

Thailand-European Community

Strategy Paper

for the period 2007 – 2013

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LIST OF ACRONYMS

ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Co-operation Strategy (development initiative)
ADB	Asian Development Bank
APEC	Asia-Pacific Economic Co-operation
ASEAN	Association of South East Asian Nations
ASEM	Asia Europe Meeting
CDR	Council for Democratic Reform
CNS	Council for National Security
CSP	Country Strategy Paper
EC	European Commission
EIB	European Investment Bank
EJK	Extra-judicial killings
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
MDG	Millennium Development Goals
MIP	Multi-annual Indicative Programme
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
ODA	Official Development Assistance
PCA	Partnership and Co-operation Agreement
SARS	Severe Acute Respiratory Syndrome
SME	Small and Medium-sized Enterprise
SP	Strategy Paper
SPF	Small Projects Facility
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollar
TRT	Thai Rak Thai (former PM Thaksin's party)
WTO	World Trade Organisation

EXECUTIVE SUMMARY

This Strategy Paper provides a framework for a new and innovative partnership between Thailand and the European Commission for the period 2007 – 2013.

Over the past decade, Thailand has shown an impressive improvement of its socio-economic development indicators. Consequently, the nature of Thai-EC relations has fundamentally changed from a traditional donor-recipient relationship towards a veritable partnership for development. In 2003, the Thai government announced that it will stop accepting foreign development aid while proposing to donor countries to redirect their resources towards Thailand's poorer neighbouring countries.

In line with these developments, the EC no longer sees its role as a donor of development assistance but rather as a facilitator of knowledge sharing and a partner for substantive policy dialogue on key sectoral issues. The future Thai-EC partnership will concentrate on co-operation in a wide range of areas of mutual interest as agreed under the draft Partnership and Co-operation Agreement (PCA)¹ by drawing on both partners' expertise.

To that end, EC co-operation will focus on

- deepening the Thai-EC relationship in various areas of strategic importance and mutual interest to both partners, with a particular focus on economic relations, scientific and technology co-operation as well as higher education and culture
- addressing specific capacity constraints crucial to advancing Thailand's national development agenda
- advancing co-operation on a more modern agenda including good governance, justice and home affairs issues, human rights and mine action
- increasing mutual awareness between Europe and Thailand

In order to respond to the challenges thrown up by this new co-operation approach, a set of innovative tools and instruments is required. In this context, it is proposed to create a Thailand-EC Co-operation Facility to provide for the possibility of targeted EC support for strategic interventions on a demand-driven basis. The priority areas under the draft PCA shall be entitled to receive financial support under this facility. EC assistance in the future Thai-EC partnership will be complemented by a range of actions and support received through thematic and regional budget lines. Under the Development Co-operation Instrument (DCI), an indicative allocation of € 17 million has been earmarked for Thailand for the period 2007-2013. These resources may be supplemented by projects and programmes financed under the regional programme for Asia and under various thematic programmes.

Activities carried out in the field of higher education will be financed within the context of the regional programming for Asia.

¹ The PCA is still being negotiated and will only be initialled and signed once a democratically elected government is in place in Thailand.

1. AN ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

1.1 Analysis of the political situation

Thailand is a constitutional monarchy and the present monarch, King H. M. Bhumibol Adulyadej, has reigned as the Head of State since 1946 and is highly revered by the Thai people.

Following the consolidation of democracy in the early 1990s, Thailand was politically stable until early 2006. Prime Minister Thaksin came under intense political pressure with widespread public demonstrations organised following accusations of abuse of power, conflict of interest and corruption. In order to diffuse tensions, Thaksin called elections three years earlier than planned which took place on April 2. The elections were boycotted by the opposition and were subsequently annulled by the Constitutional Court. Another election had been scheduled to take place in late 2006 and it was expected that Thaksin's *Thai Rak Thai* party would have won these elections again mainly because of the support he continued to receive in rural areas. However, on September 19 2006, a peaceful coup d'état led by General Sonthi Boonyaratglin ousted Caretaker Prime Minister Thaksin. The leaders who carried out the coup, known as the Council for Democratic Reform (CDR), said that it was necessary to intervene in order to restore a democratic process which was being distorted by PM Thaksin, and gave reassurances that they did not want to hold on to power. The population overwhelmingly supported the coup and the King endorsed the leaders of the coup the day after it happened. However, given Thailand's history of coups, there has been concern over the speed at which democracy will be re-established. There are also some worrying human rights issues, notably the continued application of martial law in certain provinces and the restrictions that the coup leaders have imposed, albeit temporarily, on political activities, freedom of assembly and the media.

On October 1 2006, the CDR appointed Surayud Chulanont as Prime Minister of the interim civilian government. The CDR also adopted a provisional constitution for the interim civilian government. This interim government will work on a permanent constitution to be adopted in 2007 and new elections are only scheduled to take place in October 2007. Following the appointment of the interim government the CDR was transformed into the Council for National Security (CNS) with extensive oversight powers over the interim government.

The now-defunct 1997 "People's Constitution" laid the basis for the introduction of a modern rule-based system by guaranteeing human rights, fundamental freedoms and public participation in democratic ruling. It is expected that the new Constitution will lay similar provisions. While Thailand continues to work towards enshrining these values in Thai institutions and society, international observers have highlighted that Thailand's human rights record has worsened in recent years. Alleged extra-judicial killings, arbitrary arrests and impunity of the security forces (in particular in relation to the "war on drugs" launched in 2003) are among the most commonly cited issues that need to be addressed. In addition, trafficking in persons, the condition of Burmese refugees and migrant workers and the rights of ethnic minority groups residing within Thailand's borders are also significant problems.

In the aftermath of the Indian Ocean Tsunami which devastated coastal areas in six provinces of Southern Thailand in December 2004, Thailand mounted an effective disaster response

operation and the Government's strong leadership in relief co-ordination allowed for rapid rehabilitation leading to a boost in the Thaksin government's popularity.

Since January 2004 the three Muslim-dominated southern provinces of Thailand have been plagued by escalating violence resulting in over 1700 persons killed in the period up to late 2006. The continued Southern unrest poses a major domestic political challenge for the government. Security experts have indicated that a continued conflict could prepare the ground for the involvement of international terror networks and give a boost to further religious fundamentalism. However, there is, as of yet, no conclusive evidence of links to regional or international terrorist networks. The dramatic change in policy of the interim Government offering dialogue to the insurgents, expressing public apologies by the new Prime Minister for past mistakes of some elements of the security forces, engaging in a positive dialogue with Malaysia and restoring past conflict-resolution and development platform SBPAC², raise the hope that the conflict might be solved in the mid-term.

Thailand adheres to most international conventions and has been an observer to the OSCE since 1999. It has ratified the International Covenant on Civil and Political Rights (ICCPR), but has not signed the Optional Protocol on the death penalty. The UN Human Rights Committee noted in July 2005 that some of the declarations made at the time of Thailand's accession to the Covenant amount to reservations (article 2) and that the Covenant has not yet been fully incorporated into domestic legislation thus preventing in practice that its provisions could be invoked in courts of law.

The ethnic minorities living in Burma/Myanmar's border areas have been subject to fierce repression, including forced labour and relocation, since the military seized power in 1988. This has led to mass movements of refugees who fled to neighbouring countries, particularly to Thailand, India and Bangladesh. By 2006, Thailand had received approximately 140,000 refugees of Burmese origin and provided shelter in camps along the Thai-Myanmar border. The EC and the EU Member States provide substantial funds to international NGOs to assist Burmese refugees in Thailand. Thailand has not ratified the Geneva Convention on Refugees of 1951.

Trafficking in human beings, particularly women and children, is a major social issue in the region. The number of people trafficked annually from and within the region is estimated at between 200,000 and 450,000. The Thai government has taken several measures to prevent and combat trafficking, as well as to assist victims.

As a result of past conflicts and insurgency warfare, Thailand is severely affected by mines and unexploded ordnance (UXO) on all four of its borders. According to the Landmine Impact Survey (LIS) carried out in 2000-2001, 27 provinces along the Cambodia, Laos, Burma and Malaysia border are heavily contaminated, for a total of 531 communities in these provinces affected. Being a State Party to the Mine Ban Treaty (MBT) since 1999, Thailand must destroy all anti-personnel mines in mined areas under its jurisdiction or control no later than 1 May 2009.

² Southern Border Provinces Administration Centre

1.2 Analysis of the economic situation

In 1997, the Asian Financial Crisis originating in Thailand, abruptly halted three decades of unprecedented economic growth that had previously contributed to an impressive improvement of the country's socio-economic indicators. Thailand as one of the worst affected countries saw its real GDP shrink by 10.4 % in 1998.

After the crisis, Thailand implemented a comprehensive economic reform programme which focussed on macro-economic stabilisation and structural reforms in the corporate and financial sectors. Since then, Thailand has seen a rapid economic recovery. In 2002, real GDP was restored to its pre-crisis level and continued to grow by 6.4% per annum on average in the following two years supported by domestic consumption, strong manufacturing growth, favourable export performance, and low interest rates.

More recently, several shocks have contributed to a decelerating growth momentum, including: higher global oil prices, the downturn in the electronics cycle, the tsunami disaster, a prolonged drought, and continued unrest in the South. The coup d'état in September 2006, however, did not have a significant long-term effects on the economic situation. While Thailand enjoyed trade surpluses in the years following the Asian Financial Crisis, there was a trade deficit of around € 5 billion in 2005, owing to a strong increase in imports of energy, capital products and raw materials. The annual growth rate amounted to 6.2 % in 2004 and 4.4% in 2005. The economic outlook for the medium term, however, remains positive with expected growth rates of 4.5% for 2006 and 5.5% for 2007³.

Since 2001, Thailand has pursued a so-called "dual-track policy" aiming both at strengthening domestic economic fundamentals while at the same time enhancing Thailand's links to world markets through international trade and investment. Several pro-poor development initiatives were launched under the Thaksin government and while these schemes have contributed to poverty alleviation in some areas, they have also led to a rapid accumulation of household debt. At the same time, Thailand has diversified its export markets in a bid to reduce the country's reliance on traditional export destinations. Thai exports to its ASEAN neighbours, to China and the Middle East have seen strong growth in recent years. Foreign direct investment (FDI) has returned to the overall pre-crisis level.

Public sector finances have improved markedly since the 1997 crisis and have undergone a consolidation process. Public debt level stands at some 50% of GDP with most of the debts long-term and in local currency and debt-servicing costs to budget ratios remaining at some 15%-16%. A budgetary balance is being envisaged by 2006. However, the plan to implement large public infrastructure spending programmes in transport and energy in the coming years will require the government to monitor closely debt sustainability and macro-economic stability. Moreover, pronounced off-budget spending has raised concerns about the size of the government's contingent liabilities that could potentially pose a threat to fiscal stability.

³ IMF - World Economic Outlook

1.3 Trade structure

Over the past two decades, Thailand's remarkable export performance has been among the key factors driving economic growth. While Thailand is classified as a relatively open economy, the country still maintains high import duties on many products, notably agricultural produce, semi-finished and finished goods.

Although Thailand is one of the world's leading agricultural exporters, 80% of the country's annual exports consist of industrial products, notably computers and parts, cars and automotive components, electronic circuits, rubber, television and radio receivers and parts. Main export destinations include ASEAN, the USA, the EU, and Japan.

The European Union is Thailand's third largest trading partner and export destination, accounting for nearly 11.6% of its external trade and 13.9% (amounting to € 11.96 billion) of its exports in 2005. Since the Asian Financial Crisis Thailand has consistently enjoyed an annual bilateral trade surplus vis-à-vis the EU (amounting to 3.3 € billion in 2005). Bilateral trade relations are generally smooth with occasional irritants such as market access issues to be resolved. Thailand has concerns on certain aspects of the EC's policy on food safety and environmental standards while the EC has shown concern on the enforcement of intellectual property rights, limitations in liberalising the services sector and working conditions in some parts of the economy.

Thailand simultaneously engages in both multilateral and bilateral trade negotiations. Since 2002, Thailand has been particularly active in Free Trade Agreement (FTA) negotiations and is today either negotiating or has concluded fourteen FTAs (either bilaterally or in the context of ASEAN). The country also participates in the dialogue initiatives on economic and trade matters undertaken in the framework of APEC and ASEM. The ASEAN-EU "Vision Group" was established in 2005 to investigate the feasibility of new initiatives, including an FTA, to develop the EU-ASEAN partnership. Thailand has shown great interest in negotiating an FTA with the EU.

1.4 Analysis of social developments

Thailand is classified as a lower middle income country with a population of 65.4 million people (2005) and GDP per capita levels of around 2300 USD. Thailand has made remarkable progress in reaching the internationally agreed Millennium Development Goals (MDGs) for poverty, hunger, gender, HIV/AIDS and malaria well ahead of schedule and is now envisaging the achievement of a set of more ambitious targets called MDG Plus. Nationwide poverty incidence has fallen sharply from 27.2% (1990) to 9.8% (2002), thereby more than halving the number of people living below the poverty line. Poverty appears to be a predominantly rural phenomenon and is particularly pronounced in the North-Eastern provinces.

The eradication of poverty remains a declared goal and Thailand's MDG Plus target for 2009 foresees the reduction of the proportion of poor people to less than four per cent. However, the recent sharp rise of household debt and a widening income gap between rich and poor as well as persisting significant regional disparities indicate that the achievement of this goal remains a challenging task.

Particularly the rural communities may increasingly face difficulties to maintain their livelihoods as the opening up of the Thai market is expected to lead to a drop of prices for agricultural produce. Agriculture contributes only about 10 % to GDP but the sector continues

to employ 60 % of the Thai workforce, with one third being small-scale farmers. The insufficient competitiveness of the agricultural sector may result in unemployment, migration and social disintegration in rural areas, thereby decomposing the traditional social fabric.

Despite positive developments in poverty reduction and employment creation, decent work deficits remain a problem in Thailand. Restructuring in the Asian economies has involved growth of the informal economy. Around 50% of all employment in Thailand is still in the informal sector, in poor-quality, unproductive and non remunerative jobs without employment security, workers' benefits and social protection. Poverty remains a key determinant for people to take up unattractive jobs in the informal economy, while low incomes of such jobs create a vicious cycle of poverty.⁴

During the first term of the Thaksin government a number of initiatives were launched targeting poverty at the grassroots level. Amongst these programmes were a village fund for micro-loans, a debt moratorium for farmers, social housing, health care and other poverty eradication programmes. During this period, Thailand's sustained economic recovery and impressive growth rates resulting from increased exports and consumer demand (fostered by easy access to credit) supported the government's reform efforts. However, the sustainability of these expansionary economic policy schemes in times of economic downturn has yet to be tested. The interim government under PM Surayud has announced that most of these policies will be continued.

In general, while Thailand's impressive improvement of key socio-economic indicators is to be acknowledged, the country still faces challenges that could hamper the sustainability of its economic growth and competitiveness, such as an inadequate level of skilled human resources and technology development, infrastructure bottlenecks, decent work deficits and environmental degradation.

Recently Thailand has been hit by avian influenza and the disease has become endemic in local poultry, wild birds, and duck populations. Containment measures rely heavily on stamping-out (over 60 million animals have been culled) as vaccination is legally prohibited. The disease has also claimed 25 human victims (5 in 2005 and 3 in 2006), 17 of whom have died (2 in 2005 and 3 in 2006). The overall cost to the Thai economy has been estimated at € 1.6 billion. Thailand is now effectively controlling the situation under the National Strategic Plan for Avian Influenza Control and Pandemic Preparedness 2005-2007.

1.5 Analysis of the environmental situation

Thailand's rapid economic transition has had adverse environmental repercussions over the last decades. Significant levels of environmental degradation can be observed in different areas and sectors. In coastal areas, rapid industrialisation and an unsustainable management of natural resources have led to mangrove deforestation for shrimp farming and aggressive fishing practices. Forest cover has significantly diminished as a result of rapid industrial development and the need for arable land for agricultural activities, although the rate of deforestation has more recently slowed down. In urban areas, major environmental issues concern water pollution from organic and factory waste, air pollution caused by the transportation sector and large amounts of solid waste being generated by industrial and commercial buildings and

⁴ *Making decent work an Asian goal*, Report of the Director-General, Fourteenth ILO Regional Meeting, Busan, Republic of Korea, October 2005.

individual households. Disposal and treatment facilities for wastewater and solid waste are not sufficient in all urban areas.

In principle, Thailand has a relatively well developed policy to tackle these environmental problems. In 2002, the Ministry of Natural Resources and Environment (MoNRE) was created in order to strengthen the institutional framework for the protection of the environment. Some environmental laws and regulations are currently being revised and updated in order to provide adequate legal arrangements leading towards more effective and integrated resources and environmental management. Main challenges remain as regards compliance and enforcement of the respective environmental regulations.

Moreover, there is a need to improve the capacity of local and provincial authorities in environmental management to enable them to effectively implement environmental legislation in line with the decentralisation process.⁵ The replication of successful community initiatives in natural resource management should be encouraged. The capacity of authorities to monitor and enforce environmental laws and regulations should be also improved.

In view of facilitating trade relations between Thailand and the EU, activities that promote the transfer of environmentally sound technologies and help the Thai industry to comply with environmental standards should be encouraged and supported.

1.6 Crosscutting Issues

Women constitute 47 % of the formal labour force in Thailand which represents one of the highest participation rates in the world. Women are employed in agriculture, manufacturing and the service sector with a general bias towards informal employment. Despite their significant contribution towards economic growth, only few women are to be found in leadership roles in society. The percentage of women in the previous Parliament was 10.6 %. Persistent patriarchal cultural patterns continue to prevent the achievement of gender equality in Thailand.

The Thaksin government had declared the aim of doubling the proportion of women in the national parliament, sub-district administrative organisations and executive positions in the civil service as part of Thailand's ambition to fulfil the MDG plus regarding **gender equality**. Measures to bridge gender disparity have so far relied on quota systems to ensure women's representation and participation in selected governmental committees and commissions.

The draft PCA reaffirms that both Thailand and the EU are committed to promoting the **rule of law and good governance**.

⁵ See the summary of the Country Environmental Profile (annex 4) for further information.

2. THE POLICY OF THAILAND

2.1 Thailand's Policy Agenda

National Economic and Social Development Plans have been at the core of Thai policy-making for more than 35 years, laying down major vision and strategic orientations as a framework for medium-term national development.

The 9th National Economic and Social Development Plan (2002-2006) strongly advocated a holistic people-centred development approach which incorporated economic, social, political and environment aspects in view of strengthening Thailand's economic and social foundations for long-term sustainable growth. While recognising Thailand's progress in recovery after the Asian financial crisis, the plan explicitly stressed the need for continued restructuring, particularly of the financial sector, and for improving Thailand's scientific and technological position to enable the country to deepen its economic development and ensure steady and sustainable knowledge-based growth. Good governance, political reform and a strengthened civil society are seen as central building blocks to sustainable development.

The 10th National Economic and Social Development Plan (2007-2011) should be seen as a response to the economic and social challenges that have been identified during the implementation of the 9th Plan. It is formulated on the basis of the following economic and development objectives:

- To strengthen the foundations for steady and sustainable economic growth.
- To improve Thailand's capacity for economic value addition and to enhance the country's competitiveness through the development of a knowledge-based economy.
- To further advance human development and to reduce poverty through continued social sector reform.
- To strengthen Thailand's economic linkages with the global economy through FTA negotiations in view of securing trade and investment benefits.

Under PM Thaksin, Thailand had adopted a foreign policy stance with a clear commercial orientation and with a strong sub-regional and bilateral emphasis. The Thaksin government's main objectives in terms of external relations were to engage in an enhanced economic diplomacy with its most important trade partners world-wide and to promote Thailand's claim for regional leadership by intensifying relations with its neighbouring countries. It is not clear whether this policy will continue under interim PM Surayud. While Thailand is engaged in the mainstream regional fora such as ASEAN, ASEM and APEC, the country has in parallel instigated several other political and economic initiatives aimed at raising Thailand's profile as a regional leader, such as the Asia Co-operation Dialogue (ACD) and the ACMECS (Ayeyawady-Chao Phraya-Mekong Economic Co-operation Strategy) initiative. Through the latter initiative and others, Thailand is consolidating its position as a provider of development assistance to its poorer neighbours (Cambodia, Laos, Vietnam, and Burma/Myanmar). Thailand ODA in 2003 amounted to 167 million USD or 0.13% of Gross National Income (GNI). Most Thai ODA (86%) goes to support basic infrastructure development through soft loans.

The intensification of relations with China and a policy of constructive engagement towards the regime in Burma/Myanmar are further expressions of Thailand's active policy of rapprochement with its neighbours.

In addition, Thailand maintains close political, economic and security relations with the USA, disturbed on occasion by concerns about human rights violations and the country's policy stance towards Burma/Myanmar.

EU-Thai relations are solid and long-standing, based on trade and economic and development co-operation. The EU has made efforts to facilitate market access for Thai products and to foster investments in Thailand.

2.2 Assessing the process of reform

Despite Thailand's rapid economic recovery since the Asian financial crisis there are continuing challenges to sustain the country's strong economic performance in the medium and long term. In order to decrease Thailand's economic vulnerability it is essential to ensure the completion of the large unfinished agenda of structural **economic reforms**, notably focussing on financial and corporate sector restructuring, on legal reforms in corporate governance and bankruptcy and on privatisation. The creation of an enabling business environment will be crucial to attract significant foreign direct investments, create employment, enhance productivity growth and improve working conditions. Investment in infrastructure and human capital are other important pillars for Thailand's future competitiveness and knowledge-based economic growth. Especially in light of the current uncertainties surrounding global growth prospects and the forecast for high oil prices and a global monetary tightening it is pertinent to strengthen the Thai economy in view of making it more resilient against external shocks and crises.

Several key challenges also still remain in Thailand's **social reform** agenda. In order to address significant income disparities, redistribution policies should focus on distributing the benefits of economic growth more equitably across socio-economic groups. Moreover, social protection mechanisms need improvement to mitigate the impact of potential economic downturns and of restructuring in the future.

A comprehensive reform of the education system is widely regarded as a precondition for the future economic success of the Thai economy. Having almost achieved universal primary education, Thailand is now concentrating on upgrading the quality of its education system in view of developing skills, deepening human development and strengthening the country's innovative capacity.

In the health sector, adequate policies and resources are needed to improve healthcare services in the North-East and the three predominantly Muslim provinces in the South which are lagging behind the rest of the country. Increased equity should be attained by improving access to and quality of health care. Introduction of social health insurance is one of the strategies to improve health financing, with the aim of achieving universal coverage, as stated in the constitution of 1997. The introduction of a universal healthcare scheme in 2001 was a significant step in terms of reforming the health system. However, concerns have been raised on the quality of healthcare and the financial sustainability of this scheme.

The head of the CNS, General Sonthi, immediately after the coup announced a **political reform** programme and adopted a provisional constitution for the interim civilian government. This interim government is working on a permanent constitution which will be based on the Constitution of 1997. New elections are only scheduled to take place in October 2007.

In October 2003, the Thaksin government introduced a "CEO-Governor" initiative aimed at handing over decision-making to provincial governors in view of increasing efficiency. Further capacity building for local government authorities is required to enable them to take on their new responsibilities. **Administrative reform** was a declared goal of PM Thaksin's government in order to increase the efficiency and effectiveness of the public sector. Good governance, the fight against corruption and the drastic reduction of bureaucratic red tape are key issues on the administrative reform agenda for the years to come.

3. AN OVERVIEW OF PAST AND ONGOING EC CO-OPERATION, CO-ORDINATION AND COHERENCE

3.1 Overview of past and ongoing EC co-operation

After the Asian Financial Crisis, the EC's co-operation strategy focused on supporting the Thai government in tackling the most urgent issues for the improvement of the socio-economic situation, notably alternative employment generation, the social cushioning of the economic crisis, measures to stabilise the rural communities and technical assistance to reform the financial sector. In 1998, the Asia Europe Meeting (ASEM) II confirmed the commitment of the European Union to assist the countries hit by the crisis, including Thailand. As of June 2005, Thailand had been allocated 18 % of the budget of the ASEM Trust Fund (i.e. € 5.62 million out of € 20 million) to support the implementation of 13 projects in social and financial sector reform as well as for interventions to mitigate the adverse social impact of the crisis.

In recent years, Thailand has graduated from being an ODA recipient country. As high levels of financing for development co-operation were no longer required, the EC turned towards providing technical assistance to support the achievement of Thailand's national development goals and to promote economic co-operation in the mutual interests of Thailand and the EU. Overall, in line with the Thai government's political stance⁶, donors shifted their emphasis from financial assistance for physical infrastructure to technical assistance for social infrastructure, focussing on human resource development, poverty alleviation, and the environment. Reflecting the new realities of a more mature and wide-ranging partnership, the Commission has diversified its partner structure and co-operates with a multi-faceted group of stakeholders ranging from government entities to private sector associations, universities and NGOs. It has increasingly concentrated on specific sectors such as the environment and fisheries, as well as on projects in the areas of social policies, promotion of small and medium-sized enterprises and human resource development

⁶ In November 2003, former PM Thaksin announced that from 2004 onwards Thailand would (...) *receive or request financial assistance (...) from foreign countries only if such assistance is given without any conditions, commitments or obligations which will make Thailand lose its negotiating power as an equal partner with that foreign country*'. However, Thai authorities have indicated that technical assistance would in practice be welcome if such support was provided on a partnership basis rather than taking the form of a traditional donor-beneficiary relationship. This policy line also remained unchanged in the wake of the tsunami in December 2004 when the Thai government mounted an effective disaster response operation that was complemented by technical assistance provided by the donor community.

At the March 2001 Senior Officials' Meeting (SOM) it was agreed that EC-Thai co-operation would evolve from a project-centred approach to an inclusive process, based on a wider policy dialogue. Project financing should be used to facilitate the implementation of co-operation issues agreed under that dialogue.

At present, Thailand benefits from the following EC-supported projects and programmes that are being implemented in partnership with a wide range of Thai stakeholders:⁷

- Bilateral co-operation: 3 projects in the sectors of public health, environment/ natural resources, and economic co-operation, for a total of € 18 million
- ASEAN co-operation: 24 projects in the sectors of higher education, IPR and standards, energy, environment, economic co-operation, for a total of € 58.31 million.
- Asia co-operation: 51 projects in the sectors of higher education, trade and investment, environment, IT&C, for a total of € 13.67 million.
- ASEM co-operation: 2 projects in the sector of financial and social sector reform, for a total of € 6.23 million.
- Horizontal (NGO) budget-lines/ programmes: 5 projects in the sectors of health and the environment, for a total of € 24.23 million
- Support to uprooted populations (budget line for aid to uprooted people) and humanitarian assistance (ECHO): 14 projects, for a total of € 19.26 million

Bilateral EC assistance committed between 2002 and 2006 amounted to € 13.2 million of which € 10 million was allocated under the NIP 2002-2004 with a further € 3.2 million programmed under the NIP 2005-2006.

The NIP 2002-04 provided for:

- Technical assistance to the on-going reform of the Thai public health service (€ 5 million), and
- The creation of a EC-Thailand Small Projects Facility (SPF), managed locally by the EC Delegation in Bangkok, to support projects in trade and investment-related matters (€ 5 million).

The NIP 2005-06 allocated € 3.2 million for the funding of scholarships for Thai graduate students through a dedicated 'Thailand window' in the framework of the EC's Erasmus Mundus programme for higher education. In practice, scholarships to pursue studies in Europe are being granted to Thai students in addition to those funded under the world-wide Erasmus Mundus programme.

Thailand also participated actively in the 6th Research Framework Programme where 29 Thai teams participated in 26 international research collaborations, several in direct complementarity to development activities, including the CHARM project. This collaboration focused predominantly on food, health, environment, but also information society, nano-science and other areas.

⁷ An exhaustive list of EC-financed projects to the benefit of Thailand is enclosed as [annex 3](#).

Lessons learned. The Health Care Reform Project has contributed to the preparation and implementation of the 'Universal Coverage' health insurance scheme by providing technical assistance to the Thai Ministry of Public Health. While the '30-THB-scheme' has markedly improved the access to health care services for previously underserved groups, its success will need to be consolidated, among others through assistance to the National Health Security Office provided during the project's second phase.

Both the Coastal Habitats and Resources Management (CHARM) and Phu Khieo Wildlife Sanctuary environmental projects aim at fostering local communities' involvement in natural resources protection and conservation. This is very relevant to the Thai context where decentralisation of the decision making process as well as empowerment of local communities has been introduced in 1997 during the revision of the Constitution. Projects comprise awareness raising activities on environmental and conservation values as well as initiating dialogues and partnerships between villagers and local authorities. While promising case studies or examples of local communities and governments' involvement have been observed at provincial/local level, efforts still need to be pursued at national level to ensure greater sustainability in the long term.

The high participation rate under the Erasmus Mundus Thailand Window confirms that the scheme meets with great interest on the part of the Thai side and fits well with national priorities. Furthermore, experience has shown that the EC-Thailand Small Project Facility (SPF) fits well in the Thai context and meets the demand of the Thai industry for trade-related technical assistance in regulatory aspects of doing business. In 2005, over 60 project proposals were submitted during the first Call for Proposals under the demand-driven component of the SPF out of which 19 projects were approved with the total funding amount nearly exhausting the annual allocation of € 3 million. In 2006, 10 projects were selected with the total funding of € 1 million. The SPF provides also for a proactive and flexible component allowing for 10% of the total programme funds (€ 440 000) to be directly allocated by the Delegation to meet urgent short term trade-related requests received from the Thai government. This amount has been increased with the contingencies (€ 140 000) to cover the requests from the Thai side on technical assistance. The totality of the envelope has been spent for a total of five actions such as, during the first year of programme implementation, improving the Thai authority's laboratory testing capacity on avian influenza diagnostics methodology and capacity building in the fisheries sector, and during 2006, implementation of a short-term technical assistance for assisting Thailand to manage the Regional Rapid Alert System for Food Pilot Project (RRASF), recruiting two experts for Advising Spectrum Allocation and Management Guidelines to the National Telecommunications Commission of Thailand and for the 2005 and 2006, the organisation of a series of seminars and workshops to help disseminate EU regulatory information on EU market access to Thai business communities and relevant government agencies.

The SPF experience also shows that future programmes should have even greater flexibility allowing at least 20-30% of SPF funds to be directly allocated by the Delegation because multilateral, regional and bilateral trade policy objectives and trade-related needs tend to change substantially faster than the EC programming cycle.

Given Thailand's graduation from being a recipient of development assistance and the country's ambitions towards furthering its role as an emerging donor, an important consequence is that EC co-operation should focus more on knowledge sharing and dialogue

than on traditional social development sectors. Innovative instruments for co-operation with lower middle income countries such as the SPF and the Erasmus Mundus have proven to be well-suited for the Thai context.

3.2 Programmes of EU Member States and other donors

Donor activity in Thailand has seen a steady decline over the last years in response to the country's successful socio-economic development and decreased need for external support. Consequently, external assistance is becoming increasingly selective. Donors are now focusing on providing policy advice, technical assistance, and capacity building, with financial resource transfers playing a much less prominent role. The majority of interventions focus on co-operation in sectors such as enterprise competitiveness, environmental management, higher education and research collaboration where technical assistance can still provide a real value-added.

EU donor co-ordination is facilitated by the EC Delegation to Thailand which organises regular meetings with the Member States' Development Co-operation Counsellors in order to ensure harmonisation and consistency of approach.

Among the EU Member States, Germany, France and Denmark are among the main providers of co-operation assistance to Thailand.

Germany's co-operation programme is aiming at strengthening the competitiveness of SMEs in the agro-industry sector by improving business development services. The programme with yearly financial resources of € 3.5 million will be progressively phased out after 2007.

The Franco-Thai co-operation programme concentrates on higher education, research collaboration, capacity building and human resource development in a wide range of areas. Moreover, **France** is examining the possibility of engaging in trilateral co-operation activities with Thailand in its neighbouring countries.

Denmark's environmental assistance is focussing on Natural Resource management, urban environmental management, sustainable energy and Clean Development Mechanism. The Partnership Facility Programme encourages the involvement of the private sector in environmental activities.

With regard to assistance from non-EU donors, **Japan's** (JICA) assistance to Thailand focuses on the priority areas of (1) bolstering competitiveness, (2) social development and poverty reduction, (3) sustainable development and environmental protection, and (4) regional co-operation.

Australia's assistance to Thailand amount to approximately € 4.5 million in 2005-2006, of which an estimated € 1.3 million is provided through a bilateral programme with a focus on strengthening Thailand's capacity to address economic and public sector governance issues. The Australian Asia Regional Programme addresses trans-boundary development challenges and strengthening regional co-operation and economic integration. The current strategy supports co-operation through ASEAN and APEC, and prioritises programmes in human trafficking, narcotics, and cross border communicable diseases such as avian influenza and SARS.

Under the **United Nations'** Development Assistance Framework (UNDAF) for 2007-2011, the UN will focus on several priority areas, such as (i) social protection and improved access to quality social services, (ii) good governance, (iii) management of natural resources and environment and (iv) HIV/AIDS prevention, treatment and care.

The Thailand portfolio of the **Asian Development Bank (ADB)** consists mostly of technical assistance grants for capacity building in selected areas. In addition, Thailand participates in the ADB-supported Greater Mekong Sub-region Economic Co-operation Programme (GMS Programme) which aims to promote economic and social development in the six Mekong countries by strengthening economic linkages among them. Thailand has extended and plans to extend financial and technical assistance to its neighbouring countries to support some of the projects and initiatives under the GMS Program.

The **World Bank's** role concentrates on facilitating knowledge sharing and providing policy advice on medium-term structural issues. In this context, the World Bank focuses on diagnostic and monitoring work and provides a limited amount of implementation support which concentrates on areas such as public sector reform and governance as well as poverty analysis and monitoring.

The **European Investment Bank (EIB)** has so far not been very active in Thailand. The last EIB-financed project dates back to the year 2000 and dealt with air traffic control.

3.3 The policy mix analysis (coherence)

The draft Partnership and Co-operation Agreement (PCA) sets the framework for Thai-EC co-operation while ensuring coherence of all Community policies. The PCA is still being negotiated and will only be initialled and signed once a democratically elected government is in place in Thailand.

In implementing the present strategy, particular attention will be paid to developments in other EU policy areas such as trade, investment, employment and social policy, education and culture, R&D, environment, justice and home affairs in order to ensure coherence.

Against the background of the envisaged focus on economic co-operation under this SP, developments in trade policy will be closely monitored, in particular those concerning WTO negotiations, the progress of the TREATI regulatory dialogue process, and the implementation of recommendations expected from the high-level "Vision Group" charged with investigating the feasibility of an EU-ASEAN FTA.

With regard to employment and social policy, a particular focus should be on the strengthening of the social dimension of globalisation and the promotion of decent work as a global objective. These issues are also dealt with through regional EC co-operation in the ASEM context. In addition, related themes could be introduced into the policy dialogue and co-operation with Thailand and covered by the Thailand-EC Co-operation Facility.

In the areas of public health and food safety, regulatory co-operation has been reinforced both at bilateral (EC-Thailand) and regional (EC-ASEAN) level in an effort to address the challenges resulting from highly pathogenic avian influenza, and to mitigate trade friction

arising between the EU and Thailand on sanitary and phyto-sanitary (SPS) issues. The main thrust of this co-operation is knowledge sharing and capacity building; particular emphasis is being put on accurate and timely information of producers, as well as supporting and exploiting the initial first steps taken by ASEAN itself towards greater regional integration, including the harmonisation of technical regulations and standards.

4. THE EC RESPONSE STRATEGY (2007-2013)

4.1 Principles and objectives for co-operation

While Thailand is still considered a lower middle-income country, it has shown an impressive improvement of its socio-economic development indicators over the past decades. Consequently, the nature of Thai-EC relations has fundamentally changed from a traditional donor-recipient relationship towards a genuine partnership for development. In this context, the EC no longer sees its role as a donor of development assistance but rather as a facilitator of knowledge sharing and a partner for substantive policy dialogue on key sectoral issues. This also explains why areas such as health will not be considered as priorities and why higher education has been favoured over primary/secondary education.

As an expression of a maturing Thai-EC relationship the Commission is negotiating a PCA with Thailand which provides the framework for future co-operation in a wide range of areas of mutual interest.

Given Thailand's advanced level of socio-economic development and in the light of consultations with the Thai government, civil society and other donors, future co-operation between Thailand and the European Commission will cover a wide range of areas of mutual interest by drawing on both partners' expertise as agreed under the draft PCA. The objective is to deepen the Thai-EC relationship in various areas of strategic importance to both partners and to foster dialogue on a modern agenda including good governance and human rights as outlined in the EC's regional strategic framework. In order to respond to the challenges thrown up by the partnership approach to co-operation, a set of innovative tools and implementation mechanisms offering an adequate degree of flexibility is required. In this context, it is proposed to create a Thailand-EC Co-operation Facility to provide for targeted EC support for strategic interventions on a demand-driven basis. The focal areas as outlined under the draft PCA shall be entitled to receive financial support under this facility. The Commission will foresee a specific allocation of € 17 million for the period 2007 – 2013 to support activities in this focal area.

Moreover, Thailand is emerging as a donor country itself and has prepared several projects to the benefit of its regional neighbours which will receive funding under the Thai ACMECS initiative. The EC could play a role in facilitating knowledge sharing of Thailand's own development experience through trilateral co-operation activities in the neighbouring countries, especially with Cambodia, Laos and Burma/Myanmar. All such activities will be aligned with the beneficiary countries' national strategies, EC development programmes in the beneficiary countries and Thailand's strategy in the beneficiary countries concerned. The EC will also seek to encourage increased effectiveness of Thai aid in line with the provisions of the Paris Declaration.

4.2 Priorities for Co-operation

4.2.1 Focal Area 1: Thailand-EC Co-operation Facility

It is proposed to create an instrument, inspired by the earlier SPF to enable technical assistance in all sectors of mutual interest as referred to in the PCA, which is currently being negotiated with Thailand. The advantage of a more comprehensive Thailand-EC Co-operation Facility lies in the increased flexibility to leverage meaningful and highly visible interventions as needed and to respond to the dynamics and fast-changing challenges and opportunities arising in an evolving relationship with Thailand.

In the framework of the Thailand-EC Co-operation Facility, major emphasis will continue to be placed on economic co-operation in areas of mutual interest to reflect the growing importance of economic relations between the EC and Thailand. Emphasis will be placed on supporting Thailand's economic reforms and international competitiveness, while taking full account of the social dimension of globalisation. Priority will be given to the provision of trade- and investment-related technical assistance and capacity building in selected areas including customs co-operation and those outlined in the Doha Ministerial Declaration, as well as issues which may be relevant for potential EU-ASEAN FTA negotiations, and assisting Thailand to participate fully in regional economic integration. Support will also be provided to the Thai administration and companies to adapt to developments in EU legislation as well as to meet mandatory and voluntary market requirements (e.g. food safety, core labour rights and standards, environmental regulations, industrial standards, consumer protection, customs co-operation, air and maritime transport, IPRs, GMOs, labelling, CSR etc) which may affect bilateral trade relations.

In line with the priorities of the Thai government, the facilitation of knowledge flows and collaboration in science, technology, higher education and research will be another key area under this facility. Thailand has the science capacity and opportunity to participate in the Community's 7th Research Framework Programme (FP7, 2007-2013). International cooperation has been mainstreamed throughout all its components. On the heels of the ASEM dialogue about science and technology in general and priority themes in particular, knowledge intensive cooperation with the Union and with other countries in the region offers benefits for human and institutional capital and the ability to find sustainable solutions to challenges.

Activities could focus on encouraging exchange of information, know-how and best practices in science and technology as well as promoting enduring relations between universities and the scientific communities of both partners (facilitation of joint research projects, exchange of professors and scientists, etc). Human resource development and capacity building in the form of training courses, seminars and conferences, among others, are essential elements for fostering innovation and achieving knowledge-based growth. Activities in the area of employment and social policy and environmental activities would also be eligible for support under the Thailand-EC Co-operation Facility.

Finally, activities fostering a constructive dialogue in inter-related areas such as good governance, human rights and mine action can be considered for support under the Thailand-EC Co-operation Facility.

This bilateral Facility would thus complement the regional dialogue platforms on trade and non-trade matters (under the TREATI and READI initiatives, respectively) which the European Commission offers to ASEAN countries to engage the region on a wider and modern policy agenda.

4.3 Cross-cutting issues

Thai-EC co-operation activities will aim at increasing the participation of women in economic decision-making at local levels, as well as in regional and international conferences, workshops and exchange programmes in view of improving gender equality. Gender issues will be mainstreamed in all areas of the Thailand-EC co-operation.

Cross-cutting areas of support further include the strengthening the social dimension of globalisation, including aspects related to the international management and governance of globalisation, and the promotion of employment and decent work for all. When promoting trade and investment, due consideration will be given to their impact on employment and social cohesion. Improvements of work and social conditions will be sought, in particular through the involvement of social partners as appropriate.

Activities pertaining to environment and natural resources management, including energy, will be promoted in view of strengthening the technical expertise and planning capacity of Thai institutions regarding the environmental aspects of the use, development and management of natural resources through co-operation with the EU public and private sector. This thematic programme could provide support under the following broad lines: working upstream on MDG 7, promoting environmental sustainability, promoting implementation, better integration by the EU strengthening environmental governance and EU leadership, and support for sustainable energy options in Thailand.

Furthermore, EC-funded activities will aim at improving the understanding and raising awareness of European best practice with regard to good governance and human rights among government officials and decision-makers through a constructive dialogue. Technical assistance could be provided to NGOs and other bodies involved in monitoring respect for human rights in Thailand.

4.4 Regional and Thematic Programmes

In the context of co-operation with Thailand, alongside activities foreseen under this SP, the Commission intends to pursue thematic interventions in the following areas:

- Democracy and Human Rights: it may be pertinent to have recourse to this thematic programme for possible interventions in various areas, in particular if the situation in the South of Thailand persists. Technical assistance could be provided to NGOs and other bodies involved in monitoring respect for human rights in Thailand.
- Human and social development: actions in the areas of the programme (health, population, education and training, gender equality, decent work, social cohesion, culture and the promotion of related international agendas), as well as pilot actions may be envisaged.

- Migration and Asylum: The fight against human trafficking, in particular women and children, as a priority of the Thai Government, could be supported through co-operation activities under this thematic programme. There are large groups of displaced people in Thailand, particularly near the border with Burma/Myanmar. The planned bilateral PCA also foresees dialogue in the area of migration.
- Environment and Sustainable Management of Natural Resources Including Energy: This is an important topic for co-operation and dialogue under the planned bilateral PCA.
- Non-State Actors Development: Assistance will be provided to NGOs and other civil society organisations, including social partners, working in Thailand in a number of strategic sectors.

These thematic activities are complementary to the strategic objectives pursued by the Commission under the SP and form part of the policy dialogue with Thailand. These activities are meant to be carried out, inter alia, by civil society actors, including social partners. The financing of these thematic activities will be additional to financial resources provided under the MIP. Thai institutions will also be eligible to apply for funding under the Asia-wide programmes and sub-regional (ASEAN) programmes and may also benefit from activities funded under the Instrument for Stability.

Higher education co-operation activities will be funded under the regional programme for Asia. The main objective of higher education in Asia, is to enhance international co-operation capacity of universities in third countries by facilitating transfer of know-how and good practices in the field of student and academic staff mobility. The European Commission will contribute to financing a mobility scheme between European universities holding an Erasmus Charter and third country universities that will complement existing programmes in the field of higher education. The types of mobility to be funded are:

- for students: master, doctorate and post-doctorate mobility opportunities
- for academic staff: exchanges for the purposes of teaching, practical training and research.

Non-state actors which are providing support to refugees in the camps along Thailand's borders may receive assistance through the Aid for Uprooted People programme (part of the regional programme for Asia) and from ECHO.

The Commission will seek to maximise the coherence of these interventions with bilateral initiatives in order to enhance aid efficiency and effectiveness.

Annex 1: EU/EC CO-OPERATION OBJECTIVES

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries in to the world economy;
- the campaign against poverty in the developing countries.

Furthermore, the Community's development policy should contribute to the general objective of developing and consolidating democracy and the rule of law, and encouraging respect for human rights and fundamental freedoms. Thus, development co-operation is a multidimensional process that covers broad-based equitable growth, capacity and institution building, private sector development, social services, environment, good governance and human rights.

Co-operation between the EC and Thailand is covered by the Development Co-operation Instrument. The Regulation focuses on strengthening the co-operation framework and on making an effective contribution, through institutional dialogue, economic and financial co-operation, to sustainable development, social and economic stability and democracy.

Thailand is signatory to the 1980 EU-ASEAN Co-operation Agreement⁸ which puts an emphasis on commercial co-operation, granting the most-favoured nation treatment to parties on a reciprocal basis and setting out their commitment to overcome trade barriers; economic co-operation, encouraging closer links through investment and technological progress; and development co-operation, contributing to economic resilience and social well-being.

In September 2001, the European Commission issued a Communication⁹ setting out a new strategic framework for co-operation with Asia in the coming decade. Its main objective is to strengthen the EU's presence in Asia, raising it to a level commensurate with the growing global weight of an enlarged Union.

As regards Southeast Asia, it proposes the strengthening of the EU's partnership with ASEAN, the enhancement of its bilateral relations with key ASEAN partners, and support for reinforced regional integration on the basis of mutual solidarity within ASEAN. This position was reinforced in a Commission communication on a New Partnership for South East Asia adopted in July 2003. This document outlines a menu with a number of areas in which the EC and ASEAN may decide to either initiate or intensify the level of their dialogue and co-operation. In this document, the Commission also puts forward an offer for bilateral partnership and co-operation agreements with countries in the region to deepen co-operation on a modern agenda including the fight against international organised crime and terrorism, good governance, justice and home affairs issues and human rights.

⁸ Council Regulation 1440/80 of 30 May 1980, OJ L 144, 10.06.1980.

⁹ COM (2001) 469 final, "Europe and Asia: a strategic framework for enhanced partnerships", 4 September 2001.

In order to consolidate and intensify Thai-EC co-operation, a bilateral co-operation agreement is currently being negotiated. The agreement sets out the objectives of co-operation, including the strengthening and diversification of economic and commercial relations and the promotion of co-operation and dialogue in all areas of mutual interest. The main section of the agreement contains provisions on various fields of co-operation such as trade and investment issues, environment, agriculture, transport, energy, industrial policy and SMEs, science and technology, employment and social policy, education and culture, statistics, information society, migration, combating illicit drugs and money laundering.

The EC recognises the need to improve aid effectiveness and is committed to align itself fully with the principles set out in the March 2005 Paris Declaration.

While the drawing up of an EU Road Map in response to the EU GAERC conclusions of November 2004 was not considered appropriate for the case of Thailand in view of the country's advanced level of human development and the Government's policy stance towards development assistance, the EC continues to issue an annual Blue Book of its ongoing development activities which also includes the Member States' activities in Thailand. The EC Delegation to Thailand also facilitates regular meetings with the Member States' Development Co-operation Counsellors in order to ensure donor co-ordination and harmonisation.

The EU's Development Policy

On 20 December 2005 the Presidents of the European Commission, the European Parliament and the Council signed the joint Development Policy Statement (DPS). This "European consensus" will provide the Union with a common vision of values, objectives, principles and means for development. The revised statement is intended to take account of changes both within the EU and internationally since the first statement on the European Community's development policy was adopted by the Council and Commission in November 2000. The new joint statement is structured in two parts, which set out:

- in the first part, "the EU vision of development", the objectives, principles and methods by which the EU at Community and Member State levels implement their development policies;
- in the second, "the European Community's development policy", guidance for implementation at Community level.

In its 12 April 2005 Communication on Policy Coherence for Development,¹⁰ the Commission has defined coherence commitments in the overall framework of the EU sustainable development strategy and identified the following priority areas with high potential of attaining synergies with development policy objectives: trade; environment; security; agriculture and fisheries; social dimension of globalisation¹¹, employment and decent work; migration; research and innovation; information society; transport and energy.

¹⁰ COM2005/0134 final

¹¹ World Commission on the social dimension of globalisation "A Fair Globalisation: Creating Opportunities for All", 24.02.2004; Communication from the Commission "The Social Dimension of Globalisation – the EU's policy contribution on extending the benefits to all", COM(2004) 383 final, 18.05.2004.

These commitments were endorsed by the Council (GAERC) on 24 May 2005. The Communication further calls on non-development policies to respect development policy objectives and on development co-operation to also contribute, where possible, to reaching the objectives of other EU policies.

Land area 513,500 sq Km	Population 65.4 million (2005)	Population density 126 per sq km	
Population of capital Bangkok: 6 million (2004)			
Annual population change (% per year)			
Year 2003: +0.95%	Year 2004: +0.91%	Year 2005: +0.87%	Year 2006: + 0.68% (est.)

Economic Summary

Indicator	2000	2001	2002	2003	2004	2005
Real GDP growth (%)	4.8	2.2	5.3	6.9	6.2	4.4
GDP (US\$ billion)	122.7	115.5	126.8	143.0	163.5	183.9 (est.)
GDP per capita (\$)	1,970	1,910	2,060	2,240	2,440	2,845
Consumer Price Inflation (average, %)	1.5	1.7	0.6	1.8	2.8	4.5
Exports (€ billion)	75.15	72.71	72.85	71.16	78.92	86.34
Imports (€ billion)	67.47	69.29	68.48	66.98	77.26	91.38
Fiscal deficit (% GDP)	-2.2	-2.4	-1.4	+0.4	+0.1	-0.6
Unemployment rate (%)	3.6	3.3	2.4	2.2	2.1	1.8%

Selected Social Indicators

Indicator	1990	1994	2000		
Adult literacy rate over 15 yrs (%)	93.2	93.3	92.6		
Indicator	1992	1994	1996	1998	2002
Primary school enrolment (net, %)	70.1	70.8	77.1	80.4	n.a.
Secondary school enrolment (net, %)	31.3	35.9	48.1	48.4	n.a.
Indicator	1980	1990	1995	2000	2003
Life expectancy at birth (male/female)	62.6/ 68.0	66.4/ 71.0	67.4/ 71.7	67.1/ 74.8	68.0/ 75.0
Indicator	1990	1995	2000	2002	
Underweight children <5 (%)	18.6	11.8	8.5	8.6	
Indicator	1990	1995	1998	2002	
<5 mortality rate (per 1,000 live births)	12.8	11.6	16.9	n.a.	
Indicator	1990	1995	1999	2002¹²	
Maternal mortality rate (per 100,000 live births)	36.2	16.8	14.2	24	
Indicator	1990		2000		
Households with access to safe water (%)	80		93		

¹² The increase is due to an improvement in data collection rather than a real increase of the maternal mortality ratio.

Annex 3: Ongoing EC-supported Projects in Thailand¹³

Bilateral Co-operation

Sector	No. of projects	EC grant (million €)
Economic Co-operation	1	5.0
Public Health	1	5.0
Environment/Natural Resources	1	8.0
Total	4	18.0

Horizontal Budget Lines

Sector	No. of programme	EC grant (million €)
Health	3	3.10
Environment	2	21.13
Total	5	24.23

Uprooted and Humanitarian Aid

Source of Fund	No. of programme	EC grant (million €)
EC	8	11.14
ECHO	6	7.97
Total	14	19.11

ASEAN Co-operation

Sector	No. of programme	EC grant (million €)
Higher Education	1	7
Intellectual Property Rights and Standard	2	16.39
Energy	1	18.0
Environment	3	7.69
Economic Co-operation	2	12.52
Total	9	61.60

ASIA Co-operation

Sector	No. of programme	EC grant (million €)
Higher Education	1	55
Trade and Investment	1	86
Information Technology and Communication	1	39.95
Environment	2	94.7
Total	5	275.65

ASEM Co-operation

Sector	No. of programme	EC grant (million €)
Financial and Social Sector Reform	2	20.61

EU Framework Programme on RT&D

Research, Technological Development and Demonstration: 6th Framework Programme 2002-2006 :

EC grant is subject to approved project proposals.

¹³ List of bilateral projects in Appendix 1, and horizontal budget lines in Appendix 2 & 3; other projects/programmes of benefit to Thailand in Appendix 4

On-going EC-supported projects in Thailand

Appendix 1

Sector/ Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	RTG	Total	
1. Economic Co-operation						
EU-Thailand Economic Co-operation Small Projects Facility	Ministry of Foreign Affairs	3 years from 2004 - 2007	5.0	1.32 (from beneficiary)	6.32	- FA signed in 26/11/2004 - Grant will be between 30,000 – 200,000 euros per project - Proposals will be in the areas of economic reforms, trade-related matters, integration into the world economy
Sub-total EC			5.0			
2. Public Health						
Health Care Reform in Thailand	Min of Public Health (NHSO)	5 years from 2004 - 2009	5.0	0.3	5.3	- Under implementation - The four main focus areas of the programme are family medicine, health care financing, health management, and civil society
sub-total EC			5.0			
3. Environment/ Natural Resources						
Coastal Habitats And Resources Management (CHARM) Project	MOAC	5 years from 2002	8.0	8.5	16.5	- Acceptance by Commission (Dec. 2000) - FA signed by EC 05/01/2001 and signed by MOAC 18/10/2001
sub-total EC			8.0			

On-going Horizontal budget-lines/programmes in Thailand

Sector/Project Title	Contracting Party	Duration	Budget (€ million)			Remarks
			EC	Others	Total	
1. Health						
Thai Village Health Project Mae Sariang	MALTESER	3 years from 2002 – 2005	1.0	n/a	n/a	- Under implementation.
Women and children care and support in HIV/AIDS areas	RAKS THAI FOUNDATION	4 years from 2002 – 2006	1.55	0.18	1.73	- Under implementation.
Asia Pacific Leadership forum on HIV/AIDS and Development	UNAIDS	3 years from 2003 – 2006	0.55	4.74	5.29	- Under implementation
		Sub-total EC	3.1			
2. Environment						
Phu Khieo Wildlife sanctuary	National Park, Wildlife and Plant Conservation, Ministry of Natural Resources and Environment, Royal Thai Government	7 years from 2002 – 2009	6.0	6.2	12.2	- Extend the validity of the FA to 30/6/2009
Tropical Forestry Small Grants Programme	UNDP	7 years from 2000 – 2007	15.13	n/a	n/a	- Project grant funds for Thailand is 1,891,633 euros
		Sub-total EC	21.13			

On-going Uprooted and Humanitarian Aid programmes in Thailand

Donor	Contracting Party	Duration	Budget (€ million)			Remarks
			EC	Others	Total	
1. EC						
Migrant Health Project Chiang Mai	International Organization for Migration	3 years from 2004 -2007	0.51	0.6	1.11	-
Empowerment of women and youth in the Karen refugee and Thai-Karen population on the border of Thailand-Myanmar through gender sensitive reproductive health services, Thailand	INTERACT WORLDWIDE	3 years from 2004 -2007	0.75	0.25	1.0	-
Disability Rights, Empowerment, Awareness and Mobility in Indonesia and Thailand - DREAM IT	Voluntary Services Overseas (VSO)	3 years from 2002 -2005	0.70	0.23	0.93	-
Assistance to Burmese refugees in Thailand	Aide Médicale Internationale	5 years 6 months	2.0	n/a	2.0	-
Karen Education Project III(KEP III)	UNHCR	2 years from 2004 -2006	1.20	0.44	1.64	-
Rice and building materials for Burmese Refugees in Thailand	Thai-Burma Border Consortium (TBBC)	2 years from 2004 - 2006	4.0	14.079	18.079	-
Assistance to People with Disabilities and Mine-UXOs Risk Education for Refugees along the Thai-Burmese Border	Handicap International	3 years from 2005-2008	1.0	0.58	1.58	- on the contracting process
Vocational Training Project, Phase II	ZOA Refugee Care	3 years Nov. 2005 - Nov. 2008	0.98	0.79	1.77	- on the contracting process
		Sub-total EC	11.14			
2. ECHO						
2.1 Health						
2.1.1 Health project for Karen and Burmese refugees along the Thai-Myanmar border	Malteser Hilfsdienst	12 months (1/1/05-31/12/05)		n/a		
2.1.2 Assistance to people with disabilities and prevention on mine risk for refugees in the camps along the Thai-Myanmar border	Handicap International / Action Nord Sud	12 months (18/6/04-17/6/05)	2.92		2.92	Completed

Donor	Contracting Party	Duration	Budget (€ million)			Remarks
			EC	Others	Total	
2.1.3 Humanitarian assistance for Burmese refugee population living in the camps along the Thai-Myanmar border	Aide Médicale Internationale	12 months (1/1/05-31/12/05)				Completed
2.1.4 Health project for displaced persons living on Thai-Myanmar border	Médecins sans Frontières France	12 months (1/4/05-31/12/05)	422.08			
2.2 Food and non-food distribution						
2.2.1 Food and cooking fuel to refugees from Myanmar in Thailand	Interchurch Organisation For Development Co-operation (ICCO)	13 months (1/12/04-31/12/05)	4.758	n/a	4.758	
2.3 Livelihood recovery						
2.3.1 Supporting the rehabilitation of small fishing communities affected by the Tsunami of 26 December 2004	Terre des Hommes Italia	6 months (15/2/05-14/8/05)	0.5	0.05	0.55	
		Sub-total EC	8.12			

On-going Regional projects of benefit to Thailand

Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	ASN/local	Total	
1. ASEAN						
ASEAN-EU University Network Programme (AUNP)	PMO located at the Secretariat of the ASEAN University Network (Chulalongkorn University, BKK)	5 years from 2001 - 2006	7.0	0.767	7.767	- Under implementation - FA signed by the AUN on 26/1/2000 - 16 projects involving Thailand for a total of 3.71 mio.
EC-ASEAN Intellectual property rights co-operation Programme (ECAP II)	European Patent Office (EPO)	6 years from 2000 - 2006	7.39	n/a	9.0	- MOU signed by Thailand on 11 Dec 98 and the Addendum signed on 19/12/2002 to extend the national component for Thailand to July 2006 - Request for extension of the whole programme to 31 December 2006 is under preparation - Under implementation.
EU-ASEAN Regional Co-operation Programme on Standards and Quality	Thai Industrial Standards Institute (TISI)	2 years 3 months from Oct 2003 - Dec 2005	9.0	1.7	10.7	- MOU signed by Thailand on 18/9/2003 - Under implementation.
EC-ASEAN Energy Facility	ASEAN Centre for Energy (JKT)	5 years from 2002 - 2007	18.0	ACE 0.51 Private sector 13.0	31.51	- FA signed by the EC in March 2001. - Under implementation

Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	ASN/local	Total	
Assisting Developing countries to prepare national profiles, set priorities and strengthen information exchange for the sound management of chemicals	United Nations Institute for Training and Research (UNITAR)	2 years 6 months	0.76	0.22	0.98	- Non-devolved project
Strengthening National and Regional Capacities for Implementing the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) in ASEAN	United Nations Institute for Training and Research (UNITAR)	2 years 9 months	0.93	0.31	1.24	- Non-devolved project
ASEAN Centre for Biodiversity (ACB)	ASEAN Secretariat	3.5 years from 2005 - 2008	6.0	1.3	7.3	- To strengthen regional capacity on biodiversity in ASEAN. FA signed by ASEAN on 21 April 05 and the Centre shall be operational within 6 months after signature, hence by 21 October 05.
ASEAN programme for regional integration support (APRIS)	IBF International Consulting	3 years from 2003 - 2006	4.0	0.5	4.5	
EU-Southeast Asia Civil Aviation	AeroSpace and Defence Industries Association of Europe (ASD)	3 years from 2003 - 2006	8.52	n/a	12.433	- To enhance aviation safety and standards in Asia and to facilitate the co-operation between Europe and Asia
2. Asian Regional						
Asia-Link I	Asia-Link Secretariat	5 years from 2000 - 2005	40	10.0	50.0	- Decision on 20% budget increase November 2003 - 20 projects involving Thailand for a total of 4.93 mio.
Asia-Link II	Asia-Link Secretariat	3 years from 2005 - 2008	15	3.475	18.475	- Proposals are transferred to Thailand for contract preparation
Asia-Invest I	Asia-Invest Secretariat	5 years, from 1998 - 2003	45	43.22	88.22	To promote and support business co-operation between the EU and Asia as well as to strengthen the business environment to increase trade and investment flows between the two regions

Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	ASN/local	Total	
Asia-Invest II	Asia-Invest Secretariat	4 years, from 2003 - 2007	41	22.98	63.98	Two deadlines: 15 March and 9 June 2005 Major events 2005 - EU-Thailand Paternalist 2005--17-18 Nov 2005 - FORUM THAILAND 2005 -- 14-15 Nov 2005 - 3 projects involving Thailand for a total of 0.84 mio.
Asia-IT&C I	SEMA/ NECTEC	5 years, from 1999 - 2004	30	n/a	n/a	- Programme managed by a Secretariat in Brussels, an antenna in Asia (Thailand/NECTEC) - 100 projects supported to date - 10 projects involving Thailand for a total of 2.98 mio.
Asia-IT&C II	Europe Aid	3 years from 2004 - 2007	9.95	n/a	n/a	- expected 50 projects - no more call for proposals - 4 projects involving Thailand for a total of 1.35 mio.
Asia-URBS I	Asia-Urbs Secretariat (till 20 December 2001)	3 years from 1998 - 2003	30	n/a		- Programme managed by Asia Urbs Secretariat in Brussels till 20 December 2001 - Individual project contracts running until 31/12/2005 - 3 projects involving Thailand for a total of 0.82 mio.
Asia-URBS II	Asia-Urbs Programme Europe Aid Co-operation Office (from 21 December 2001)	3 years from 2004	10	2.2	12.2	- Under Asia Urbs, in total 103 projects have been selected for funding – many of which focus on important environmental initiatives - 1 projects involving Thailand for a total of 0.38 mio
Asia Pro Eco I	Europe Aid (Asia Pro Eco team)	5 years from 2002 - 2006	31.5	47.3	82.3	- under the Asia Pro Eco I, 122 projects have been approved for funding - 10 projects involving Thailand for a total of 2.37 mio.
	Responsible		Budget (€ million)			Remarks

Project Title	Agency	Duration	EC ASN/local Total			
			EC	ASN/local	Total	
Asia Pro Eco II	Europe Aid (Asia Pro Eco team)	one deadline in 2005	9.4			- To strengthen links between the EU and Asia to share good practices, policies, measures and technologies to improve the urban environment, particularly for the vulnerable populations in Asia (project duration 1-3 years)
Asia Pro Eco IIb-Post Tsunami	Europe Aid (Asia Pro Eco team)	Two deadlines in 2005	13.8	n/a	n/a	- To focus on the reconstruction efforts and clearly describe how they would contribute to the support of affected areas in relation to reconstruction and rehabilitation plans approved by relevant administrations (project duration 1-3 years).
3. ASEM						
ASEM - Anti Money-Laundering Initiative	Department For International Development (DFID)	4 years	0.61	n/a		- Decision date October 2001
ASEM Trust Fund II	World Bank	5 years 4 months	20.0			- Decision date October 2001 - 13 projects for Thailand approved in the social and financial sectors, for a total amount of € 5.62 million euro. (Thailand, among the most important beneficiaries, has been allocated 18% of total)
4. EU Framework Programme on S & T						
Research, Technological Development and Demonstration: 6 th Framework Programme 2002-2006		2002-2006	17,500 (global budget)	n/a	n/a	- FP6 is the frame for the EU activities in the field of science, research and innovation. Participation is opened for organisations and persons from third countries.

Annex 4: Country Environmental Profile¹⁴

1. Summary

Thailand witnessed in the last decades a remarkable economic growth and a substantial decrease in poverty. However, the fast economic growth has been a major factor contributing to widespread environmental degradation and pollution. Forest depletion, loss of biodiversity, urban pollution, coastal erosion and decline of marine fishery resources, water pollution and energy consumption are identified as serious environmental concerns.

Numerous legal and policy reforms currently being implemented aim for a more effective and integrated approach to address Thailand's environmental problems. However, major challenges in the field of environmental protection remain with regard to the need to improve institutional capabilities and strengthen the enforcement of environmental legislation.

2. Background

Thailand occupies a land area of 513,115 km² with a population, estimated at around 65.4 million (2005). Currently around 30% of the population live in the urban areas.

3. State of the Environment

Forest degradation. Forest encroachment - clearance for agriculture - and illegal commercial logging have been the two leading factors responsible for forest cover depletion. Around 25 % of the country currently remains under forest cover. A recent report from UNEP states a deforestation rate at around 2.2%. Originally some 368,000 ha of coastal land were covered with mangroves, while currently only 240,000 ha remain.

Biodiversity and protected areas. Thailand has a rich biodiversity but few endemic plants and animal species. Decades of forest exploitation and clear cutting have been responsible for habitat and biodiversity losses. Thailand's abundant and diverse marine biodiversity has also suffered from destructive fishing gears in the open sea and coastal areas. There are currently 223 protected areas in Thailand including National Parks and Wildlife Sanctuaries. However, management skills and financial resources appear to be insufficient.

Marine and coastal natural resources. Marine fishery resources are in a steady decline, both in terms of quantities and the number of species. Conversion of coastal mangrove forests into intensive shrimp farms creates conflicts of interest among small-scale fishermen and between fishermen and shrimp farmers. New approaches are essential since few species show any signs of recovery under current protection regimes, and most are steadily declining.

Land degradation. In general, land is used in a manner not compatible with conservation principles causing soil erosion in an area of 21.4 million ha. Efforts to boost agricultural production through the use of chemical fertilisers and pesticides as well as the technically inappropriate disposal of dangerous wastes from industries and communities, have led to an accumulation of toxic substances resulting in serious soil contamination problems.

¹⁴ Country Environmental Profile Thailand, Wiert Wiertma, SEMA group, June 2005.

Water resources. Water demand tends to increase even further, but the potential for surface and groundwater development is limited and the efficiency of water storage is decreasing. Allocation of water does not conform to existing regulations, particularly due to the rapid increase in consumption for urban and industrial purposes. This will eventually affect the availability of water for agriculture as well as water quality.

Water pollution. The quality of the surface water, groundwater and seawater is deteriorating. Rivers are contaminated by the agricultural sector, by industries, by lack of wastewater treatment facilities, etc. Similar factors pollute the coastal seawater.

Waste management. It is estimated that 39,000 tons of solid waste are generated per day. The absence of proper environmental controls is posing health and environmental risks to the surrounding communities and waste workers. The volume of hazardous (chemical) waste has increased and a large part of this is not dealt with in a separate and appropriate manner.

Air pollution. Air pollution continues to be an issue of serious concern. In most cities and industrial areas of Thailand, noise pollution is also a serious issue.

Energy demand. Thailand's energy consumption has been steadily growing at a rate of about 9% per year. Thailand relies heavily on imports for energy sources.

4. Policies and Institutions

The Ministry of Natural Resources and Environment (MONRE) was created in October 2002 with the objectives of creating a unified institutional structure for environmental protection.

In line with the decentralization policies that were called for by the 1997 Constitution, MONRE has opened provincial offices in each of the 76 provinces of Thailand.

5. Environment in the main sectors

The Thailand-EC Co-operation Facility will enable technical assistance in all sectors of mutual interest referred to in the bilateral Partnership and Co-operation Agreement. This includes environment and natural resources. As the major emphasis of the Facility is to promote economic co-operation, specific support can be provided to Thai companies in adapting to EU environmental legislation. Support for other activities in the area of environmental protection and sustainable management of natural resources can be envisaged under the Facility.

In the area of support for higher education through, Thai students wishing to pursue academic study in the area of environmental science and related fields are eligible for scholarships.

The provision of technical expertise and planning capacity of Thai institutions in natural resource management through co-operation between the EU public and private sectors will also be promoted.

6. Analysis of aid

EC and other international development assistance. EU co-operation in the past has focused mainly on green issues (forestry and biodiversity). Amongst the EU Member States, Denmark and Germany are the most active in terms of environmental co-operation. Other non-European agencies that are active in the environmental sector are JICA, USAID and the World Bank.

7. Conclusions and recommendations

To enhance the efforts to address the environmental concerns in Thailand, it is recommended to strengthen the capacity of local and provincial authorities in environmental management. Replication of successful community initiatives in natural resource management should be encouraged. The capacity of authorities to monitor and enforce environmental laws and regulations should be also improved. Another major interest from the Thai business sector and governmental offices is the need for a transfer of environmentally friendly technologies that would facilitate trade relations between Thailand and the EU. These actions could take place under the co-operation facility and under regional and thematic programmes, notably the thematic line “Environment and Sustainable Management of Natural Resources Including Energy”.