

progress and development must occur at all levels of Thai society if long-term stability is to be achieved. The remnants of a Communist insurgency, a Muslim separatist movement in the South, and the threat from an aggressive Vietnam have underlined the importance of developing rural areas and maintaining the loyalty of Thailand's large rural community.

The present Thai government under Prime Minister General Prem Tinsulanonda has been criticized for moving too slowly in implementing the necessary reforms to encourage economic development and long-term stability but has managed to withstand this opposition, including one coup attempt. Prem has upheld Thailand's attempt at democracy, begun in 1976, while preserving the fundamental laissez-faire capitalist system and moving conservatively towards economic reform. In December, 1981, Prem formed a new Cabinet coalition which included representatives of all the major political parties and which should ensure his position until the national elections to be held in the spring of 1983. Political manoeuvring for these elections is already underway. Although Prem has decided not to participate in them, he might nevertheless emerge as the compromise choice for Prime Minister after the elections.

Domestic Economic Situation

The Thai economy, one of the more resilient in Asia over the past five years (6-9% growth in GDP), has been seriously affected by the increased costs of petroleum imports (which represented 40% of export earnings in 1981), world-wide inflation, and the recession of industrialized countries. The oil import problem has been reflected in an increased trade deficit (US \$3.2 billion in 1981), a rise in the current account deficit and double digit inflation. More importantly, it has restrained growth in the transportation and industrial sectors and has diverted resources away from agricultural production (the major export earner). Over 80% of the Thai population is involved in agriculture.

Thailand will not be able to sustain its present rate of growth unless it can devise a new economic strategy to deal with the problems it faces. The World Bank and the Thai Government, in its latest economic plan, have both made positive prescriptions for Thailand's economic problems. In 1981 the Thai government's first steps to deal with its economic problems included a revaluation of the Baht and removal of some price supports for food, petroleum products and transportation. Also, Thailand's natural gas has begun to come on stream and agro-industries have shown strong