

FINANCE AND COMMERCE AN ADDRESS

AT

THE GENERAL MEETING OF THE AMERICAN
CHAMBER OF COMMERCE IN THAILAND

15th October 1963

It gives me great pleasure to have the opportunity of addressing this Meeting of the American Chamber of Commerce. I must, at the very beginning, admit that I can in no way claim expertise in commerce. I am, among other things, a mere financial man. Finance, we have heard it said, is a handmaiden of commerce. Perhaps this is the reason why I am called upon today, first to enjoy this excellent meal and hospitality, which I have enjoyed very much and for which I am grateful, and now to give a little talk, which I hope will not prove too boring to this assembly.

I propose to raise a few questions relating to finance and commerce. Maybe the value of the local currency, the Baht, can be an interesting subject. Relation to that, is the prospect of the balance of trade and payments of Thailand. And since nowadays one can never be fashionable without speaking about "Development", I propose to end my talk with a few words on "Development"

First of all, let me reveal an official secret which, because it is an official secret, few members of this Chamber can fail to have heard about or read about in the newspapers. It is the subject of the Par Value of the Baht. In a few days' time, there will be an official announcement that His Majesty's Government has decided that the par value of the Baht will correspond to such and such a fraction of an ounce of gold. Translated into Mr. Moore's language: one U.S.

dollar will be the equivalent of so many Baht so many Stang. The related questions will be why, how, and so what ?

Why Par-Value ? According to one of the principal Articles of the Agreement of the International Monetary Fund, each member of the IMF will duly fix the par value of its currency in terms of gold, and hence in terms of the U.S. dollar. The purpose is to maintain the stability of exchange rates between various currencies; and if any change is desirable in any particular case, the change can be brought about in an orderly manner, thus avoiding the chaotic conditions of competitive depreciations of currency as during the 1930's. Thailand has been a member of the IMF for more than fourteen years now, and we have succeeded so far in avoiding the issue of fixing our par value. (Having been in Thailand, you will understand how

capable we all are of avoiding important issues). Many puzzled IMF officials and directors could not understand why we had refused year after year to commit ourselves in this matter, particularly, they pointed out, as we have been most successful in keeping our exchange rates stable, and as our gold and foreign exchange reserves have been quite adequate. By way of an answer, we usually told them a story-about a bachelor man who lives with a woman and has several bonnie children by her. The woman's father plagues our hero with suggestions that he should take her to the registrar and register their marriage. The young man always says: "Look, Sir, have I not been a good mate to your daughter ? Have I not cherished her and enjoyed life day and night with her in a manner expected of a husband ? Have I not been ever faithful to her and avoided casting even a glance on another man ? And

best of all, has she not, with my cooperation, produced such bonnie babies?" Now that story goes a little further. At the end of the 14th year of natural co-existence, the woman has caught our man in a good mood. She says to him "Let us go to the registry office." Says he, "Why not?"

The next question is how do we propose to fix the rate for the par value? My philosophy is to try to follow reality, so that reality will follow me.

Now the question "so what?" When a par value is fixed for a currency, it does not, of course, mean that all transactions have to be exactly at that rate. A reasonable degree of flexibility is compatible with the principle of stability. We shall be allowed to let the exchange rates in the free market move within one per cent above and below the par value. Considering that in our past records we have been able to keep the

rate movements within much narrower limits, I do not think this question should worry us. In other words even without their marriage certificate, the hero and heroine had been able to produce many healthy children; there is no reason why they should not now go on to beat their own record.

The fixing of the par value for the Baht should also provide an additional de-jure guarantee to traders and foreign investors of the determination of the Thai Authorities to keep the value of our currency stable, for the benefit of trade and investment.

I now turn to the prospects of our trade and international payments. We all know that the Government is engaging in planning for considerable capital investments in the next three years. How they are going to finance this development plan is the headache of the Minister of Finance, and in the last analysis,

of the taxpayers. The particular burden of the Central Bank is to try to maintain stability in the monetary field, under the heavy impact of budgetary expenditure. I personally foresee a considerable bill to be paid for the imports of capital goods into Thailand. I also expect that imports of consumer goods will be increased, partly because of the expected budgetary deficits and a general rise in income as a result of the boost-up in spending. We should try to step up exports, and for that purpose, endeavour to reduce the costs of our export goods. I personally would be against any measures restricting imports generally. In other words, the remedy for this particular problem is not to restrict trade, but to make efforts to expand it. In any event, we should be prepared for some deficits in the Balance of Trade and also in the Balance of Payments. In this we need not emulate our American friends. You

Americans, sir, have been losing mountains of gold every year, and your Himalaya is still almost intact. We have luckily managed to keep some reserves for the rainy days; and we should not be afraid of facing our particular brand of the monsoon, *Provided we know that good gold is not wasted on bad deals.*

Still in this trend of thought, let me, finally, turn to the subject of "Development". I need not elaborate on the theme that Thailand needs to develop her economy, to raise her per capita income to a level much above the present one of approximately 100 U.S. dollar equivalent. For this purpose, we need assistance from international bodies, such as the World Bank, and from friendly governments, such as the U.S., the British Commonwealth, Germany, Japan etc. In other words, we need long term credits for our economic and social development. Development and credit are two words very near to our heart.

If it is permitted to speak frankly in this assembly of prominent traders, there are good traders and there are bad traders. Bad traders can always cater to your taste. If they know what is nearest to your heart, they will attempt to tell you that their ware is exactly your heart's desire. No matter what the truth is. When, as a young man of 18, I started my first job, I needed a suit of clothes. I found that the tailor had made my trousers too tight. "Mai pen rai," said the tailor, "the cloth will stretch after wear." The jacket of the same suit with the same cloth, I found too loose. "Mai pen rai," said he, "it will shrink after the first wash."

Some traders, with no other objective in mind than to sell their goods, will make offers-and in some (dubious) ways attractive offers-in the name of development and credit. On scrutiny, those offers turn out

to be no credit, and indeed they turn out to be anti-development. Often, those offers contain very little credit because they are short-term credits, covering two or three years after the delivery of goods and services and they also are too costly-and if accepted, they will certainly retard development, instead of promoting it. There ought to be an international convention controlling the use of suppliers' credit. Can this be done ? Can this Chamber do anything to prevent these so-called development-credit-suppliers from tempting and ensnaring ?