

# **DEVELOPMENT OF THAILAND'S ECONOMIC DEPENDENCY**

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## **Introduction**

Following the European trade contact in mid-nineteenth century, Thailand's economy began its radical transformation from the traditional subsistence base to be part of the global system. This process of economic change was facilitated through the making of Bangkok as an entrepot similar to other great cities during the colonial period. Bangkok then played its significant part in both international and, especially, domestic affairs. Internally it became the core whereas its outlying regions and remote hinterland were accordingly considered peripheries, from which heavy and increasing export of important agricultural products to the West via Bangkok were transported. Thus Thailand's main revenues in the colonial era depended solely on such an international transaction. After World War II however Thailand's continued and even more involvement into capitalism, constantly through only Bangkok, has accentuated further economic dependence particularly on the industrial capitalist countries.

This article is thus concerned with the process of change in Thailand, taking her political economy into account. Given an economic subordination of Thailand to the colonial powers beginning in mid-nineteenth century, while, in effect, giving rise to a dualistic nature of rural-urban polarization, this article argues that despite Bangkok's increasingly economic prosperity, the city has structurally continued to hamper the overall country's economic progress as a whole. A historical analysis is made with interdisciplinary interpretation.

## **The Emergence of Bangkok as a Primate City**

Under the Bowring Treaty of 1855, Bangkok became yet another Southeast Asian port serving the Western economic expansion. Thailand's response to the exigencies of this "revenue economy" was an effort to increase agricultural production, especially the production of rice, which was the principal agricultural product.

As seen during King Chulalongkorn's reign (1868-1910), buildings and roads were constructed at a rapid rate. Such urban development was carried out to meet a demand for trade. While Thai peasants took agricultural jobs that were created by the commercial growth, the Chinese, officially barred from agricultural work, had no choice but to take what urban jobs were open to them in the form of construction labor, in many cases. Bangkok was then becoming an entrepot, a transshipment center of the classical primate city type.

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## Accommodation to the World's Economy

Thailand's expansion of rice economy was successful before the end of nineteenth century. Johnston (1975:31) described projects that eventually implemented increased production:

It was not until the 1860's, when Thais began to recognize the potential economic value of their underdeveloped plains, that canals were dug with strictly economic goals in mind.

During the 1870's and 1880's, a number of land development projects were undertaken by both private entrepreneurs and public officials...

To facilitate transfer of agricultural products from rural areas to Bangkok for transhipment overseas, Thailand developed its rail system after the turn of the twentieth century. Economic growth within the country could be measured by the rise of entrepreneurship, small-scale though it was, in industries such as pottery, foodstuff, and mattresses. Entrepreneurs in Bangkok were principally Chinese and Indians, the Chinese in many cases having formerly belonged to the proletarian class, working as laborers. Chinese rice merchants in Bangkok cooperated with bureaucratic class in the rice export economy.

However, Thailand's internal economic growth slowed considerably due to the Great Depression and subsequently the World War II, resulting in a decrease in foreign trade during 1930 to 1950. Moreoever, during this period rice yields in most parts of the country fell drastically. Keyes (1976:55) identifies an important factor leading to this situation that especially in the Northeast "this decline is directly linked to the increasing population pressures on land...which not offset by any changes in the technology of rice production." Thus Thailand's economic dependence on the "revenue economy", with Bangkok in the role of entrepot, had to continue.

## The Beginning of Thailand's Industrialization

Although Bangkok's status as a primate city continued through World War II, by the late 1950's some new industries had appeared, mainly mid-level industries such as textiles, and processing of raw material such as jute, kenaf, and kapok. Compared to the industrialization of other developing countries such as Taiwan, this industrialization was not impressive. However, Thailand's industrialization during this period was more extensive than that of many other Third World countries, for example Indonesia, Cambodia, Laos, and most countries in sub-Saharan Africa.

During the 1950's Bangkok saw for the first time a considerable influx of rural migrants in the city. The 1960 census shows that twenty-eight percent of the population of the Greater Bangkok Metropolitan Area was born outside of the city, nineteen percent having been born in other provinces of Thailand and the remaining nine percent abroad, principally in China. A study by Sternstein (1971:47-48) found that in the latter half of the 1950's, twenty-five percent of migrants from other provinces lived in Bangkok. Keyes writes, "It was during this period that Bangkok...began to undergo marked economic expansion" (1976:305). Migrants from the Northeast, constituting the largest element in migration, were actually temporary residents, in many cases, working in the tertiary labor-intensive economy to supplement low was the area within 150 kilometers of the Greater Bangkok Metropolitan Area. The most important causes of migration from these two areas are land pressures and

population increase. As Bangkok increased rapidly in size and its industries developed, the economic disparity between Bangkok and the rest of Thailand widened. However, while the rural image and reality remain economically as well as technologically poor a sharp contrast was evident in the capital city.

Thus classes associated with occupational structure emerged in Bangkok as Skinner (1957) found in the 1950's; there were four distinct ones. The highest status was occupied by traditional elite--royalty, aristocracy, and old-time bureaucratic families-plus a new elite, those who had "wealth based on business enterprise and the state coffers, political power of the highest, high enlightenment...and high homage" (Skinner 1957:503). The second class consisted of two strata, the Chinese of mid-high status" and the Thai "middle class." For Chinese in this second class, economic activities were those of "commercial wealth and the maintenance of the Chinese way of life" (Skinner: *Ibid*). The Thai component of this second class, consisting mainly of government employees, small entrepreneurs, teachers, newspapermen, clerks, secretaries, and so on, was "white collar in flavor and almost literally in attire" (Skinner 1957:308). Skinner defines the third as a mid-low status, comprising Chinese artisans (1957:308), a class that excluded ethnic Thai. Instead, ethnic Thai were placed in the fourth and lowest class, together with some Chinese whose class consciousness and interests defined them as like the Thai of this class. Because of the high degree of social mobility among the Chinese, the preponderance of Thai in this class increased. It is significant that social classification was more evident in the city than in rural areas. Needless to say, class stratification in Bangkok was part of the urbanization process.

## **Growth and Stagnation**

Close economic ties with the United States, dating from the end of World War II, involved Thailand in the United States-Vietnam War. As a result, by the end of the 1960's, American air bases in Thailand were in full operation and the attendant service industry was booming. Tourists and American servicemen contributed to a considerable increase in Thailand's gross national product. Also, the manufacturing sector showed for the first time in the 1960's an increase in its economic growth (Fryer 1970; Phisit 1972). Bangkok in the 1960's apparently had great demand for labor in construction as the Thai government approved a generous budget for Bangkok's development.

But Thai farmers faced crisis; in the late 1960's the price of rice was extremely low. Migration to Bangkok increased. The military government under Thanom Kittikachorn showed signs of instability. Students rioted; there were demonstrations against foreign capitalism; Japan became a scapegoat for student activism. Amid these political and economic repercussions, Thailand's economic boom receded, beginning with American withdrawal from Indochina in 1972. The boom receded further after the fall of the Indochinese countries in 1975. Bangkok then experienced a greater influx of rural migrants as many local unemployed workers from the service sector at American air bases staged a series of migrations to Bangkok. Many of these migrants are now found on the periphery of Bangkok because the inner city area is too crowded to accommodate them, as a result of Bangkok's development during the 1960's. As it happens, Bangkok's industrial development since the 1960's has concentrated itself on the periphery, so there are more economic opportunities there than in the inner-city area.

Bangkok's economic growth absorbed labor of a kind different from that absorbed in the trade economy, which still survives from the colonial period. Thai peasants committed

their labor to capitalist enterprise, taking part in the capitalist system of production as manufacturing workers, for example. Especially since 1973, the number of workers in the capitalist system has increased, but only in the Bangkok region, where relatively high wages attract rural migrants.

In conjunction with the influx of migrants in Bangkok there occurred development of the bazaar economy, which provided employment of a different kind, employment taken up in many cases by job seekers who could not find work in the capitalist system. The bazaar economy is much less capital-intensive than the capitalist economy, and it is based on family firms, in the peasant system of production. Slum dwellers participate in this economy as hawkers, peddlers, and the like. The study of Bangkok slums by Akin (1975) confirms Mangin's appellation (1970) "peasants in the city". According to Mangin, these slum dwellers retain most of their peasant characteristics; rural culture is manifest, as Akin stressed, in their social organization, housing, and life style. McGee (1973) points out that most slum dwellers adapt to the prevailing "peasant system of production" in the city.

The government has made certain efforts to provide low-cost housing for slum dwellers. These efforts of course cannot cure the economic dualism that causes slum; they are intended to ameliorate the effects. Curiously, very few slum dwellers become permanent residents of government housing, according to a study in 1975 by Thailand University Research Associates. This fact is due less to the limited amount of government housing available than it is to slum dwellers' preference for their own community. It is true that slums, though they lack amenities, do provide conditions appropriate for a bazaar economy, and government housing does not.

Urban sprawl generated during post-1960's is characterized by mixed development on the periphery. New and substantial housing exists side by side with the shabby dwellings that are the lot of migrants and with the older farm houses of local residents. Unless development can be planned and zoning enforced, this area may come to resemble the less-attractive districts of Bangkok. Another feature of Bangkok's economy that soon be duplicated in the periphery, if the numbers of rural migrants in the area increase, is the labor-intensive service economy, which absorbs workers who do not find jobs in industry.

## **Toward a New Trend of Dependency**

Thailand's political-economic conditions fluctuated in the 1960's; and turbulence in early 1970's marked its end. Bangkok's primacy persists; so does rural-urban economic disparity. That is, while Bangkok with only ten percent of the population account for about thirty percent of the gross national product, the GDP in rural regions remain poorly asymmetrical. Recent statistics show that twenty percent of the nation's population live in the North and produce only twenty percent of the GDP, while thirty percent in the Northeast account for only fifteen percent of the GDP (*USAID Report 1979:3*).

The present situation of Thailand's industrialization does not help remedy such declining trends. Instead, to expand industry in the country is most likely to perpetuate Thailand's dependence on the West, on Japan, and now on the OPEC countries. That is, while such capital goods as heavy equipment, oil, steel, and other manufacturing essentials must be imported and bought with Thai money, only moderate revenue can be earned through sale of Thai exports. But change in export structure in turn affects Thai economy significantly due to the internationalization of capitalist economy. For example, Thailand's textiles and electronic devices are produced by cheap labor. Thus, exported to the West and to Japan,

they sell at relatively low prices and produce relatively little exchange. Therefore the capitalist control of labor in the world-system has recently induced a further serious dependency of less developed countries on the West, and in effect offers a comparative advantage for industrialized countries. For instance, in the United States, despite a 100 percent rise since 1967 in the price of consumer goods, the price of electronic goods remains about the same for over a decade. This dependency is unlike pre-World War II dependency, when almost all of Thailand's foreign exchange was based on export of primary products. Primary products are still economically important, but they are relatively less important as the export of manufactured goods or processed primary products increases.

Tourism provides a certain amount of foreign exchange, but the tourist industry in Thailand is unstable; since 1973, it has tended to decline. Taking numbers of airline passengers arriving in Bangkok versus the numbers arriving in Singapore as an indication of prospects for the industry, we can judge from the trend evident in the following tabulation (*U.N. Statistical Yearbook 1976 1977: 548-549*) that the outlook is unfavorable.

	1970	1973	1974	1975
Thailand*	563	749	1,009	1,353
Singapore*	259	1,249	1,508	1,815

To boost tourism in Thailand, the Thanin government (October 1976-October 1977) sent emissaries to the United States and Japan, as well as to other countries, in an effort to counteract publicity given to Thailand's political unrest. These efforts were not notably successful. Between October 6, 1976, and the end of 1977, Thailand's political and economic uncertainty continued. In 1978 economic conditions improved, but they remain far from ideal, because Thailand is still dependent on the West for industrialization.

The writer thus found in his research done during 1976-1977 that in the assimilation of villages on the urban fringe of Bangkok into the urban industrial economy, the capitalist economy plays a decisive role, drawing ex-agriculturalists into the wage-earning system (Thiravet 1979:282). However, the development of Bangkok's industrialization especially following the turn of 1960's on the periphery does not satisfactorily ensure economic sustenance among labors participating the wage-earning economy. Given the parallel increase in costs of industrial investment viz-a-viz imported machinery and oil price pressure, wage is subject to remain notwithstandingly poor. Underemployment would be further unresolved in Bangkok region as more migrants come to aggravate the matter. The situation worsens considering an emerging problem of the rural landlessness now persistent throughout the country. In retrospect, we can see that, since World War II, Bangkok has added to her economic role of primate city the role of industrial center. Despite this economic transformation, which in turn transforms rural Thai economy and society, the urban structure of Thailand remains very little modified. Certainly, urban centers outside Bangkok grow, but Bangkok grows much faster. Even so, the demand in Bangkok for labor is not sufficient to accommodate the numbers of rural migrants seeking jobs. Consequently the tertiary, peasant-style system of production grows, joined by job seekers who could not gain admittance to the capitalist sector.

Whether or not the modernization of Thailand by way of industrialization appears practicable depends on what theory is applied. The modernization theory would seem to support the course Thailand is now pursuing, because it assumes the diffusion of economic development from capitalist technology. Modernization theory assumes that progress ordinarily passes through three successive stages, from the primary agricultural sector to the secondary manufacturing sector and then to the tertiary service sector which develops (Clark 1957:253, 326, 375). The modernization theory applies to the situation wherein a capital-intensive economy in a developed country diffuses technology, skills, capital, modern sociopolitical institutions, scientific world views, and the like, to generate growth in under-developed countries. In this theory, failure to achieve economic development in a developing country is often

explained in terms of the existing sociological “obstacles” to growth generally associated with underdevelopment (Lambert and Hoselitz 1963; Lewis 1955; Nash 1968).

The dependency theory takes a different view. It explains the existence of underdevelopment not in terms of failurs in the context of modernization but in terms of historical process in the political-economic setting of a development country (Dos Santos 1970; Furtado 1973; Cockcroft, Frank and Johnson 1972). According to this theory, the capitalist economic relations that have produced development in some countries are responsible for underdevelopment in other countries. Conceivably, colonialism is the most important cause of an asymmetrical relationship between the world metropolis and the colonial periphery (Wallerstein 1974), a relationship which in turn produces internal colonialism within the subordinate, peripheral, or satellite country itself. In general, this so-called colonial dependency theory can be corroborated in the contrast between economic development in a colonial country’s trade economy, and in economic development in the industry-based Western economy.

## Conclusion

This article has critically examined Thailand’s economic process of development. It is found that there has been an uneven course of progress between rural and urban societies. Since the development process in Thailand was imposed by the West beginning in mid-nineteenth century, Thailand had to bow to the Western demand for international trade. Thus Bangkok developed itself as a center of trade economy within the Kingdom, and a head-link with the world metropolis. From the Western viewpoint Bangkok was established because the colonial powers had to expand to feed their capitalist production system through the world market, exacting natural resorces from subordinate countries. Similar to other colonial countries, Thailand was included as an economic periphery of the Western domination although there are some grain of truth in a statement that Thailand in those days was “a British colony in all but name” (Ingram 1971:173). In view of this fact, Bangkok in turn was able to dominate its rural hinterland while treating all regions as its economic peripheries.

The situation worsened after mid-1970’s when the country’s economy was hard hit by the enormous increase in the prices of oil and industrial machinery. Nevertheless, Bangkok’s economy continues to grow and dominate that of the rest of the country. At present about eleven millions of the nation’s population are estimated to be absolutely poor. While the number of these destitute population are rising, Thailand’s average per capita income is found to increase. Thus the nation’s wealth is unjustly distributed. As long as Bangkok as the single powerful economic center of the nation is still in a position to exert its towering influence over other regional growth centers, one wonders if the country might have already gone into a process of what is known “internal colonialism”

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