

1973

The Economic Impact of the Withdrawal of U.S. Forces from Thailand

Savaraj Sachchamarga

Eastern Illinois University

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THE ECONOMIC IMPACT OF THE WITHDRAWAL OF

U.S. FORCES FROM THAILAND

(TITLE)

BY

Savaraj Sachchamarga

THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
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1973

YEAR

I HEREBY RECOMMEND THIS THESIS BE ACCEPTED AS FULFILLING
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INTRODUCTION

At the present time, it is quite clear that the de-escalation process of the United States military presence in Southeast Asia is an inevitable task, and this process is already underway. The American troops stationed in South Vietnam will be withdrawn and will be reduced in Thailand. This will cause economic impacts, both directly and indirectly, on Thailand. Thailand is one of the countries that was chosen as a place for Rest and Recuperation¹ (R and R) for the troops in South Vietnam, and Thailand has gained substantial foreign exchange through this policy. Furthermore, there are seven American bases in Thailand which, of course, result in expenditures for supplies, services and construction. The withdrawal of the American forces will retard economic growth and otherwise be harmful to the economic situation of the country as a whole. Perplexingly, the Thai Government and its economic agencies contend that the impacts are very small and will not retard economic growth or be harmful to the economy. I have the opposite point of view. The withdrawal will substantially retard economic growth. I will demonstrate that the Government has overlooked some factors, such as foreign investment inflow, which are important determinants of economic growth. The primary aim of this thesis is to evaluate the economic impact of American withdrawal and to show that it will

¹Sometimes called "rest and recreation."

substantially reduce economic growth. The thesis is tested by simple regression analysis using time series of the years 1955 to 1971.

The body of this thesis will be divided into five parts. First, a history of American military build-up and de-escalation. In the second chapter the discussion will concentrate on American expenditures in Thailand excluding foreign aid, for there can be no analysis of the economic consequences of the American withdrawal from Thailand without establishing the size of American expenditures. In the following chapter I will consider the foreign assistance program of both economic and military grants. The fourth chapter will show some selected effects of American expenditures on the Thai economy. The last chapter will analyze by regression analysis the economic impact of military build-up in Southeast Asia; it is argued that withdrawal will affect the economy in the opposite way that build-up did.

CHAPTER I

THE AMERICAN MILITARY BUILD-UP AND THE DE-ESCALATION PROCESS

American military influence in Thailand began in a small way in 1950, when the United States was constructing a "containment" wall against the Communist world, by means of a military assistance program to Thailand. At first, only a few American military personnel went to Thailand; they went to teach the Thai soldiers how to use American weapons. In fact, in the early sixties there were still only 300. By mid-1969, on the other hand, there were about 48,000 United States military personnel in Thailand, mostly Air Force personnel using Thai bases to bomb targets in Vietnam and Laos.²

With the personnel came economic aid. From 1949 to 1969, the United States provided Thailand with \$2.2 billion in economic and military assistance and invested \$702 million in construction of military bases.³ How and why this tremendous build-up came about is an interesting progression of diplomatic and military events.

In 1954 the Geneva Accords were signed ending the Indochina War. The Thais were as skeptical about the effectiveness of those accords as was the Secretary of State, John Foster Dulles, who proceeded to draft the Southeast Asian Collective Defense Treaty

² New York Times, June 8, 1970.

³ Ibid., June 14, 1970.

Organization (SEATO) embracing the United States, Thailand and six other countries. Under the treaty, the signatories agreed to meet the "common danger" for armed attack on one of the members through their respective constitutional processes.⁴

In 1962 when the Communists were threatening in neighboring Laos, Thailand became jittery about the SEATO commitment and sought new American assurances. These assurances were given by Secretary of State Dean Rusk who, in a joint communique with the Thai Foreign Minister, Thanat Khoman, said that the United States did not interpret its SEATO treaty obligation to depend upon approval of all SEATO members, since "this treaty obligation is individual as well as collective."⁵ Both Thailand and the United States agreed that SEATO was an ineffective organization. In March of that year Dean Rusk and Thanat Khoman issued a joint memorandum that became the basis of the Washington-Bangkok alliance. Apparently, few members of the United States Congress were aware of the document, although it is the subject of a State Department press release dated March 6, 1962.⁶ The wording is more ambiguous than that of most such documents, yet the memorandum clearly states the following:

- (1) Article II of the SEATO treaty allows the United States and Thailand to make a bilateral agreement that will then become binding upon all members of the treaty organization.

⁴Louis E. Lomax, Thailand: The War That Is, The War That Will Be (New York: Vintage Books, 1967), p. 151.

⁵New York Times, June 14, 1970.

⁶Louis E. Lomax, op. cit., p. 153.

- (2) The two governments will make whatever private pacts that are necessary in order to stop Communist aggression. This agreement is justified under Article IV of the SEATO treaty.
- (3) The United States will defend Thailand against direct or indirect aggression.⁷

In 1964 as the situation in Vietnam and Laos continued to deteriorate, the United States and Thailand began drafting a bilateral military contingency plan. The still secret plan, which apparently included provision of American ground troops, was finally signed in 1966, two years after the United States had begun bombing North Vietnam and northern Laos from Thai bases.⁸

In 1966 the United States military also awarded an exclusive contract to the Express Transport Organization (ETO), a government-owned trucking corporation run by the Thai Minister of Communications, to carry American military supplies within Thailand.⁹ Signing the contract was a result of the decision by the United States to escalate the war in Vietnam, and escalation required more permanent arrangements in Thailand than previously.

In 1967 B-52 bombers were stationed in Thailand for bombing Vietnam. Moreover, Thailand became an ally of the United States in the Vietnam War when an agreement was reached between the two governments on sending the Thai "Black Panthers" division to South Vietnam.

⁷See Appendix A, The Rusk-Thanat Memorandum.

⁸New York Times, June 14, 1970.

⁹Ibid.

In September of that year, 2,200 Thai soldiers were sent to South Vietnam.¹⁰

The Thais became concerned that the dispatch of the force to Vietnam might weaken their security position at home. To avoid this consequence, the United States agreed to provide an additional million dollars in military assistance. Washington also agreed to provide Thailand a set of Hawk anti-aircraft missiles, some radar-detector anti-aircraft guns, as well as to formalize arrangements for a joint air defense system.¹¹

In order to relieve the financial burden of sending Thai troops to Vietnam, the United States agreed to pay about 50 million dollars a year in overseas allowances, entertainment expenses, logistics support, mustering-out and death benefits to the Thai troops. The pattern is not unique with Thailand. In varying forms, a similar arrangement was made for South Korea and the Philippines--both of which received American subsidies for sending troops to Vietnam.¹²

As stated above, in 1969 there were about 48,000 American servicemen stationed in Thailand as a result of the war in Vietnam. About 36,000 were Air Force personnel operating at six bases; initially their attention was directed toward enemy forces in North Vietnam and Laos but in 1972 toward enemy forces in South Vietnam and Laos.

¹⁰Far Eastern Economic Review, August 28, 1969, p. 520.

¹¹New York Times, June 14, 1970.

¹²Ibid.

The rest were army troops who provided logistical support for the Air Force. Finally, about 1,200 Americans are in Thailand to give training and assistance to the Thai armed forces fighting insurgents. About 1,000 are military advisors.

In August, 1969 the United States and Thailand agreed to begin talks on reducing the 49,000-man American force in Thailand. Thai Foreign Minister Thanat Khoman said that Thailand would like to withdraw her 12,000 combat troops from South Vietnam because of the burdens she faced at home. He said the withdrawal of 49,000 United States troops, mostly airmen, from Thailand would not affect the security of Thailand because the troops were stationed there in connection with the war in South Vietnam and Laos.¹³ Perplexingly, in the following month, foreign ministers of five allied governments (Australia, New Zealand, the Philippines, Thailand and South Korea) said that their troop strength in Vietnam would be maintained at present levels despite President Nixon's decision to withdraw about 60,000 American troops. The five nations have a total of more than 70,000 men in South Vietnam.¹⁴

In October, 1969 the United States and Thailand announced plans to withdraw 6,000 American Air Force and Army troops from Thailand in the next ten months.¹⁵ The United States closed the

¹³ Ibid., August 2, 1969.

¹⁴ Ibid., September 21, 1969.

¹⁵ Ibid., October 1, 1969.

big fighter-bomber base at Takhli, 80 miles north of Bangkok, and withdrew up to 5,000 men.¹⁶ At the same time, Thailand began negotiations with the Saigon Government for the withdrawal of the 12,000 Thai combat troops serving in South Vietnam because she wanted to bring the troops back to Thailand to reinforce provinces on the border of Cambodia and Laos.¹⁷ The Americans withdrew 6,000 men from Thailand under its first phase in July, 1970. Under a second phase, about 3,600 of 42,000 American troops stationed in Thailand were withdrawn beginning on September 8, 1970.¹⁸ The United States goal was to cut back to 32,000 military personnel by July 1, 1971.¹⁹

Again, for the sake of Thailand's security, Secretary of State William P. Rogers said the United States would not give up its bases in neighboring Thailand.²⁰ Nevertheless, the United States forces were reduced to 31,000 in March, 1972. Of the 31,000, 24,000 were Air Force personnel who were involved in the air war over Indochina from Thai bases. In addition, the figure includes 300 men in the Navy and Marines and 4,500 Army troops, of whom roughly half were involved in logistic and supply operations; the other half were used to man the communications network and post exchanges and to make up advisory and training teams. There were 1,880 American civilians working directly for the United States Government mission in Thailand.

¹⁶ Ibid., August 23, 1970.

¹⁷ Ibid., August 27, 1970.

¹⁸ Ibid., November 7, 1970.

¹⁹ Ibid., January 17, 1970.

²⁰ Ibid., January 28, 1971.

These include 160 from the State Department and United States Information Services (USIS), 250 with the foreign aid mission, 280 with the Peace Corps (PC), 30 in various small jobs and 1,160 working with the military, about half of the last figure being under contract with the Department of Defense.²¹

There are some signs of an increase in personnel since that time, however, for Takhli Air Base, which was closed in October, 1970, re-opened again at the beginning of May, 1972;²² and Nam Phong, the seventh base in Thailand, opened in June, 1972. These changes bring the troop strength up to 45,000 again. However, with peace imminent, bombing of Vietnam may be discontinued with further reductions of American personnel in Thailand.

As the United States leaves Vietnam, there occurs a build-up of American forces in Thailand. The president's press secretary, Mr. Ronald L. Ziegler, was asked at his morning briefing on June 28, 1972, whether some of the 10,000 troops involved in an announcement of withdrawal would simply be transferred to Thailand, or elsewhere. He said such transfers would involve a "miniscule number."²³ Despite this statement, the combined strength of navy, air force and marine personnel in and off-shore Thailand in 1972 was at its highest level since its peak in 1968.²⁴ Although there was a build-up in Thailand, it was far less than the number of personnel released from Vietnam.

²¹Ibid., March 23, 1972.

²²Ibid., May 7, 1972.

²³Ibid., June 29, 1972.

²⁴Ibid., May 9, 1972. (See Figure 2)

According to the statistics provided by the Defense Department in August, 1972, there were 45,000 Americans representing the armed services in Thailand. About 39,000 are airmen, 2,000 marines and 4,000 soldiers running the American-built military seaport at Sattahip, operating a nationwide network of communication stations, and directing military training programs.²⁵ (See Figures 1, 2 and 3)

For the de-escalation process, at the present time, there is no definite schedule. The National Security Council and the Economic Planning Division of the Ministry of Development of Thailand have made some assumptions concerning de-escalation. The assumptions are:²⁶

- (1) The United States will start serious de-escalation from Vietnam in early 1970 by withdrawing about 200,000 men per year in 1970 and 1971. At the end of 1971, there will be only about 100,000 United States troops in Vietnam. (In fact, it started in late 1969.)
- (2) The American military presence in Thailand will also be reduced during 1970 and 1971. The rate of reduction will be about 33 percent per year; that is, from about 50,000 servicemen in 1969 to about 33,000 and 22,000 servicemen in 1970 and 1971.
- (3) Using assumptions 1 and 2, the Thai government estimated that American military expenditures in Thailand would be reduced from \$151 million in 1969 to about \$110 million in 1970 and \$75 million in 1971. The expenditures of the American military personnel on rest and recuperation (R and R) are estimated to fall from \$20 million in 1969 to \$13.5 million in 1970 and \$9.5 million in 1971. This estimation is based on the assumption that the American soldiers on R and R each year will amount to about 10 percent of the American soldiers stationed in Vietnam.

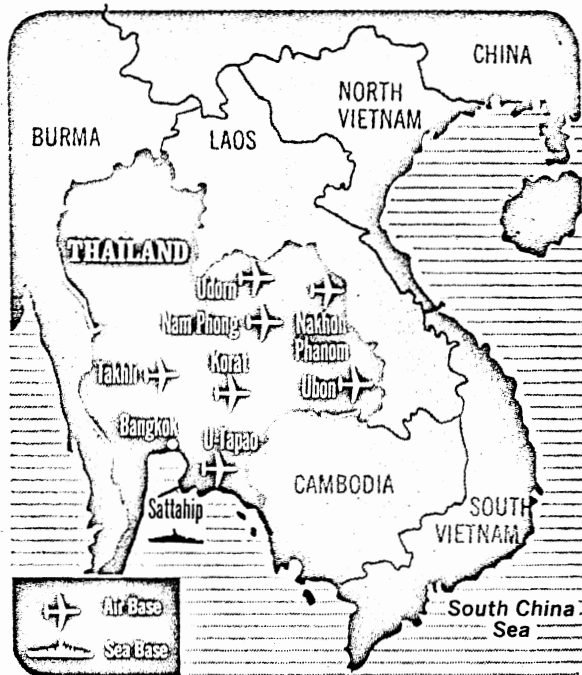
²⁵U.S. News & World Report, August 21, 1972.

²⁶Unpublished Report of the National Economic Planning Board to the Cabinet, 1969, in Thai, pp. 2-3.

FIGURE 1

AMERICAN BASES IN THAILAND

WHERE 45,000 U.S. TROOPS ARE BASED IN THAILAND



AIR FORCE: 39,000 airmen, manning 11 fighter-bomber squadrons and 50 to 100 B-52s at six air bases.

MARINES: 2,000 manning three fighter-bomber squadrons at Nam Phong air base.

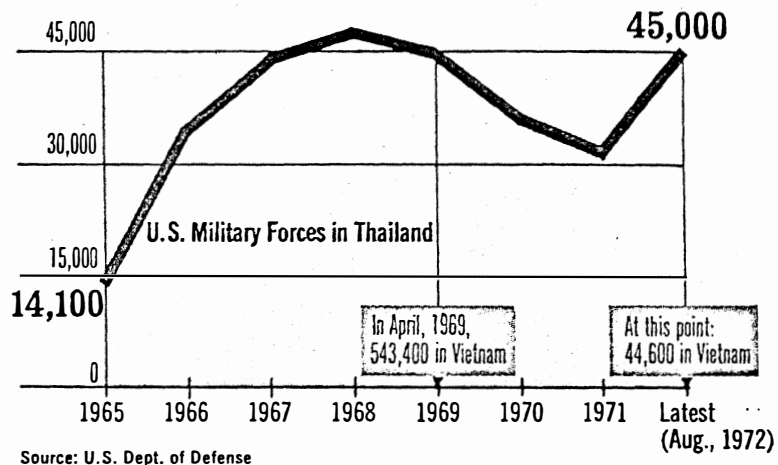
ARMY: 4,000 men—running the American-built military seaport at Sattahip, operating a nationwide network of communications stations, directing military-training programs throughout the countryside.

Source: U.S. News & World Report, August 21, 1972.

FIGURE 2

AMERICAN TROOPS IN THAILAND

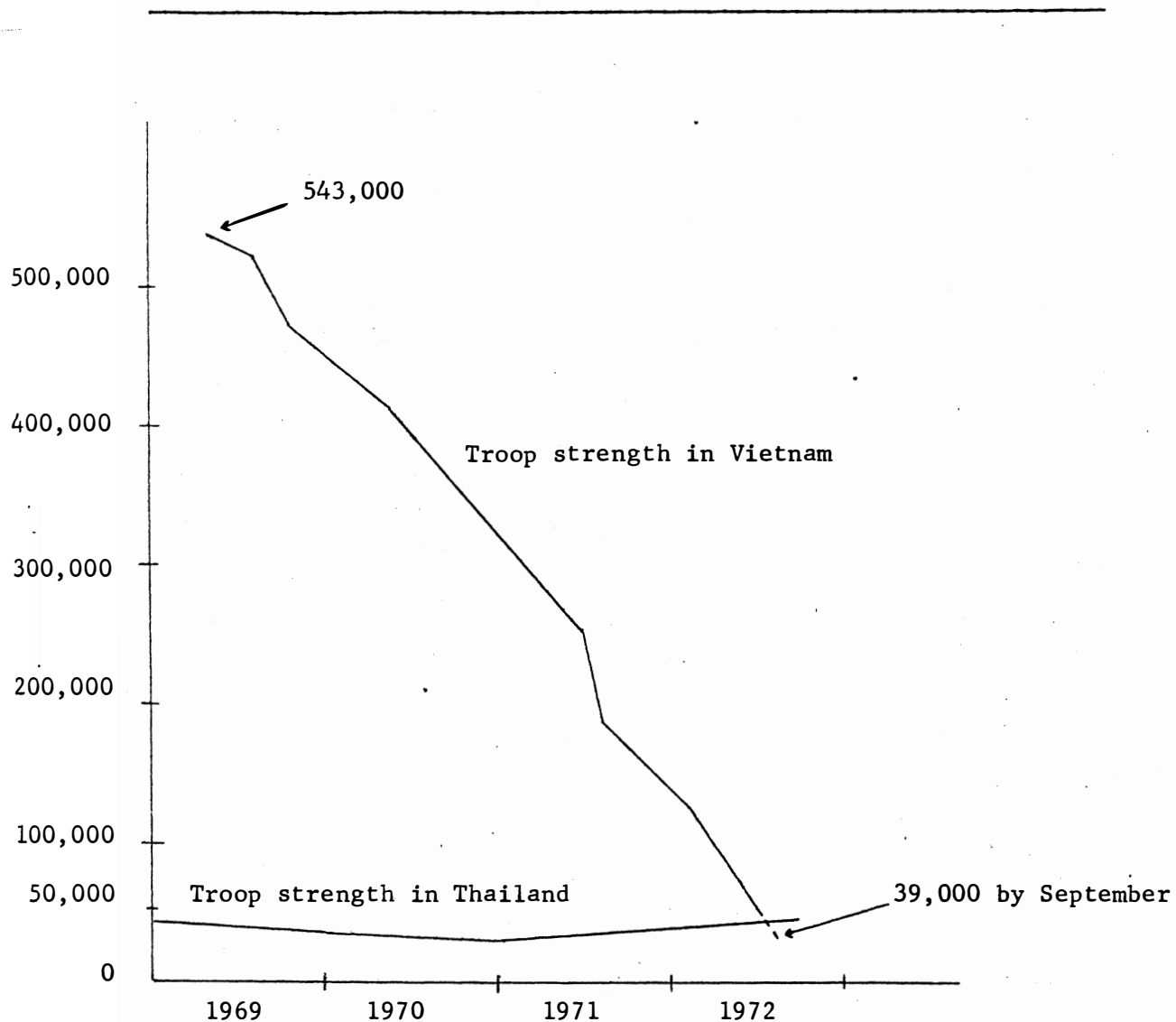
While U.S. Strength Dwindles in Vietnam -

BACK NEAR PEAK POWER IN THAILAND

Source: U.S. News & World Report, August 21, 1972.

FIGURE 3

AMERICAN TROOPS IN SOUTH VIETNAM AND THAILAND



Source: New York Times, June 29, 1972.

These assumptions were set up sometime in July, 1969. When they were made, however, there was diplomatic tension between the United States and Thailand. The American Senate, fearing that the country might be drawn into another war in Southeast Asia, moved to investigate relations between the United States and Thailand.²⁷ In the investigation, the Senate pointed out that Congress had not been informed about the contingency plan made in 1965 between the two countries. During the controversy, the Secretary of Defense talked as if he had repudiated the secret plan. The whole controversy irritated the Thais, so the Thai Government moved in August, 1969 to propose a talk on the reduction of United States forces in Thailand.²⁸ During that time, there were also statements from high-ranking Thai officials suggesting the withdrawal of the Thai forces from Vietnam.²⁹ The Thai Cabinet ordered the Security Council and the National Economic Development Board (NEDB) to study the impacts of withdrawal before the Cabinet proposed the talks on the reduction of the United States forces. Since both countries were thinking in terms of withdrawal, the assumptions concerning future American expenditures were pessimistic and greatly underestimated actual expenditures. Table 1 shows the differences between the prediction and the actual expenditures resulting from United States presence in Thailand during these years.

²⁷ New York Times, June 25, 1969.

²⁸ Ibid., August 23, 1969.

²⁹ Ibid., August 2, 1969.

TABLE 1

UNITED STATES GOVERNMENT AND R AND R EXPENDITURES IN THAILAND
(million baht)^a

<u>Year</u>	<u>Security Council and NEDB Prediction</u>	<u>Actual</u>
1969	3556.8	5746.9
1970	2568.8	5234.8
1971	1757.6	4753.2

Source: Unpublished Report of the National Economic Planning Board to the Cabinet, 1969 and Bank of Thailand.

^aConverted to dollars using the official rate of exchange for 1972.

The military build-up was started under United States initiative because the Communists would be strengthened if they were to gain access to the abundant resources of Southeast Asia including many minerals, petroleum, foodstuffs and manpower, among others. If Southeast Asia were to be lost to the Communists, it would mean more than 300 million people added in Asia to the 800 million of China. Fears of such a hegemony by the Communists caused the United States to begin military build-up for her own interests.³⁰

The de-escalation is quite different from the military build-up. Because of internal pressure, the United States has started to withdraw troops from Vietnam. The Thai Government felt that misconceptions were spread by the news media and congressmen in the United

³⁰Foreign Affairs Bulletin, Vol. VII, No. 5, April-May 1968, Ministry of Foreign Affairs, Bangkok, Thailand, p. 457.

concerning the future of Communism in Thailand and the role of American forces within the country. As mentioned above, misconceptions so irritated the Thais that the government in August 1969, requested a talk on the reduction of American forces in Thailand.³¹ This was explained by the Thai Foreign Minister Thanat Khoman in the address given to a student group from the United States National War College on April 18, 1969:

"...We hope that you will get first-hand accounts of many things you may have heard of or read about when you were at home. There is nothing, in our opinion, better than a first-hand report. At least two or three myths have been launched about Thailand. The first one is that Thailand will be the next Vietnam. That has been the theme of many western reporters. The implication is that the U.S. had better get out of Vietnam soon, for even though the Vietnam War may be solved, sooner or later there is going to be another one. But I can assure you that Thailand will not be another Vietnam, because we are not going to rely as heavily on anybody but ourselves. In fact, what we have been trying to do all this time is to prevent that myth from becoming a reality. The second "myth" is that the American armed forces are used for the defense of Thailand against the Communists. This is totally unfounded, because there is no physical engagement on the part of the U.S. forces against communist activities in Thailand. They are here only for the purpose of carrying out the war in Vietnam from here. So please check with the authorities here whether what I said is true or not. The third "myth" that has been launched against us is that we are the prime beneficiary of the war. This again is false because, apart from the U.S. industry, Japan, Korea, Hong Kong and Singapore are the major beneficiaries. I think Thailand comes about last. No doubt many millions of dollars have been spent here on such things as the various military bases, but I will humbly say that the purpose of the U.S. in building

³¹New York Times, August 23, 1969.

bases here was to facilitate its war operations. So I think that millions of dollars spent here have no doubt saved thousands of lives.³²

Thanat Khoman also made it clear when he gave a speech to members of the foreign correspondents' club of Thailand in Bangkok on August 19, 1969, that:

Of course, they (American people) have the right not to believe our saying that we do not want to involve American forces. They have the right not to believe me or others when we say that we have not asked nor will we ask for American forces to fight against communist subversion in Thailand. So, the best way for them to prevent such involvement would be to take the American forces out of Thailand as quickly as possible. Then they could see whether or not the Thai people would raise a hue and cry, and oppose such evacuation and withdrawal. ...We in Thailand can begin discussions with the U.S. authorities for an early withdrawal of such forces in order to calm the fears of certain American politicians and members of the press that the United States may become embroiled and involved in fighting internal subversion in Thailand.³³

So de-escalation of the American forces in Thailand was encouraged by Thailand. It began in August, 1969.³⁴

After a careful study, I would like to express the following viewpoint:

(1) At the present, there are evidences showing that it is unlikely that the United States will withdraw the forces drastically, due to United States interest in Southeast Asia. Since internal

³²Foreign Affairs Bulletin, Vol. VIII, No. 5, April-May 1969, Ministry of Foreign Affairs, Bangkok, Thailand, p. 318.

³³Foreign Affairs Bulletin, Vol. IX, No. 1, August-September 1969, Ministry of Foreign Affairs, Bangkok, Thailand, p. 6.

³⁴See Appendix B and C.

pressure forced President Nixon to withdraw American forces from South Vietnam, the United States had to find another base quickly for her air power. A senior American officer said,

The fact is we could not have kept Saigon from going down the drain and continued to withdraw our forces from Vietnam without the assistance of Thailand. There was just no place else to go.³⁵

Figure 2 shows the trend of the troop level in Thailand, while United States forces dwindle in Vietnam. From 1971 to August, 1972, the troop level increases from about 32,000 to 45,000. Some United States forces, which were withdrawn from Vietnam, were directly transferred to stations in Thailand.³⁶

(2) President Nixon confirmed that the United States would help protect Thailand from external aggressors. While he was visiting Bangkok on July 28, 1969, he gave a response to the Key to the City Presentation as follows:

...And that leads me to say that everyone knows that Thailand and the United States are signatories of that treaty. (SEATO) We are bound together by that treaty.

Now, a treaty can have many meanings: It can be just a sort of paper, with no meaning at all. But as far as Thailand and the United States is concerned, a treaty means far more. Because we share common ideals, because what we want for Asia and the world is the right of freedom which Thailand enjoys for all peoples here, because we have been willing to fight for that as we are fighting for that together in Vietnam, because of these deep spiritual and ideological ties that bind us, the

³⁵ U.S. News & World Report, August 21, 1972, p. 30.

³⁶ New York Times, June 29, 1972.

treaty that we have with Thailand means that it is not just another treaty, not just another piece of paper, but it is one that has a significance far beyond that--a significance which I have indicated time and again in public statements, and I indicate today in my first public statement as I visit Bangkok and this country.

We will honor our obligations under that treaty. We will honor them not simply because we have to, because of words that we have signed, but because we believe in those words, and particularly believe in them in the association that we have with a proud and a strong people, the people of Thailand. We have been together in the past, we are together at the present, and the United States will stand proudly with Thailand against those who might threaten it from abroad, or from within.³⁷

This convinces me that the United States will do everything it can in order to protect Thailand from aggressors. It implies that in order to protect Thailand, the United States should have some troops there for four years more at least. Secretary of State, William P. Rogers, confirmed this position in 1972 by saying the United States would not give up its bases in "neighboring" Thailand.³⁸

(3) Admiral John S. McCain expressed what seems to be a common military idea, that it is still advisable for the United States to use the bases in Thailand, because an end to the war between North and South Vietnam is not going to be the end of fighting in the rest of Southeast Asia. Thailand is the key to the entire area. If Thailand falls, the Communists could take all of the Southeast Asian Peninsula. He also reminded us that the Russians are building up their fleets in

³⁷Foreign Affairs Bulletin, Vol. VIII, No. 6, June-July 1969, Ministry of Foreign Affairs, Bangkok, Thailand, p. 434.

³⁸New York Times, January 28, 1972.

the Pacific and Indian Oceans, and are developing bases and anchorages in many places.³⁹

The United States military planners probably are looking for a strategic naval base in Southeast Asia in order to "keep up" with the Russians.⁴⁰ Sattahip, in Thailand, may be chosen because of the following reasons:

- (1) Sattahip has a strategic location with respect to Southeast Asia and is owned by Thailand, a strong and dependable American ally.
- (2) Sattahip Harbor is almost entirely the creation of United States Army Engineers. The naval facilities at Sattahip make it a first-rate base in Southeast Asia that could easily be the base of operations for an entire fleet.
- (3) Seventh Fleet warships operating out of Sattahip would be in position to counter quickly Russia's determined bid to expand its authority in the region.
- (4) Because of United States withdrawal from South Vietnam, the Seventh Fleet cannot use it as a base. The Philippines have made it clear that they do not want American planes flying combat missions from bases there. Malaysia is preaching neutralism. Singapore, too, would be out. So Thailand will be the most likely place.

If Sattahip is requested by the United States for use as a naval base, the drastic withdrawal will not occur. In fact, if de-escalation occurs, the process will be slow and the number of troops cut will be small. Indeed, there is also a possibility that, instead of de-escalation, there might be an escalation in the near future.

³⁹ U.S. News & World Report, October 23, 1972, pp. 30-32.

⁴⁰ Ibid., p. 32.

CHAPTER II

AMERICAN EXPENDITURES IN THAILAND EXCLUDING FOREIGN AID

American expenditures in Thailand that result either directly or indirectly from the communist threat in Southeast Asia may be classified as foreign aid expenditures or expenditures other than foreign aid. This chapter will concentrate only on the American expenditures in Thailand excluding foreign aid; the following chapter will discuss foreign aid expenditures.

American expenditures in Thailand excluding foreign aid can be classified into two categories: Non-military expenditures in Thailand and direct and indirect military expenditures.

Non-Military Expenditures in Thailand

This category consists of expenditures of American citizens and employees of the United States government excluding travellers and military. Tables 2 and 3 show the number of American employees of civilian agencies in Thailand and the amount of money spent in 1966 to 1969 and 1966 to 1968 respectively.

Unfortunately, the data for more recent years is not available. However, this type of expenditure can be assumed to be at the level from 1970 to 1972 without a great deal of error. Though there may be some cutback in the number of civilian personnel, the number will be small and will not lead to any serious decrease in expenditures.

TABLE 2

AMERICAN EMPLOYEES OF UNITED STATES GOVERNMENT CIVILIAN AGENCIES IN THAILAND (INCLUDING U.S. EMBASSY, USIS,^a USOM^b AND PC^c STAFF)

<u>Year</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Number	571	665	817	699

^aUnited States Information Services.

^bUnited States Operations Mission.

^cPeace Corps.

Note: Average housing allowance is about \$3,200 per year and includes allowances for electricity, gas and water.

Source: United States Embassy, March 5, 1969.

TABLE 3

EXPENDITURES OF AMERICAN CITIZENS AND EMPLOYEES OF U.S. GOVERNMENT EXCLUDING TRAVELLERS AND MILITARY

	<u>1966</u>	<u>1967</u>	<u>1968</u>
Expenditures of American Citizens and American Employees of United States Government Civilian Agencies (millions of dollars)	30	21	19

Source: Department of Fiscal Policy, Ministry of Finance, unpublished document in Thai, 1969.

Direct and Indirect Military Expenditures

Direct and indirect military expenditures arise from the presence of American troops and other military personnel.

Indirect Military Expenditures

Indirect military expenditures are made by American military personnel for primarily consumer goods and services while they are in Thailand. According to the study of the United States Embassy in Bangkok, Thailand, Table 4 gives the projection of military expenditures in Thailand covering the period 1963 to 1970.⁴¹

Indirect military expenditures, or in other words, expenditures by servicemen can be classified into two types--expenditures by personnel stationed in Thailand and expenditures by personnel stationed elsewhere but who are in Thailand for rest and recuperation.

First is the expenditures connected with the United States servicemen stationed in Thailand. Table 4 shows that the expenditures of the American military personnel were \$29 million in 1966, \$50 million in 1967, \$62 million in 1968, \$64 million in 1969 and \$64 million again in 1970. Since American military men stationed in Thailand stayed mostly on the bases, the major geographic impact of expenditures will be on the economy in the areas around the bases. A United States Embassy field research paper shows that about one-half of the American military man's salary is spent on goods and services in Thailand: food, recreation, travel and domestic goods.⁴² This expenditure has

⁴¹It should be stressed that these figures show net military spending in the Thai economy. They differ from United States Department of Defense data in definition, since the Department of Defense includes all non-dollar purchases for American forces in Thailand, whereas these figures include only the baht expenditures in Thailand.

⁴²Bank of Thailand, Classifications of the United States Expenditures in Thailand by Level of Significance, unpublished document in Thai, 1969, p. 2.

TABLE 4

ESTIMATES OF NET UNITED STATES MILITARY AND RELATED SPENDING
IN THE ECONOMY OF THAILAND 1966-1970
(baht converted to millions of dollars)
(calendar years)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>Illustrative Phasedown of One-Third</u>
United States Military Personnel	39	69	82	84	84	-27
(Of which R and R)	(10)	(19)	(20)	(20)	(20)	- 7
Construction (OICC) ^a	43	70	62	21	5	- 2
Construction (Other Military)	9	10	10	9	6	- 2
POL ^b Distribution	4	9	11	8	8	- 3
Maintenance, Supplies and Services	31	48	42	40	40	-13
Miscellaneous	<u>4</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>- 3</u>
TOTAL	130	214	215	170	151	-57
Total Expenditures were \$30 million in 1963; \$30 million in 1964; \$50 million in 1965.						

^aOfficer in Charge of Construction.

^bPetroleum - Oil - Lubricants.

Source: U.S. Embassy, Economic Impact of a Phasedown of United States Military Spending in Thailand, Bangkok, May 1969, p. 2.

created a boom, especially in the entertainment and hotel business near the bases and in Bangkok.

Secondly, the expenditures of American servicemen who are stationed outside of Thailand but who are visiting Thailand for rest and recreation. Table 4 shows that the expenditures in this category were \$10 million in 1966; \$19 million in 1967; and \$20 million each year from 1968 through 1970. These figures are very conservative since the United States Embassy calculated them by assuming that the soldiers on rest and recreation spent, on the average, five days in Thailand and \$50 per day. Although the American soldiers are allowed to bring only \$250 into the country, the regulation is very difficult to enforce. There occurs, therefore, expenditures by American soldiers who draw on their overseas bank accounts by the use of the local banking facilities in Bangkok.⁴³

There are two other estimates of service personnel expenditures in Thailand. The first, made by the Ford Foundation, assumes that each American soldier on R and R spends \$60 per day for five days.⁴⁴ The second estimate, made by the Bank of Thailand, assumes that each American soldier on R and R spends \$65 per day for seven days.⁴⁵ Therefore, the figures in Table 4 may be as much as

⁴³Hermann Hatzfeldt, The Impact of U.S. Military Expenditures on the Thai Economy, Revised Draft, December, 1968, unpublished document, p. 2.

⁴⁴Ibid.

⁴⁵Bank of Thailand, op. cit., p. 7.

20 percent under the actual values. The impact of this expenditure is concentrated mostly in the Bangkok area.

There is another type of expenditure which is an indirect military expenditure but does not appear in Table 4. It is the dollars earned by the Thai troops in Vietnam. The Thai troops, who served their duty in South Vietnam, are paid both by the Thai Government and the United States Government. The Thai Government paid salaries of the troops to their wives in Thailand in baht. The United States Government paid overseas allowances to the Thai troops, mustering-out pay and death benefits, as well as entertainment funds for the Thai troops in Vietnam. The American-paid overseas allowance more than doubles the pay of the Thai troops in Vietnam. A Thai private who received a base pay of \$26 a month from the Thai Government, for example, also received \$39 in overseas allowances. A major with a base pay of \$98 was given \$180 in overseas allowances.⁴⁶

The State Department expressed some uncertainty over the exact cost of the American support to Thai forces in Vietnam. In a statement given to the subcommittee of the Senate, the State Department said:

United States support to Thai forces in South Vietnam, when averaged over the years during which Thai forces have been deployed to South Vietnam, is estimated at approximately 50 million dollars a year. This would total 200 million dollars for the period since their arrival in 1966.⁴⁷

⁴⁶ New York Times, June 8, 1970.

⁴⁷ Ibid.

Economically speaking, any dollars paid to the Thai troops in Vietnam by the United States Government, if these funds are transferred to Thailand, have to be counted as export earnings. Of course, some of the pay given to Thai troops in Vietnam flows back into the Thai economy when soldiers return with money saved in Vietnam during their one-year term. The data of the total amount of dollars earned by the Thai troops in Vietnam, total amount of spending there, and the total savings cannot be obtained, and estimation of this category is hazardous.

Direct Military Expenditures

Direct military expenditures are those made by the different branches of the American armed forces into the Thai economy.

First is the construction expenditures. In Table 4 there are two types of construction expenditures. The first category (OICC) consists of all expenditures for construction of military bases. This type of expenditure reached a peak in 1967, fell a little in 1968 and then more sharply in 1969, and finally dwindled to about \$5 million in 1970. The second category consists mainly of expenditures for the construction of strategic roads, and it has the same trend as the first category. When the bases were planned, a certain complement of roads also were planned for logistic purposes. Because the roads are necessary for base operation, unless the base is abandoned the roads will be built irrespective of conditions in South Vietnam. Thus, expenditures on road construction are fixed for the future unless new bases are built.

Construction expenditures are very important to the Thai economy, for large amounts of domestic materials and large numbers of both skilled and unskilled workers are utilized. This type of expenditure also contributes to economic development indirectly by training the Thais in construction skills. Unfortunately, the impact of such training on the rate of growth is difficult to estimate.

Secondly, there are the expenditures categorized as POL Distribution. Most of the expenditures in this category are for the distribution of fuel to American planes. This type of expenditure depends on the level of military operation in Laos and Vietnam. Although the United States has withdrawn some of the American soldiers from Vietnam, this type of expenditure is not falling rapidly because, as withdrawal occurs elsewhere in Southeast Asia, the number of American planes in Thailand is increasing.

Maintenance, supplies and services is the third category of direct military expenditures. The level of expenditures in this category depends on the activities of the American bases. Since most of the construction is completed, maintenance expenditures tend to remain constant. As the United States withdraws from Thailand, this type of expenditure will continue to fall, particularly if the United States decides not to keep all of the seven bases.

The other direct military expenditure which is not included in Table 4 is the commodities bought in Thailand to send to Vietnam. This item is very difficult to determine. There are only two records

of purchases of rice and sugar by the American military to send to South Vietnam in 1966 and 1967 at the total amount of \$23 million.⁴⁸ There are other unrecorded purchases, primarily the construction timber to send to Vietnam. The report of the Survey of the Bank of Thailand stated that the price of construction timber continues to rise, partly because of the demand originated by the construction of the American bases, and also the United States military purchases to send to Vietnam.⁴⁹ It is my opinion that the total amount of this item is not significant.

⁴⁸Bank of Thailand, The Economic Impacts of the Vietnam War to Thailand, unpublished document in Thai, 1969, p. 9.

⁴⁹Bank of Thailand, Report: Field Survey of the Impacts of the American Expenditures on Prices and Wages, December 14-29, 1966, p. 7.

CHAPTER III

FOREIGN ASSISTANCE PROGRAM

Expenditures of the United States in Thailand through the Foreign Assistance Program are shown in Tables 5 and 6. According to the data shown in Table 5, the economic assistance program carried on by the Agency for International Development (AID)⁵⁰ was about \$50 million per year in 1966 and 1967. The program is counter-insurgency oriented. Expenditures under this economic assistance program have a very high import ratio. Seventy percent of supporting assistance expenditures and 28 percent of expenditures for technical cooperation are imports of commodities from the United States.⁵¹ The import expenditure does not affect the Thai economy directly, except for the portion of the expenditures paid to Thais for handling. Of course, the imports themselves are helpful to economic development.

The Military Assistance Program (MAP), was nearly the same amount as AID expenditures in 1966 and 1967. This program was

⁵⁰The Agency for International Development came into existence on November 4, 1961, under the provisions of the Foreign Assistance Act of 1961. The new agency combined two agencies which had existed previously, the International Cooperation Administration and the Development Loan Fund, as well as certain other smaller units.

⁵¹National Economic Development Board, Planning for Post-Vietnam Period, unpublished document, 1969.

TABLE 5

U.S. OVERSEAS LOANS AND GRANTS
(THAILAND)
NET OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S. FISCAL YEARS-MILLIONS OF DOLLARS)

	Total Loans	Economic Grants	Total Military (Grants)	Total Economic & Military Loans	Grants
1946-48	6.2	---	---	6.2	---
1949-52	1.0	16.1	16.5	1.0	32.6
1953-57	22.9	109.2	205.1	22.9	314.3
1958	1.8	24.1	19.7	1.8	43.8
1959	34.7	24.2	18.0	34.7	42.2
1960	2.0	23.9	24.7	2.0	48.6
1961	---	24.3	23.9	---	48.2
1962	22.0	25.6	39.1	22.0	64.7
1963	4.9	17.0	68.5	4.9	85.5
1964	2.1	13.0	52.7	2.1	65.7
1965	20.6	20.8	36.4	20.6	57.2
1966	14.9	45.5	40.7	14.9	86.2
1967	-13.5	50.5	46.9	-13.5	97.2
Total					
1946-67	119.6	394.0	596.3	119.6	990.3
Repayments & Interest					
1946-67	45.9	---	---	45.9	---
Total Less Repayments & Interest	73.7	394.0	596.3	73.7	990.3

Source: AID, U.S. Overseas Loans and Grants and Assistance from International Organization, Special Report prepared for the House Foreign Affairs Committee, p. 73.

established to modernize the Thai armed forces. The "Annual Report to Congress, Fiscal Year 1966" states:

Fiscal Year 1966 military assistance for the other countries which receive grant aid was directed toward these objectives:

1. Strengthening the capabilities of selected Latin American nations to maintain the internal security needed to realize the goals of the Alliance for Progress.
2. Providing U.S. support to allied and friendly nations that have given the United States access to strategically vital bases and installations.
3. Completion of prior year commitments to countries whose economic progress now permits an increasingly rapid phase-out of all grant aid.
4. Furnishing of modest amounts of aid to countries in which political instability and economic underdevelopment may bring Communist attempts to gain domination.⁵²

TABLE 6

DISTRIBUTION OF FISCAL YEAR 1966-71 PROGRAM TO THAILAND
BY TITLE AND FUNCTION (thousands of dollars)

Fiscal Year	Total	Technical Cooperation	Supporting Assistance	Contin. Fund	Devel. Loans	MAP
1966	43,408	13,400	20,387	9,621	-----	*
1967	53,320	13,488	36,121	211	3,500	
1968	46,736	10,047	36,696	-----	-----	
1969	35,548	9,250	26,298	-----	-----	
1970	26,545	6,388	18,862	-----	1,295	
1971	22,541	4,150	16,996	-----	1,395	

*Data classified; included in the figure of the Area Program.

Source: The Foreign Assistance Program, Annual Report to the Congress Fiscal Year 1966-71.

⁵²The Foreign Assistance Program, Annual Report to the Congress, Fiscal Year 1966 (Washington, D. C.: United States Government Printing Office), p. 30.

Table 6 shows that the economic assistance reaches a peak in 1967 and then starts to decline. Foreign aid for the fiscal year 1971 is less than half of the figures in 1967. Thus, as the United States withdrew rapidly from Vietnam during the administration of President Nixon, economic assistance went down quite rapidly. In August 1969, the United States Senate placed a \$2.5 billion ceiling on the amount of money the United States could spend to support foreign troops in Vietnam, Laos and Thailand.⁵³ Moreover, since the total amount of foreign aid is being cut drastically by the American Congress, the economic assistance program under AID will be affected, too. Thus, expenditures through these two programs may fall substantially.

Unfortunately, the public is not given statistics for MAP expenditures. After the United States Senate made an investigation, the MAP figures for Thailand disappeared from the AID Report. The MAP figures for Thailand are transferred into the Area Program. The "Annual Report to Congress, Fiscal Year 1967" states:

Thailand continues to support United States operations in Vietnam and improved its capabilities to put down incipient insurgency fomented by the Communists. In association with the free world effort in Southeast Asia, Laos continued its combat operations in defense against Pathet Laos and North Vietnamese aggression. These activities were supported by MAP in Fiscal Year 1967 but, due to their active combat nature, the administration proposed to the Congress that programs for Laos and Thailand, like that for Vietnam in Fiscal 1966, be transferred out of MAP and funded from the Department of Defense budget in Fiscal Year 1968.⁵⁴

⁵³ New York Times, August 13, 1969.

⁵⁴ The Foreign Assistance Program, Annual Report to the Congress, Fiscal Year 1967 (Washington, D. C., United States Government Printing Office, p. 42.

Stated very clearly in the United States Statutes at large was the following information concerning Department of Defense expenditures:

Vietnamese forces, etc., support.

Sec. 838 (a) Not to exceed \$2,500, 000,000 of the appropriations available to the Department of Defense during the current fiscal year shall be available for their stated purposes to support: (1) Vietnamese and other free world forces in support of Vietnamese forces; (2) local forces in Laos and Thailand; and for related costs, on such terms and conditions as the Secretary of Defense may determine...⁵⁵

Therefore, the amount of foreign aid Thailand obtained through MAP is not available for the years 1968 through 1972. Furthermore, there is a vast difference between the figures listed in the President's budget message and the actual amount of dollars spent on MAP. Before a congressional subcommittee, Deputy Assistant Secretary of Defense for International Security Affairs acknowledged that the budget figure, which is limited to military grants and credits, did not represent the full picture. He insisted, however, that the other components of the military aid program were openly presented to Congress in other parts of the budget, or in legislation separate from the foreign military aid bill. The Chairman of the Joint Congressional Economic Subcommittee noted that the President's budget message listed \$625 million under "military assistance," while a study by the General Accounting Office for the subcommittee showed the total came close to

⁵⁵United States Statutes At Large, 91st Congress, 2D Session, 1970-1971, Vol. 84, Part 2 (Washington, D. C.: United States Government Printing Office), p. 2036.

\$5 billion when all forms of direct and indirect military assistance were included. The Deputy Assistant Secretary of Defense admitted that his figures were \$4.896 billion, but, because of "wartime conditions," the figures were not available in Washington. He explained that because of the subcommittee's interest an aide was sent to Southeast Asia to obtain the figures.⁵⁶

The question arises whether the amount of dollars from MAP for Thailand will go down in the future or not. I feel that some evidences indicate an upward trend in the future, at least during President Nixon's term. In 1970, Vice President Agnew assured that he would do all he could to prevent any reduction of the \$30 million in economic assistance and \$60 million in military aid that comes into Thailand each year.⁵⁷ Furthermore, the Thai leaders are assured by the Secretary of Defense, Melvin R. Laird, that United States military aid to Thailand will increase over the next ten years. The proposed increase, he said, would reinforce the Nixon Doctrine, under which the United States is to help its allies to defend themselves.⁵⁸ Nevertheless, it is questionable that it will continue forever.

The American Foreign Assistance Program is important to the Thai economy and development. It gives Thailand a tremendous amount of foreign exchange. In order to show the importance of United States

⁵⁶New York Times, January 7, 1971.

⁵⁷Ibid., August 30, 1970.

⁵⁸Ibid., January 8, 1971.

foreign aid in Thailand, Table 7 compares it to non-American foreign aid. Table 7 shows that economic aid from America alone in 1966 amounted to more than the total from non-United States sources. The amount of American-influenced aid may be underestimated in the discussion above because some United Nations institutions, such as the International Bank for Reconstruction and Development, substantially increased foreign aid after the upsurge of interest by the United States in Southeast Asia. Voting in such organizations is determined by capital subscription. Since the United States is the greatest contributor, allocation of funds is greatly influenced by the United States. In fact, underdeveloped countries often complain about the dominance of the larger nations in the IBRD and similar institutions.⁵⁹

Although American foreign aid is substantial, the most important category of United States expenditures in Thailand is direct and indirect military spending. As shown in Table 2, in 1963 the American military expenditures were only \$30 million; whereas foreign aid was \$16.8 million; in 1964 American military expenditures were again \$30 million, American foreign aid was \$23.1 million. In 1965 the military expenditures increased to \$50 million because of the Laotian crisis; foreign aid was \$22.1 million. In 1966, the year that the Americans became closely involved in the Vietnam War, the military expenditures in Thailand were increased to \$130 million while American aid was almost

⁵⁹ Benjamin Higgins, Economic Development; Problems, Principles, and Policies (Revised Edition; New York: W. W. Norton, 1968), pp. 591-3.

TABLE 7

TOTAL FOREIGN ECONOMIC AID TO THAILAND 1962/1967
UNITED STATES FISCAL YEAR
(Millions of Dollars)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u> [*]	<u>1962-67</u> [*]
I. Non-United States							
A. Grants & Tech. Assistance							
U.N.	3.0	1.9	3.2	3.8 ^e	3.9 ^e	4.8 ^e	20.6
Third Countries	<u>4.1</u>	<u>4.4</u>	<u>4.0</u>	<u>4.3</u>	<u>5.9</u>	<u>6.8</u>	<u>29.5</u>
Subtotal	7.1	6.3	7.2	8.1	9.8	11.6	50.1
B. Official Loans							
IBRD	---	40.6	---	28.0	36.0	11.0	115.6
Germany	---	22.3	9.9	3.3	7.4	.6	43.4
Austria	---	---	---	---	3.3	---	3.3
Canada	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1.0</u>	<u>1.0</u>
Subtotal	---	62.9	9.9	31.3	46.7	12.6	163.3
TOTAL Non-United States	7.1	69.2	17.1	39.4	56.5	24.2	213.4
II. United States							
A. Grants & Tech. Assistance	25.9	17.3	12.7	19.9	43.3	49.8	168.9
B. Loans (including Ex-Im Bank)	22.0	4.9	2.1	---	15.0	6.9	50.9
C. Peace Corps	<u>.4</u>	<u>.9</u>	<u>2.0</u>	<u>2.2</u>	<u>2.8</u>	<u>3.0</u>	<u>11.3</u>
TOTAL United States	48.3	23.1	16.8	22.1	61.1	59.7	231.1
GRAND TOTAL	55.4	92.3	33.9	61.5	117.6	83.9	444.5

* Just after the turn of the calendar year 1967, Japan agreed to provide \$60 million in commercial credits to Thailand.

e = estimated.

Source: National Economic Development Board of Thailand, April 25, 1968.

tripled to \$61.1 million. In that year the total non-United States aid was \$56.5 million--\$4.6 million less than the American aid. Beginning in 1966 the military expenditures exceeded the combined amount of American aid and non-United States aid. In 1967 the American military expenditures alone were much more than the combined amount of all other flow of foreign resources. Unquestionably, the significance of the American military expenditures has been tremendous in comparison to foreign aid.

CHAPTER IV

SELECTED EFFECTS OF AMERICAN EXPENDITURES ON THE THAI ECONOMY

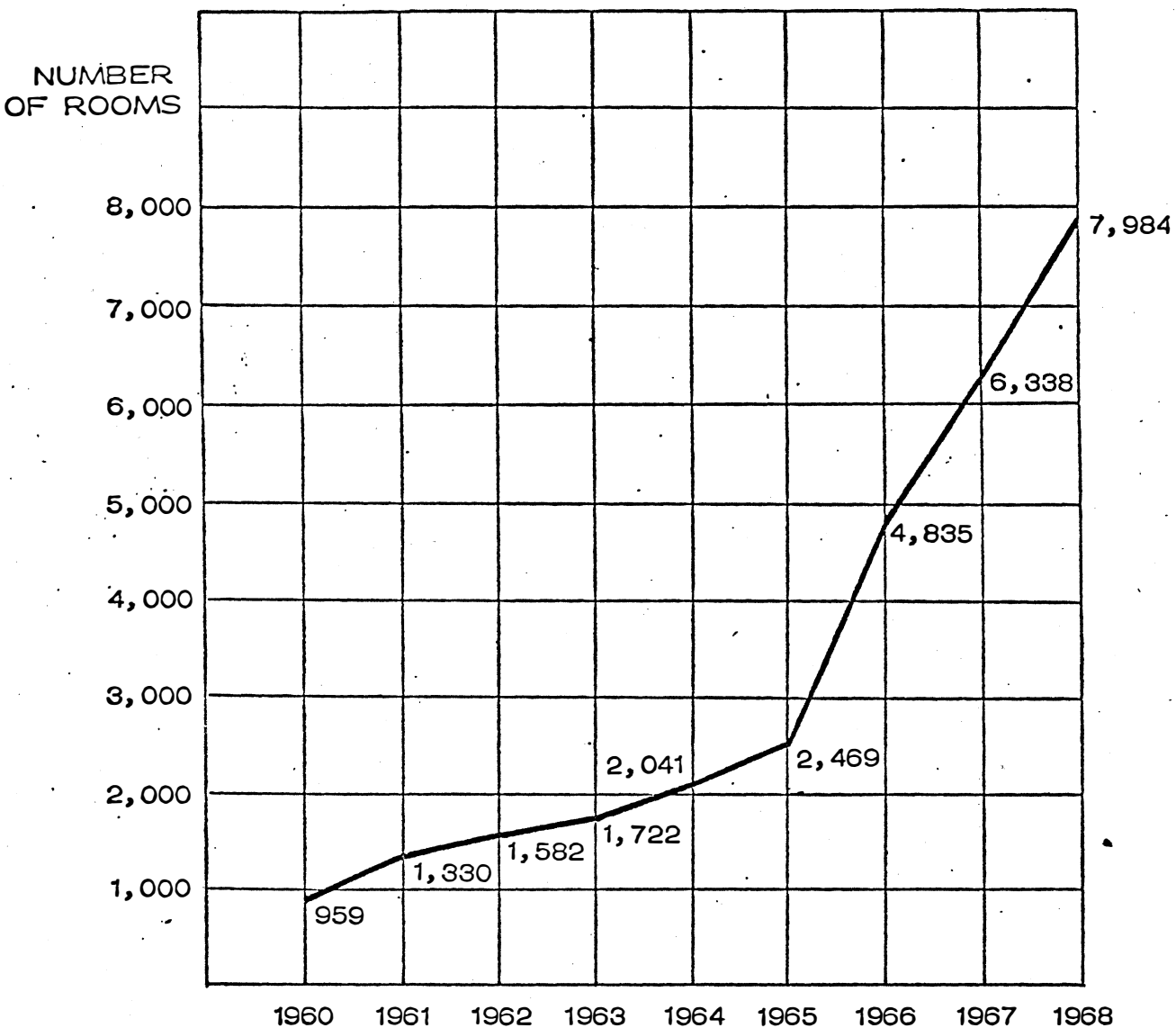
There are many effects of American expenditures on the Thai economy, but in this chapter some effects which are pertinent to economic development will be discussed.

Firstly, the most important effect is the increase in demand created by the American military build-up. The American purchases of goods and services from the Thai economy increases the income of the sellers, who, in turn, consume part of what they receive with many subsequent expenditure rounds as the multiplier works itself out. Reduced demand, which will occur after the withdrawal, will hit very hard in some sectors--especially the service sector. A good example of investment to provide services is the construction of many new hotels to accommodate the American soldiers on R and R. (See Figure 4).

Some hotels had signed contracts with the United States military authority and were used as lodgings for personnel. When withdrawal accelerated and R and R expenditures fell in Thailand, many of these hotels lost their contracts with the military. Now open for any tourist, the hotels are finding it difficult to maintain a low vacancy level, even in the tourist season.

FIGURE 4

GROWTH OF HOTEL ROOMS IN BANGKOK



Source: Tourist Organization of Thailand, Statistics on Tourism in Thailand, Bangkok, 1969, p. 29.

Furthermore, the impact of United States expenditures is strong in areas surrounding the basetowns where the American soldiers spend most of their time. It is estimated that about 40 percent of an American soldier's income in Thailand is spent on food, rent, and other household expenditures, while another 30 percent goes to entertainment of various kinds.⁶⁰ In the Northeast region where there are five bases located, the United States expenditures brings economic growth to that region as shown in Table 8.

In the Northeast the per capita GDP in 1963 was 1,347 baht at 1966 prices while in 1966 per capita GDP increased to 1,440 baht;⁶¹ and population in these areas increased from 137,632 to 164,817. Both increased GDP per capita and increased population suggest the increase in economic activity. Another indicator of economic growth in these areas is the numerical increase in motor vehicles and businesses.

The United States Embassy estimated that the baht equivalent of about \$2,000 per American soldier is spent annually on the local economy to maintain the servicemen and the base. About half of this is spent by the base for local materials, payrolls and miscellaneous base spending. The other half is spent by the serviceman himself.⁶²

⁶⁰ Bank of Thailand, U.S. Military Expenditures in Thailand, unpublished document, Bangkok, January 1971, p. 3.

⁶¹ The consumer price index of Thailand was 100 in 1963 and 107 in 1966.

⁶² United States Embassy, Economic Impact of U.S. Military Expenditures in the Northeast, unpublished report, Bangkok, February 1969, p. 1.

TABLE 8

INDICATORS OF ECONOMIC GROWTH IN THE NORTHEAST 1960-67

	1960	1963	1964	1965	1966	1967
Per Capita GDP ^a (Baht, current prices)	—	1,259	1,240	1,251	1,440	na ^b
Population of Major Cities	119,872	137,632	146,649	159,620	164,817	182,748
Revenue of Major Cities (Million Baht)	7.14	9.49	13.08	13.70	16.36	22.64
Vehicle Registration of Major Cities	4,885	10,872	14,301	16,053 ^c	23,897	na ^b
Businesses Registered in Cities	231	423	519	624	776	na ^b

^aGross Domestic Product.

^bNot available.

^cIn 1965 Vehicle Registration figures covered from January to September only.

Source: U.S. Embassy, Economic Impact of United States Military Expenditures in the Northeast, unpublished report, Bangkok, February 1969, Table 3.

Secondly, in the monetary sector, balance of payments surpluses increase the supply of money in the domestic economy because the surplus dollars were purchased with baht by the government. This, in turn means that the general level of economic activities is further stimulated by the expansion in credit and financial markets. The urban

regions are affected mostly in monetary policy since the rest of the economy is not part of the modern sector.

Thirdly, the American expenditures cause an increase in the government's revenue as shown in Table 9. One of the main sources of the government's revenue is from taxation. American expenditures help to generate more income for the Thais and this added income is also taxed by the government.

TABLE 9
IMPACTS OF U.S. MILITARY EXPENDITURES ON TAX REVENUE

Year	Tax Revenue	Less Tax Revenue Because of U.S. Military Expend.	Net Revenue
1966	(11,437.70)	(888.18)	(10,549.52)
Million \$	571.8	44.4	527.4
% Increase	12.3	----	----
1967	(13,302.00)	(1,292.38)	(12,009.62)
Million \$	665.1	64.6	600.4
% Increase	16.30	45.51	13.84
1968	(14,834.60)	(1,335.28)	(13,499.32)
Million \$	741.7	66.7	674.9
% Increase	11.52	3.32	12.40
1969	(16,531.60)	(1,257.36)	(15,274.24)
Million \$	826.5	62.8	763.7
% Increase	11.44	-5.84	13.15
1970	(18,528.58)	(1,024.92)	(17,503.66)
Million \$	926.4	51.2	875.1
% Increase	12.08	-18.49	14.60

Note: The numbers in parentheses are the original amounts in millions of baht. The amount of U.S. dollars under is only a rough estimate.

Source: National Economic Development Board.

In Table 9, tax revenues from American military expenditures increased from \$44.4 million in 1966 to \$64.6 million in 1967, a 45.51 percent increase. This sharp increase is due to the rapid rise in U.S. expenditures since 1965. Tax revenue in 1969 was reduced by 5.84 percent of the level in 1968. In 1970 it was reduced further by 18.49 percent of the level in 1969, or about \$11.6 million. Nevertheless, total tax revenue resulting from U.S. military expenditures is much larger than stated in the table because income and tax revenue generated by the multiplier are not included.

Fourthly, the presence of American forces has also provided employment opportunities for many Thais. The employment induced by the American expenditures could be divided into two categories: directly-induced employment and indirectly-induced employment. The directly-induced employment is a job that results from direct hiring on United States military projects, such as the construction and maintenance of bases. The indirectly-induced employment is a job created by the American soldier's expenditures, such as the girls work in massage parlors.

Table 10 shows the number of directly-induced jobs. For the number of directly-induced jobs, about five times the number of those who work in Bangkok are working in the provinces. Roughly, half of them are semi-skilled and unskilled workmen. This group of workers is going to be affected if the withdrawal occurs. They may be unemployed or have to go to the farms. The other group, professionals, subprofessionals and skilled workmen may find other jobs which are not

TABLE 10

DIRECTLY-INDUCED EMPLOYMENT BY U.S. MILITARY EXPENDITURES
SEPTEMBER 1969
(number of employees)

<u>Types of Workers</u>	<u>Amount</u>
Professionals and Sub-professionals.	8,982
Skilled Workmen.	6,476
Semi-skilled Workmen	6,354
Unskilled Workmen.	6,791
Others (unclassified).	<u>5,833</u>
Total	34,436
<u>Places of Work</u>	<u>Amount</u>
Sattahip	7,086
Takhli	2,715
Korat.	6,011
Ubon	2,487
Udon.	4,342
Nakorn Phanom.	<u>3,410</u>
Total	26,051
Bangkok.	5,994
Others	<u>2,391</u>
Total	34,436

Source: National Economic Development Board, Unpublished Report of the National Economic Development Board to the Cabinet in Thai, Bangkok, 1969, p. 3.

the careers they specialized in. Hence, they will be underemployed until the period of adjustment is over. Although it is estimated that only .23 percent of the labor force were directly dependent on U.S. military expenditures for employment in 1969,⁶³ the percentage would be much higher if the employment generated by foreign investment inflow resulting from U.S. expenditures, rest and recreation expenditure, foreign aid and the employment created by the multiplier effect of all these direct expenditures were included. Table 12, which was calculated from Table 11, reveals that U.S. expenditures excluding foreign aid varied between 3 and 5 percent of GNP between 1966 and 1971. Assuming a simple multiplier of 2.4, somewhere between 5 and 12 percent of GNP, depending on the import content of the expenditures, results from U.S. presence in Southeast Asia. Perhaps 1 to 10 percent of the workforce are dependent on U.S. expenditures, therefore, since such a large proportion of the workforce is rural.⁶⁴ A more relevant percentage would be that of the urban workforce since it is the politicized portion of the population. The percentage of the urban workforce dependent on U.S. expenditures would be much higher, by a truly significant amount.

⁶³The estimated total labor force in 1969 was 15.5 million.

⁶⁴It is estimated that 75 percent of the workforce was engaged in agriculture in 1971.

TABLE 11

GNP, FOREIGN INVESTMENT INFLOWS AND U.S. MILITARY EXPENDITURES
(million of bahts)

Year	GNP	FII ^a	R & R	G ^b	RRG ^c
1955	39,310.6	50.0		157.9	157.9
1956	40,875.3	50.0		154.4	154.4
1957	45,195.3	50.0		213.9	213.9
1958	47,021.1	70.0		250.6	250.6
1959	50,309.4	72.0		278.8	278.8
1960	53,884.9	71.7		363.1	363.1
1961	58,876.7	138.6		448.0	448.0
1962	63,694.6	200.0		640.6	640.6
1963	68,038.2	370.7		732.0	732.0
1964	74,588.6	421.5		925.3	925.3
1965	84,291.9	910.3	50.0	1491.5	1541.5
1966	101,366.5	629.0	136.0	3557.2	3693.2
1967	108,462.0	969.3	216.0	4880.1	5096.1
1968	117,046.0	1320.0	405.0	5571.9	5976.9
1969	128,792.0	1165.7	459.0	5287.9	5746.9
1970	136,328.0	996.8	395.0	4839.8	5234.8
1971	144,510.0	1017.8	239.0	4514.2	4753.2

^aForeign investment inflows.

^bU.S. Government expenditures.

^cRest and Recuperation and U.S. Government expenditures.

Source: Bank of Thailand and National Economic Development Board.

TABLE 12

FOREIGN INVESTMENT INFLOWS AND U.S. MILITARY EXPENDITURES
(percentage of GNP)

Year	FII	RRG
1955	.127	.401
1956	.122	.377
1957	.110	.473
1958	.148	.532
1959	.143	.554
1960	.133	.673
1961	.235	.760
1962	.313	1.005
1963	.544	1.075
1964	.565	1.240
1965	1.079	1.828
1966	.620	3.643
1967	.893	4.698
1968	1.127	5.106
1969	.905	4.462
1970	.731	3.839
1971	.704	3.289

Source: Bank of Thailand and National Economic Development Board.

CHAPTER V

THE ECONOMIC IMPACTS

The Hypothesis

The Thai government, its economic agencies and many high-ranking officers, contend that the impacts of American withdrawal from Southeast Asia will be very small and will not retard economic growth and otherwise be harmful to the economic situation of the country as a whole. Three such statements follow:

Thailand's representative to the twenty-fifth annual session of the Economic Commission for Asia and the Far East (ECAFE) in April 1969, maintained that it was patent nonsense to suppose that foreign military expenditures, as a single influence, accounted for any significant part of the recent economic growth or that withdrawal would induce a setback in the performance of Thai economy. Rather, he claimed Thailand's rapid economic progress had been due more to the government's long-term planning and conscientious use of the country's resources than to any transitory stimuli such as the income generated by American presence in Thailand. He concluded that the withdrawal of American forces from Thailand, a country that is among the smallest beneficiaries of the Vietnam War, notwithstanding whether the

withdrawal is rapid or gradual, will cause no dislocation in the Thai economy.⁶⁵

Another statement of this position occurred when the Finance Minister, Serm Vinicchayakul, gave his personal view concerning the announcement by President Nixon of withdrawal of 25,000 American troops from South Vietnam in July 1969; the Thai minister stated that the move would not affect Thailand's economic situation since the lost income from the American troops could be compensated for by the tourist industry. He noted, however, that skilled laborers, especially in the construction industry, would feel the impact of withdrawal, since their jobs are dependent upon construction expenditures by American military units stationed in Thailand.⁶⁶

Even the National Development Minister Pote Sarasin said on August 28, 1969, that withdrawal of American troops from Thailand would not seriously affect the country's economic condition.⁶⁷ Minister Pote is chairman of a committee carrying out an economic study concerning expenditures by American military forces in Thailand. His statement, cited above, was the outcome of the committee's study that was submitted to the Prime Minister on August 21, 1969. More specifically, he reported that United States military construction in Thailand had been stopped for over a year and there were only 20,000 Thai nationals

⁶⁵ Foreign Affairs Bulletin, Vol. VIII, No. 5, April-May 1969, Ministry of Foreign Affairs, Bangkok, Thailand, pp. 406-7.

⁶⁶ Ibid., Vol. VIII, No. 6, June-July 1969, p. 493.

⁶⁷ Ibid., Vol. IX, No. 1, August-September 1969, p. 75.

working with the American troops. Since the United States withdrawal would not take place abruptly, these Thai workers would have enough time to find other jobs. Besides, the American expenditures in Thailand largely go for services; consequently, the economic impact to follow their departure would not be so serious.⁶⁸

I maintain the opposite point of view. United States withdrawal will cause a substantial reduction in economic growth. Indeed, the government overlooked some factors, such as private foreign investment inflow, which are dependent upon American presence in Thailand. These influences which are overlooked play an important role in economic growth.

The foreign investment inflow is caused by two phenomena. Firstly, the American expenditures undoubtedly created a huge additional demand for the customary goods and services of Thailand. However, American expenditures also created demand for goods and services that were never produced or imported at all. Both types of demand stimulated the foreign investment inflow. Some of it may be considered to be directed toward import substitution. Secondly, as American expenditures increased, foreign exchange reserves also increased and plentiful foreign exchange reserves foster a more receptive attitude toward conversion and repatriation of earnings by foreign investors. The absence of restrictions of profit remittance increased

⁶⁸Ibid.

investment,⁶⁹ although this is a lesser influence on the foreign investment than the first one.

This study investigates the relationship between American expenditures and the foreign investment inflow. I hypothesized a positive correlation between the United States expenditures and the foreign investment inflows. Specifically:

$$FII = f(RRG),$$

where FII is foreign investment inflow (dependent variable); and

RRG is rest and recuperation and United States government expenditures (independent variable).

A second hypothesis tested concerns the relationship between American military expenditures and the gross national product. It is expected that the higher the United States expenditures, the higher the gross national product. In other words, I expect a positive correlation between gross national product and American expenditures:

$$GNP = f(RRG),$$

where GNP is gross national product (dependent variable); and

RRG is rest and recuperation and United States government expenditures (independent variable).

Finally, an indirect method of testing the hypotheses is to investigate the relationship between foreign investment inflow and the

⁶⁹United States Embassy, Economic Impact of a Phasedown of United States Military Spending in Thailand, unpublished document, Bangkok, May 1969, p. 3.

gross national product. Again, I expect a positive correlation between the dependent and independent variables. Specifically:

$$\text{GNP} = f(\text{FII}),$$

where GNP is gross national product (dependent variable); and

FII is foreign investment inflow (independent variable).

Method of Testing and Data

Regression of time series has been chosen for testing these hypotheses, and the period selected for the analysis is from 1955 to 1971. The ordinary least square method is employed in order to estimate the regression equation.

Foreign investment inflow data as well as R and R and United States government expenditures were taken from Thailand's balance of payments during that period. The item "Government Not Included Elsewhere" is appropriate for the analysis, since it includes all American military expenditures except R and R. The foreign assistance expenditures are not included in the regression analysis because of lack of MAP expenditures in some years. As discussed previously, MAP expenditures are confidential for security reasons. A second reason why foreign aid is not included in the equation is that the figures of AID are not appropriate for the analysis because they are presented in the form of fiscal years, whereas the other figures in this study are presented for calendar years. The breakdown of this item is shown in Table 13.

TABLE 13

BREAKDOWN OF GOVERNMENT N.I.E.^a
(million of bahts)

	1965	1966	1967	1968	1969	1970	1971
<u>Receipts</u>	<u>1,491.5</u>	<u>3,557.2</u>	<u>4,880.1</u>	<u>5,571.9</u>	<u>5,287.9</u>	<u>4,839.8</u>	<u>4,514.2</u>
Military	922.1	2,589.1	4,109.2	4,917.8	4,629.7	4,192.1	3,788.5
U.S. Military Personnel and Agencies	(864.4)	(2,015.5)	(3,291.0)	(4,494.3)	(4,388.7)	(4,159.4)	(3,754.9)
U.S. Contractor for Military Project	(--)	(565.8)	(813.5)	(383.4)	(78.9)	(4.6)	(11.0)
Non-Military	569.4	968.1	770.9	654.1	658.2	647.7	725.7
<u>Payments</u>	<u>182.7</u>	<u>194.4</u>	<u>261.4</u>	<u>477.7</u>	<u>452.7</u>	<u>395.3</u>	<u>399.0</u>
Military	3.3	6.9	15.1	19.8	21.9	14.9	24.8
Non-Military	179.4	187.5	246.3	457.9	430.8	380.4	374.2
Service under AID Programs	(70.6)	(87.7)	(135.9)	(330.7)	(298.5)	(193.0)	(162.7)
<u>Net Government N.I.E.</u>	<u>+1,308.8</u>	<u>+3,362.8</u>	<u>+4,618.7</u>	<u>+5,094.2</u>	<u>+4,835.2</u>	<u>+4,444.5</u>	<u>+4,115.2</u>

^a Not Included Elsewhere.

Source: Bank of Thailand.

The gross national product data was obtained from the National Economic Development Board of Thailand. All data is given in Table 11.

The results of the regressions are as follows:

Equation 1

$$FII = 100.37 + .19RRG \quad \text{where}$$

$$\text{Standard error} \quad (55.11) \quad (.02)$$

$$t\text{-statistic} \quad (1.82) \quad (10.55); \quad \text{and}$$

$$R^2 = .88$$

$$F\text{-statistic} = 111.32$$

$$F\text{-table, } 1\% = 8.68 \quad .$$

The t-table (two-tail) suggests

$$1\% t = 2.947$$

$$5\% t = 2.131$$

$$10\% t = 1.753 \quad .$$

The Durbin-Watson statistic (d) = 1.73,

where at the 1% level,

$$d_L = .87 \quad 4 - d_L = 3.13$$

$$d_U = 1.10 \quad 4 - d_U = 2.90 \quad .$$

Since d is in the acceptable range, $1.10 < d < 2.90$, there is no auto-correlation.

Equation 2

$$\text{GNP} = 49221.4 + 14.52\text{RRG} \quad \text{where}$$

$$\text{Standard error} \quad (4017.62) \quad (1.30)$$

$$\text{t-statistic} \quad (12.25) \quad (11.20); \quad \text{and}$$

$$R^2 = .89$$

$$\text{F-statistic} = 125.36$$

$$\text{F-table, 1\%} = 8.68 \quad .$$

The t-table (two-tail) suggests

$$1\% \text{ t} = 2.947 \quad .$$

The Durbin-Watson statistic (d) = .53 ,

where at the 1% level,

$$d_L = .87 \quad 4 - d_L = 3.13$$

$$d_U = 1.10 \quad 4 - d_U = 2.90 \quad .$$

Since d is in the rejectable range, $0 < d < .87$, there is autocorrelation.

Equation 3

$$\text{GNP} = 44324 + 71.63\text{FII} \quad \text{where}$$

$$\text{Standard error} \quad (4836.18) \quad (7.19)$$

$$\text{t-statistic} \quad (9.17) \quad (9.96); \quad \text{and}$$

$$R^2 = .87$$

$$\text{F-statistic} = 99.25$$

$$\text{F-table, 1\%} = 8.68 \quad .$$

The t-table (two-tail) suggests

$$1\% t = 2.947 .$$

The Durbin-Watson statistic (d) = 1.37,

where at the 1% level,

$$d_L = .87$$

$$4 - d_L = 3.13$$

$$d_U = 1.10$$

$$4 - d_U = 2.90 .$$

Since d is in the acceptable range, $1.10 < d < 2.90$, there is no auto-correlation.

Conclusion

As expected, there are positive relationships between independent and dependent variables in all three regression equations. The coefficient of determination, obtained from the first equation, is quite high (.88) and, from the F-test, it is significant at the 1 percent level. The estimated coefficients of the regression are significant at 10 percent for the constant and 1 percent for RRG. There is no auto-correlation in this equation. In other words, foreign investment inflow is determined by rest and recuperation expenditures and United States government expenditures.

In the second equation, the coefficient of determination is high and significant at the 1 percent level. The coefficients are also significant at the 1 percent level. However, there is auto-correlation which occurs in this equation. It means that either a variable is missing or error in the data is cumulative and not random as assumed. But there remains some doubts concerning the significance of the relationship.

It has been shown that RRG determines FII and there is autocorrelation which occurs in the relationship between RRG and GNP. However, by using indirect analysis as in Equation 3 above, a better result can be obtained. The third regression equation shows that FII, which is determined by RRG, determines the level of GNP. The coefficient of determination is high and significant at 1 percent. All coefficients are also significant at 1 percent, and there is no autocorrelation. Simple Keynesian economics shows that investment can generate a change in GNP through the mechanism of the multiplier. Thus, the indirect result given in the third equation is supported by very basic economic theory. Therefore, American expenditures in Thailand have a substantial influence on GNP and economic growth of Thailand. If the foreign aid were added as an additional variable in the analysis, it would probably improve the result, since it is quite a large amount of money.

The National Economic Development Board of Thailand (NEDB) calculated the total impact of the American expenditures by first reducing total expenditures in Table 4 by about one-fifth, which is the marginal propensity to import set up by the Bank of Thailand. In this manner the leakages were eliminated. The rest of the expenditures were spent in Thailand, they assumed. The Board then multiplied the remainder by 2.4, which is the average multiplier. The result is the change in income resulting from American expenditures.

The estimation is only approximate, however, because there is no way of tracing the transactions after the American soldier spends his money; what the massage girls did with the soldier's money. It is possible that the United States expenditures have different multipliers, according to the type of expenditures and geographic areas in which the money was spent. That is, the money spent in Bangkok will have higher import content and higher multiplier than the money spent elsewhere. Consumption expenditures by military personnel that are spent mostly in the basetowns, probably have lower multipliers than the construction expenditures, which tend to go more to the expansion of the use of Thai resources and investment expenditures. Therefore, setting an average multiplier of 2.4 and the marginal propensity to import of one-fifth seems at best questionable. Empirical studies have not been done to establish the multipliers. The most serious omission is the influence on foreign investment, however, on income.

Some estimations conclude that American expenditures accounted for two-thirds of the increase in GDP between 1964 and 1967.⁷⁰ Others conclude that the United States expenditures account for one-half of the increase in GNP in 1967,⁷¹ and more than one-half of the increase in the GNP during 1966-68.⁷² Currently in 1970-71, the American

⁷⁰ Hermann Hatzfeldt, op. cit., p. 10.

⁷¹ National Economic Development Board, Economic Impact of the Vietnamese Conflict on the Thai Economy, unpublished document, Bangkok, May 1968, p. 2.

⁷² Bank of Thailand, The Impact of U.S. Military Expenditures on Thailand's Balance of Payments, unpublished document, Bangkok, June 1969, p. 1.

expenditures contributed additional income to the local economy of about 5 percent of total GNP.⁷³

In my opinion, the significance of the American expenditures in the Thai economy is unquestionable. The real impacts, however, are not accurately determined in the above sources. The method used in those studies in which an average multiplier of 2.4 is employed, is not appropriate for individual sectors of the economy.

The result obtained from the aggression analysis does not mean that one should deny the relevance of the Thai development program which also contributed to economic growth. However, since American expenditures were at a peak 5 percent of GNP in 1968 and were not lower than 3.2 percent from 1966 to 1971, the significance of the American expenditures on economic growth cannot be denied. (See Table 12)

⁷³Bank of Thailand, U.S. Military Expenditures in Thailand, unpublished document, Bangkok, January 1971, p. 3.

CONCLUSION

Although it has been shown by statistically significant regression that United States expenditures are related to economic growth, the study has some weaknesses. The first weakness is the existence of auto-correlation in the second equation. Nevertheless, an indirect approach substantiated the thesis without auto-correlation. A second weakness is the lack of empirical research and data concerning this topic in Thailand. For example, an average multiplier set at 2.4 is not very accurate for determining the effects of United States expenditures on individual sectors of the economy. Furthermore, it would be interesting if one could include the amount of American foreign assistance during that period as an additional variable in the regression. The effects of American expenditures on each sector and the inclusion of foreign aid are suggested for further research. Moreover, it is likely that, as a result of the American withdrawal, the Thai government would be forced to assume the burden of military expenditures for maintenance on the abandoned bases, logistic support for troops, and similar items on her own. This additional expenditure from the Thai budget would be obtained by transferring funds from the other development programs and would retard the economic growth.

During the past thirteen years, the war in Vietnam gave economic impetus to many countries in Southeast Asia. The effect was particularly strong after 1965 when American military expenditures in Southeast Asia and the Far East rose rapidly, creating economic benefits to those countries. On the other hand, when the war ends, if the United States withdraws most or all of her troops from the area, there will be an unfavorable effect on the economies of Southeast Asia unless substituted by non-war expenditures. The economic impact resulting from withdrawal may vary in degree and form, depending on the types and amounts of the American expenditures in that particular economic system, but there is little doubt that the effect of withdrawal will be substantial.

This study shows that if the United States withdraws from Southeast Asia and Thailand, there will be a significant reduction in the rate of economic growth in that country. It is a serious matter, therefore, when important Thai government officials minimize the role of American expenditures in the recent growth of the Thai economy. Not just a few politicians endeavoring to allay the fears of the populace or to encourage good Thai-United States relations, even the serious studies have overlooked the influence on gross national product of foreign investment that is determined by American expenditures. Without recognition of the influence of American expenditures on each sector of the economy as well as economic growth, the nation cannot prepare itself for withdrawal. Not only will the fall

in consumption and foreign investment affect national income, but as expenditures decrease during withdrawal, there will be a decline in foreign exchange reserves which will decrease the rate of growth of the money supply in the domestic economy. This reduction in the rate of growth of the money supply will force the government to reverse the current monetary policy carefully if inflation and depression are to be avoided.

APPENDIX A

THE RUSK-THANAT MEMORANDUM⁷⁴

The Foreign Minister of Thailand, Thanat Khoman, and the Secretary of State Dean Rusk met on several occasions during the past few days for discussions on the current situation in South-east Asia, the Southeast Asia Collective Defense Treaty and the security of Thailand.

The Secretary of State reaffirmed that the United States regards the preservation of the independence and integrity of Thailand as vital to the national interest of the United States and to world peace. He expressed the firm intention of the United States to aid Thailand, its ally and historic friend, in resisting Communist aggression and subversion.

The Foreign Minister and the Secretary of State reviewed the close association of Thailand and the United States in the Southeast Asia Collective Defense Treaty and agreed that such association is an effective deterrent to direct Communist aggression against Thailand. They agreed that the Treaty provides the basis for the signatories collectively to assist Thailand in case of Communist armed attack against the country. The Secretary of State assured the Foreign Minister that in the event of such aggression, the United States intends to give full effect to its obligations under the Treaty to act to meet the common danger in accordance with its constitutional processes. The Secretary of State reaffirmed that this obligation of the United States does not depend upon the prior agreement of all other parties to the Treaty, since this Treaty obligation is individual as well as collective.

In reviewing measures to meet indirect aggression, the Secretary of State stated that the United States regards its commitments to Thailand under the Southeast Asia Collective Defense Treaty and under its bilateral economic and military assistance agreements with Thailand as providing an important basis for United States actions to help Thailand meet indirect aggression. In this connection the Secretary reviewed with the Foreign Minister the actions being taken by the United States to assist the Republic of Vietnam to meet the threat of indirect aggression.

The Foreign Minister assured the Secretary of State of the determination of the Government of Thailand to meet the threat of indirect aggression by pursuing vigorously measures for the economic and social welfare and the safety of its people.

⁷⁴ Department of State for the Press, March 6, 1962, No. 145. Text of a joint statement by Foreign Minister Thanat Khoman of Thailand and Secretary of State Dean Rusk.

The situation in Laos was reviewed in detail and full agreement was reached on the necessity for the stability of Southeast Asia, of achieving a free, independent and truly neutral Laos.

The Foreign Minister and the Secretary of State reviewed the mutual efforts of their governments to increase the capabilities and readiness of the Thai armed forces to defend the Kingdom. They noted also that the United States is making a significant contribution to this effort and that the United States intends to accelerate future deliveries to the greatest extent possible. The Secretary and the Foreign Minister also took note of the work of the Joint Thai-United States Committee which has been established in Bangkok to assure effective cooperation in social, economic and military measures to increase Thailand's national capabilities. They agreed that this Joint Committee and its sub-committees should continue to work toward the most effective utilization of Thailand's resources and those provided by the United States to promote Thailand's development and security.

The Foreign Minister and the Secretary were in full agreement that continued economic and social progress is essential to the stability of Thailand. They reviewed Thailand's impressive economic and social progress and the Thai Government's plans to accelerate development, particularly Thailand's continuing determination fully to utilize its own resources in moving toward its development goals.

The Foreign Minister and the Secretary of State also discussed the desirability of an early conclusion of a treaty of friendship, commerce and navigation between the two countries which would bring into accord with current conditions the existing treaty of 1937.

APPENDIX B

JOINT STATEMENT BETWEEN THAILAND AND THE UNITED STATES⁷⁵

The Royal Thai Government and the United States Government today announced the opening of talks to arrange for a gradual reduction of level of United States forces in Thailand consistent with assessment of both governments of the security situation.

The talks will be held in the first instance between the Foreign Minister of Thailand, H. E. Thanat Khoman, and the United States Ambassador to Thailand, Leonard Unger, in Bangkok, beginning on or about September 1st. More detailed conversations in which Thai and United States representatives will participate will follow to plan for any reductions it is considered desirable to make over a period of time assuming there is no significant alteration in the security situation in Southeast Asia.

⁷⁵ Information Department, Ministry of Foreign Affairs,
August 26, 1969.

APPENDIX C

JOINT ANNOUNCEMENT⁷⁶

The President of the United States and the Prime Minister of Thailand announced today that the United States Government and the Royal Thai Government have completed bilateral talks to arrange for an orderly reduction of United States forces in Thailand, which are here in connection with the Vietnam War.

The two Governments have agreed that approximately 6,000 United States military personnel, from both the Air Force and the Army are to be withdrawn from Thailand. They will be withdrawn as expeditiously as possible consistent with operational requirements related to the Vietnam conflict. Redeployment action will begin within a few weeks and it is planned that all the forces involved will have departed by July 1, 1970.

The two Governments will continue to evaluate the level of United States armed forces in Thailand in the light of their assessment of developments in the Vietnam conflict.

⁷⁶ Department of Information, Ministry of Foreign Affairs, Bangkok, September 30, 1969.

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