

**The Philosophy of Sufficiency Economy in Thailand:  
An Innovative Approach for Development Poor Countries**

หลักปรัชญาของเศรษฐกิจพอเพียงในประเทศไทย : แนวทางใหม่สำหรับการพัฒนาประเทศยากจน

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**Abstract**

The Philosophy of Sufficiency Economy (PSE) is an alternative approach focusing on the balance between economic development and the degradation of local contexts, such as physical, social, and cultural environments. The philosophy is based on the principle of moderation, rationality, and self-immunity along with the conditions for morality and knowledge. This philosophy is an alternative approach against the classical development theory, it focusing on economic growth and industrialization and famous in the less developed countries. Even though the record showed the high growth rate of income and the wider industrialization, these countries still suffered from high unemployment, high income inequality, excessive debt, high inflation, and economic instability and had brought negative impacts on the local surroundings in these countries, such as degradation of physical, social and cultural environments. The existence of these negative impacts unavoidably influenced the sustainability of future development. During 1992-1995 ( 2535-2538 BE.) Thailand was the biggest economic growth in Asian countries, so many factories and industrial zones have been built up, but In 1997 (2540 BE.) Thailand faced the great economic crisis. An innovative approach which could be employed to balance between economic growth and degradation of local environments has been initiated by King Bhumibol Adulyadej (King Rama 9) of Thailand in order to make balance between economic and environmental dimensions of the country, namely Sufficiency Economic Philosophy. According to the King, the most important thing for the country is not to be a big tiger, but to have enough to support ourselves. This paper would examine carefully about the implementation of sufficiency economy philosophy in Thailand as an alternative approach for development in South East Asia.

**Keyword:** Sufficiency Economy, Innovation Development , Development Countries

บทคัดย่อ

ปรัชญาของเศรษฐกิจพอเพียงเป็นทางเลือกใหม่ที่สำคัญกับการสร้างสมดุลระหว่างการพัฒนาด้านเศรษฐกิจและการเสื่อมสลายทางด้านสภาพแวดล้อม สังคม และ วัฒนธรรม เศรษฐกิจพอเพียงยึดหลักการที่สำคัญ คือ ความพอประมาณ ความมีเหตุผล และการมีภูมิคุ้มกันที่ดี ควบคู่กับเงื่อนไขของการมีคุณธรรมและความรู้ หลักปรัชญาที่ถือได้ว่าเป็นทางเลือกที่สำคัญทางเลือกหนึ่งในท่ามกลางกระแสแนวคิดและทฤษฎีการพัฒนาแบบดั้งเดิมมุ่งเน้นแนวทางการพัฒนาใน

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การสร้างการเจริญเติบโตทางเศรษฐกิจและการพัฒนาอุตสาหกรรมและได้รับความสนใจจากประเทศด้อยพัฒนาต่างๆ จำนวนมาก อย่างไรก็ตามแม้ว่าประเทศต่างๆ เหล่านี้ จะมีอัตราการเพิ่มขึ้นของรายได้และการขยายตัวของอุตสาหกรรมมากขึ้น แต่ก็ยังคงประสบกับปัญหาการว่างงาน ความเหลื่อมล้ำด้านรายได้ ปัญหาหนี้สิน ปัญหาเงินเฟ้อที่เพิ่มสูงมากขึ้น และปัญหาการขาดเสถียรภาพทางเศรษฐกิจ และยิ่งกว่านั้นการพัฒนาในช่วงที่ผ่านมาที่เน้นแต่การขยายตัวทางเศรษฐกิจได้ส่งผลกระทบต่อสภาพแวดล้อมและการเสื่อมสลายทางด้านสังคมและวัฒนธรรมให้แก่ประเทศและการพัฒนาดังกล่าวได้ส่งผลกระทบต่อการพัฒนาที่ยั่งยืนในอนาคต สำหรับประเทศไทยเองในช่วงปี พ.ศ.2535-2538 เป็นประเทศที่มีความเติบโตทางเศรษฐกิจสูงสุดในกลุ่มประเทศอาเซียน มีการขยายตัวโรงงานและเขตอุตสาหกรรมต่างๆ เกิดขึ้นมากมาย แต่ในปี พ.ศ. 2540 ประเทศไทยประสบปัญหาวิกฤติเศรษฐกิจอย่างรุนแรง การพัฒนาแนวทางใหม่ที่สามารถสร้างความสมดุลระหว่างการเจริญเติบโตทางเศรษฐกิจและการเสื่อมสลายของสภาพแวดล้อม เกิดขึ้นจากพระราชดำริของพระบาทสมเด็จพระเจ้าอยู่หัวภูมิพลอดุลยเดชของไทย เพื่อสร้างความสมดุลระหว่างมิติทางด้านเศรษฐกิจและมิติทางด้านสภาพแวดล้อมของประเทศซึ่งเรียกว่าปรัชญาของเศรษฐกิจพอเพียง พระองค์ท่านได้ตรัสถึงสาระสำคัญยิ่งประการหนึ่งคือ “การจะเป็นเสือไม่สำคัญ สำคัญอยู่ที่เราพออยู่ พอกิน” บทความนี้เป็นการสำรวมการดำเนินการตามหลักปรัชญาของเศรษฐกิจพอเพียงในประเทศไทยในฐานะที่เป็นทางเลือกในการพัฒนาของประเทศในเอเชียตะวันออกเฉียงใต้

คำสำคัญ เศรษฐกิจพอเพียง , แนวทางใหม่ในการพัฒนา , การพัฒนาประเทศ

## A. INTRODUCTION

Development is a process toward prosperity and should always be done. It is also one manifestation of the willingness and the ability of any state to be more developed and to the more advanced. Development is essentially a dynamic process to get to the stage of a better life. Also, development characteristic is a multi-dimensional nature and multi-disciplinary. For that, the construction of development is carried out in various areas of economy, society, culture, politics, defense and security, and so forth.

According to Tjokkroamijojo and Mustopadidjaya (1982:1), development concept is not a static concept, but is continuously changing. This means that the development is an orientation and business activities without end. The definition of development must be viewed dynamically, and not be seen as a static concept. The development should follow the times and focus on improving the quality and level of community life, so that the current situation is better than a previous state. Development should be able to overcome the problems of poverty. It should not make the problem of poverty become more severe.

Development concept basically aims to improve the welfare of people at large. According to several economic development literatures, the development is often defined as a continuous process of increasing in real income per capita and the productivity of resources. From this view, the concepts of development is closely linked to economic growth. Becker (1964) argues that investment in human resources through education and training and improving health status have a major impact on improving productivity. Economic development is aimed to improve the living conditions and welfare of the community. It is hoped to be able to achieve welfare better than before. One development in the economic field is carried out through the development in the field of agriculture.

Development approaches always transform and change along with the progress of human life's trends. The conditions of human life that lead to the fulfillment of basic necessities also influence it. In the colonial era, occupied regions are functioned primarily to supply imperial powers with raw materials and cheap labor. For the rich countries, the major goals of economic growth was the "progress" and "modernization." There was relatively little concern for issues of equity and social justice, even policy was not driven by the needs of the majority of people (Harris, 2000:1). By the end of the Second World War, perceptions and policy had changed drastically. Economic development with its social and institutional concerns came to occupy an essential place in theory and policy.

In the last half of the twentieth century, four key themes emerged from the collective concerns and aspirations of the world's peoples: peace, freedom, development, and environment (Kates, 2005: 2). Peace and freedom were sought early in the post Second World War in the struggle to end imperialism and to extend human rights. The success of many former colonies in attaining national independence was followed by a focus on economic development to provide basic necessities for the poor and higher standards of living for the wealthy.

According to the overview of economic development in 1960, all successful developing countries would pass through a series of stages, from traditional society through economic "take-off" to maturity and high massconsumption. The clear goal of economic development policy was to raise living standards throughout the world, providing steadily more goods and services to an expanding population. The international institutional structures were set up after the second world war, including the International Monetary Fund, the World Bank, and the United Nations, were specifically designed with this goal in mind (Harris, 2000:3).

In the late 1970s, the focus of development was on basic needs that involve education, nutrition, health, sanitation, and employment for the poor. This perspective inspired the creation of the United Nations Development Programme's Human Development Index, which used health and education measures together with Gross Domestic Product (GDP) to calculate an overall index of development success. Globally, most countries had made significant advances both in GDP and in Human Development Index measures. But overall, the record of development on a world scale was open to two major criticisms from ecologist with the major aim to protect and maintenance of ecosystem resilience and natural conservation. First, the benefits of development were distributed unevenly with income inequalities remaining persistent and sometimes increasing over time and, secondly, there were major negative impacts of development on the environment and on existing social structures (Haris, 2000:3). These critics led to the emergence of a new concept accepted by the most people in the world, called sustainable development. This concept of development protects the environment and advances social justice.

The influence of the theory's progress forces most of the countries in the world, including South East Asian countries, to more emphasize on the economic growth. But the record showed that even with high growth rate of income and industrialization, countries still suffered from high unemployment, high income inequality, excessive debt, high inflation, and economic instability. In addition, the most important thing and directly related to sustainability of development is that

development emphasizing on economic growth bring the negative impact toward local environment changes of the countries such as degradation of physical environment, social degradation, and cultural degradation. The existence of those negative impacts will influence the sustainability of future development. Therefore, an innovative approach which can balance between economic dimension and local environment is needed. Recently in Thailand, so many projects have been implemented, so many factories have been built, that is thought Thailand would become a little tiger, and then a big tiger. But, being the tiger is not an important thing. But, it gives negative impact to the local environment of Thailand. Therefore, King Bhumibol Adulyadej decides an appropriate approach for Thailand to make balance between economic dimensions and local environment dimensions, namely Sufficiency Economic Philosophy. According to the King Bhumibol Adulyadej the important thing is not to be a tiger, but to have sufficiency economy which means to have enough to support ourselves. In this research, the implementation of sufficiency economy philosophy in Thailand will be examined and analyzed carefully as an alternative approach for development in South East Asia.

## **B. SUFFICIENCY ECONOMY PHILOSOPHY CONCEPT**

### ***a. The History of Sufficiency Economics Idea***

The economic crisis of 1997 affected everyone in Thailand. His Majesty the King advised the Thai people to change their economic philosophy in order to cope with existing economic adversity and to withstand future economic insecurity. His Majesty's words have become known as the Philosophy of Sufficiency Economy and have been used as the guiding principle in the 9<sup>th</sup> National Economic and Social Development Plan and onwards.

His Majesty said: "The development of a country must be by steps. It must start with basic sufficiency in food and adequate living, using techniques and instruments which are economical but technically sound. When this foundation is secured, then higher economic status and progress can be established." (See Apichai Puntasen, "The King's Sufficiency Economy and Its Interpretation by Economists," prepared for the 1999 Year-End Conference of the Thailand Development Research Institute (TDRI), Pattaya, 18-19 December 1999.)

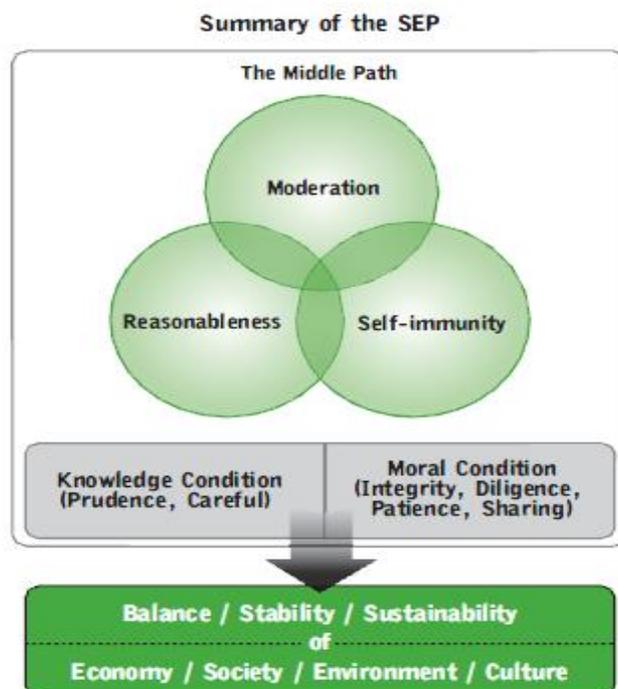
Some people have attempted to link this economic philosophy with the so-called "Gandhian Economy." Along the lines proposed by Mahatma Gandhi, this is an economy based on family-level or village-level small-scale enterprises and traditional methods. Perhaps the basic idea of Gandhian simplicity – a life less encumbered by modern needs and modern technology – could make people happier. But in the very open world of today, self-sufficiency a la Gandhi is too extreme.

### ***b. The Concept of Sufficiency Economy***

Sufficiency Economy, later called The Philosophy of Sufficiency Economy (PSE), is a philosophy bestowed by His Majesty the King Bhumibol Adulyadej to his subject that guides the livelihood and behavior of people at all levels, from the family to the community to the country, on matters concerning national development and administration. Sufficiency economies consist of four statements:

1. Sufficiency Economy is an approach to life and conduct which is applicable at every level from the individual through the family and community to the management and development of the nation. It means that the PSE can be applied at all levels including individual, family, community, and even national levels.
2. It stresses a middle path, especially in developing the economy to keep up with the world in the era of globalization.
3. Sufficiency has three components: moderation; reasonableness; and the need for built-in resilience against the risks which arise from internal or external change. In addition, the application of theories in planning and implementation requires great care and good judgment at every step.
4. At the same time, all members of the nation – especially public officials, academics, and business people – need to develop their commitment to the importance of knowledge, integrity, and honesty, and to conduct their lives with perseverance, tolerance, wisdom, and insight, so that the country has the strength and balance to respond to the rapid and widespread changes in economy, society, environment, and culture in the world. It shows that the PSE emphasis on two conditions, namely: based on the application of appropriate knowledge and enhanced by genuine values.

This PSE concept can be expressed graphically, featuring the three interlocking core elements (*moderation*, *reasonableness*, and *self-immunity*) with the two conditions (*appropriate knowledge* and *ethics & virtues*).



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In the Philosophy of Sufficiency Economy (PSE), there are six main features as explained below:

1. Moderation within reason.  
PSE urges that people should to be moderate. *Moderation* in the sense of not too much or not too little is an Eastern concept. Living with limited means -- individually, locally and globally -- one should consider exercising moderation in order to protect longer-term interests. His Majesty stated that “*Being moderate does not mean being too strictly frugal; consumption of luxurious items is permissible .... but should be moderate according to one’s means*”.
2. Emphasis on self-immunity and self-management  
PSE recognizes that the circumstances that influence our lives are dynamic, so it advocates hedging against uncertainties so as to have good risk management.
3. Emphasis on pursuit of knowledge.  
Knowledge is a necessary condition for PSE to work. Within the framework of PSE, knowledge implies insight or wisdom. It encompasses both tacit and explicit knowledge, including experience as well as appropriate analytical ability. This knowledge can be used to adapt with the effect of the diffuse influences associated with the globalization.
4. Emphasis on ethics and moral considerations as well as the spiritual dimension.  
The emphasis of PSE on ethics and moral considerations reflects the uniqueness and foresight of this concept. PSE views an ethical foundation as vital to economic system if the latter is to be sustainable. Such a foundation must be rooted in the values held by a majority of people and as a result will foster human development in a way that is successful and sustainable.
5. Emphasis on foundation building.  
The building of foundation is quite important in the development. The development has to be conducted in the stages. According to the PSE the first stages, there must be a foundation with the majority of people having enough to live on by using methods and equipment which are economical but technically correct as well. When such a secure foundation is adequately ready, then it can be gradually expanded and developed to raise prosperity and economic standards to a higher level by stages.
6. Sufficiency economy is a philosophy which can be used as a guiding principle.  
Sufficiency Economy is neither a theory nor a policy, but a philosophy that can help guide the behavior of individuals, households, organizations or government.

### **C. THE DIFFERENCES BETWEEN SUFFICIENCY ECONOMY IN THAILAND AND FAST TRACK ECONOMY**

There are differences between Sufficiency Economy Philosophy (PSE) and Fast Track Economy. According to PSE development is conducted based on three components, namely *moderation*, *reasonableness*, and *self-immunity* with the consideration of knowledge and

moral (ethic and virtue) condition. Therefore, PSE will be conducted with consideration to attitude, behavior, culture, and way of life both the micro and macro levels. In another hand, Fast Track Economy is based on the profit with individual nature. The successes of development of the country can be seen from the increasing income of the society. It is more physically. And I would like to describe the differences of the two approach can be seen in the several field including economy, social, culture, etc. For more explanation can be seen below:

### Differences between Sufficiency Economy and Fast Track Economy

Aspect	Fast Track Economy	Sufficiency Economy in Thailand
<b>Sources and Mind Set</b>	<ol style="list-style-type: none"> <li>1. Western Theory</li> <li>2. Economic development is paradigm</li> </ol>	<ol style="list-style-type: none"> <li>1. H.M. The King Bhumibol Theory</li> <li>2. Economic development is philosophy.</li> </ol>
<b>Economic</b>	<ol style="list-style-type: none"> <li>1. Income oriented</li> <li>2. Growth by big push</li> <li>3. Best capital treasure</li> <li>4. Money is welfare measure</li> <li>5. Winner-take-all solution</li> </ol>	<ol style="list-style-type: none"> <li>1. Welfare and sufficiency</li> <li>2. Distribution by self reliance</li> <li>3. Best capital is trust</li> <li>4. Transcendental satisfaction as welfare measure</li> <li>5. Win-win solution</li> </ol>
<b>Social and culture</b>	<ol style="list-style-type: none"> <li>1. Maximize individual satisfaction</li> <li>2. Greedy as “homo homini lupus”</li> <li>3. Cut-throat competition</li> <li>4. Saving for live only</li> <li>5. Giving as loosing</li> </ol>	<ol style="list-style-type: none"> <li>1. Balancing individual and social-cultural satisfaction</li> <li>2. Anti greedy and emphatic to other (emphasize)</li> <li>3. Cooperation</li> <li>4. Saving for live after death</li> <li>5. Giving is saving.</li> </ol>
<b>Environment</b>	<ol style="list-style-type: none"> <li>1. External impact of activities</li> <li>2. Set environment aside</li> <li>3. Speedy is the most important thing</li> <li>4. Natural resources is a gift from grandfather</li> </ol>	<ol style="list-style-type: none"> <li>1. Internalized impact to be managed</li> <li>2. Friendly with environment</li> <li>3. Sustainability is the most important thing</li> <li>4. Natural resources is a heritage for next generation.</li> </ol>
<b>Other</b>	<ol style="list-style-type: none"> <li>1. Use modern technologies</li> <li>2. Pay less attention to human resource development</li> <li>3. Less stable</li> <li>4. Less emphasis on equality, very huge gap between the poor and the rich</li> <li>5. Priorities GDP/GNP</li> </ol>	<ol style="list-style-type: none"> <li>1. Apply sustainable approach</li> <li>2. Stress on human resource development</li> <li>3. More stable</li> <li>4. More emphasis on equity, small gap between the poor and the rich</li> <li>5. Less attention to GDP/GNP</li> </ol>

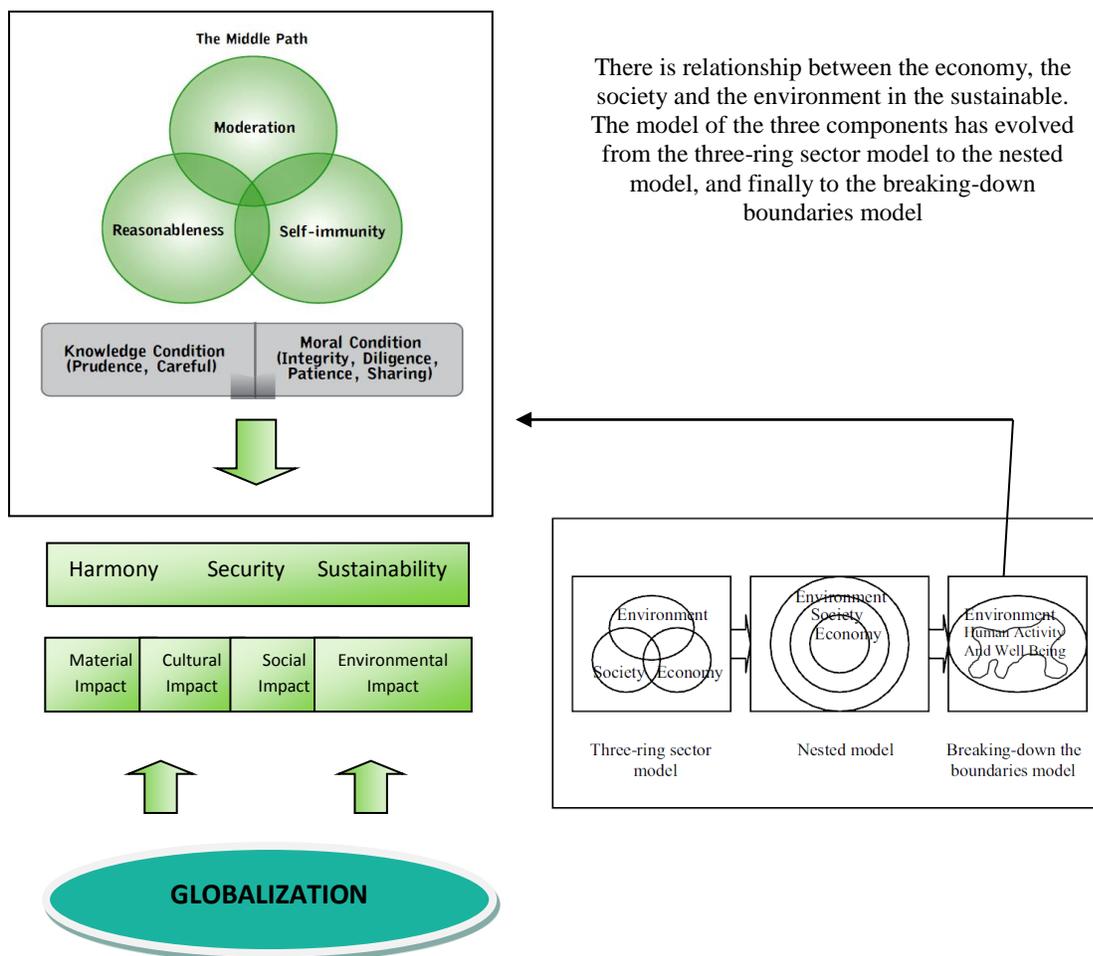
#### D. SUFFICIENCY ECONOMY AND SUSTAINABLE DEVELOPMENT

The implementation of the Philosophy of Sufficiency Economy (PSE) is aimed to balance and stable development at every stages and all levels, from the individual, family and community to society at large. The PSE path of development emphasizes a balanced use of material resources, social capital, environmental reserves, and cultural wealth as well as the balanced preservation of these four kinds of resources at all stages and levels of development. Growth without caring for the harm done to the environment cannot be sustainable in the long-run. Growth or development that ignores or damages the cultural identity of the nation is harmful to the moral fiber of the next generation. PSE therefore advocates balanced and sustainable growth.

Moreover, when the impact of development upon material resources, society, the environment and culture is taken into account, the family, community and society at large become alert to and mindful of the various changes in a holistic way. Thus, people will spontaneously prepare themselves to cope with change in a globalized world.

There are two distinct characteristics of the PSE approach to development: *a consideration of society* and *of culture*. Firstly, balance within society implies that the choices people make should be wise in that they consider their impact on others and society at large. People should maintain their individuality and have freedom of choice. But sustainable development also requires that people are mindful of the common good and willing to make contribute to it. Therefore, sharing, assisting and cooperating with others for the common good are essential for sustainable development based on PSE.

Secondly, balance and the ability to cope with cultural changes are also important for achieving sustainable development based on PSE. Thai is a rich cultural heritage and a wealth of collective wisdom accumulated over many generations. The Thai people should not only be proud of this, they should also seek to make use of this local knowledge in earning their living. While knowledge from the outside world is also important. But Thai people should be selective in what they seek to embrace to keep a balance in their lives.



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## E. THE TERMS OF SUFFICIENCY ECONOMICS SUCCESS

The PSE can be implemented well and success if all of its requirement are conducted. Collective wisdom is the key to sufficiency economy for sustainable development (Tantivejkul in Limsamarnphun, 2006). According Tantivejkul, all the efforts towards sustainable development through sufficiency economics should focus on three key points: moderation, rationale and immunity - or risk management in today's business terms.

1. Moderation means that the country should ensure that its development targets are commensurate with its actual potential. In other words, it should not overdo or become overly ambitious.
2. Rationale means the development path chosen ought to be practical and realistic.
3. Immunity means that the overall risk, or uncertainty, must be properly managed to reduce exposure.

Intelligence, attentiveness, and extreme care should be used to ensure that all plans and every step of their implementation are based on knowledge. At the same time the spiritual foundation of all people in the nation, especially state officials, scholars, and business people at all levels must be built up, so they are conscious of moral integrity and honesty and they strive for the appropriate wisdom to live life with forbearance, diligence, self-awareness, intelligence, and attentiveness. These are important to maintain balance and be ready to cope with rapid physical, social, environmental, and cultural changes from the outside world.

## **F. THE IMPLEMENTATION OF PSE IN THAILAND**

### ***1. Implementation of PSE at Individual and Family levels***

Implementation of PSE by individuals and families starts when one acquires the essential knowledge and necessary skills to appropriately cope with critical challenges arising from extensive and rapid socioeconomic, environmental and cultural changes in the world. At the same time, it is essential for every human being to realize how important it is to live harmoniously in society and to coexist with nature. This means that one should adhere to morality; maintain honesty and integrity; share with others; be self-disciplined, patient and prudent in making decisions and taking actions; and persevere in improving oneself.

All of these virtues will lead to self-immunity or sufficient protection for individuals and families from the impact arising from internal and external changes. This will enable one to be moderate and reasonable in life, according to one's roles and responsibilities, so that one can efficiently rely upon oneself and be capable of helping others and contribute to society.

### ***2. Implementation of PSE at Community levels***

A "Sufficient Community" consists of individuals and families who have a degree of self-reliance that is based on their own knowledge and moral strength but strive for sustainable progress. These members of a sufficient community cooperate by sharing their efforts and exchanging their ideas, knowledge, skills and experiences. They use community resources and develop community activities in ways that are appropriate to their geo-social circumstances in order to realize the utmost benefits and happiness of community members. Community activities are carried out and improved continuously, based on morality: honesty, patience, perseverance, generosity and sympathy, which lead to social harmony and create a community that has immunity from the impacts arising from change. Eventually sufficient communities of sufficient individuals create a network with other communities.

### ***3. Implementation of PSE at National level***

PSE at the national level starts with a national administrative and development plan that encourages and enables people to live their own lives and to cooperate with others in development based on the PSE, while prudently implementing the plan step by step. Application of PSE at the national level should begin by laying foundations that enable the majority of people to have the basic necessities to live sufficiently and to support themselves adequately through the

use of knowledge and morality in their lives. People should also be encouraged to expand their vision through the creation of learning networks among various socioeconomic backgrounds and professions, which eventually will lead to harmony and solidarity in society.

#### ***4. Implementation of PSE at Agricultural Sector***

The sufficiency concept offers the alternative solution for solving problems in Thai societies. It is applied to public affairs including development and administration. The Thai government has been applying this concept to its development process particularly at the grass root level, and recovery and strengthen the economy – with its social fabric intact – owes much to the application of this approach. Therefore, generally, sufficiency economy philosophy is implemented in agriculture.

Actually, sustainable agriculture in Thailand was divided into five types, namely: *integrated farming system, organic farming, natural farming, agroforestry, and new theory farming*. New theory farming is the result of the implementation of Sufficiency Economy Philosophy in agricultural sector.

New theory farming was proposed by His Majesty, the King of Thailand on 25 January 1993. This concept was about the land use and management of crop production for sustainable development of small farmers whose average size of the farms is 10 – 15 rai. In this theory, the farm land is divided into four parts with the ratio of 30-30-30-10 for the establishment of pond as water reservoir, rice farming, agronomic crops, and house and vegetable garden, respectively. Within the 15 rai, five rai would be allocated to rice production, five rai for crop planting, three rai for the farm pond, four meter deep, holding about 19,000 cubic meters. The remaining area of 15 percent or two rai would be for a house and for other activities such as keeping livestock, making organic fertilizer, planting trees for shade, growing flowers and decorative plants, and for various plant structures such as ditches and water channels.

New Theory farming system aims to bring food security and self-sufficiency to poor farmers who live in areas where water is scarce. It is expected that by using this system, farmer can tackling the problem of the water shortages and the use of limited land for cultivation so as to produce sufficient food for consumption ,and, if, possible, for sale. New theory is now being promoted and extended throughout the country, especially in the Northeast region where poverty and water shortages are still serious problems.

In order to make easier for the farmer to use this system, step by step procedure is formulated. The “New Theory” Agriculture has three phases:

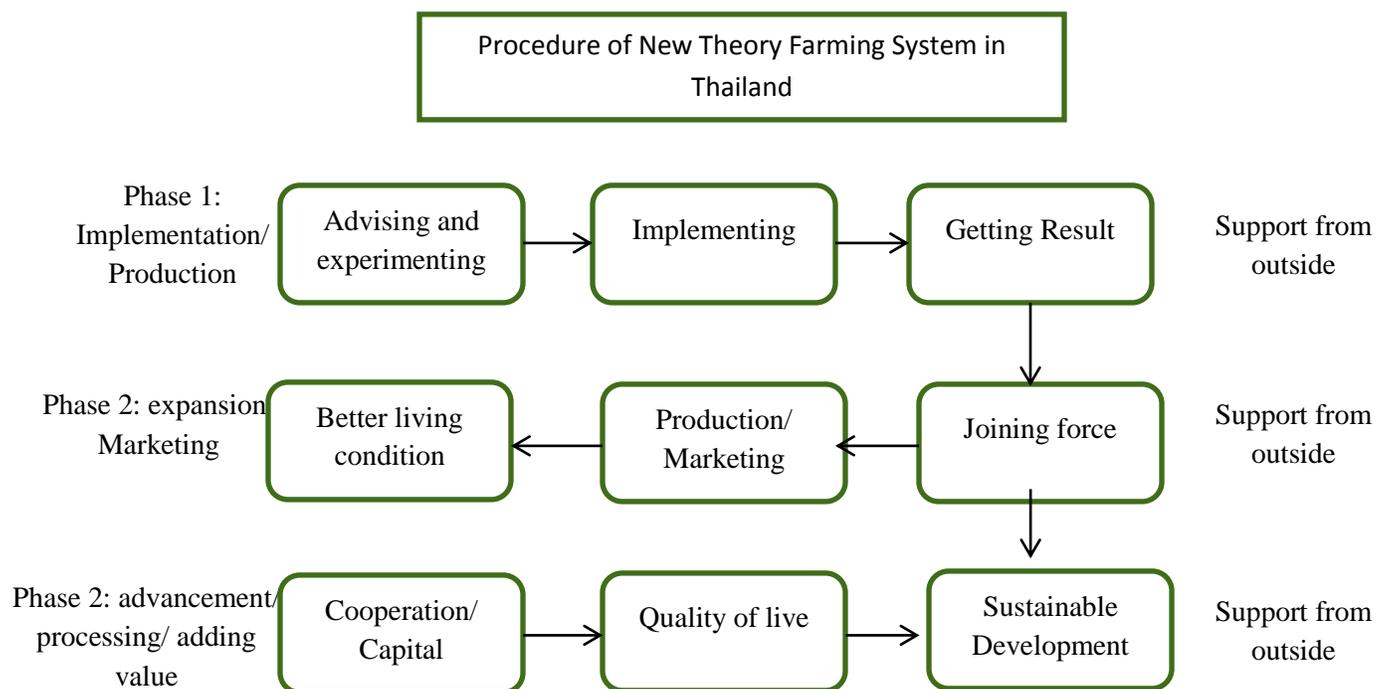
- a. The First Phase is to manage agricultural land and resources at the household level in a way that provides enough return to live appropriately and with self-reliance, according to one’s conditions. It is conducted by dividing area base on the explanation above.
- b. The Second Phase is the formation of groups in the form of cooperatives to collaboratively produce goods, organize markets, and develop community welfare to increase social solidarity and prepare communities to keep pace with the outside world. By conducting this phase, farmer can do some operations, such as:

- 1) Production (plant strains, land preparation, irrigation, etc)
- 2) Marketing (harvesting plan, storage, mill, sale)
- 3) Living necessity (food, clothing, etc)
- 4) Welfare (health, capital investment, loan)
- 5) Education (school, scholarship)
- 6) Social and religion.

Therefore, with joining community members together as a group, they can reduce their dependency on external parties, while increasing their bargaining power in the acquisition of production factors and sale their products. Cost can also be reduced in transportation and marketing through economies of scale.

- c. The Third Phase is to build contacts and partnerships with outside institutions such as banks, businesses, government and non - government organizations, to obtain the financial, knowledge and technical support necessary for further development.

In all three phases of the New Theory, support and cooperation from outside are needed, in a multilateral partnership for development, with full cooperation from all stakeholders, as participants and as beneficiaries. The procedure in the three phases is outlined in the diagram below.



Source : [http://thailand.prd.go.th/ebook/king/new\\_theory.html](http://thailand.prd.go.th/ebook/king/new_theory.html), *The New Theory and The Sufficiency Economy*

As seen in the diagram, the first phase involves small-scale implementation, with the emphasis on acquiring production factors and experimenting to achieve results. The achievement in the first phase implies earning enough for a comfortable living or for savings, before getting into the second phase, which involves expansion and integrated development, to enhance efficiency in management by organizing as farmers groups or cooperatives, to strengthen production and marketing, and improve living condition, welfare, education, and social and religious activities.

The next phase involves advancement and institutionalization, leading to processing and adding value to the products in the form of agro-industrial development, in coordination with financial sources (commercial banks) and energy sources (oil firms). Taken together, the three phases cover the full cycle of development, resulting in a one-stop service center for farmers.

The success in the application of the New Theory, meanwhile, hinges on three major factors: first, true understanding on the part of farmers in applying the New Theory to their livelihood; second, their readiness to take part in the activities and cooperative programs; and third, substantial cooperation and support from outside on a continual basis.

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