

A TALK INTRODUCING A PAPER ON
"ECONOMIC POLICY AND CUSTOMS
ADMINISTRATION"

PRESENTED BY THE BANK OF THAILAND

AT

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It gives me great pleasure today to be able to deliver before so many distinguished customs officers a little talk, followed I hope, by a little discussion. Normally when I stand before customs officers I shake with fear lest my answers regarding personal effects and prohibited or dutiable articles should turn out to be selfaccusing. Today, with great respect, I shall refuse to answer any questions that you might put to me

regarding my personal effects, and shall take advantage of a lecturer's licence to insist instead on talking about economic policy.

Why should you, as customs administrators, want to hear anything about national economic policy? The answer is that customs administration, indeed, has much to do with economic or financial policy. It helps carry out those measures that the Government takes in order to implement its economic policy. Do governments necessarily have an economic policy? The answer is, yes. If they have not got one, they are not worthy of the name. The trouble is sometimes, even quite often, they have so many policies that they conflict with one another. Nevertheless customs administrators would want also to know what these policies are, and to be able to recognise when they conflict.

When a government raises customs tariff all round, presumably that government wants more revenue, or perhaps it wants to make general imports dearer or both. When import duties on only a few items are raised, it is more difficult to guess what the government wants: are they for more revenue, for promotion of industry, for protection, or for avoidance of competition-especially in favour of some one influential in the Government? When some raw materials are subject to lower import duties, perhaps the Government wants to help an industry to reduce its cost. When the import of some articles is subject to prohibition or restriction of any kind, you can perhaps be sure that it is for the protection of a manufacturer, unless it were, in the case of opium, for the sake of morality-or for the benefit of influential smugglers. If customs officials are told to search more severely for

currency, for gold, for certificate of payments for export, for import licence certificate, etc., then, perhaps, you know that your government is in financial difficulty and has to impose stricter exchange control.

All this goes to show that a customs officer has the right and indeed the duty to know what measures the government wants to take and what economic policy it has in mind; that is why I think I ought to take this opportunity of talking to you about economic policy.

Let me start again from the beginning.

Fundamentally, I think a modern sensible government ought to have for the formulation of its economic policy the following objectives :

- (a) Development, that is, increase in the income and wealth of the nation,

- (b) Stability, that is, a steady growth rather than fluctuations in the development of the national economy-no excessive booms and slumps,
- (c) Social equity, that is, a fairly even distribution of wealth and income among the people-no multimillionaire, if possible, and no starving little men and women.

We in this room may, I think, disagree with one another regarding the details and priority of the three objectives that I enumerated above, depending whether you are a laissez-faire partisan or a collectivist; or if you are an economist, whether you are a Keynesian or classical economist, or if you are more politically conscious, depending on which K your sympathy lies in, Khrushchev or Kennedy. But I hope that we are all agreed that these three objectives of economic policy,

no matter where the emphasis each one of us may put, are in the mind of every government.

The objective of development can be achieved through many ways. The obvious one is, for governments like those of our respective countries in Asia, to raise enough revenue to enable them to spend on national investments, such as dams, roads, electric power, school, national health, etc. Part I of the paper circulated for this lecture deals with various aspects of this revenue problem and is entitled, “Tariff for Revenue”

Let me add here how important a role an efficient customs administration plays on this subject. If, where and when smuggling prevails, or if the monies that should be paid into the Government coffers as customs duties, went into private pockets instead (including, and I hope you will not mind my saying so, the

pockets of some customs officers) then you have leakages; and, as a consequence, the growth in the national wealth and income will be retarded; the common good is ignored in favour of the selfish interest. Most of the governments in Asia depend on customs revenue to a large extent: hence, the importance of Part I of the lecture. And I am glad that this seminar aims at enhancing the efficiency of our various customs administration.

Many governments think that in order to grow well, the nation must be industrialized and industrial investment needs to be promoted; local manufacture, and agriculture in some cases, need to be protected. Hence, you will have noticed that in many instances, the import duties for raw materials are reduced, whilst those for finished products raised, and some machineries are even exempted from import duties. This subject is

dealt with in Parts II and III of this lecture entitled "Tariff for Promotion" and "Tariff for Protection", both in the text circulated. And since I think a more detailed presentation should be made in a particular case, and since I know no other case better than Thailand's, I also submit Thailand's case for particular study in Part IV.

Those of us who have studied, and/or lived through, the prewar years, know what prewar booms and slumps were like. Even after the Second World War, business cycle, or fluctuations of national incomes, have not been entirely eliminated. Those of us who come from countries which depend on the fate of only a few export commodities know too well the precariousness of our economy; a fall in rubber prices, for instance, affects the pocket of several million worker, and capitalists too. In Thailand, we keep an eye on the

output and price of rice because everything depends on them. When a country's economy is in difficulty, its trade balance usually goes wrong, and it usually has to pay out more dollars or sterling to other countries than it can usually receive. Reserves dwindle. Hence, reasons for trade restrictions and exchange control. This matter is set out in brief in Part V entitled. "Exchange Control" also in the text circulated. The objective of these measures comes under the heading "Stability" in the national economic policy.

The third general objective, "Social Equity", does not much concern customs administration. The most effective weapon in achieving more equality of income is in the administration of income tax. However, customs has some part to play. All of us know that it is just and fair that motor cars be subject to higher rates of import duties than, say, bicycles. And the

chap who can afford to buy a big car ought to pay proportionately more than the chap who buys a smaller car. Moreover, a country which depends too much on customs as revenue is really, in the last analysis, working against social equity; because taxes on commodities, especially on essential consumer goods, like matches, kerosene, are really regressive-i.e. they are more expensive for the poor than for the rich. If our wives have to pay the same price for their lipstick as Elizabeth Taylor, then we are entitled to cry out that it's unfair.

My last point in this brief introduction is not of the least importance. In fact it is of importance for economic policy. It concerns statistics. Those people who have responsibility of formulating economic policy depend considerably on statistics of foreign trade. If statistics are wrong, or take an unduly long time to

be made available, then policy-making is without adequate guidance. Again smuggling, if it prevails, can do much harm to statistics and, hence, policy formulation. For these reasons, I must disagree with the traditional treatment of the Statistical Division in a Customs Department as an ancillary part in customs administration. For those statisticians who toil for accurate and promptly available figures, special medals ought to be struck and I, for one, owe them great debts of gratitude.