

the inter-party quarreling which led to Prem's dissolution of the ruling coalition government on March 4, the departure of the reform-minded Social Action Party from the Government, and the creation of a new coalition with a cabinet featuring a number of apolitical technocrats. The coup attempt was ill fated from the start and was ended on April 3. Prime Minister Prem was able to rally the support of most of the armed forces to his side, and with the all-important backing of the Royal Family, emerged from the coup in a position of strength.

Prime Minister Prem has so far not moved to create a new coalition government, but has moved to patch possible rifts created in the military by the coup and to reestablish the military strength of the country. In this regard, the King used the occasion of the 31st anniversary of his coronation on May 5 to pardon 54 of the 60 principal participants in the coup.

Domestic Economic Situation

The Thai economy, although resilient over the past five years (6-9% growth in GDP), has been seriously affected by the increased costs of petroleum imports (which represented 45% of export earnings in 1980), world wide inflation, and the recession in industrialized countries. The oil import problem has been reflected in an increased trade deficit (US \$3 billion in 1980), a rise in the current account deficit, and double digit inflation. More importantly, it has restrained growth in the transportation and industrial sectors. It has also diverted resources away from agricultural production (the major export earner) at a time when growth in agricultural production has been slowed, due to the fact that there is little or no unexploited arable land available, and cultivation in existing fields is not fully rationalized. Over 80% of the Thai population of 46 million people is involved in agriculture. The per capita GNP is \$620.

Prior to the departure of the Social Action Party from the coalition government, it had had considerable influence on economic affairs primarily through the efforts of its leader, former Deputy Prime Minister Boonchu Rojanastien. Boonchu's departure was a disappointment to most outside observers but so far the Thai government has shown no signs of lessening its commitment to his general policies as outlined in the Fifth National Economic and Social Development Plan. The World Bank and other bilateral assistance donors have strongly supported the "people oriented" economic prescriptions of the Fifth Plan; any divergence from it could threaten such needed international