore, efficiency must be improved and new technology and management techniques must be employed.

4. Today the world financial market is becoming more completely globalized. Thailand must therefore liberalize and modernize its financial system. In May 1990, Thailand announced an official acceptance of Article 8 of the IMF and deregulated foreign exchange control in two phases. The next step is the development of long-term financial instrument and commercial paper markets so that the Thai financial system can continue to support further economic growth and business expansion to the fullest.

5. Last but not least, as the economy is expected to sustain continuous high growth in the next five years, the Government would have a better opportunity to mobilize funds to rehabilitate natural resources and the environment.

6.3.2 Value-Added Tax Reform (VAT)

Tax reform has become an important element of adjustment programmes in developing countries that are supported by the World Bank and the International Monetary Fund. Tax system of many developing countries, including Thailand, are distortionary and also contribute significantly to distributional problems.

Restructing tax systems is thus perceived to be critical for the success of both macroeconomic and structural reform policies. Further, broadening the tax base and lowering tax rates have been the foremost goal of any tax reform initiative in most countries.

The value-added tax has thus formed an important element of an agenda for sales tax reform. Moreover, in the context of modern international trading systems where competitive devaluation is prohibited by the IMF and trade restrictions are usually banned under GATT, modification of the tax structure in an open economy is probably the most effective toll to improve export performance.

A number of issued relating to the VAT, however, have not been resolved despite widespread adoption of the tax. These include coverage of the tax by sector, the appropriate threshold for VAT registration, treatment of farm inputs, zero rating versus exemption, the coverage of services, real property construction and rental, multiple rates versus separate levies, special problems with international transactions, and the refund issue.

A major concern is the extent to which the tax should be extended from just sales tax to other economic activities. An ideal VAT would apply to all production activity, by the private sector and government, at a uniform rate, without exemptions or zero rating except for exports.

Typically, deviation from the ideal is imperative, especially in developing countries. All deviations, however, create serious borderline delineation and operational problems, and frequently decisions have to be made with consequences contradictory to the basic philosophy and operational capacity of the tax. Almost all of the deviations result in a loss of economic efficiency.

The ideal VAT, by itself, has a number of advantages. This includes neutrality, encouragement of savings and capital formation, stability as a source of revenue at relatively low rates, positive effects on the balance of payments, and the relative base of administration.

In some cases, where VAT is substituted for income taxes, saving rate will be stimulated from the tax on consumption. Advocates of VAT also argue that the income tax discriminates against saving by taxing consumption only once, but saving more than once since the income on saving is also taxed. Moreover, VAT may also cause problems in that it is regressive, hitting the poor and middle classes harder than the rich because those at the bottom of the economic ladder spent a greater proportion of their incomes on consumption.

In the case of Thailand, the proposed VAT has been in the planning stage since 1987 and is scheduled to replace sales tax on January 1, 1992. While the government has no urgent need for the money that that VAT would bring in, the current tax system does hinder efficiency. It favors the large vertically-integrated operations that can mask taxable additions to value and has encouraged massive tax evasion. The self-policing effect of the VAT would solve an age-old problem or the revenue department in how to bring in more taxpayers. Further, VAT also has the potential to resolve some of Thailand's current trade problems related to incentives from the BOI.

The key to success of any tax reform, however, is the credibility of the tax regime. A stable tax policy environment encourages businesses to take a longer term perspective in their finance and investment decisions. More importantly, various defects and loopholes are yet to be addressed. In particular, the regressivity of VAT must be corrected by lower income tax for the lower-income group and not across the board cut as currently purposed and mechanisms must also be prepared to tackle the various loopholes. As the VAT will replace only the sales tax, the incomprehensiveness is likely to raise a lot of operational problems and not as smooth as it's portrayed to be.

6.3.3 Car Policy

The Ministers of Finance and Industry have announced the relaxation of import restrictions on new and used cars, and a large reductions in import duties on motor vehicles and their components.

In the past, the policy to reduce the number of vehicles per capita by imposing import tax undoubtedly had some beneficial impact, but it was an extremely blunt instrument for the purpose of reducing congestion. They taxed vehicle 'purchase' not their 'use,' and they certainly do not discriminate between the use of vehicles in Bangkok and elsewhere, or between those used during rush hours and at other times.

A major improvement over import restrictions would be excise taxes on motor vehicles which did not discriminate between those that were locally produced and imports. These would be equally blunt with respect to their lack of relationship to the actual use of the vehicle. But they would have two major advantages over import taxes.

First, since they would not discriminate between locally produced and imported vehicles, they would not have the costly side effect of subsidizing inefficient and/or monopolistic domestic producers whose products have no advantage over imports in terms of reduced congestion or pollution.

Second, the excises would provide revenues to the government which could be earmarked for the provision of improved urban transport infrastructure.

Regardless of the short run effects of motor vehicle tax changes, rising incomes are sure to cause rapidly growing demands for and use of motor vehicles. In the absence of improved policies congestion and pollution can only get worse. It would be better for the underlying problem to be tackled sooner than later.

Another fear that has been mentioned is that the liberalization of vehicle imports will lead to a flood of new imports and a serious increase in the trade deficits. In other words, protection of the local vehicles sector has been a major instrument in preserving Thailand's balance of payments.

Such a liberalization could be thought of as having two types of effects on imports. First, at any given level of demand it would raise the share of imports relative to locally produced vehicles in total demand. Second, by reducing local prices it would increase the total demand for vehicles, both imported and domestic.

The extent to which import liberalization leads to an overall increase in demand for vehicles and hence also in foreign exchange expenditure depends on both the elasticity of demand and the extent to which other measures such as new excise taxes and higher registration fees are used to counteract the effects of trade liberalization on domestic prices. These might be some argument, especially in the short run, for such taxes in order to reduce urban congestion and pollution.

In addition, one of the most important effects of import liberalization might be the development of a strong and competitive export sector for both vehicle parts and final products. This depends on the relaxation of import restrictions on basic industrial raw materials as well as vehicle components. If this were to occur, it would almost certainly swamp any negative balance of payments effects arising from increased imports.

Motor vehicles, especially passenger cars, are consumed only by the high-income members of the Thai community. Therefore restrictions on vehicle imports which raise the domestic prices of these products are seen as a form of luxury tax. As we have already seen, however, import restrictions have two effects -- by raising local prices they tax consumers and also subsidize domestic producers. It is difficult to see how a policy which transfers income from a group of wealthy consumers to a number of inefficient and/or monopolistic producers causes a significant improvement in overall social equity. It certainly has very little beneficial impact on the poor.

Much more effective would be on excise tax that did not discriminate between imported and domestically produced vehicles. Rather than subsidizing local producers, this tax would raise revenues that would, at least in principle, be used to provide measures that would benefit the poor. If the revenues were not used for this purpose, of course, the equity effects would once be minor at best.

However, trucks and other vehicles are used by the poor to transport the produce to market. What is apparent in any case is that tax, trade and industrial policies in the motor vehicle sector, if not totally irrelevant are certainly not ideal instrument for achieving the country's social equity goals.

7. Conclusion

Although in the immediate future, the Thai economy may not be as bright as it has been in the recent past, the economy itself is very resilient, basically strong, well-diversified with agriculture, manufacturing and services in satisfactory balance. More over, the financial and fiscal positions of the country are fairly strong. The economy should, therefore, be able to withstand the adversities to come. Thailand today is less vulnerable to oil shock than during the two earlier crises.

In order to maintain the present momentum of growth and industrialization, Thailand needs to adjust itself earnestly at three levels. First, the government should adjust economic and political policies in line with dynamics at home and abroad. Infrastructural development should be stepped up, and laws and regulations amended and brought up to date. Second, on the private enterprise side, business efficiency should be improved in respect to production, marketing and human resources. Third, on the part of the general public, they should become more thrifty and save more to achieve the objective of growth with stability an increased savings will reduce inflation and the current account deficit, which in turn will increase the nation's competitiveness.

Golden opportunities remain for Thailand. However, it is no longer as easy to exploit them as it was in the past four years. The advantages which Thailand once enjoyed are rapidly becoming a thing of the past, but if Thailand prepares itself appropriately, raises its competitive edge and removes all obstacles, the future remains full of promise.

Appendix

THAILAND (Update Date: 9 Oct 1991) THAILAND

ITEM	Avg. 1971-80	Avg. 1981-90	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
POPULATION (Mn)	42.46	52.30	46.96	47.66	48.86	49.52	50.58	51.80	52.97	53.87	54.96	55.89	56.66	57.49	58.31	59.13
NATIONAL ACCOUNTS (Mn Baht; cy)																
At Constant 1972 Prices																
GDP by Industrial Origin			299,472	318,439	331,380	355,406	380,738	394,113	413,489	452,636	512,467	574,196	631,810	683,036	742,113	801,934
Agriculture			61,770	65,093	67,082	70,081	73,977	78,539	78,775	78,601	86,629	92,366	90,711	93,166	95,881	98,959
Industry			92,257	97,596	100,650	106,801	118,067	117,933	127,236	143,463	168,468	195,804	228,402	247,259	272,356	297,517
Manufacturing			64,954	69,069	70,823	78,773	81,962	81,463	90,263	102,289	118,464	137,260	158,043	174,174	195,176	217,324
Non-manufacturing			27,303	28,527	29,827	32,026	36,106	36,470	36,973	41,194	49,004	58,544	70,359	73,086	77,180	80,193
Services			145,415	155,750	163,648	178,546	188,694	197,641	207,478	230,581	257,370	286,006	314,497	342,610	373,876	405,456
Indirect taxes less subsidies a/			34,664	35,510	36,310	40,613	45,268	44,259	47,960	54,086	68,028	76,270	90,656	105,046	119,434	133,622
GDP at constant mp			299,472	318,439	331,380	355,406	380,738	394,113	413,489	452,636	512,467	574,196	631,810	683,036	742,113	801,934
Net factor income from abroad			(1,404)	(353)	(3,444)	(1,076)	(2,954)	(4,966)	(6,554)	(6,386)	(6,711)	(5,726)	(4,840)	(6,854)	(7,296)	(7,739)
GNP at constant mp			298,068	318,086	327,936	354,332	377,784	389,146	406,935	446,249	505,756	568,470	626,970	676,181	734,816	794,195
GDP (constant mp) by sectoral shares	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	23.6	18.4	20.6	20.4	20.2	19.7	19.4	19.9	19.1	17.4	16.9	16.1	14.4	13.6	12.9	12.3
Industry	28.6	31.8	30.8	30.6	30.4	30.6	31.0	29.9	30.6	31.7	32.9	34.1	36.6	36.2	36.7	37.1
Services	47.4	49.8	48.6	48.9	49.4	49.7	49.6	50.1	50.2	50.9	50.2	49.8	49.8	50.2	50.4	50.6
GDP growth rate (mp)	6.8	7.8	4.8	6.3	4.1	7.3	7.1	3.5	4.9	9.5	13.2	12.0	10.0	8.1	8.6	8.1
GR Agriculture	4.0	4.0	1.7	5.4	3.1	4.4	5.6	6.2	0.3	(0.2)	10.2	6.6	(1.8)	2.7	2.9	3.2
GR Industry	9.0	9.5	3.6	5.8	3.1	6.1	8.5	(0.1)	7.9	12.8	17.4	16.2	16.6	9.2	10.1	9.2
GR Manufacturing	10.2	9.3	2.9	6.3	2.5	8.4	6.8	(0.6)	10.8	13.3	16.8	14.9	13.7	11.6	12.1	11.3
GR Services	6.9	6.1	6.9	7.1	5.1	7.9	6.9	4.7	5.0	11.1	11.6	11.1	10.0	8.9	9.1	8.4
GDP growth rate (fc, nominal)	18.3	11.8	17.8	16.0	8.6	10.0	6.5	5.0	7.6	14.0	18.2	18.1	14.1	-	-	-
GDP at current market prices (Mn Baht; cy)			658,509	760,195	820,002	910,054	973,412	1,014,399	1,095,368	1,253,147	1,506,977	1,775,978	2,051,208	2,344,113	2,691,936	3,072,577
Net factor income from abroad			(5,394)	(12,035)	(12,930)	(6,701)	(11,451)	(17,597)	(22,437)	(22,394)	(24,770)	(23,404)	(21,144)	(27,269)	(29,075)	(30,882)
GNP at current mp			653,115	748,160	807,072	903,353	961,961	996,802	1,072,931	1,230,753	1,482,207	1,752,574	2,030,064	2,316,844	2,662,861	3,041,695
GDP at current mp (Mn US$)			32,160	34,839	35,652	39,568	41,176	37,360	41,651	48,717	59,576	69,107	80,219	91,710	105,316	120,210
Exchange Rate (Baht/US$; Average of period)			20.476	21.820	23.000	23.000	23.639	27.159	26.299	25.723	25.294	25.699	25.560	25.56	25.56	25.56
Implicit GDP deflator (1972=100)			219.9	238.7	247.5	256.1	255.7	257.4	264.9	276.9	294.1	309.3	324.8	343.2	362.7	383.1
GR GDP deflator	9.0	4.0	12.4	8.6	3.7	3.5	(0.2)	0.7	2.9	4.5	6.2	5.2	5.0	5.7	5.7	5.6
Consumer Price Index (1985=100)			78.7	88.7	93.3	96.8	97.6	100.0	101.8	104.4	108.4	114.1	120.9	128.0	136.2	143.1
GR CPI	10.0	4.4	19.6	12.7	5.2	3.7	0.9	2.4	1.8	2.6	3.8	5.3	6.0	5.9	6.6	5.9
Expenditure on GDP (current mp)			658,509	760,196	820,002	910,054	973,412	1,014,399	1,095,368	1,253,147	1,506,977	1,775,978	2,051,208	2,344,113	2,691,936	3,072,577
Total consumption			520,056	598,600	650,840	717,175	766,034	805,582	850,259	942,039	1,057,383	1,223,930	1,415,008	1,603,384	1,836,584	2,067,283
Private consumption			438,624	499,619	540,678	598,603	635,939	662,665	705,665	794,623	900,680	1,049,006	1,214,302	1,384,287	1,594,482	1,799,383
Government consumption			81,431	98,981	110,162	118,572	130,095	142,917	144,594	147,410	156,703	174,924	200,706	219,097	242,102	267,900
Total investment			174,045	199,723	189,677	236,090	242,508	243,949	238,643	299,790	434,546	659,707	793,862	890,477	1,032,739	1,169,966
Gross fixed capital formation			165,715	186,046	192,195	218,454	238,622	240,283	238,685	298,380	407,341	550,415	729,069	860,592	1,007,108	1,172,566

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5 THAILAND (Update Date: 9 Oct 1991) THAILAND
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	ITEM	Avg. 1971-80	Avg. 1981-90	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
10																	
59	Increase in stocks			5,330	11,677	(2,618)	17,636	3,664	3,666	(22)	5,440	27,205	9,292	24,899	29,785	25,633	17,418
60	Exports of goods & services			159,736	161,325	192,870	185,222	216,411	245,251	290,169	375,596	514,922	646,367	755,370	874,158	1,014,491	1,155,639
61	Less Imports of goods & services			201,180	229,029	207,282	251,184	256,557	274,073	267,131	368,316	537,947	698,946	892,094	1,044,324	1,204,695	1,369,166
62	Statistical discrepancy			5,853	11,576	(6,003)	22,751	7,016	(6,310)	(16,572)	4,044	36,093	40,902	18,972	20,436	12,818	36,536
63																	
64	Investment Financing (current prices)																
65	Gross capital formation			174,045	199,723	169,577	236,090	242,506	243,949	238,643	299,790	434,546	559,707	753,952	890,477	1,032,739	1,169,966
66	Gross national saving			128,549	132,782	154,650	163,375	182,406	196,636	223,090	270,531	366,333	471,804	562,551	663,959	802,507	951,302
67	Gross domestic saving			131,943	144,817	167,560	170,076	193,859	203,436	246,627	292,925	393,103	496,208	603,686	691,228	831,582	962,183
68																	
69	GR GDI	17.8	16.9	14.5	14.8	(5.1)	24.5	2.7	0.6	(2.2)	25.6	45.0	28.8	34.7	18.1	16.0	15.2
70	GR TC	16.0	10.6	20.7	14.7	9.1	10.2	6.8	5.2	5.5	10.8	12.2	16.8	15.6	13.3	14.5	12.0
71																	
72	GDI as % of GDP	25.9	26.7	26.4	26.3	23.1	25.9	24.9	24.0	21.8	23.9	28.8	31.5	36.8	38.0	38.4	36.7
73	GDS as % of GDP	22.4	22.7	20.0	19.0	20.4	18.7	19.9	20.1	22.4	23.4	26.1	27.9	29.4	29.5	30.9	32.0
74	GNS as % of GDP	22.0	21.3	19.2	17.5	18.9	18.0	18.7	18.3	20.4	21.6	24.4	28.6	28.4	28.3	29.8	31.0
75	Resource Gap (GDS-GDI)	(3.5)	(4.0)	(6.4)	(7.2)	(2.7)	(7.3)	(5.0)	(4.0)	0.6	(0.5)	(2.6)	(3.6)	(7.3)	(8.5)	(7.5)	(6.5)
76																	
77	Per Capita GDP (Baht)																
78	Current prices	8,214	22,920	14,022	15,679	16,787	18,379	19,244	19,585	20,679	23,281	27,419	31,777	36,186	40,776	46,170	51,960
79	Constant 1972 prices	5,239	8,270	6,377	6,651	6,784	7,176	7,527	7,609	7,806	8,402	9,324	10,274	11,143	11,861	12,728	13,561
80																	
81	GR per capita constant GDP	3.9	5.8	2.9	4.3	2.0	5.6	4.9	1.1	2.6	7.8	11.0	10.2	8.5	6.6	7.1	6.5
82																	
83	BALANCE OF PAYMENTS (US$ Mn; cy) a/																
84	Merchandise exports, fob			6,449	6,854	6,835	6,308	7,340	7,059	8,802	11,589	15,784	19,942	22,806	27,566	32,007	36,779
85	Merchandise imports, fob			(8,352)	(8,909)	(7,564)	(9,166)	(9,223)	(8,394)	(8,402)	(11,923)	(17,704)	(22,684)	(29,063)	(33,640)	(38,352)	(42,594)
86	Trade balance			(1,904)	(2,025)	(729)	(2,858)	(1,883)	(1,335)	400	(334)	(1,921)	(2,741)	(6,257)	(6,074)	(6,346)	(5,815)
87	Other goods, services and income			544	277	382	721	643	562	569	1,116	2,150	2,687	2,720	2,819	3,312	4,020
88	Credit			2,126	2,356	2,577	2,919	3,077	3,162	3,333	4,167	5,944	7,042	8,666	9,633	11,212	12,913
89	Debit			(1,582)	(2,079)	(2,195)	(2,198)	(2,434)	(2,601)	(2,764)	(3,051)	(3,794)	(4,356)	(5,946)	(6,814)	(7,901)	(8,893)
90	Unrequited transfer			218	169	181	274	172	162	213	182	143	67	(243)	328	297	271
91	Private			76	50	75	153	60	47	64	100	47	47	25	28	22	18
92	Official			142	119	106	121	112	116	149	82	96	20	(267)	300	275	253
93	Current Balance			(2,071)	(2,569)	(1,006)	(2,862)	(2,093)	(1,544)	248	(362)	(1,600)	(2,807)	(7,032)	(7,670)	(7,870)	(8,130)
94																	
95	Growth rates																
96	Merchandise exports	26.4	14.4	23.2	6.8	(0.7)	(7.7)	16.4	(3.6)	24.7	31.7	36.2	25.7	14.9	20.9	16.1	14.9
97	Merchandise imports	23.2	15.1	23.9	6.7	(15.1)	21.2	0.6	(9.0)	0.1	41.9	46.6	27.6	28.7	15.7	14.0	11.1
98	As % of GDP																
99	Merchandise exports	16.1	22.0	20.1	19.8	19.2	15.9	17.8	18.9	21.1	23.6	26.5	28.7	28.4	30.1	30.4	30.6
100	Merchandise imports	19.9	25.8	26.0	25.6	21.2	23.2	22.4	22.5	20.2	24.5	29.7	32.7	36.2	36.7	38.4	36.4
101	Current Account	(3.5)	(4.2)	(6.4)	(7.4)	(2.6)	(7.3)	(5.1)	(4.1)	0.6	(0.7)	(2.7)	(3.6)	(8.5)	(8.6)	(7.5)	(8.8)
102																	
103	Invisibles			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-	-	-
104	GR Invisibles			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-	-	-
105																	
106	Merch. exports at constant 1985 prices			130,475	144,106	162,299	147,646	178,225	191,703	225,199	270,676	334,641	416,563	460,862	533,455	598,943	668,294

THAILAND (Update Date: 9 Oct 1991)

ITEM	Avg. 1971-80	Avg. 1981-90	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
GR MX	12.7	13.9	4.5	10.4	12.6	(9.0)	20.7	7.6	17.5	20.3	23.6	24.1	10.9	15.6	12.3	11.2
Merch. imports at constant 1985 prices			215,856	207,670	181,291	232,715	237,163	227,960	238,029	306,345	404,049	489,107	594,840	664,539	716,129	749,606
GR MM	7.0	11.6	0.1	(3.6)	(12.7)	28.4	1.9	(3.9)	4.4	28.3	32.3	21.1	21.7	11.7	7.8	4.7
Unit value index (1985=100; period averages)																
Exports			101.2	104.2	96.9	98.3	97.4	100.0	102.8	110.0	118.2	122.7	126.5	132.1	136.6	141.1
GR UVIX	13.1	2.3	18.2	3.0	(7.1)	1.4	(0.9)	2.7	2.8	7.1	8.3	2.9	3.1	4.4	3.4	3.3
Imports			79.2	93.6	96.0	90.6	91.9	100.0	92.8	100.4	110.8	118.7	124.9	129.4	136.9	145.2
GR UVIM	15.9	4.9	24.2	18.2	2.5	(5.6)	1.5	8.8	(7.2)	8.2	10.3	7.1	5.3	3.6	5.8	6.1
MONEY AND BANKING (Mn Baht; eop)																
Money supply (M1)			71,596	73,923	78,946	83,015	86,769	85,864	103,427	132,396	146,493	174,212	195,414	221,504	253,291	288,078
Currency in circulation			45,869	47,774	53,991	59,647	63,544	63,993	72,051	86,653	96,953	118,043	137,456	161,246	190,733	223,220
Demand deposits			25,726	26,148	24,955	23,369	25,225	21,872	31,376	45,743	49,540	56,656	57,958	60,258	62,558	64,858
Quasi-money			180,206	218,983	284,674	367,485	449,116	507,630	569,346	676,199	807,633	1,032,396	1,333,701	1,621,861	1,776,285	1,961,365
Money supply (M2)			251,801	292,905	363,620	450,500	537,886	593,495	672,773	808,594	956,126	1,206,608	1,529,116	1,843,365	2,029,576	2,249,442
Foreign asset (net)			42,408	34,329	36,553	16,534	26,289	37,894	80,866	107,546	146,695	247,496	307,102	366,708	426,314	485,920
Domestic credit			320,261	374,610	454,802	566,191	666,079	725,614	771,862	903,820	1,080,797	1,296,170	1,683,046	2,067,922	2,452,799	2,837,676
Claims on gov't sector (net)			89,117	110,186	141,621	153,601	176,585	184,675	204,683	208,091	171,463	156,471	168,614	177,757	186,900	196,043
Claims on private sector			206,127	241,591	286,669	384,250	447,215	495,586	516,671	630,442	811,436	1,062,112	1,427,832	1,793,550	2,159,270	2,524,990
Claims on other financial insts.			25,017	22,633	26,312	30,140	42,279	45,353	50,408	65,287	67,897	76,587	86,601	96,615	106,629	116,643
Other items			(110,868)	(116,034)	(129,536)	(134,225)	(156,480)	(169,983)	(180,054)	(202,781)	(240,366)	(339,056)	(461,034)	(591,245)	(849,537)	(1,074,154)
GR M1	14.0	10.9	12.7	3.3	6.6	5.2	6.9	(3.3)	20.5	28.0	12.2	17.3	12.2	13.4	14.4	13.7
GR M2	19.7	19.9	22.5	16.3	24.2	23.8	19.4	10.3	13.4	20.2	18.2	26.2	26.7	20.6	10.1	10.8
GOVERNMENT FINANCE (Mn Baht; cy)																
Central Government																
Current revenue			95,557	111,643	115,980	143,436	148,242	160,652	169,926	202,021	258,169	327,149	411,852	474,192	547,827	625,595
Taxes			88,473	100,906	105,076	129,062	136,246	144,947	154,202	185,690	241,745	302,057	385,742	443,600	512,277	584,693
Non-taxes			7,084	10,937	10,904	14,374	11,996	15,705	15,723	16,331	16,424	25,092	25,910	30,591	35,550	40,902
Current expenditure			94,370	105,259	125,904	137,355	154,480	166,937	173,557	180,869	194,379	226,179	248,708	268,903	297,868	330,348
Current surplus/deficit			1,187	6,584	(9,924)	6,081	(6,238)	(6,285)	(3,632)	21,152	63,790	100,970	162,944	205,289	249,959	295,247
Capital receipts			-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure			26,603	28,186	31,113	29,733	27,748	33,091	30,722	31,119	28,710	37,619	55,766	59,733	69,371	78,847
Capital account surplus/deficit			(26,603)	(28,185)	(31,113)	(29,733)	(27,748)	(33,091)	(30,722)	(31,119)	(28,710)	(37,619)	(55,766)	(59,733)	(69,371)	(78,847)
Net lending			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-	-	-
Non-budgetary surplus/deficit			1,787	372	(2,331)	(1,104)	1,362	(3,079)	(741)	2,619	1,601	(360)	2,000	2,000	2,000	2,000
Net other reciepts			(2,009)	(131)	2,248	1,932	(629)	3,469	945	(1,513)	(563)	2,364	(2,133)	0	0	0
Overall surplus/deficit b/			(25,856)	(21,360)	(41,120)	(22,824)	(33,153)	(36,966)	(34,150)	(8,861)	36,098	65,336	107,046	147,556	182,586	218,400
Financing																
Net domestic borrowing			26,886	22,104	43,545	25,375	35,869	31,566	50,249	10,636	(26,825)	(11,160)	(11,894)	(53,777)	(66,720)	(78,951)
Net foreign borrowing & grants			(1,207)	(1,023)	779	926	(715)	14,190	(8,462)	(3,271)	(4,587)	(6,186)	(38,218)	(28,774)	(35,599)	(42,779)
Use of cash balances			(810)	146	(539)	420	381	(693)	(1,676)	1,826	(3,211)	(43,383)	(54,424)	(62,303)	(77,299)	(92,827)
Net other liabilities of Treasury			2,010	131	(2,666)	(3,699)	(2,382)	(6,119)	(7,970)	(334)	474	(4,605)	(1,541)	(701)	(670)	(1,043)
As % of GDP																
Gov't expenditure (current + capital)	16.0	17.4	18.4	17.6	19.1	18.4	18.7	19.7	18.6	16.9	14.8	14.9	14.8	14.0	13.6	13.3
Tax revenue	12.1	14.9	13.4	13.3	12.8	14.2	14.0	14.3	14.1	14.8	16.0	17.0	18.8	18.9	19.0	19.0

THAILAND (Update Date: 9 Oct 1991) THAILAND

	ITEM	Avg. 1971-80	Avg. 1981-90	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
154	Overall surplus/deficit			3.9	2.6	5 0	2.6	3.5	3.9	3.1	0.8	2.3	3.6	5.2	6 2	6 7	7.0
155	Overall surplus/deficit (excl grants)			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-	-	-
156																	
157	*EXTERNAL INDEBTEDNESS (US$ Mn; cy)*																
158	Total outstanding and disbursed			6,811	9,367	10,374	12,906	13,830	14,991	15,544	17,359	18,590	19,799	26,865	20,550	20,635	20,721
159	Long-term			5,704	7,175	8,316	9,528	10,797	12,776	14,071	15,748	15,379	16,401	18,590	15,515	15,243	14,971
160	Public and publicly guaranteed			3,953	5,077	6,021	6,665	7,425	9,406	10,954	12,911	12,363	11,743	11,222	10,701	10,180	9,659
161	Private non-guaranteed			1,751	2,099	2,296	2,863	3,372	3,370	3,117	2,837	3,016	4,658	7,368	4,814	5,063	5,312
162	Short-term			1,107	2,192	2,058	3,378	3,033	2,215	1,473	1,611	3,211	3,398	8,275	5,035	5,392	5,750
163	Use of IMF credit			348	656	646	1,040	903	1,122	1,089	973	672	276	NA	-	-	-
164																	
165	Total Debt Service			4,255	5,391	5,692	5,616	6,080	5,691	5,239	5,822	6,071	7,699	8,420	9,569	10,773	12,144
166	Principal amortization (LT)			719	612	805	1,013	1,194	1,274	1,323	1,463	1,509	1,541	1,936	2,363	2,845	3,492
167	Interest payments (LT, ST)			579	673	857	828	927	999	1,139	1,196	1,251	1,253	1,309	1,349	1,365	1,428
168	IMF repurchases & charges			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-	-	-
169	Exports of goods & services			7,801	8,310	8,386	8,053	9,155	9,030	11,033	14,602	20,357	26,230	29,553	34,200	38,891	45,213
170	Debt-service ratio			15.8	16.0	18.2	21 6	22.2	24.3	21.7	17.7	13.2	10.4	10.4	10.3	10.1	10 3

a/ Deflated by GDP Deflator
b/ excluded net lending