TDRI Quarterly Review

Published in *TDRI Quarterly Review*
Vol. 7 No. 3 September 1992, pp. 26-29
Editor: Anne Johnson

Future Regional Performance in Thailand

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The issue of regional disparity in the course of development has been a subject of wide debate in Thailand, where a large proportion of the population is still engaged in agricultural activities. The general tendency has been one of increasing regional income inequality as the structural transformation away from agriculture and toward manufacturing and service proceeds. These newly-developed sectors of growth seem to be gravitating toward the largest urban region of the country.

A number of key factors contribute to regional income disparity. These include the degree of centralization of government power and the implicit spatial biases in government policies, the failure of the agglomeration economies of core regions to turn to diseconomy of scale or, conversely, the ability of producers and consumers in core regions to avoid bearing the cost of negative externalities that their activities generate, and the strength of linkages with the world economy.

This report presents the projections of regional differences and selected implications of regional development strategies, aimed at reducing regional disparity during the next decade.

REGIONAL ECONOMIC TRENDS

Projections of trends of regional economic performances during the Seventh and Eighth Plans are presented in Tables 1 and 2. These projections take into account the sectoral potential of the regional economy, new projects being recommended, and target areas for development. Projected levels of Gross Regional Product (GRP) have been adjusted to be consistent with the projected Gross Domestic Product (GDP) estimated by TDRI and the National Economic and Social Development Board (NESDB). The following discussion summarizes the results by region.

The Bangkok Metropolitan Region (BMR). The average growth rate of real GRP within the BMR will be 7.32 percent during the Eighth Plan (1997-2001), down slightly from 7.75 percent during the Seventh Plan (1991-1996). Overall, the BMR's share of total GDP will increase from 48.69 percent in 1992 to 50.06 percent in 2001. These projections confirm the results of other analyses which indicate that the BMR will continue to play a prominent role in national development, as the primary center for trade, business, services and industry.

Upper Central. As shown in Tables 1 and 2, the upper central region will experience growth rates of approximately 7.48 percent and 7.38 percent during the Seventh and Eighth Plans, respectively. The share of GRP to GDP will improve slightly in the next decade from 4.7 percent in 1992 to 4.79 percent in 2001. As the government has begun to introduce an environmental improvement campaign in the BMR to reduce industrial pollution, the cost of establishing new industry in the BMR will become more expensive. It is predicted that a majority of firms will choose to locate in provinces relatively close to the BMR, such as Ayutthaya and Saraburi.

East. The pattern of industrial development in Thailand is clearly moving east. The growth rate of industry and services will continue to expand, and these sectors will become the major contributors to growth in the region during the Seventh and Eighth Plans. The average growth rates during the two periods will be between 10.39 to 12.4 percent, higher than any other region. The contributions of this region to national GDP will be clearly pronounced in the next decade, as a result of the Eastern Seaboard Development Project. The share of GDP will increase from 8.95 in 1992 to more than 12.25 percent in 2001.

West. The western region will experience a slight fall in growth rate during the Eighth Plan (7.0 percent), as compared with the Seventh Plan (7.67 percent). But the share of GDP will continue to rise moderately during the next decade. Concern over increasing industrial development in the central region of the country may well transform Thailand's "rice bowl" into an "industrial bowl." Land-use zoning may have to be imposed to protect the country's richest agricultural land area from being disturbed.

South. During the next decade, the southern region will struggle to maintain its contribution to national GDP. The share of GRP to GDP will drop to about one percent in the next decade. The average growth rate during the next decade will be approximately 5.7 percent. Growth contributions in this region will be dominated by agriculture and services. Clearly, industrial development in the southern region will be the lowest in the country, assuming that past trends continue during the next decade. Special attention, therefore, is required to create more and better alternatives for employment within this region.

North. In 1992, the North ranks third in terms of contribution to national GDP, but drops to fourth place in 1995. Nevertheless, this region will experience an average annual growth rate of 5.02 percent in GRP during the Seventh Plan, increasing slightly to 5.33 percent during the Eighth Plan.

Northeast. This region, the country's poorest, will experience a small decrease in its contribution to GDP. The Northeast's share will fall from 12.83 percent in 1992 to 10.75 percent in 2001. The average annual growth rate during the next decade will range between 5.07 percent and 5.23 percent.

PERSISTENT TREND OF REGIONAL DISPARITY

Regional disparity is subject to the factors already identified. Since the mid-1980s, Thailand has experienced a trend of increasing regional disparity associated with the acceleration of export-led industrial growth. Tables 3 and 4 show that rising regional disparity is clearly associated with the BMR's stellar increases in per capita income over the past decade. This is expected to persist during the next decade, although projections indicate that the BMR's share of total GDP will drop slightly from 301.06 percent in 1992 to about 295.82 percent in 2001.

Data in Table 4 further show that real per capita GRP in the northeast region, which will be 37.42 percent of the average GDP in 1992, will fall to only 34.63 percent in 1996 and continue to drop further to 31.88 percent in 2001. Increasing inequality will not be limited to only the Northeast, as the GRP per capita in the North will also fall, in comparison to the national average. This trend is particularly pronounced in the South, whose share of per capita GRP to average GDP will drop about 7 percent in 2001, from 56.65 percent in 1992.

The data also show that the next decade will see increases in per capita GRP in all regions located in central Thailand, in comparison to the national average. This rising trend of share of per capita GRP compared to the average GDP is particularly pronounced in the eastern region, as a result of the completion of the Eastern Seaboard Development Project. Regions in Thailand which attract a larger share of industry are also those regions which experience the most pronounced economic growth and achieve better income equality.

AREAS SPECIFICALLY SELECTED FOR DEVELOPMENT STRATEGIES

To sustain the regional growth target depicted in Table 1, it will be necessary to deal with specific development strategies in each region.

BMR. TDRI's studies indicate that the BMR will continue to grow in terms of both economic activities and population. The study also indicates that development of the BMR will expand to cover many neighboring provinces in other regions, the so-called "extended BMR." Efficient development of the BMR will be hampered by the present ineffective transport network and a lack of secondary infrastructure, such as distributor roads, piped water, and sewage systems. If congestion in Bangkok is not resolved, it will impede development in the BMR and the rest of the country.

East. The Eastern Seaboard Development Project (ESB) is designed to slow down the growth of an already-congested BMR. In the future, this area will require more attention from central government authorities to ensure that the level of development reaches a sustainable level. To raise and stabilize the income of farmers, better utilization of agricultural land, better management of water resources, and a strengthening of marketing services may be required. To help strengthen Thai industries, efforts must be made to complete the ESB development project as soon as possible. This region should be prepared to absorb the land-intensive linkage types of industry which are likely to be forced to move away from the BMR in the near future. To sustain the growth of the region, the capabilities and efficiency of the service sector must be strengthened.

Upper Central. The northern part of the extended BMR is already reaching the cities of Ayutthaya and Saraburi. This region needs better connections with the BMR and areas to the north to help distribute the fruits of development to the north and northeastern regions of the country. This area, along the Chao Phraya basin, must be preserved as the country's rice bowl. Energy-intensive industries could be promoted in this region, along with the development of Pathum Thani, Ayutthaya, and Saraburi as incubators of small-scale industrial development. Tourism in Ayutthaya and Lop Buri, as a network linked with other regions, must be developed.

West. This region also becomes part of the extended BMR and, in the near future, will serve as a gateway to the southern region. Agro-processing activities should be encouraged to locate in the region to help boost rural industry. Core industrial areas should be developed in Samut Songkhram, Kanchanaburi, and Ratchaburi.

Northeast. The Northeast has consistently been the poorest part of the country, characterized by a widely-dispersed pattern of human settlement. To achieve the growth targets of the Seventh and Eighth Plans, development strategies for this region must concentrate on improving the efficiency of agriculture and agriculture-related industries. Because the agricultural sector has been the most important sector in this region, improvement of agricultural production efficiency is vital. Where water is available for agriculture, agro-processing industries should be developed. Promoting industry, such as foot-loose industry (industry that is easily moveable) and labor-intensive industries, should be considered, especially in the main cities of the region.

Because tourist attractions in the Northeast tend to be dispersed and relatively underdeveloped, more information must be made available, at the same time that new uses of existing resources are exploited for tourist purposes.

North. To achieve future growth in this region, appropriate strategies for agricultural development and tourist-related industries must be addressed. Regarding agricultural development, this region has a comparative advantage over much of the Kingdom in terms of temperate fruits and vegetables, especially in the upper north. Distribution and processing networks must be strengthened to become competitive with both domestic and foreign markets. As a center for small- and medium-scale industries, many of which are aimed at supplying handicrafts and goods for tourists visiting the area, there is a need to promote handicrafts and cottage industries as part of tourism packages, as well as for general export purposes. Rural and urban amenities should be improved as soon as possible to facilitate the development of industry, tourism, and general business activities.

South. To sustain growth rates in this region, it is necessary to improve the development of its agricultural base, including production of rubber trees, fisheries and mineral products. It is also necessary to integrate agro-processing industries into the production of rubber trees and fisheries products. To promote tourism, investment will be required to improve the urban amenities available in this region. Steps will also have to be taken to protect the natural resources of the region.

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