

**THE EC-THAILAND
COUNTRY STRATEGY PAPER
2002-2006**

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Executive summary

Thailand is a constitutional monarchy with a King as Head of State and with a democratic system of Government. It is a lower middle-income country in South-east Asia with 63 million people and 513.500 km², bordering Burma/Myanmar, Laos, Cambodia and Malaysia. The Kingdom of Siam, precursor of modern Thailand, was the only country in South-east Asia to remain independent of European colonisation.

Thailand is an important producer of manufactured products and a net food exporter; it is the world's largest exporter of rice, rubber and cassava and the second largest exporter of sugar. It has one of the largest fishing fleets in Asia, and has an important fish processing industry. It also has substantial off-shore natural gas resources and some limited oil reserves.

The new Government, which took office in February 2001, has put in practice a set of urgent economic and social measures to consolidate the recovery from the 1997/98 economic crisis. It has conceived and is applying the 9th National Economic and Social Development Plan, the cornerstones of which are a balanced economy, upgraded social quality of life, including education and health reforms as well as community strengthening, good governance and poverty alleviation.

The EU and Thailand maintain long-standing and fruitful contacts, mainly on trade and economic issues. In the absence of a bilateral EU-Thailand agreement, the 1980 EC-ASEAN Co-operation Agreement is the main framework for co-operation. The ASEM dialogue process provides another framework for bilateral exchanges. Bilateral issues are addressed in regular EC-Thailand Senior Officials' Meetings.

The EU is a major trading partner of Thailand. Trade between the EU and Thailand has grown significantly since the mid-1990s, accounting in 2000 for 16.7% of Thailand's total exports and 10.9% of its imports. The trade pattern has nevertheless changed from one of EU trade surplus in 1995 to a significant Thai trade surplus today. The EU has made major efforts to keep its markets open to Thai products throughout the 1997/98 financial crisis, and EU companies continued investing in Thailand during that period.

Thailand's socio-economic indicators are such that co-operation should be primarily economic and only exceptionally focus on development in key areas for national development where the EC could provide a real added value. In view of the increasing importance of bilateral economic relations, and of the momentum initiated with the Doha Development Agenda, the EC's bilateral co-operation strategy with Thailand will focus on technical assistance and capacity-building activities in the sectors of trade, investment, and related areas for sustained co-operation (focal area 1). It is also proposed that development support be provided to the sector of public health and health services (focal area 2) through the consolidation of previous assistance to the Health Reform process.

Other sectors (i.e. science and technology, education and human resource development, environment, energy, social policy related issues, care and assistance of refugees and displaced people, and knowledge-based economy and culture) are considered as non-focal areas and will be addressed under the existing thematic and regional (ASEAN, ASEM, Asia) programmes.

1. EU co-operation objectives

The legal framework of the EU's relations with Thailand is comprised by Article 177 of the Treaty establishing the European Community, the EU's ALA Regulation and the 1980 EU-ASEAN Co-operation Agreement. There is no bilateral co-operation agreement between the EU and Thailand.

Article 177 of the Treaty sets out three broad objectives for Community development co-operation:

- fostering of sustainable economic and social development,
- smooth and gradual integration of the developing countries into the world economy,
- fight against poverty.

It further indicates that Community policy should contribute to the general objective of developing and consolidating democracy and the rule of law and encouraging the respect of human rights and fundamental freedoms.

The EC's ALA Regulation¹ applies to Thailand. 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 Agreement², which puts an emphasis on commercial co-operation, granting most-favoured nation treatment to the 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.

Further to the 1980 Agreement, the main EU instrument for trade co-operation with Thailand is the Generalised System of Preferences (GSP), of which Thailand is a beneficiary. The EC adopted on 10 December 2001 a revised GSP regime for 2002-4, providing more benefits to developing countries in a simpler, clearer and more predictable framework³.

The Commission working document of April 2000 on the Asia-Europe Meeting process⁴ set the EU priorities for co-operation in the context of ASEM, building on the considerable success achieved thus far with an active and constructive dialogue in the three pillars of political, economic and financial, and cultural and intellectual issues. The focus for co-operation in the next decade will be placed on the following

¹ Regulation (EEC) N° 443/92 of 25 February 1992 on financial and technical assistance to, and economic co-operation with, the developing countries in Asia and Latin America

² Council Regulation 1440/80 of 30 May 1980, OJ L 144, 10.06.1980.

³ Council Regulation No 2501/2001 of 10 December 2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004

⁴ COM (2000) 241 final, 'Perspectives and priorities for the ASEM process (Asia-Europe Meeting) into the new decade', 18 April 2000.

major topics in particular: regional and global security, trade and investment, socio-economic issues and regional macro-economic co-operation, consumers dialogue between regions, and educational exchanges.

In its Communication on development policy of April 2000⁵ the Commission set 6 priority areas for the EC development co-operation activities: (1) trade and development, (2) regional integration and co-operation, including tackling of transboundary economic, social and environmental problems, (3) support to macroeconomic policies with a link to poverty reduction, in particular in social areas (health and education), (4) transport, (5) food security and rural development, and (6) institutional capacity-building, good governance and the rule of law.

The European Commission issued in September 2001 a Communication⁶ setting out a new strategic framework for co-operation with Asia in the coming decade. Its core 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.

It is against this background that EU co-operation with Thailand must be examined. EU-Thailand relations take place mainly under the institutional framework of EU-ASEAN relations as well as in the ASEM dialogue process.

The fact Thailand enjoys a relatively high level of economic and social development means that co-operation during the period of the present strategy (2002/6) should be mainly economic, with EU development aid to be used only in exceptional circumstances. The EU budget resources available for specific bilateral co-operation with Thailand in this time frame are too limited to allow the inclusion in the present strategy of a wide range of initiatives implying funding.

2. Thailand's Policy Agenda

National Economic and Social Development Plans have been the backbone of Thai policy-making for more than 35 years, laying down the major orientations over a period of five years each. The Ninth National Economic and Social Development Plan⁷ (NESD, 2002-2006) remains essentially in line with the Eighth Plan, which paid particular attention to social policy issues and other problematic subjects, but its unique impetus is the adoption of the "sufficiency philosophy", as advised by H.M. the King.

The principles of the 9th NESD Plan are focused on an integrated approach for development, with people at the centre and complemented by economic, social, political and environment aspects. Furthermore, it recognizes the need for a participatory approach. In the 9th NESD Plan, the Thai Government has set itself the following economic and development objectives:

⁵ COM (2000) 212 final, The European Community's Development Policy, 26 April 2000.

⁶ COM (2001) 469 final, 'Europe and Asia: a strategic framework for enhanced partnerships', 4 September 2001.

⁷ 9th National Economic and Social Development Plan, approved on 25th September 2001.

- A balanced economy: GDP growth of 4-5%; creation of at least 230,000 jobs/year; inflation rate of less than 3% p.a.; increase of export value of more than 6% annually,
- Upgraded social quality of life, including education and health reforms as well as community strengthening,
- Good governance: putting emphasis on transparency and public participation,
- Poverty alleviation: through Human Resource Development and a participatory approach, decrease the proportion of poor people to 12%.

The seven development strategies adopted in the 9th Plan are⁸:

1. Human development and social protection
2. Restructured rural development and sustainable urbanization
3. Management of natural resources and environment
4. Macro-economic management
5. International competitiveness
6. Strengthening science and technological base
7. Development management for Good Governance

Further to this Plan, the Government adopted in July 2001 an Economic Development Plan⁹ to address short-term economic problems and long-term weak fundamentals, in view of the present world economic slowdown. The Plan outlines the urgent measures already taken (*see below*) and a detailed economic stimulus package, mainly oriented to strengthen the domestic economy to become more knowledge-based and more productive.

3. Country analysis

General data: Kingdom of Thailand

Population	60.7 million
Territory	513,500 km ²
GDP (<i>USD billions</i>)	122.2
GDP Growth Rate	4.3 %
GDP per capita	US \$ 1,910**
Inflation	1.6 %
Unemployment	3.6 %
Currency	Baht (Bt 43.24 : US\$ 1, April 23rd 2002)
Official Reserves	US \$ 32.7 billion *
Trade Balance	US \$ 5.5 billion
Prime Minister	Thaksin Shinawatra

Source: Asian Development Bank and World Bank, except * Bank of Thailand and ** The Economist Intelligence Unit. Figures of 2000.

⁹ Strategy plan framework toward quality and sustainability of Thailand economic development, Ministry of Finance, July 2001. www.nesdb.go.th.

3.1. Population and territory

Thailand has several substantial minorities: Chinese, accounting for almost 15% of the population, Muslim Malays, concentrated in the southern peninsula; the hill tribes of the north; Cambodians in the southeast and on the Cambodian border; and Vietnamese. However, no significant ethnic tensions exist.

Thai is the official language, while most ethnic minorities speak their own languages. Theravada Buddhism is the state religion; about 95% of the people are Buddhists. The Kingdom of Siam, precursor of modern Thailand, was the only country in Southeast Asia able to remain independent of European colonisation.

3.2. System of Government

Thailand is a constitutional monarchy with a King as Head of State and with a democratic, multiparty parliamentary system of Government. Thailand enjoys a stable democracy, with a relatively effective judicial system, independent media and a participating civil society.

H.M. Bhumipol Adulyadej, King for more than 50 years, is highly revered as 'the conscience of Thailand'. A new Constitution was adopted in 1997. The Parliament consists of the House of Representatives and the Senate, both chosen in general elections. The King appoints the Prime Minister and the Council of Ministers.

3.3. Political situation

The latest elections for the House of Representatives took place on 6 January 2001. The Thai Rak Thai ('Thais Love Thais', TRT) party won 248 of the House's 500 seats and its leader, Thaksin Shinawatra was appointed Prime Minister. The TRT's merger with Seritham and the New Aspiration party and alliance with Chart Thai gives it a 340-seat majority in the lower house, the biggest in the history of Thai democracy. The first ever election to the Senate took place, under the 1997 Constitution, in March-July 2000.

The cornerstone of the policy of the new Government¹⁰ is a set of 'urgent projects'. These include: a 3-year debt moratorium for struggling farmers, a Village Fund that will provide one million baht (€ 25,600) to each of Thailand's villages; a People's Bank to ensure improved access to banking facilities and resources for low income citizens; a Bank for Small-and Medium-sized Enterprises; and the setting up of a Thai Asset Management Corporation (to transfer non-performing loans from commercial banks to the Government, and to expedite debt resolution); and a universal healthcare scheme with standard low hospital fees. This programme is to be accompanied by increased privatisation efforts.

Thailand enjoys a stable democracy, based on the rule of law, with a relatively effective judicial system, a participating civil society and an active media which,

¹⁰ Policy of the Government of H.E. Prime Minister Thaksin Shinawatra – document delivered to the National Assembly on 26 February 2001, http://www.thaigov.go.th/index_eng.htm.

while generally free, has in recent months reportedly been subject to increased government interference.

The European Union remains preoccupied about the increased resort to the death penalty¹¹, which the Government has declared as an integral part of the war on drugs. The number of executions and the number of people awaiting execution have increased dramatically in recent months, mostly for drug offences. While the 1997 Constitution refers explicitly to the death penalty, an eventual future abolishment of the death penalty would not require the amendment of the Constitution.

Thailand adheres to several international conventions and in 1999 was accepted as an observer to the OSCE. It has ratified the International Covenant on Civil and Political Rights (ICCPR), but has not signed the Optional Protocol on the death penalty. Thailand has still not ratified the Geneva Convention on Refugees of 1951. The Government and local authorities have received in recent years approximately 140.000 refugees of Burmese origin, ensuring their safety in camps along the Thai-Burma/Myanmar border. However, the recent Government approach to the refugee issue (e.g. non-voluntary repatriation, refusal to allow access to Thailand to persons fleeing fighting, resettlement of refugees in so-called safe areas on the Burma/Myanmar side of the border) is not found satisfactory¹². The EC and its Member States provide substantial funds to the UNHCR and international NGOs to assist Burmese refugees in Thailand.

3.4. Foreign policy

Thailand plays an important role in ASEAN and assumes a constructive and proactive position in the ASEAN Regional Forum. It is also an active partner in ASEM and a member of APEC¹³.

The main foreign policy objectives of the Government are: to engage in an enhanced economic diplomacy; promote a more proactive role for Thailand in international affairs by expanding relations between ASEAN members and countries in East Asia and South Asia; and to become more involved in peacekeeping and conflict prevention in the region. In comparison to the previous administration, the Government has adopted an external policy with a more commercial orientation and with a stronger sub-regional and bilateral emphasis.

Thailand pursues an active policy of rapprochement with its neighbours, in particular Burma/Myanmar. China and Japan form the pillars of Thailand's foreign policy shift eastwards. Efforts are being put into the proposed free-trade agreements between ASEAN, China and South Korea. In addition, Thailand maintains close political and security relations with the USA.

¹¹ The Thai authorities state their disagreement with the EU on the issue of death penalty. Civil society is favourable to the death penalty and the Government has no intention to propose a change to present legislation.

¹² The Thai authorities consider such people as 'displaced persons' and not 'refugees'.

¹³ Asia-Pacific Economic Co-operation, established in 1989 with 21 member countries in this region. APEC members committed themselves in 1994 under the Bogor (Indonesia) Declaration of Common Resolve to achieve free and open trade and investment in the region by no later than 2010 for industrialised economies and 2020 for developing countries.

EU-Thai relations are solid and long-standing, based on trade and economic and development co-operation. The EU has made efforts to keep markets open to Thai products throughout the financial crisis and beyond, and to foster investments in Thailand.

3.5. Economic Situation

3.5.1. The Asian economic crisis and the Thai response

Bolstered by conservative monetary and economic policy, Thailand has known stunning economic growth during the three decades prior to 1997-98, based on abundant natural resources and qualified labour supply at low cost. Growth reached two-digit figures between the mid-eighties and early nineties and about 9.0% during the period 1990 to 1996. The Thai economy was considered in this period, apart from its current account deficit, to be a stable and successful economy. The high growth rate was due *inter alia* to structural reforms undertaken in the 1980s, reducing barriers to trade, and liberalising the investment regime.

In 1997, the weakness of the banking sector, the external debt and substantial macroeconomic imbalances led to speculative attacks on, and a depreciation of, the Baht by more than 50% at the lowest point in January 1998. This was at the origin of a dramatic economic and financial crisis which spread rapidly across South-east Asia and indeed a great part of the Asian continent. The economic impact in Thailand was severe, with a contraction of GDP in the order of 10.4 % in 1998, increased but moderate inflation, high unemployment as a consequence of the collapse of financial services and of the industry in general, sinking external and domestic demand and rising poverty. This resulted in a large increase in non-performing loans, further undermining the health of the financial system. At that time, Thailand imported capital investment worth 10% of GDP, which made it vulnerable when the crisis hit.

In parallel, the Government was obliged to implement massive budget cuts including in the social sector. As a result, the situation of the rural poor and of laid-off workers in urban areas deteriorated.

On Thailand's request, the IMF concluded a Stand-By Arrangement with Thailand in June 1997, alongside a US\$ 17.2 billion rescue package from several multilateral and bilateral contributors.

As the economic situation began to stabilise in mid-1998, the Government eased macroeconomic policies gradually to support the weak economy. It also introduced a social safety net with World Bank support to cushion the impact of the crisis on the most disadvantaged segments of the population. In 1999 the Government introduced three packages of fiscal measures, setting the path for economy recovery through an increase in exports and in private investment.

3.5.2. Structure of the economy

The contribution of the agriculture sector to the Thai economy has declined from 40 % in the beginning of 1960s to less than 10 % of the current GDP. However, the

sector employs more than half of the labour force and directly supports a similar proportion of the population. Thailand is one of the few net exporters of food in Asia; it is the world's largest exporter of rice, rubber and cassava and second largest exporter of sugar. The agricultural sector is the basis for the rapidly expanding agrobusiness sector. Recently, Thailand has become a comparatively high-cost producer of agricultural goods and has been losing markets to new low-cost producers in Asia.

Thailand has one of the largest fishing fleets in Asia, exceeded only by China, Japan and Indonesia. In recent years, over-fishing has depleted coastal fish stocks. The large fish processing industry relies on imported fresh fish. Since the 1980s, Thailand has emerged as the world largest exporter of canned tuna, accounting for more than half of the world's exports. However, the most rapidly growing sub-sector in fishing during the last decade has been the farming of prawns and shrimps, with outputs averaging some 170.000 tons annually and accounting for over 30% of world production. There has been increasing concern over the environmental damage caused by shrimp farming, and since 1998 the Government has imposed a total ban on inland (freshwater) shrimp and prawn farming.

Thailand is one of the most popular tourism destinations in Asia, with over 10 million foreign visitors in 2001. Tourism is the second most important economic sector in terms of foreign exchange earnings, after that of computers and parts. One of the targets of the 9th Plan consists in increasing the number of tourists coming from abroad by not less than 7% per year during the Plan's period, with an increase of generated income of 15% per year over the same period.

Thailand has substantial offshore natural gas resources and some limited onshore oil reserves. The expansion of oil, gas and lignite production has reduced the country's dependence on imported energy to some 65-70 %.

The rapid growth since the mid 1980s has put considerable pressure on transport infrastructure. There are still deficiencies in the provision of roads, railways, port facilities, power generation, and water supply and in telecommunications.

Between 1980 and 2000, the Thai manufacturing sector increased its earnings share from nearly 30 % to 85 %, with the sector contribution to the GDP growing from 20 % to 35 %. Employment in the sector has increased from 2% to nearly 20 % over the same period. This rapid expansion was led by the textile and garment industries, and from the mid-80s by the electronics, electrical goods, and automotive industries. The electronic industry is basically labour-intensive assembling, with a low level of added value (e.g. an estimated 80-90 % of computer components are imported). Semiconductor manufacturing is susceptible to cause environmental damage without strict waste management. Rising labour costs in Thailand are causing mobile Asian transnational companies to seek cheaper locations elsewhere, notably in China and Viet Nam.

3.5.3. General economic indicators

After an unprecedented real gross domestic product (GDP) contraction of 10.2 % in 1998, real GDP grew by 4.2 % in 1999, and 4.3 % in 2000, supported by increased domestic consumption, higher capacity utilization in the manufacturing sector, and

encouraged by three stimulus packages. While recovery is progressing, it is far from complete. By the end of 2000, per capita incomes were still about 9 % lower than their 1996 peak level. The economic recovery remains fragile and is now being undermined by the global economic slowdown.

For 2001, major international organisations have revised their growth forecasts downwards to 1.5 % levels from earlier 2.5-3 %, reflecting shrinking exports and subdued domestic demand. Various economic indicators, such as export figures, manufacturing production index, and industry capacity utilisation, indicate that the Thai economy is following the global economic slowdown. As a result, economic growth in 2002 could be even lower (0.5-1.0%) than that expected for 2001. This falls short of the 4-5 % level which is indicated as the base level in the 9th National Economic and Social Development Plan, thus putting considerable strain for the Government to meet the objectives of the plan. Inflation is expected to slip to 1.5-2.0% in 2002.

The Government's fiscal policy has been accommodating. The fiscal deficit narrowed from over 11 % of GDP in 1999 to 3.2 % in 2000. As a result of successive deficit spending measures and support for bank recapitalisation, the ratio of public debt to GDP has climbed from 15 % prior to the 1997 crisis to about 60 % by mid 2001. Protracted slow growth in the coming years or a steep rise in real interest rates could, however, pose fiscal strains.

3.5.4. Trade

Europe is one of Thailand's biggest trading partners, together with the USA, Japan and ASEAN. The EU holds a consistent share of approximately 15% of the country's total trade (€ 129 billion in 2000). Thai exports to the EU are now annually valued at more than € 12 billion. Thai imports of EU goods in 2000 were worth € 6.9 billion. This surplus accounted for 72% of Thailand's overall trade surplus and has significantly helped to strengthen Thailand's external accounts and the external value of the baht.

Main Thai exports to Europe included machinery, garments, motor vehicles and parts, and electronics. Imports consist mainly of machinery, electrical items and parts.

Approximately 74% of Thai exports to the EU fall under the General System of Preferences (GSP) and 7% fall under special arrangements (e.g. tapioca), or are exempted from duties. However, use of existing preferences has been relatively low – in average less than half of Thai exports take advantage of the existing preferences. In 1997, Thailand was graduated in 9 sectors, and has since then been requesting strongly that the EU re-grant GSP privilege for at least some of these groups, in particular prepared food and fisheries products.

Thailand has expressed concerns on certain aspects of the EC's policy on anti-dumping, food safety, waste management and IPRs (access to technology and essential medicine). The EC has in its turn shown concern on some market access obstacles raised during the economic crisis, as well as on IPR issues (trade counterfeiting).

Since the mid 1990s, Thailand has actively encouraged efforts to accelerate tariff elimination under the ASEAN Free Trade Area. In 2000, Thailand's average CEPT tariffs decreased to 7.3 %, compared to average MFN tariffs at nearly 18 %¹⁴. Thailand is negotiating with Malaysia concerning the latter's deferment of tariff cuts for some automotive products under the ASEAN Free Trade Area (AFTA).

Thailand became a WTO member in 1994. Membership necessitated certain changes to Thai legislation. Thailand has also been an important member of both the Friends and Cairns groups, and supported the launching of a new broad round of multilateral trade negotiations in Doha in November 2001, while expressing concerns about bringing investment and competition into a new round.

See [annex 2](#) for data on Thailand's trade flows with the world and the EU.

3.5.5. Investment

Overall foreign investment in Thailand is on a declining trend. During the first seven months of 2001, overall approved foreign direct investment decreased by 17.0% in value over the same period of 2000. The decline in overall applications was even stronger (by 76%), with new applications declining across the board (US, ASEAN and Japan).

In the same period, approved EU investment increased by some 20%. However, investment applications from EU companies decreased by 42% over the same period. With its share of 17.2% of overall foreign investment applications, the EU was the third most important source of investment applications after Japan, Asian NIEs.

[Annex 2](#) includes data on foreign investment in Thailand.

EU investment supported the recovery of Thailand during the economic crisis, as European investors took a long-term view of Thailand's future and continued operations in the country. Currently, EU investors voice concern on the deteriorating foreign investment environment, in particular its lack of transparency and coherence and restrictions in certain service sectors such as banking and telecommunications, and would like to see the Governments' investment policies more accommodating.

3.6. Social situation

The crisis of 1997/8 interrupted the remarkable progress made in reducing poverty and improving social indicators¹⁵. Unemployment rose from 1.1% in 1996 to 4.4% in 1998, while real wages declined. A disproportionate number of the poor were rural villagers and agricultural workers, mostly in the Northeast.

In general, wealth and social development are not evenly distributed, and the income gap between rich and poor and between Bangkok and other regions of the country

¹⁴ WTO, Trade Policy Review

¹⁵ Poverty levels (below \$US 1 per day) have increased from 11% in 1996 to 16% in 1999. With a definition of poverty of \$US 2 per day, the rate was still at 30.6% in 2000, down from 32.2% in 1999. This represents about 18 million poor, mostly rural. About three million additional Thais fell below the poverty line from 1996 to 1999.

widened with the crisis. Education levels are low: 80% of the work force has only primary education. Over 60% of the work force is still in agriculture, despite its declining share of GDP (10.5% in 2000, down from 23.2% in 1980). There are few and insufficient social safety nets.

Women make up 47% of the formal work force, the highest participation rate in the Asia-Pacific region. They are in agricultural, trade, service and manufacturing jobs, with a trend to shift from agricultural to urban employment. Women are owners or workers in all sectors of business, but few are in business decision-making positions, due to persistent cultural patterns and other forms of discrimination.

The adverse effects of the crisis have been mitigated somewhat by the protection of Government expenditure, an improvement in availability of public services, and coping mechanisms employed by families. However, the path of social recovery following the crisis could be reversed if the current economic slowdown is not countered by necessary reforms. Indeed, there are signs of some aggravation of the social conditions in the past year, making it difficult to bring the poverty situation to pre-crisis levels in the next couple of years at least.

While the HIV/AIDS situation in Thailand remains of great concern (number of cases estimated at 800.000 / 1 million), the authorities have succeeded in containing the problem, serving as a model to other countries. The serious problem of sex-tourism continues to deserve particular attention, though.

In conclusion, in the aftermath of the crisis the Government needs to pay particular attention to the development of rural areas, create employment opportunities for poor people, develop human resources and improve health and welfare services.

3.7. Sustainability of current policies

Thailand's economic recovery remains fragile and is threatened by a sharp slowdown in external demand. The Government needs to progress in putting in place the policies needed to sustain recovery. Despite significant efforts, a still not fully adequate legal framework, combined with a weakness in implementation, has impeded bank restructuring and risks remain, namely as regards the highly indebted state banks. Even with an acceleration of reforms and prudent macroeconomic policies, medium-term growth prospects will depend *inter alia* on the right policies to increase productivity. The costs of dealing with the financial crisis have been reflected in a recent sharp increase in public debt (financial sector restructuring costs and expansionary fiscal policies), and public debt should decline in the medium-term.

As regards trade and investment, the Government is gradually implementing protectionist measures, which are causing concern within EU business interests. In addition to import barriers and general 'buy-Thai' policy orientations, EU business has expressed serious concerns as regards the present foreign investment regime. In the longer term, this may further reduce EU investments and have a negative impact on the competitive position of Thailand as compared to other countries in the region, particularly once the AFTA comes into effect in 2003.

As regards social policy, Thailand's socio-economic indicators have improved, but there is still a loss in social protection as compared to the pre-crisis times. Thailand is still a lower middle-income country with a per capita income of US\$ 2160. It faces critical development constraints that could affect the sustainability of its economic growth, such as inadequate development of skilled human resources and technology, infrastructure bottlenecks, environmental degradation.

Thailand's large trade surplus can be seen as a sign of renewed economic vigour, but it should be reinforced by the stronger domestic demand that would result from the completion of structural reforms.

3.8. The Medium Term Outlook and Prospects

Thailand faces a number of challenges in the years ahead:

- Political: The country enjoys a stable democracy. The Government has a strong electoral mandate to address remaining economic weaknesses. There is an effective civil society and sound democratic institutions. The emerging middle class, especially in Bangkok, is putting increasing pressure on the Government for true political change of the political system. Authorities have made significant progress over the last four years in stabilizing the economy and fostering an economic recovery. However, market concerns about isolationist policies and financial discipline have been expressed; in response, the authorities have emphasised fiscal prudence and softened some of their campaign promises.
- Economic: Thailand has relied heavily on exports and on foreign capital and technology over the last years. It is now confronted with the challenge of building the domestic economy and diversifying into high technology production, higher value-added industrial and service activities. Indeed, its relatively high production costs do not allow it to compete with the lower cost Asian economies. The Thai education policies need to catch up with this challenge to allow it to evolve into a knowledge-based economy and culture. Thailand's economic fundamentals remain fragile.
- Social: Reducing inequalities between rich and poor remains a huge task. Poverty is a prime humanitarian concern and a potential source of political and social unrest. Existing social safety nets are still insufficient, despite attempts to introduce general social safety coverage. The protection of individual rights, especially of women and children need further attention, as well as the serious problem of HIV/AIDS.
- Environment: Thailand has witnessed a significant level of environmental degradation. 60% of the population live close to the coastline and many important activities generating income and employment are located in these regions. In general, natural resources have been over exploited. Rapid industrialisation and an unsustainable management of natural resources have led to mangrove deforestation for shrimp farming, aggressive fishing practices, water pollution from organic and factory wastes, soil erosion, and a lack of treatment of effluents from urban areas, industry and agriculture.

4. General co-operation framework

4.1. Overview

Co-operation between the EC and Thailand arose from the Tapioca Agreement, aimed at assisting the Thai Government's crop diversification efforts and at improving Thai possibilities of exporting to the EC. In the 1970s and 1980s, almost € 200 million were committed for crop diversification and irrigation projects in the North-East of Thailand, the main tapioca-producing region.

Over time, the focus of EC-Thai co-operation shifted from development aid to economic co-operation, and increasingly to specific sectors such as environment and fisheries, as well as to projects in the areas of social policies, promotion of small and medium-sized enterprises and human resources development.

After the crisis, i.e. between 1998 and 2000, the bulk of the EC 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.

At the November 1999 Senior Officials' Meeting (SOM) it was agreed that EC financial support would be directed to the institutional reform process, in particular towards health and the management of environmental protection in coastal areas.

At the March 2001 SOM it was decided that EC-Thai co-operation would evolve from a project based 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.

4.2. Past and on-going EC Co-operation

4.2.1. Economic and development co-operation

The period 1994 to 1999 has shown Thailand rapidly evolving from the status of aid recipient to that of economic partner. As a high level of financing was no longer required, the EC developed a strategy of technical assistance to help Thailand's development priorities and serve mutual interests. Overall, donors shifted their emphasis from capital assistance for physical infrastructure to technical assistance for social infrastructure, human resource development, poverty, and the environment.

During this time, the Commission involved in its strategy EU business associations, universities and other institutions, NGOs, trade associations in promoting EU capacity and facilitating access by Thai counterparts to EU goods, services and technology.

NGOs played an increasing role in Thailand in a large number of sectors, ranging from strengthening of civil society and assistance to refugees / displaced persons to environment and rural development.

With the burgeoning of the economic crisis, in mid-1997 support was directed to the most urgent issues to be solved by the Government: alternative employment generation, the social cushioning of the economic crisis and in particular the stabilisation of rural communities. The EC provided substantial support to the process of health care reform in Thailand through a project of technical assistance on this subject to the Ministry of Public Health. ASEM II in London on 2-4 April 1998 confirmed the commitment of Europe to assist the countries hit by the crisis, including Thailand. It received support through the ASEM Trust Fund for technical assistance for the reform of its financial and corporate sectors, as well as for interventions to mitigate the adverse social effects of the crisis. As of October 2001, Thailand had been allocated 13.8 % of the budget of the ASEM Trust Fund (US\$ 5.85 million out of US\$ 42 million) to support the implementation of 10 projects in the social and financial sectors.

In this period, the pressure on the Government's financial resources raised new challenges as regards the management of the environment. The Commission therefore focused also on support to environment projects, namely coastal environment and policy planning for coastal habitats and the management of coastal resources. A project on 'Coastal Habitat and Resources Management' (CHARM) is being launched, as well as the 'Sustainable Management of Phu Khieo Wildlife Sanctuary' project.

Thailand has been chosen as the seat of many regional projects (e.g. ASEAN Aquaculture, ASEAN Data-base on pesticides, COGEN, AIT Mobility of Students, ASEAN University Network, ASEM (Asia Europe Environmental Technology Centre, AEETC), and Asian projects (Information Technology and Communications, IT&C).

Thailand has participated in EC-ASEAN regional programmes covering energy, environment, transport, education and communication technology, as well as ASEM projects. In addition, it is associated with EC-Asia horizontal co-operation programmes such as Asia-Invest Asia-Urbs, Asia IT&C and Asia Ecobest.

As regards humanitarian assistance, the EC has so far devoted about € 58.2 million to such initiatives, of which € 0.5 million have been allocated for human rights protection. A high share of the € 58.2 million has been allocated under the budget-lines for refugees and displaced persons (€ 42.2 million), HIV/AIDS prevention (€ 10.4 million) and drugs (€ 4.8 million). It should be noted that NGOs are playing an increasing role in Thailand in a large number of sectors, ranging from strengthening of civil society to environment and rural development, often supported by the EC.

At present, there is a significant number of EC-supported projects/programmes in Thailand, both bilaterally (in the sectors of energy, public health, environment, narcotics, NGO co-financing, humanitarian assistance, for a total EC grant of € 59.3 million), and in the context of regional programmes, such as ASEAN co-operation (€ 82.2 million), ASIA Co-operation (€ 166.4 million), and ASEM co-operation (€ 18.25 million).

An exhaustive list of EC financed projects is enclosed as Annex 2.

4.2.2. Results

The results of EC-Thai co-operation can be summarised as follows:

- human resource development and institutional-building: strengthened capacity of key Thai ministries and institutions to carry out sustainable national and sectoral planning; academic exchanges, joint research, co-operative education, curriculum assistance, staff development; hundreds of officials and students trained;
- private sector development: transfer of EU expertise and technology in a range of sectors; business training, increased co-operation between EU and Thai businesses and associations; start-up and expansion of firms and creation of jobs in disadvantaged regions; and improved planning capacity at Government agencies responsible for industrial promotion;
- environment and natural resources management: strengthened technical expertise and planning capability at Thai ministries and institutions regarding the environmental aspects of the use, development and management of natural resources through co-operation with the EU public and private sector;
- gender issues: increased participation of women in economic decision-making at local levels, as well as in regional and international conferences, workshops and exchange programmes;
- good governance and community development: increased understanding among Thai officials of issues related to civil service reform; improved quality of life for rural poor through provision of basic services and promotion of self-sufficiency; increased planning, networking and participation of national and regional NGOs through co-operation with EU NGOs; improved regional analysis of social and economic issues.

4.2.3. Lessons Learned

The main lessons from the implementation of EC projects in Thailand are:

- Agriculture projects: poor fertility of lands and fast development of the country have impacted negatively on agricultural projects in the Northeast. Increased yields were not sufficient in comparison with alternative solutions (e.g. better incomes through migration to cities), though the choice of the productions in the North-east was governed by the Tapioca agreement;
- Development projects in general: Insufficient preparation led to shortcomings as to the economic impact and the sustainability of some projects. However, projects were successful when oriented to the development of farmer groups and to the setting up of links between farmers and the commercial private sector (marketing), thus underlining the need for thorough preparation and management by the Project Management Units throughout the project's duration;

- Economic co-operation: projects directed to the achievement of mutual benefits have had a significant impact, increased Thai awareness of EU capacity, and are therefore most sustainable. For example, the promotion of enterprise co-operation responds best to private sector interests when it emphasises access to EU technology for Thai firms and access to Thai and regional markets for EU firms. The best assistance to SMEs was obtained through support to reforms (e.g. access to credit and supportive structures) and contacts with EU enterprises (e.g. technology and market analysis);
- Economic co-operation projects in general: bureaucratic difficulties in the implementation of economic co-operation projects were encountered. Successful cases with autonomous entities (e.g. Chulalongkorn University) prove that sustainable solutions can be developed locally. Future projects should consider carefully the commitment of the partner for co-operation and for involvement in the change/reform.

4.3. Programmes of EU Member States

The United Kingdom, Germany, Denmark, Finland and Sweden are at present the main providers of co-operation assistance to Thailand. The main sectors of cooperation are environment, education, and economic reform. Denmark, Finland and Sweden also fund activities in the Mekong river region. The Netherlands' development cooperation from 2001 onwards focuses on small-scale activities. Other Member States have no or no more development co-operation with Thailand.

The **United Kingdom's** assistance to Thailand comes from the Department for International Development (DFID), the Foreign Office and the British Council. Current activities support work in education, human rights, good governance, HIV/AIDS, peacekeeping, health, refugees, landmines. Funding for 2000/2001, including Thailand's share of DFID regional programmes, was approximately € 2.5 million. Future assistance is likely to remain at this level.

Germany's co-operation focuses on "economic reform and development of a market economy", with the aim of strengthening the competitiveness of Thai SMEs economy. Additional funding includes Private-Public Partnerships, advisory services for the industry, co-operation with the German political foundations and scholarships. The commitment amounts to approximately € 11.3 million for 2001 and 2002.

Denmark's development assistance has been provided through DANIDA to the Mekong River Commission, and to the Asian Institute of Technology (AIT). These two programmes amount to about € 8 million p.a., for a total of five years. In addition, development assistance by DANIDA mixed credit schemes can be expected.

Finland's cooperation is mostly on a regional basis. The yearly grant budgets for the coming years amount to €1.7 to 3.4 million. Priority themes are poverty alleviation and improvement of the environment in the Mekong River Region, including financial support to the Asia Europe Environmental Technology Centre (AEETC) and the Asian Institute of Technology (AIT). Some bilateral support is given to small-scale projects, especially through local NGOs. There is also a financial technical assistance

programme for industrial joint ventures in Thailand through Finnfund, a Finnish investment finance company.

Grants of **Sweden** to the Burmese refugees in Thailand amount to € 2.2 million annually. Sweden is the second biggest foreign donor to the Asian Institute of Technology (AIT) and also contributes substantially to the Mekong River Commission and to the UNEP environmental programme for Thailand. In technical co-operation, soft loans are awarded and some 50 Thais participate annually in advanced training courses in Sweden.

The Netherlands financially supports the Burmese Border Consortium, co-ordinator of aid to Burmese refugees in Thailand. Netherlands assistance is provided through Dutch NGO ZOA and amounted to USD 1,174,325 in 2001. The same NGO is also (with Netherlands support) active in primary, secondary and vocational education to Burmese refugees, 2000-2002: USD 890,950. Furthermore, The Netherlands finances a programme for the promotion of private investments by Dutch companies that have positive developmental and environmental effects in Thailand. The programme amounts to € 4.54 million.

4.4. Programmes of other Donors, including Multilateral Donors

Many bilateral and multilateral donors had stopped development aid to Thailand before the crisis due to its advanced economic levels, but have returned since the unfolding of the crisis. Assistance now focuses on mitigating the impact of the crisis and providing support to reforms in the social, financial or corporate sectors.

An IMF Standby Arrangement, including an adjustment programme, approved in August 1997, supported Thailand's post-crisis economic recovery process. The arrangement was part of a \$17.2 billion assistance package from several multilateral institutions (World Bank, \$1.5 billion, Asia Development Bank \$1.2 billion) and bilateral donors (in particular Japan, \$4 billion). Subsequently, the WB approved loans worth \$2.4 billion and the ADB of \$2.1 billion to support the reforms in different sectors of the economy.

Thailand has also turned to Japan as its main creditor, which has pledged more than US\$ 2 billion under the regional Miyazawa Initiative. Even prior to the crisis, Japan provided by far the largest of the bilateral programmes at about US\$ 1 billion annually, focusing on export finance, agricultural credit, industrial training, central markets and co-operatives, the environment and social development. Other regional partners are Australia (education, social development) and New Zealand (education, good governance and rural development projects).

The ASEM Trust Fund, mentioned above, has provided technical assistance in the social and financial sectors during the crisis, complementing the activities of the World Bank and other partners.

The European Investment Bank has recently provided support to the energy sector (€ 70 million loan for a heat and power plant in 2000) and the air transport sector (€ 26.4 million loan for an air transport control system in 2001).

5. Future European Community Co-operation Strategy

5.1. Principles and Objectives for co-operation

In the area of political and external relations issues, the Commission should see to it that the EC-Thailand dialogue be strengthened to include (1) co-operation in international organisations (United Nations, EC-ASEAN dialogue including the ARF process, ASEM); (2) co-operation and exchange of views as regards political developments in the region (Philippines, Indonesia, Burma/Myanmar, South-China Sea); and (3) co-operation on trans-national issues (illegal migration, piracy, trafficking in human beings etc).

In applying the present strategy, the EC-Thailand dialogue on trade issues will need to focus in particular on: identifying areas arising from the Doha Ministerial Declaration on which Thailand needs trade related technical assistance and capacity building; and trying to resolve the contentious bilateral issues.

As regards investment, the dialogue should focus on the improvement of conditions for EC foreign investment in Thailand, in particular with a view to encouraging more openness and liberalisation.

At the 7th EC-Thailand SOM, held in Bangkok on 28/29 March 2001, the two parties reviewed the state-of-play of the bilateral relationship, notably the ongoing EC co-operation programmes, and agreed on a number of co-operation areas and activities (*below*). They also decided on a new institutional arrangement to support the implementation of the work plan, as follows:

- The SOM is upgraded to the level of Permanent Secretary (Thailand MFA) and Deputy Director-General (Commission – External Relations DG);
- Regular political contacts between the Commission and the Thai Minister for Foreign Affairs will be organised in the margins of multilateral meetings (ASEM, ARF etc), on an annual basis if necessary, to review bilateral and regional/multilateral issues¹⁶.
- A co-ordination mechanism, with 3-monthly meetings, is established to monitor ongoing co-operation at project level and to oversee the follow-up of new project proposals as well as to assess the overall co-operation.

It was also agreed at the SOM that EC-Thai co-operation would be part of an inclusive process whereby project financing is to be used to facilitate the implementation of co-operation issues agreed under a wider policy dialogue.

Also, given Thailand's economic recovery over the last three years and present socio-economic indicators, and the increasing importance of economic relations between the EU and Thailand, the main focus of EC assistance should be economic co-operation in the mutual interest. Development co-operation projects should be considered only

¹⁶ Foreign Minister Surakiart Sathirathai and Commissioner Patten met on two occasions, in the margins of the ASEM Ministerial in Beijing on 24/05 and of the ARF/PMC Ministerial meetings on 25/07/2001.

on an exceptional basis, and address key national development priorities where the EC could provide a real added value.

In the time period of the present strategy (2002-06), the resources for the EC's co-operation with Thailand will arise primarily from the existing thematic and regional (ASEAN, ASEM and Asia) programmes. Extra efforts will need to be deployed to facilitate the access to information and participation of potential partners in Thailand in co-operation initiatives under these programmes.

In addition, a total amount of € 13,2 million will be made available to support specific bilateral co-operation projects with Thailand designed to respond to the particular needs and opportunities of Thailand's economic development. This indication does not pre-empt the powers of the European Union's budgetary authorities.

The implementation of the present co-operation strategy will be reviewed on the occasion of the next Senior Officials' Meeting, in Brussels in the second half of 2002.

5.2. Priorities for Co-operation

Building on the new momentum initiated with the Doha Development Agenda, the EC's bilateral co-operation strategy with Thailand will focus primarily on technical assistance and capacity-building activities in the sectors of trade, investment, and related areas for sustained co-operation. Support will also be provided to the sector of public health and health services, through the consolidation of previous assistance to the Health Reform process. The final project selection will be subject to a detailed identification and appraisal to be undertaken by the Commission.

5.2.1. Focal areas

1. Trade, investment, and related areas for sustained co-operation: the focus will be on the provision of trade and investment-related technical assistance and capacity building to Thailand on selected areas including those outlined in the Doha Ministerial Declaration. Emphasis will be placed on supporting Thailand's economic reforms and international competitiveness and providing assistance in the implementation of the Doha work programme.

Support will also be provided to the Thai administration and companies to adapt to developments in EU legislation (e.g. food safety and phytosanitary matters, waste electrical and electronic equipment, IPRs, GMOs and labelling etc) which may affect bilateral trade.

Attention will also be paid to the improvement of conditions for EU foreign investment in Thailand, through *inter alia* an enhanced dialogue between the EC and the Thai authorities, and of mutual market access of EU and Thai companies to the respective markets. The Commission could consider support to the launching of a Thai-EC Investment Promotion and Facilitation initiative, with the possible creation of a Thai-EC Business Forum or the extension of the existing EU business network in Thailand.

Furthermore, to sustain the potential in the longer term for trade and investment, i.e. to convince potential investors that a resource base exists in Thailand that is familiar and tuned in with the European industry's ways of working, efforts will have to be made to, for example, stimulate the potential for EU-Thai research and technological development co-operation, educational systems co-operation, as well as to address intellectual property rights issues. In this respect, the EC will continue the present constructive dialogue with Thailand on the issue of the protection of intellectual property rights.

This type of activities will primarily be supported under the *budget line for political, economic and cultural co-operation*. Horizontal programmes such as *Asia-Invest*, as well as the *ASEM dialogue process*, can complement bilateral activities in this area. Particular attention will be given to promoting the participation of Thai SMEs in *inter alia* *Asia-Invest*.

2. Public health and health services: the Thai Government has established the reform of the health service as a key development priority, notably providing for universal coverage of health care following European models. The Commission can provide a real added-value here, with a view to consolidating the successful results of past assistance in this area. Support will aim at increasing equity, efficiency, quality and social accountability of health care delivery in Thailand. The fight against the three major communicable diseases, i.e. HIV/AIDS, malaria and tuberculosis, will require further attention. On this last subject, the EC will contribute through the *Action Plan on the fight against three major communicable diseases* and through participation in the *UN-proposed Global Health Fund on HIV/AIDS, Malaria and Tuberculosis*. Possibilities for support also exist under the thematic HIV/AIDS programme (budget line on Diseases of poverty).

5.2.2. Non-focal areas (cross-cutting issues)

The sectors below are considered as non-focal areas and will be addressed under the existing thematic and regional (ASEAN, ASEM, Asia) programmes.

- Science and technology: encourage participation of Thai research institutions in the EU's Research & development framework programme in areas of mutual interest, and facilitate networking and exchange of researchers through the *EU RTD Framework Programme, the Asia IT&C Programme and the ASEAN-EU University Network Programme*.
- Education and human resource development: encourage Thailand to explore possibilities under *Asia-Link* to strengthen co-operation between universities in EU and Thailand. The Commission could organise a workshop to brief Thai officials on EU education and culture policies and to introduce them to relevant managers on the EU side. The main EC instrument to support these activities are horizontal programmes, namely the *Asia-Link programme* or the *ASEAN University Network* funded under the *budget line for political, economic and cultural co-operation*.

- Environment: facilitate Thailand's participation in programmes under the *environment and tropical forest budget lines* as well as in *Asia Ecobest*. Particular attention will be paid to the issue of disaster preparedness and prevention.
- Energy: developments in this area should be primarily led by the private sector, though there is room for financing under the *EC-ASEAN Energy Facility* (€ 18 million EC grant out of total € 40 million) for energy conservation and efficiency. Also, the *COGEN III Programme* will assist Thailand in establishing co-generation as a significant element in energy supply, in using biomass resources and benefit the environment.
- social policy related issues:
 - fight against drug production and trafficking (a priority of the Government), concentrating on demand reduction in complement to work carried out in the context of EC-ASEAN (Co-operation on Precursor Control) and in the ASEM dialogue process;
 - good governance, with technical assistance focusing on human rights (NGOs, and new bodies established under the new constitution to monitor respect for human rights, in particular the National Human Rights Commission);
 - the fight against trafficking of persons, in particular women and children, assisting the Thai Government as regards its policy on this issue, and building on the EU common immigration policy being developed since the Amsterdam Treaty;
 - co-operation could also be explored, with Government bodies and with the civil society, as regards the issue of the death penalty.

The budget lines on *drugs, co-financing of NGOs, democracy and human rights* play a role here.

- Care and assistance of refugees and displaced people: to reinforce co-operation in this area, building on the available results of ongoing projects providing assistance to refugee camps and to villages around camps. This concerns especially the Karen, Karenni and Shan communities on the Thai-Burmese border. Assistance should be oriented to humanitarian aid and support to operations in favour of uprooted people¹⁷, under the respective budget lines, in dialogue with the National Security Council of Thailand, and paying particular attention to protecting refugees from occasional military clashes at the (badly-delimited) border. This should be carried out in co-operation with ECHO (European Community Humanitarian Office) and the UNHCR.
- Knowledge-based economy and culture: bilateral dialogue EC-Thailand in the context of the creation of a platform whereby the newly established e-ASEAN Framework Agreement would be linked to e-Europe to help bridge the digital divide and move Thailand into the New Economy. Initiatives could be drawn up through the *Asia IT&C Programme* to link EC and Thailand compatible initiatives in the ITC field. A special effort should be undertaken to intensify the dialogue on

¹⁷ Council and EP Regulation (EC) 2130/2001 of 29 October 2001 on operations to aid uprooted people in Asian and Latin American developing countries.

the establishment of a specific co-operation framework linked to the EC's RTD Framework Programme.

Further to the key areas outlined above, the EC will consider, in the wider context of its relations with ASEAN, the possibility of supporting joint EC-Thai initiatives for the benefit of certain neighbouring South-east Asian countries (trilateral co-operation), as well as sub-regional co-operation activities in South-east Asia, where appropriate, which aim at promoting regional integration.

5.3. Coherence with EU policies

In implementing the present strategy, particular attention will be paid to developments in EU policies such as trade and investment, education and culture, R&D, environment, justice and home affairs etc.

Coherence with developments in trade policies will be monitored closely, namely those concerning WTO negotiations and the GSP scheme, as well as the guidelines relating to the integration of environment into external relations policies¹⁸.

In particular, the importance of the fisheries sector in Thailand (7th most important export sector) will be taken into account, both as regards the consequences of aggressive fishing practices to the environment and the extent to which the EC's trade policy may affect Thai exports of fisheries products into the EC market. In this context, the Commission is holding consultations with the Thai authorities to examine the effect on Thailand of the preferential tariff treatment for canned tuna originating in ACP states.

5.4. Complementarity within the EU and with other donors

The European Commission is committed to an approach providing for complementarity in co-operation programmes at EU and international level. This will involve all partners including EU member states, business associations, universities and other institutions, NGOs, trade associations and others.

Information and communication will be fundamental components in the initiatives under the present strategy in order to ensure that it complements and supports the strategies of Member States.

The regular meetings of EU Heads of Mission and of economic counsellors in Thailand will serve this purpose. Closer co-ordination between EU partners (EC, Member States, the European business community, and the International Financial Institutions) on the ground will contribute both to greater efficiency and to the projection of a common image. It may be envisaged that joint initiatives are taken among the EU partners in order to clarify the complementarity of our approaches, to project a common image, and to obtain feedback from our EU partners and from the local participants.

¹⁸ SEC/2001/508, of 27/03/2001, Integrating the environment into external relations policies.

Regular meetings will also be held with the World Bank, the Asian Development Bank and other institutions, namely in the UN framework. Also, co-ordination work under the ASEM Trust Fund, where the EU, Member States and the World Bank participate, contributes to provide guidance and facilitate complementarity among the various parties involved.

ANNEX 1: SOCIO-ECONOMIC INDICATORS¹⁹

Population (<i>millions</i>)	60.7
Population (<i>% of average annual growth, 1994-00</i>)	0.7
GNP per capita (<i>Atlas method, USD</i>)	2,000.0
GNP (<i>Atlas method, USD billions</i>)	121.6
GDP (<i>USD billions</i>)	122.2
GDP growth	4.3
Inflation	1.6
Labour force (<i>% of average annual growth, 1994-00</i>)	1.2
Poverty (<i>% of population below \$US 1.50 per day, 1999</i>)	16
Urban population (<i>% of total population</i>)	20
Life expectancy at birth (<i>years</i>)	69
Infant mortality (<i>per 1000 live births</i>)	28
Access to improved water source (<i>% of population</i>)	89.0
Illiteracy (<i>% of population age 15+</i>)	5
Unemployment	3.6
Government finance (<i>% of GDP, includes current grants</i>)	
Current revenue	15.1
Current budget balance	-4.4
Overall surplus/deficit	-5.4
Structure of economy (<i>average annual growth %</i>)	
Agriculture	10.5
Industry	40.1
Services	49.4
Trade (<i>USD millions</i>)	
Total exports (fob)	67,942
Rice	1,640
Rubber	1,525
Manufactures	59,766
Total imports (CIF)	62,423
Food	2,003
Fuel and Energy	6,833
Capital Goods	29,942
Balance of payments (<i>USD millions</i>)	
Exports of goods and services	70,221
Imports of goods and services	65,932
Resource balance	4,289
Current account balance	9,138
Net income	3,766
Net current transfers	1,083
External debt and resource flows (<i>USD millions</i>)	
Total debt outstanding and disbursed	80,250
IBRD	2,940
IDA	90

¹⁹ Source: Asian Development Bank and World Bank. Figures of 2000.

ANNEX 2: SELECTED DATA – TRADE FLOWS AND FOREIGN INVESTMENT.

Table 1: Thailand's trade flows with the world and the EU

<i>Trade flows</i>		<i>In billions</i>								<i>Share</i>			
		1998		1999		2000		2001 (Jan-Jun)		1998	1999	2000	2001 (Jan-Jun)
Thai-World	Baht	Euro	Baht	Euro	Baht	Euro	Baht	Euro					
Exports	2248	48,28	2215	54,31	2778	75,15	1435	36,15	100%	100%	100%	100%	
Imports	1774	38,10	1907	46,76	2494	67,47	1395	35,14	100%	100%	100%	100%	
Balance	474	10,18	308	7,55	284	7,67	40,0	1,01					
Thai-EU													
Exports	401	8,62	372	9,12	437	11,83	242	6,10	17,8%	16,8%	15,7%	16,9%	
Imports	222	4,76	223	5,47	254	6,88	173	4,36	12,5%	11,7%	10,2%	12,4%	
Balance	179	3,85	149	3,65	183	4,95	69	1,74	37,8%	48,4%	64,5%	172,3%	

<i>Growth</i>	<i>1998</i>		<i>1999</i>		<i>2000</i>		<i>2001 (Jan-Jun)</i>	
	Baht	Euro	Baht	Euro	Baht	Euro	Baht	Euro
Thai-World								
Exports	24,4%	-8,9%	-1,5%	12,5%	25,4%	38,4%	15,3%	6,9%
Imports	-7,8%	-32,5%	7,5%	22,7%	30,8%	44,3%	26,8%	17,6%
Thai-EU								
Exports	38,1%	1,2%	-7,3%	5,9%	17,5%	29,7%	21,5%	12,7%
Imports	-17,4%	-39,5%	0,5%	14,8%	14,0%	25,8%	58,0%	46,5%

Source: Thai Department of Business Economics, Ministry of Commerce.

Table 2: Thai exports to major markets

	<i>Exports / Millions of Euro</i>					<i>Share of total exports</i>				
	1995	1998	1999	2000	2001 (H1)	1995	1998	1999	2000	2001 (H1)
USA	7809	10747	11574	16010	7147	17,8%	22,3%	21,3%	21,3%	19,8%
ASEAN (10)	8355	8614	10094	14558	6991	19,1%	17,9%	18,6%	19,4%	19,3%
EU	6611	8513	8209	11829	6096	15,1%	17,6%	15,1%	15,7%	16,9%
Japan	7355	6619	7671	11110	5690	16,8%	13,7%	14,1%	14,8%	15,7%
World	43810	48257	54320	75145	36152	100%	100%	100%	100%	100%

Table 3: Thai imports from major markets

	<i>Imports / Millions of Euro</i>					<i>Share of total imports</i>				
	1995	1998	1999	2000	2001 (H1)	1995	1998	1999	2000	2001 (H1)
USA	6603	5364	5970	7942	4389	12,0%	14,1%	12,8%	11,8%	12,4%
ASEAN (10)	6937	5413	7414	11233	5715	12,6%	14,2%	15,9%	16,6%	16,1%
EU	8767	4765	5468	6877	4397	16,0%	12,5%	11,7%	10,2%	12,4%
Japan	16782	9027	11392	16655	7933	30,5%	23,7%	24,4%	24,7%	22,4%
World	54940	38103	46773	67482	35467	100%	100%	100%	100%	100%

Source: Thai Department of Business Economics, Ministry of Commerce.

Table 3: Approved foreign investment

<i>Approved foreign investment / share of overall approved foreign investment</i>								
<i>Millions of Euro</i>								
	1995	1996	1997	1998	1999	2000	2001 (Jan-Jul)	Change (Jan-Jul 2001 / same period of 2000)
EU	1826 (10.1%)	2174 (13.0%)	3238 (22.9%)	2885 (52.7%)	834 (25.0%)	780 (13.5%)	369 (15.6%)	20.71%
Japan	6125 (33.9%)	5005 (30.0%)	4800 (33.9%)	1162 (21.2%)	663 (19.9%)	2905 (50.4%)	1042 (44.2%)	- 34.35%
USA	2004 (11.1%)	2208 (13.2%)	2630 (18.6%)	400 (7.3%)	1137 (34.1%)	1026 (17.8%)	766 (32.5%)	75.29%
Asia NIEs	4101 (22.7%)	4512 (27.1%)	2689 (19.0%)	592 (10.8%)	436 (13.1%)	1222 (21.2%)	302 (12.8%)	- 57.15%
Total investment	18070	16675	14161	5478	3336	5759	2357	- 17.04%

Source: Thai Board of Investment, International Affairs Division, data as of July 2001.

Table 4: Applications for foreign investment

<i>Applications for foreign investment / share of overall applications for foreign investment</i>								
<i>Millions of Euro</i>								
	1995	1996	1997	1998	1999	2000	2001 (Jan-Jul)	Change (Jan-Jul 2001 / same period of 2000)
EU	1891 (6.7%)	3319 (19.9%)	3569 (24.8%)	2252 (36.9%)	1140 (27.5%)	731 (11.8%)	286 (17.2%)	- 41.88%
Japan	7576 (27.0%)	5005 (30.0%)	2883 (20.0%)	1322 (21.7%)	1363 (32.9%)	2422 (39.2%)	732 (44.2%)	- 70.49%
USA	2529 (9.0%)	2208 (13.2%)	1998 (13.9%)	596 (9.8%)	964 (23.2%)	838 (13.6%)	149 (9.0%)	- 79.88%
Asia NIEs	4939 (17.6%)	4512 (27.1%)	3292 (22.9%)	888 (14.6%)	837 (20.2%)	1463 (23.7%)	280 (16.9%)	- 82.01%
Total investment	28079	16675	14393	6095	4147	6171	1658	- 76.65%

Source: Thai Board of Investment, International Affairs Division, data as of July 2001.

ANNEX 3: ON-GOING EC- PROJECTS/PROGRAMMES²⁰

Bilateral Cooperation

Sector	No. of projects	EC grant (million €)
Energy	1	3.0
Public health/ AIDS Programme	1	4.8
Environment/Natural resources	4	15.45
Rural development	2	24.50
Narcotics	1	0.60
NGO Co-financing	4	1.39
Humanitarian assistance to refugees/ displaced persons	9	9.56
Total	22	59.3

ASEAN Cooperation

Sector	No. of programme	EC grant (million €)
Higher Education	2	9.74
Intellectual Property Rights and Standard	2	21.3
Energy	2	43.0
Environment	1	8.5
Total	7	82.2

ASIA Cooperation

Sector	No. of programme	EC grant (million €)
1. Higher Education	1	40.0
2. Investment and Promotion	1	45.0
3. Environment	1	8.0
4. Information Technology and Communication	1	25.0
5. Urban Cooperation	1	30.0
6. Transportation	1	15.0
7. Drug Abuse Prevention	2	3.2
8. Human Rights	1	0.2
Total	9	166.4

ASEM Cooperation

Sector	No. of programme	EC grant (million €)
1. Environment	1	3.25
2. Financial and Social Sector Reform	1	15.0
Total	2	18.25

EU Framework Programme on RT&D

Research, Technological Development and Demonstration: 5th Framework Programme 1998-2002 (INCO-DEV): EC grant is subject to approved project proposals.

²⁰ List of bilateral projects in Appendix 1; other projects/programmes of benefit to Thailand in Appendix 2

On-going EC-supported projects in Thailand

Sector/ Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	RTG	Total	
1. Energy						
Electricity Network Upgrading Programme	Provincial Electricity Authority (PEA)	3 years, extended to Dec 2002	3.0	0.6	3.6	- FA signed in 07/96 and extended in 07/99 to 12/2002. - TA recruitment: agreement by PEA on 3 experts (DECON) given on 26/1/01. - Implementation started on 23/03/01.
Sub-total EC			3.0	0.6	3.6	
2. Public Health/ AIDS programme						
Health Care Reform in Thailand	Min of Public Health (PS office)	(7/96-2001)	4.8	60.0	64.8	- under implementation (extension phase) - 0,8 million Euro agreed by rider to FA extension to 31.06.2001 agreed (FA 30.6.2003)
sub-total EC			4.8	60.0	64.8	
3. Environment/ Natural Resources						
Sustainable Management of Phu Khieo Wildlife Sanctuary through Community Participation	MOAC (RFD)	7 years	6.0	6.2	12.2	- FA signed and implementation expected in 2001
Coastal Habitats And Resources Management (CHARM) Project	MOAC	5 years	8.0	8.5	16.5	- Acceptance by Commission (Dec. 2000) - FA signed by EC 15/01/2001 and to be signed by MOAC
Local Participation in Highland Forest Conservation Project.	CARE Denmark	4 yrs.	0.76	0	0.76	- Under implementation, starting Feb. '99. - NGO co-financing
Capacity building to support training and education on coastal biodiversity in Ranong, South Thailand	Natural History Museum and KURDI	3 yrs (01/03/00-28/02/03)	0.69	0.31	1.0	Under implementation, starting Mar. 00 KURDI = Kasertsart University Research and Development Institute
sub-total EC			15.45	14.51	29.96	
4. Rural development						
Development and Extension of Fruit and Vegetable Production in the North-East	MOAC (DOA)	11 yrs. (1990-2001)	9.5	6.0	15.5	Project will be completed by September 2001.

Sector/ Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	RTG	Total	
Social Support Project	BAAC	5 years	15.0	n.a.		<ul style="list-style-type: none"> - BAAC applies a revolving fund of approx.€ 24.5 million, generated from previous EC supported projects, for credit to farmers. - Financing Agreement signed by the EC on 26 Feb 99; signed by RTG on 30/6/2000. - TA recruitment: agreement by BAAC on the proposed experts (HTS) given in Dec. 2000. - Implementation started 01/03/01
sub-total			24.5	6.0	30.5	
5. Narcotics						
Upgrading and extension of BMA's Services in the field of treatment, care and prevention of drug abuse	BMA	3 years, from Feb '97	0.6	n.a.		- completion by 28/02/2001
sub-total			0.6			
6. NGO-co-financing						
Community Agroforestry project in Ubon and Amnart Charoen (Phase IV)	Deutsche Welthungerhilfe/ Thai: PFA	Total 1996-2001 Phase IV 1999-2001	0.274		0.769	Total EC funding from 1996 to 2001 is 1.5 m Ph. IV is on-going
Thai Business Initiatives for Rural Development	Deutsche Welthungerhilfe/ Thai: TBIRD	Debut 01/97 for 48 months	0.44			Under implementation ONG/PVD/1998/880/FRG
Support to the School for Deaf Children	The Pattaya Orphanage Trust	1998-2000	0.215			Under implementation
Support to CAP programme (Community agroforestry project)	DWHH	Started 01/99 for 42 months	0.461			- under implementation PVD/2000/255/FRG
sub-total			1.39	0		

Sector/ Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	RTG	Total	
7. Humanitarian assistance to refugees / displaced persons						
Publication of a Health Magazine in favour of displaced persons	Aide Médicale Internationale	1998-2001	0.7			Under implementation - Extension agreed up to 14/07/2001
Women's Capacity Development and Training	Women's Education for Advancement and Empowerment (WEAVE)	1 year (02.2000-08.2001)	0.16			Under implementation
Health Care Support to Karen villages	Aide Médicale Internationale	3 years project	1.4			Under implementation since 01/01/00
Support to the Disabled Refugees (prosthesis + community based rehabilitation)	Handicap International	3 year project	0.6			Under implementation since 01/06/00
Health project for displaced people	MSF France	2 years (Mar 01 – Feb 03)	1.0			To start Mar. 2001
Care and Protection of Burmese migrants in camps – North Thailand	UNHCR	15 months	1.2			To start Feb. 2001
Basic Health Care, Water Sanitation	AMI	1/01/01-31/10/01 (10 months)	0.8			Location: Nupo and Umpiem Mai; Umphang District Tak Province. Mae Ra Ma Luang; Sopmoei District Mae Hong Son Province
Food Security	ICCO	1/03/01-31/12/01 (10 months)	3.2			Location: Mae La, Umpiem Mai Tak Province
Basic Health Care, Water Sanitation	MHD	1/01/01-31/10/01 (10 months)	0.5			Location: Mae Khong Kha, Mae Ra Ma Luang; Mae Sariang District, Sob Moey District Mae Hong Son Province
sub-total EC			9.56			

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 (Bkk)	5 years	7.0	0.77	7.77	- European experts for PMO in BKK are expected to be in place before end 2001.
Postgraduate Technological Studies Programme (PTS)	Asian Institute of Technology	5 years, to December 2001	2.4	0.3	2.7	- Under implementation.
EU-ASEAN Intellectual Property Rights Co-operation Programme (Ph II)	European Patent Office (EPO) & Office for harmonising Internal Markets (OHIM)	5 years	5.0	n.a.		- MOU signed by Thailand on 11 Dec 98; - Extension to 31 Dec 2004, being signed by BXLS. - under implementation
EU-ASEAN Regional Cooperation Programme on Standards and Quality	Thai Industrial Standards Institute (TISI)	5 years	16.3	n.a.		- EC global budget is 16.3 M Euro; out of this amount, 6.8 M Euro is for Regional component and 2.2 M Euro is for Thailand - MOU signed by Thailand on 14/08/98. - Preparation for implementation under process.
ASEAN-EC COGEN programme, Ph III	Asian Institute of Technology (AIT)	5 years (until Dec. 2005) for € 25.0 million	25.0	225.0	250.0	- Phase III Financing Agreement signed by ASEAN in Sep. 2000. - Awaiting TA recruitment by Brussels
EC-ASEAN Energy Facility	ASEAN Centre for Energy (JKT)	5 years, starting in 2001	18.0	ACE 0.51 Private sector 13.0	31.51	- FA signed by the EC in March 2001. First Call for proposals expected in late 2001 or early 2002.

Appendix 2 (2/3 pages)

Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	ASN/local	Total	
ASEAN Regional Centre for Biodiversity Conservation (ARCBC)	ASEAN	5 years, 02/99-02/04	8.5	n.a.		<ul style="list-style-type: none"> - Located at Los Banos-Philippines. Official opening in Jun 99. - Overall monitoring by EC Delegation in Manila.
2. Asian Regional						
Asia-Link Higher Education Programme	Europe Aid	5 years	40.0	10.0	50.0	<ul style="list-style-type: none"> - 1st call for proposals is expected to be launched at the beginning of 2002.
Asia-Invest	Asia-Invest Secretariat	5 years, from 1998	45.0	n.a.		<ul style="list-style-type: none"> - Three monitoring market studies, under implementation in the field of wood processing, hospital waste management, medical equipment. - Since 1996 more than 180 Thai companies have participated in 8 partenariat events in Europe. - Nov 2001 Automotive Sector
ASIA-ECOBEST – Promoting EU Best Practice and business in Environment	RIET in Singapore	5 years	8.0	n.a.		<ul style="list-style-type: none"> - Completion by April 2002.
Asia-IT&C Programme:	SEMA/ NECTEC	5 years, from 2000	25.0	26.05	51.05	<ul style="list-style-type: none"> - Programme managed by a Secretariat in Brussels, an antenna in Asia (Thailand/NECTEC). - Results of 2nd Call for Proposals (deadline Feb. 01) under examination.
Asia-URBS	Asia-Urbs Secretariat	3 years to end 2001	30.0	n.a.		<ul style="list-style-type: none"> - Programme managed by Asia Urbs Secretariat in Brussels. - 2nd Call for Proposal being launched (deadline 15 June 2001)
EU-Asian Civil Aviation Programme	AECMA	3 years	EC 15.0 AECMA 7.0	8.0	30.0	<ul style="list-style-type: none"> - 9 FA in process of signature. - FA Thailand subject to Cabinet approval.
Drug Abuse Prevention Programme in Asia (DAPPA)	UNESCO	1998-2001	1.25	n.a.		<ul style="list-style-type: none"> - Regional project: - India, Sri Lanka, Thailand, Lao PDR - Thailand component completed 31.10.00

Appendix 2 (3/3 pages)

Project Title	Responsible Agency	Duration	Budget (€ million)			Remarks
			EC	ASN/local	Total	
Sustainable economic and social rehabilitation for drug users in Asia	18 NGOs under the overall responsibility of DOH-International	1999-2001	1.95	n.a.		- Regional project: - Cambodia, India, Malaysia, Nepal, Pakistan, Sri Lanka, Thailand , Vietnam
Asia Regional Campaign to Promote the International Criminal Court	Forum Asia	13 months, from 09/02/01	0.206	n.a.		- Contract signed on 09/02/01 - Project base is in BKK
3. ASEM						
ASIA-Europe Environmental Technology Centre (AEETC) – Pilot phase	Thai MOSTE	3 years	3.25	n.a.		- Endorsed in ASEM II. (London, Apr 98) - FA signed by Thailand, 7 Oct 99. - Official opening 29 March 99 - EU contribution covering . 1.0 mil. for annual conferences and 2.25 mil. for Premium funds.
ASEM Trust Fund I	WB and National institutions	3 ½ years	15.0	27.0 (other donors)	42.0	- Agreed at the ASEM II (London, Apr 98) - Ten projects for Thailand approved in the social and financial sectors, for a total amount of € +7 million euro. (Thailand, among the most important beneficiaries, 18.5% of total as of 1 Jul 99.)
4. EU Framework Programme on S & T						
Research, Technological Development and Demonstration: 5 th Framework Programme 1998-2002 (INCO-DEV)		1998-2002	n.a.	n.a.	n.a.	- Call for proposals for Joint Research launched in the fields of vaccine, policy research, sustainable plant and animal production.

NATIONAL INDICATIVE PROGRAMME
(2002-2004)
THAILAND

Country/Region:	THAILAND
Budget Years:	2002-2004
Budget Line:	B7-300, B7-301
Legal Base:	ALA Regulation (Council Regulation 443/92 of 25 February 1992)
Cost of Order:	€ 10 Million
Programming Service:	DG RELEX H.5
Head of unit (<i>acting</i>):	Winston Mc Colgan
Coordinator:	João Ferreira

NOTA BENE: This National Indicative Programme limits its scope to budget years 2002-2004. It is part of the Country Strategy Paper, which provides the framework for the co-operation 2002-2006.

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1. Purpose and scope

The present NIP follows-up on the EC-Thailand Country Strategy Paper, which takes into account the Thai policy agenda, the country analysis, past and ongoing co-operation as well as the EU co-operation objectives.

The NIP draws on the priorities outlined in the Country Strategy Paper, which in its turn takes in due consideration the results of bilateral discussions of the European Commission with the Thai authorities notably in the framework of the regular Senior Officials' Meetings.

At the 7th Senior Officials' Meeting, held in Bangkok in March 2001, it was agreed to shift bilateral relations from an *ad hoc* project-based approach to an enhanced policy dialogue in areas of mutual interest. Also, given the level of socio-economic development of Thailand and hence the limited resources available for co-operation with this country, it was decided that the EC co-operation strategy with Thailand would focus on economic co-operation, namely technical assistance and capacity-building activities in the sectors of trade, investment, and related areas for sustained co-operation. However, the Commission has agreed that it would continue to engage in development co-operation in some specific areas, if sufficiently justified and where there would be added value. This is the case in particular of the ongoing health reform policy. This type of assistance will help the Thai government in consolidating reform processes initiated in the aftermath of the 1997/98 economic crisis, which may prove particularly necessary in the context of the present global economic downturn.

As stated in the CSP, EU bilateral support in this period will be oriented mainly to initiatives aimed at fostering trade, investment, and related areas for sustained co-operation links and at upgrading public health and health services (focal areas). The present NIP therefore focuses on these two areas.

The other areas of co-operation (non-focal areas) identified in the CSP will include science and technology, environment, energy, education and human resource development, care and assistance of refugees and displaced people, social policy related issues (fight against drug production and trafficking, good governance, fight against trafficking of persons, and death penalty) and knowledge-based economy and culture. Initiatives in these sectors will be supported, in the period of application of the present NIP, under the existing dedicated horizontal and regional programmes, and are therefore not part of the NIP.

Coherence of EU policies and complementarity within the EU and with other donors will be pursued in all areas of the co-operation. Closer co-ordination among EU partners on the ground will contribute to greater efficiency and to the projection of a common image.

The final project selection will be subject to a detailed identification and appraisal to be undertaken by the Commission.

2. Summary of the strategy and priorities

2.1. Trade, investment, and related areas for sustained co-operation

Given Thailand's economic weight in South East Asia, and the increasing importance of trade between the EU and Thailand, the overarching objective of EC co-operation should be the enhancement of the trade, investment, and related areas for sustained co-operation, and the strengthening of the economic partnership.

Co-operation in this area will be oriented to cover:

- Provision of trade-related technical assistance and capacity building to Thailand on selected areas among those outlined in the Doha Ministerial Declaration;
- Support to the Thai administration and companies to adapt to developments in EU legislation which may affect bilateral trade;
- Identification of obstacles to investment and support to initiatives aimed at the improvement of conditions for EU foreign investment in Thailand, while encouraging more openness and liberalisation;
- Support for Thailand's macroeconomic and structural reform through activities which will facilitate the access of Thailand's companies to European expertise and best practices;
- Enhanced co-operation between private sector and industry associations. Possible support to the launching of a Thai-EC Investment Promotion and Facilitation initiative, with the creation of a Thai-EC Business Forum, or the extension of the existing EU business network in Thailand.
- Creation of the potential for a sustained trade and investment co-operation, and assisting in ensuring the availability of a resource base in Thailand, which is tuned in with the European industry's ways of working. Stimulating the possibilities for related EU-Thai research and technological development co-operation, educational systems co-operation and addressing intellectual property rights issues, will facilitate this.
- Development of research and technological development co-operation, especially with the European Union's RTD Framework Programme, including the mobility of researchers. This is an essential element for sustained trade and investment relations.

2.2. Public health and health services

Co-operation in this area is proposed through the continuation of previous EC support to the ongoing process of health care reform. This aims to increase the overall access, equity, efficiency, quality and accountability of health care delivery in Thailand, with a view to contributing to sustainable development and economic recovery.

The specific objective of the proposed support is to provide technical assistance to the Thai authorities which will facilitate implementation of aspects of the ongoing reform process and so move towards a sustainable health system. The project will comprise the following elements: (1) provision of primary health care, (2) strengthen hospital management to respond appropriately to the range of health reform initiatives, (3) support the development of a financial management function across providers, provinces and at central level, and (4) support civil society initiatives to establish the rights and responsibilities of individuals and communities in health.

The main focus of the project will be to examine ways and means of making universal coverage of health care sustainable, on the basis of the present 30-baht scheme. According to this new policy, every citizen not covered by existing health insurance schemes, has access to all essential health services for a flat fee of 30 Baht (0.75 Euro). Consideration is now being given to integrating the 30 Baht scheme and other schemes of health insurance into one system. Other components of the new policy include decentralisation of health budget management to provincial level and registration of all citizens at a first level unit. This policy has been extended to all provinces since early October 2001.

In essence, the project would help producing the institutional capacities, tools and strategies to effectively design, plan, and implement the reform policy, especially the policy on universal coverage of health care.

3. Indicative budget

During the period covered by the National Indicative Programme (2002-2004), an indicative allocation totalling € 10 Million will be committed to EU-Thailand bilateral co-operation, further to the financing possibilities under the existing horizontal / regional programmes. This indication does not pre-empt the powers of the European Union's budgetary authorities.

The allocation will be dedicated to (1) a Small Projects Facility to cover the focal area of trade, investment, and related areas for sustained co-operation, and to (2) the sector of public health and health services (a project entitled 'Towards Financial and Operational Sustainability of Health Care Reform). The indicative breakdown of the allocation per sector is as follows:

Focal area 1: Trade, investment, and related areas for sustained co-operation

Action: Trade related technical assistance and capacity building, improvement of the conditions for EU investment, focussed actions in related areas for sustained co-operation **€ 5 Million**

Focal area 2: Public health and health services

Action: Support to health care reform **€ 5 Million**

4. Priority 1: trade, investment, and related areas for sustained co-operation (focal area 1)

4.1. Strategic context/justification

The 2001 EU-Thailand Senior Officials' Meeting and other official meetings between the Thai authorities and the European Commission confirmed the high interest of the Government and of business associations in benefiting from EU experience and know-how in trade and investment. Requests concern in particular technical assistance in new areas of EU legislation, where the Thai authorities feel there may be a negative impact on their exports to the EU.

Moreover, the Doha WTO Ministerial Declaration (9-14 November 2001) outlined areas where partner countries, especially developing countries, may need technical assistance and capacity building, such as investment, competition, trade facilitation, TBT, SPS, TRIPS, and public procurement. This is intended to ensure consistent application of WTO rules and agreements and improve their competitive position and access to world markets. Thailand may need such assistance to help it implement the Doha work programme.

Furthermore, to sustain the potential for trade and investment in the longer term, i.e. to convince potential investors that a resource base exists in Thailand that is familiar and tuned in with the European industry's ways of working, the need has been identified to stimulate EU-Thai research and technological development co-operation, educational systems co-operation and to address intellectual property rights issues.

To achieve these aims, a flexible management and financial instrument is needed, which can easily be adapted and be used for different institutions alike (government bodies, business associations, education & research institutes, etc). In fact, the needs are often selective and should be quickly answered, as they would determine some major follow-up actions such as adoption of legislation, benefiting from the windows of opportunity offered by the various EU programmes, and replication of training activities.

Given the small budget allocation available for co-operation with Thailand, the funding of large-scale bilateral projects in this area is not possible and would not ensure the coverage of a wide number of sub-sectors (*outlined below*) where co-operation is necessary. It is proposed to channel the available funding through a small projects facility, meeting the needs of Thailand in the focal area of trade, investment, and related areas for sustained co-operation. The design of the programme and of the selection process - call for interest – would allow it to involve a wide range of institutions as beneficiaries.

Whilst trade and economic links between the EU and Thailand have significantly increased in recent years, remaining problems in some trade-related sectors (as analysed in the CSP) may hinder the strengthening of these links. There is a need for more dissemination of EU trade policy and legislation complemented by targeted assistance where appropriate. Also, as regards investment, efforts are needed to identify the present

obstacles to EU investment in specific sectors of the Thai economy and focus on the improvement of conditions for EU foreign investment in Thailand.

Action in this field would complement the Asia-Invest Programme and other relevant regional or horizontal programmes.

4.2 Action: establishment of an EU-Thailand Small Projects Facility 2002-04 covering trade, investment, and related areas for sustained co-operation.

Support to small but strategic projects in selected areas, enabling maximal impact with the small additional budget available for economic co-operation with Thailand, and preferably strengthening the impact of other relevant regional or horizontal EU programmes. This will aim at providing a more flexible and responsive tool to link the policy objectives and co-operation activities of the EU in Thailand.

4.2.1 Objectives

The EU-Thailand Small Projects Facility 2002-2004 will contribute to the reinforcement of the EU-Thailand comprehensive partnership, by providing financial contributions to small, but strategic EU-Thai projects.

4.2.2 Expected results

Through the implementation of this programme, it is expected to support and facilitate the effective implementation of around 8 to 10 projects per year that would:

- Enhance trade and investment relations between the EU and Thailand,
- Improve the capacity of Thailand to implement WTO decisions,
- Strengthen links between Thai and EU business associations,
- Establish the necessary conditions in related areas for sustained trade and investment co-operation.

4.2.3 Activities

Projects will be supported if strategic in nature and having a strong European dimension, *inter alia*, by involving qualified European institutions, associations, expertises, etc.

The “Small Projects Facility 2002-2004” will support projects that promote economic links (trade and investment, and related areas for sustained co-operation) between the EU and Thailand.

In particular, proposals in the following areas would be considered:

- Technical assistance and capacity building on issues resulting from the WTO Doha Ministerial Declaration and implementation of the respective work programme, in particular trade facilitation, competition, government procurement and investment;
- Technical assistance and capacity building in areas covered by new EU legislation [e.g. food safety and phytosanitary matters, waste electric and electronic equipment,

Integrated Product Policy, data privacy, Intellectual Property Rights issues (access to technology, essential medicine etc)] which may affect bilateral trade;

- Support to initiatives bringing together Thai and EU business associations (e.g. Business *Fora*) for promotion of trade and investment;
- Promotion of mutual access of EU and Thai companies to the respective markets, and facilitation of EU investment in Thailand;
- Workshops on the EU's trade policy;
- Workshops and other activities that stimulate the potential for co-operation as regards the educational systems and address intellectual property rights issues;
- Workshops and other activities that stimulate the potential for research and technological development co-operation, especially within the European Union's RTD Framework Programme, including the mobility of researchers.

In providing technical assistance on issues arising from the Doha Development Agenda and on new EU trade-related legislation, particular attention will be paid to measures concerning the protection of the environment in Thailand as well as poverty reduction and sustainable development.

Proposals in other areas may be considered on condition that the project is consistent with the priorities and objectives of the EU in Thailand and where the proposal is of an exceptionally high quality and relevance.

Projects funded by the EU-Thailand Small Projects Facility 2002-2004 may take the form of:

- Technical assistance and capacity building;
- Conferences, seminars, workshops, exhibitions and dissemination of information and networking;
- Training activities;
- Other activities that promote the image of the European Union as a model of best practice.

Funding may be combined with that of other EC financial instruments and/or of the Thai authorities and where appropriate by the private sector.

4.2.4 Implementation

The EU-Thailand Small Projects Facility 2002-2004 will be managed by the EC Delegation in Bangkok. The Thai side will be involved in a suitable way, depending on the type of activity. The implementation modalities will be worked out during the project identification process (part of the project cycle).

4.2.5 Risks and conditionalities

The impact of the programme depends on the results achieved by the individual projects implemented by the various beneficiaries. A careful selection process and the proper functioning of the management structures will be essential factors limiting the risks.

4.2.6 Performance/Outcomes Indicators

To be defined at the project identification and appraisal stages by the EC Delegation in Bangkok.

However, from the outset some indicators can already be outlined:

- Number and extent of WTO regulations/legislation adopted and implemented;
- Extent of EC trade related legislation complied with by Thai companies;
- Number of government officials and organisations participating in technical assistance and capacity building activities on new EC legislation and on the new issues in the Doha Declaration;
- Number of successful initiatives bringing together Thai and EU business associations for promotion of trade and investment;
- Number and quality of workshops supported;
- Number of research reports produced.

4.2.7 Financial envelope

The total EC financing for the Small Projects Facility is of € 5 Million for a period of 3 years. The EC funding will be of maximum € 200,000 and minimum € 10,000 per project. During the preparation stage of this programme, a special procedure may be proposed whereby deviations from the above funding bracket are made possible for particular cases.

4.2.8 Indicative timeframe

Preparation: 2002; start of commitment: 2003.

5. *Priority 2: public health and health services (focal area 2)*

5.1. Strategic context/justification

Reform in the health sector in Thailand started in the period 1996-97, before the economic crisis. It was boosted by the 1997 Constitution's guarantees for access to care. The economic crisis weakened the Thai health care system. One third of private hospitals went out of business, and the government budget for health was cut by 37%, while private household expenditure on health increased by 12%. The positive aspect of the crisis was that this allowed the various reforms to gain momentum and support. The

Commission thus supported a project on the reform of the Thai health system, which was completed in 2001.

The Country Strategy Paper (CSP) reflects the Commission's willingness to continue to support the health sector in Thailand with a view to consolidating the achievements of the previous project (1996-2001: EC contribution € 4.8 million), which proved to be a successful initiative.

The main achievement of the project was to create a dynamic of reform and debate. It successfully applied a package of health care reform activities which resulted in: (1) increased consistency and extended coverage of health insurance schemes, (2) improved primary care delivery system, (3) improved efficiency of delivery systems including hospitals, (4) quality assurance methods developed, and (5) training methods developed.

Within the framework of the present National Indicative Programme, the Commission has received a request from the Royal Thai Government to co-finance the project: "*Towards Financial and Operational Sustainability of Health Care Reform*".

On the basis of the findings of the previous "*Health Reform Project*", and with a view to continue co-operation in a 2nd phase, the Thai Ministry of Public Health and the European Commission have decided to carry out a feasibility study of the proposed project.

In deciding on the principle of universal health coverage, the Thai government shows recognition for a European model of social development.

5.2 Action: Support to the health care reform process

The intention is to capitalise on the results of the previous project with a view to contributing to upgrade health care delivery in Thailand, thus contributing to sustainable development and economic recovery.

5.2.1 Objectives

The general objective of the project is to increase the equity, efficiency, quality and accountability of health care delivery in Thailand, with a view of contributing to sustainable development and economic recovery.

The specific purpose of the project is to produce the institutional capacities, tools and strategies to effectively design, plan, and implement the reform policy especially the policy on universal coverage of health care.

It is understood that the first step, i.e. the feasibility study, will provide the key elements for the project itself. Without prejudice to the outcome of the study, it is obvious that the strengthening of the self-help capability and capacity of public and community structures to deliver Primary Health Care services will be the main focus.

Impact and high-level outcome indicators will be monitored as part of a joint gender sensitive and pro-poor global monitoring system, to be developed with international partners. In line with the objectives of the policy framework, the expected general outcomes are:

- To seek improvements for optimising the impact of existing interventions, services and commodities, affecting the poorest part of the population;
- To propose solutions for equitable access to health services and for the general affordability of key pharmaceuticals through a comprehensive approach;
- To suggest specific research and development of public goods.

All of these outcomes will make a substantial contribution, in particular for the poorest parts of the country, and will strengthen national poverty reduction efforts.

5.2.2 Expected results

The direct results of the initiative will be:

- Established mechanisms for providing technical support for the effective design, plan and implementation of policy on universal coverage of health care;
- Established mechanisms for capacity building of all institutions involved in the implementation of policy on universal coverage of health care;
- Established mechanisms to monitor and evaluate the implementation of policy on universal coverage of health care.

The indirect results will be in the form of implementation of:

- A package of validated approaches to the reorganisation of the health care delivery system to achieve universal coverage, with a strategy, guidelines and tools for implementation, relevant institutional arrangements and the process of rolling out initiated.
- A package of validated approaches to the reform of the financing of health care to achieve universal coverage, combining:
 1. standardised basic essential package and payment mechanisms as basis for reform of all existing health insurance schemes;
 2. national system for policy setting and management of funds, including system for monitoring and evaluation, information system,
 3. decentralised management, with a strategy, guidelines and tools for implementation, relevant institutional arrangements;

5.2.3 Activities

The feasibility study will be based on:

- discussions with all relevant primary and secondary stakeholders, including bodies involved in reform and development work,
- visits to both rural and urban areas to assess the current situation,
- studies of relevant policy documents, in particular the recent universal coverage reform policy,

in order to obtain a detailed picture of different views and approaches regarding the best way forward in reform of the Health Care system in Thailand. The study will draw up a

detailed analysis of each of the identified possibilities for technical solutions for the proposed project.

Since the policy on universal coverage of health care will expand its implementation progressively, the Project will further develop, evaluate and crystallise the experience gained with the field implementation of reform strategies and options, and market the results among decision-makers, in preparation for “going to scale”. It will provide financial, technical and consultancy inputs by funding:

- Research and development, including financial and technical support to provinces to develop and implement/test appropriate health care delivery and financing models, as well as innovative ways to involve civil society;
- Comparative analysis of models implemented in each province and synthesis of models proposed for a larger scale implementation. The details of proposed models will be incorporated as part of policy on universal coverage of health care;
- Safety nets (including a network of health care providers) covering minimal social insurance (health) and social assistance for the most vulnerable, or disadvantaged.

Co-ordination and synergy with on going EC projects (e.g. Social Support Project and RTD-driven projects) will be envisaged.

5.2.4 Implementation

Suitable management structures will be worked out in detail during the project identification. It is anticipated that the Thai government, i.e. the competent agencies (currently the Ministry of Public Health, through the Office of National Health Insurance), will play a crucial role in the management of this project. The EC Delegation in Bangkok will represent the Commission vis-à-vis the Thai government in all matters related to the conception and implementation of the project.

5.2.5 Risks and conditionalities

Close co-ordination with the Thai authorities and a suitable management structure are essential factors limiting the risks.

5.2.6 Performance/Outcomes Indicators

The expected outcome indicators of the project will be defined on the basis of the said feasibility study (identification mission).

The final report of the feasibility study will provide an agreed framework for future reform in the health care sector, taking into account the views of all relevant stakeholders. Possible alternative solutions to healthcare reform will be investigated. The final report will include an analysis of each of the proposed technical solutions, taking into consideration the balance of resources available against national priorities within the Health sector and related fields.

5.2.7 Financial envelope

Total EC funding of € 5 Million for a period of 3 years.

5.2.8 Indicative timeframe

Preparation and commitment in 2002.

NATIONAL INDICATIVE PROGRAMME

2005-2006

THAILAND

Country/Region:	Thailand
Budget Years:	2005-2006
Budget Lines:	19 10 02
Legal Base:	ALA Regulation (Council Regulation 443/92 of 25 February 1992)
Cost of Order:	€3.2 million
Programming Service:	DG Relex H5
Head of Unit:	Pierre Amilhat
Coordinator:	João P. Ferreira

NB: This National Indicative Programme follows on the NIP 2002-04 and is part of the Country Strategy Paper for 2002-06 which provides the framework for co-operation for this period.

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1. INTRODUCTION

1.1 THE ALA REGULATION

The Council Regulation (EEC) N° 443/92 of 25 February 1992 on financial and technical assistance to, and economic co-operation with the developing countries in Asia and Latin America (“ALA Regulation”), indicates that five-year programmes must be established for financial and technical assistance and for the economic co-operation. The Regulation also provides that the indicative multi-annual guidelines that apply to the main partner countries are to be adopted in coordination with a committee composed of representatives of the EU Member States.

The multi-annual strategic planning is based on a Country Strategy Paper (CSP) covering a period of five years and setting out the priority areas where the Commission intends to implement its co-operation. The CSP is translated into operational guidelines, laid down in multi-annual National Indicative Programmes (NIPs).

The focus of the ALA Regulation is on strengthening the co-operation framework and providing an effective contribution, through institutional dialogue, and economic and financial co-operation, to sustainable development, social and economic stability and democracy. The ALA Regulation applies to Thailand.

1.2 THE COUNTRY STRATEGY PAPER 2002-2006

The CSP 2002-2006 for Thailand, including the NIP for 2002-04, was adopted by the Commission on 8 May 2002. The documents were prepared in consultation with the Government of Thailand and EU Member States. The CSP earmarked an indicative allocation for Thailand of €13.2 million. The Commission allocated an indicative amount of €10 million under the NIP 2002-04 and reserved an indicative amount of €3.2 million for the period 2005-06.

The overall objective of EC-Thailand co-operation, as outlined in the CSP, is to support the sustainable economic and social development of Thailand. The strategy focuses on two priority sectors: trade and investment, and public health and health services. Under the NIP 2002-04, the former sector is being covered through a Small Project Facility. The latter sector is being covered through a project of technical assistance to the Ministry of Health.

The CSP outlined other non-focal (cross-cutting) areas for co-operation with Thailand including environment, energy, care and assistance of refugees and displaced people, social policy related issues (fight against drug production and trafficking, good governance, fight against trafficking of persons, and death penalty), science and technology, education and human resource development, and knowledge-based economy and culture. These sectors are dealt with under the existing EC horizontal / thematic and regional programmes (ASEAN, ASEM, Asia).

The priority sectors and the cross-cutting issues correspond to the Thai Government’s overall economic co-operation and development agenda.

1.3 THE NATIONAL INDICATIVE PROGRAMME 2002-2004

The NIP 2002-2004 focussed on the following actions:

National Indicative Programme for Thailand 2002-04			
Area of co-operation	2002	2003	2004
Trade and investment		€5 million	
Public health and health services	€5 million		
Total for 2002-04	€10 million		

Focal area 1: Trade and investment (€5 million)

Co-operation in this sector is covered through the establishment of a demand-driven Small Projects Facility, managed locally by the EC Delegation in Bangkok through calls for proposals.

The Facility will contribute to the reinforcement of the EU-Thailand comprehensive partnership, by providing financial contributions to small, but strategic EU-Thai projects in selected areas (about 13 projects / year).

The projects will consist *inter alia* in: technical assistance and capacity building to help Thailand in implementing its WTO commitments, specifically in key areas agreed at Doha; support to the Thai administration and companies to adapt to developments in EC legislation; and promotion of EC investment and market access in Thailand.

Implementation of the programme should start around mid-2004.

Focal area 2: Public health and health services (€5 million)

Support for this sector is being provided through the launching of a technical assistance project in co-operation with the Thai Ministry of Health, capitalising on previous EC support for the ongoing process of health care reform in Thailand.

The general objective of the project is to contribute to upgrade health-care delivery in Thailand through an increase in the equity, efficiency, quality and accountability of such health-care services.

The specific purpose of the project is to produce the institutional capacities, tools and strategies to effectively design, plan, and implement the reform policy, especially the policy on universal coverage of health-care.

The Financing Agreement between the Commission and Thailand was signed on 7 May 2003, following which the Terms of Reference were prepared and the procurement procedure was launched. Given that the Commission faced some difficulties in finding an adequate offer, the tendering process has been somewhat delayed and should be completed soon.

2. THE MID-TERM REVIEW

While the CSP/NIP for Thailand were approved by the Member States ALA Committee in May 2002, the Mid-Term Review (MTR) exercise was launched in the 1st quarter of 2003 to determine whether the CSP and the NIP need to be revised given developments in the world at large, in the country in question, and changes in the objectives and thrust of Community policies.

As regards changes in Community policies, the MTR concentrated mainly on accommodating the new issues arising from the WTO Doha Development Agenda (TRTA), as well as justice and home affairs issues such as the problems of managing migratory flows and related matters.

Specifically, the General Affairs and External Relations Council of March 2003 fixed 4 criteria to assess the validity of the strategy towards the partner country (CSP) and of the general direction of the co-operation programme (NIP) and the need of possible changes:

- significant changes in Thailand's overall situation, policy changes or unforeseen events in this country;
- significant changes or new priorities in external EU/Community policies – in particular TRTA, JHA-related matters such as migration, counter-terrorism, conflict prevention
- significant changes of setting or context, regionally or internationally
- results of and/or progress in the implementation of Community co-operation with Thailand.

2.1 SUMMARY OF THE FINDINGS

2.1.1 Main Political, Economic and Social Developments in Thailand

The Commission through the MTR exercise examined the political developments (consolidation of the government's power structure, reshuffling of government etc.) in Thailand as well as the economic developments (mainly in terms of external trade policy) and social developments (focusing on human rights issues and the subject of Burmese refugees in Thailand).

In general terms Thailand remains politically stable, with the TRT party and coalition partners ensuring a stable majority in Parliament. The government's action-minded, populist initiatives have created the image of strong leadership and reform drive. It has launched a number of programmes (such as a village fund for macro-loans, an affordable health scheme, debt moratorium for farmers, social housing, poverty eradication) specifically directed at the rural and poorer parts of the population and which have so far provided the PM with strong popular support. The government's stance is helped by Thailand's sustained economic recovery and impressive growth rates.

As regards the security situation, the government changed policy from a denial of terrorist threats to a more proactive role, with visible results in terms of detention of terrorists and the introduction of new anti-terrorist legislation.

It was concluded that there have been no significant changes in Thailand's overall situation, policy changes or unforeseen events.

2.1.2 New EC/EU Policy Objectives and Commitments

It was felt that the new EU/EC external policy developments and the changes of regional/international setting or context which were examined were:

- *either* already set out in the CSP as priority sectors and therefore covered under the NIP (e.g. TRTA);
- *or* set out in the CSP as cross-cutting issues (e.g. some JHA issues such as migration, the trafficking of human beings, drugs, money-laundering) and covered under other *fora* and co-operation instruments;
- *or* were ultimately not considered sufficiently significant in so far as Thailand is concerned to the extent of requiring a modification of the strategy (e.g. counter-terrorism, conflict prevention).

A fact which played a role in this exercise is the very scarce resources available to the Commission for co-operation with Thailand (given Thailand's reasonable socio-economic indicators), which limits the margin of manoeuvre in terms of possible addition of new priority sectors to the CSP/NIP.

2.1.3 Results, Performances and Lessons Learned

So far, the Health Reform Project provided for in the NIP 2002-04, and approved by the ALA Committee in November 2002, has not yet been implemented given difficulties in contracting an appropriate consultancy company. The revision of the preparatory work is, nevertheless, progressing well and implementation will soon start.

As regards the Small Project Facility, this was approved by the ALA Committee in November 2003 and preparations were initiated thereafter. At the moment of writing, the SPF is just about to be implemented.

In the light of the above, it is therefore not yet possible to carry out an evaluation of the present co-operation programme.

2.1.4 Quality improvements

Quality improvements to the CSP/NIP were not considered at length in the context of the MTR exercise, given the constraints outlined under point 2.1.3 above.

2.2 CONCLUSIONS

The Commission concluded that the strategy and the general direction of co-operation set out in the CSP/NIP remained relevant and for the reasons outlined above did not require a revision before 2006.

It should be noted that the Thai and Commission sides agreed in 2001 to move gradually from development co-operation (which is the case of assistance to the health sector) into economic co-operation in the mutual interest (covered in the CSP under the heading of support to trade and investment).

2.3 CONSULTATION

The Member States' representatives in Thailand were consulted and provided a favourable opinion on the analysis and the conclusions proposed by the Commission. The same is true as regards the Thai authorities.

3. THE NIP 2005-06

3.1 SUMMARY OF THE NIP PRIORITIES

The Commission proposes that given the limited funding available for co-operation with Thailand the single priority sector for co-operation with Thailand in 2005-06 be higher education, and more specifically the financing of a dedicated 'Thailand window' under the EC's Erasmus Mundus Programme for the promotion of higher education links with third countries.

The action and the programme are qualified under point 3.2 below.

3.2 INDICATIVE BUDGET

During the period covered by the National Indicative Programme (2005-06), an indicative allocation totalling €3.2 million will be committed to EC-Thailand bilateral co-operation, in addition to the financing possibilities under the existing and forthcoming Asia-wide, regional and thematic programmes. This indication does not pre-empt the prerogative of the European Union's budgetary authorities.

Non-focal area 2 of the CSP: education and human resource development

Action: Financing of 'Thailand window' under the EC's Erasmus Mundus programme: €3.2 million.

Programme: Provision of funding for scholarship grants for Thai graduate students through the Erasmus Mundus programme.

3.3 PRIORITY AND ACTION: HIGHER EDUCATION – FINANCING OF ‘THAILAND WINDOW’ UNDER THE EC’S ERASMUS MUNDUS PROGRAMME.

3.3.1 Strategic Context/Justification

Strategic context – EU background

The CSP 2002-06 for Thailand identifies education and human resource development as one of the priority areas for co-operation, though it considered it to be a non-focal area. Also, when outlining focal (priority) area N° 1, support to trade and investment co-operation, the CSP refers to the need to stimulate the potential for EU-Thai co-operation on research and technological development co-operation and on educational issues.

The Commission’s Communication on ‘Strengthening co-operation with third countries in the field of higher education’¹ stresses that it is vital to promote the EC as a world-wide centre of excellence for study/training as well as for scientific and technological research as an immediate objective.

In its latest Communication on a strategy for relations with Asia (‘Europe and Asia: a Strategic Framework for Enhanced Partnerships’²), the Commission proposed the strengthening of the awareness of Europe in Asia (and vice versa) as one of six main objectives, notably through the promotion of exchanges in education, culture and science as well as fostering inter-regional civil society contacts.

In its July 2003 Communication on “A New Partnership for Southeast Asia”³, the Commission indicated that higher education was a key sector for relations with Southeast Asia, and outlined the objectives for co-operation in this field:

- improving mutual understanding and increasing awareness of Europe in Southeast Asia and vice versa;
- re-positioning Europe as a major higher education partner and as a centre of excellence in Southeast Asia
- promoting scientific and technological development, thus enhancing growth and competitiveness;
- strengthening the economic and cultural presence of Europe in Southeast Asia (and vice versa).

In the Communication, the Commission stated its intention to continue to support relevant programmes and develop strategic dialogues at national and regional level.

Also, the Commission has recently decided to strengthen its approach of support to higher education, in particular scholarships, in Asia.

¹ Communication from the Commission to the European Parliament and the Council on strengthening cooperation with third countries in the field of higher education, COM/2001/0385 final.

² COM (2001) 469 of 4 September 2001.

³ COM (2003) 399 of 9 July 2003.

At present there are two EC regional programmes concerning Asia in the field of higher education:

- Asia-Link, which aims at developing Asian higher education systems and promoting regional and multilateral networking between higher education institutions in the EU and Asia through the awarding of projects in the areas of human resource development, curriculum development and institutional/systems development; and the
- ASEAN-EU University Network Programme (AUNP), which provides support to partnership projects submitted by groupings of EU and ASEAN higher education institutions, as well as to network initiatives such as round-table meetings of higher education experts and rectors' conferences.

The Commission's Strategy Paper and the Indicative Programme for multi-country programmes in Asia for 2005-06, adopted on 7 April 2004⁴, identify co-operation in higher education as one of the three focal areas for Asia-wide programmes. The Indicative Programme provides for the continuation of the Asia-Link programme with a view to promoting regional and multilateral networking between higher education institutions in Europe and the developing countries in Asia covered by the ALA Regulation.

In the framework of Asia-Link the Commission is organising a European Higher Education Fair (together with an Asia-Link Forum) to be held in Bangkok on 19-21 November 2004. The initiative was requested by the EU Member States representatives in Bangkok in 2002 with a view to promoting European higher education institutions in Southeast Asia and to raise the interest of youngsters in the region to study in Europe. This is the first initiative of its kind in Southeast Asia. The Fair will focus on universities and students from Thailand, Laos, Cambodia and Malaysia, with the participation of about 90 European exhibitors. The Forum will facilitate experience-sharing and match-making between Asian and European universities and higher education agencies.

Also, in the context of the AUNP, the first EU-ASEAN rectors' conference will be held at the Asia-Europe Institute of the University of Malaya in Kuala Lumpur in October 2004.

Moreover, the European Parliament and Council have recently adopted a new, comprehensive EC initiative (Erasmus Mundus programme⁵) aiming mainly to enhance the quality of higher education within the European Union and the attractiveness of the European higher education area, as well as to promote intercultural understanding through co-operation with third countries. It intends inter alia to attract high-level third country graduate students to Europe, specifically through scholarships. The programme has a world-wide character and covers the period 2004-08 with a budget of €230 million.

⁴ Commission Decision 2004/1268.

⁵ Decision N° 2317/2003 of the European Parliament and of the Council of 5 December 2003 establishing a programme for the enhancement of quality in higher education and the promotion of intercultural understanding through co-operation with third countries (Erasmus World) (2004-2008), *O.J. L 345/03, 31/12/2003*.

Given its intention to engage in support for scholarships to the benefit of Asian students, the Commission has decided to enhance the participation of certain Asian partners in Erasmus Mundus through the provision of additional funds for those countries. This will be carried out in full complementarity with the above mentioned Asia-Link and AUNP initiatives.

Strategic context – the situation of Thailand

The Commission supported in the late 1990s a very successful European Studies programme at the University of Chulalongkorn in Bangkok. The Centre for European Studies (CES) at Chulalongkorn, created as a result of the programme, has since become independent from Commission financial support. Also, participation of Thai universities under Asia-Link has been significant thus far. The Thai authorities have expressed an interest in co-operating further with the EU on higher education.

Thailand has an efficient higher education system and a well-educated young generation, which is still much more oriented towards studying in American and Australian universities rather than European.

The Thai higher education system is well-established: the first university was founded in 1917 and others followed shortly after. Student enrolment in formal higher education is approximately 1.12 million among a total population of over 63 million. The Ministry of Education reports that increasing numbers of young people have access to higher education and estimated that in 2002 about 26.5 % of 18-21 year-olds enrolled in universities and other higher education institutions⁶. There are 178 higher education institutions providing BSc/BTech degrees and 51 schools/universities providing postgraduate degrees, both private and public.

The official educational budget is 226 billion baht (€ 4.7 billion), which is 22% of the national budget and 4% of GDP. Thailand's national development strategy, the 9th National Economic and Social Development Plan (2002-06), places a major emphasis on the enhancement of the general level of education and on education reform. The authorities are dedicating considerable attention to the enhancement of university quality, in particular to follow globalization trends, both nationally and in the context of the ASEAN/AUN (ASEAN University Network).

Higher education students are becoming more proficient in European languages, in particular English, with more than 500 international programmes at undergraduate and graduate levels using this language⁷. The rapid expansion of higher education courses offered in the English language in EU Member States thus provides opportunities for further co-operation in this area.

However, it is generally considered that knowledge in the EU about Thailand and knowledge in Thailand about the EU, and the process of European integration are insufficiently developed. The level of knowledge of European issues and culture among

⁶ Education in Thailand 2001-2002, Office of the National Education Commission, Office of the Prime Minister in Cooperation with the Ministry of Education.

⁷ Thailand Education Directory 2004-2005, Department of Export Promotion, Ministry of Commerce.

Thai students is not very high. Thailand's younger generations have directed their attention to other Asian countries and cultures, in particular Japan, as well as to the English speaking world. The great majority of Thai youngsters who plan to study abroad think primarily of the US, Australia, or the UK. EU countries other than the UK are much less favoured. Consequently, there is a clear need to enhance cultural exchanges and deepen the relations between the EU, as an economic, political and social entity, and Thailand.

The Commission has an interest in attracting to Europe Thai students who, once they have graduated, may continue to have particular links with Europe. Thailand is a country of strategic importance given its role as one of the major economic hubs in Southeast Asia and its emergence as a regional 'motor' for the ASEAN grouping. Thailand could gradually come to play a role in ASEAN commensurate with its political and economic importance therein. Moreover, in line with its New Partnership with Southeast Asia, the Commission is holding exploratory talks with Thailand to decide whether there is sufficient common ground to negotiate a bilateral trade and co-operation agreement, which would include co-operation in the sector of education and human resources.

Justification

The case of Thailand is somewhat particular within the overall context of EC external aid to Southeast Asia. While Thailand is still considered a lower middle-income country, it has made significant progress since the 1997 economic crisis and now enjoys very reasonable socio-economic indicators. EU co-operation with this country has therefore been, in recent years, re-oriented from development projects to economic co-operation in the mutual interest. The indicative budget allocated to it is fairly limited, in comparison to that earmarked for other less developed Southeast Asian countries. This restricts significantly the identification of sectors for co-operation.

Furthermore, since its socio-economic situation is gradually improving, Thailand is developing a new role for itself on the world scene as an emerging donor country. Thai Prime Minister Thaksin Shinawatra announced in November 2003 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*⁸. In this respect, the Thai authorities indicate that in practice they welcome external support to Thailand on the condition that such support is provided in the context of a partnership rather than a donor/beneficiary relation.

In the light of the above considerations, the Commission has examined all possibilities concerning the allocation of the amounts earmarked for Thailand for 2005-06 (€ 3.2 million). It considers that the best option would be to allocate the funds to a programme in a sector of mutual interest to both Thailand and the EU, which would enhance the bilateral EU-Thailand relationship specifically at people-to-people level, and under which support would be provided to Thai citizens directly, rather than through the authorities.

⁸ Cabinet's decision B.E. 2546 (2003) of 29 November 2003 on the request for financial assistance from foreign countries..

The Commission therefore proposes that the single priority sector for co-operation with Thailand in 2005-06 be education and human resource development, and suggests in particular that the present NIP should focus on the sector of higher education, in line with the Country Strategy Paper. It is considered that for countries, such as Thailand, that do not need development assistance given their reasonably good socio-economic indicators, EU bilateral co-operation in this area is particularly relevant and of mutual interest. Also, this initiative does not require the modification of the Country Strategy Paper 2002-06.

In implementing this priority, the Commission proposes to launch one single initiative under the 2005-2006 NIP consisting in a 'Thailand window' in the framework of the EC Erasmus Mundus programme, providing for the financing of additional allocations for Thai students.

The timing of the proposal is most appropriate, coinciding as it does with the momentum being gathered under this major new world-wide European initiative in higher education. The proposal is also seen as a logical follow-up to the previous EC-supported European Studies programme in Thailand.

3.3.2 Actions

The NIP's allocation will be dedicated to one single proposal focusing on non-focal area 2 of the CSP, i.e. education and human resource development, in particular higher education. The action will consist in the financing of a 'Thailand window' in the EC's Erasmus Mundus programme through the provision of funding for scholarship grants for Thai graduate students.

3.3.2.1 Objectives

The overall objective of this action is to increase mutual understanding and awareness and to contribute to the reinforcement of the EU-Thailand comprehensive partnership, by facilitating interactions between higher education institutions and students on both sides.

The action will allow Thai students to gain a positive and more accurate view of modern Europe, and enable them to promote and facilitate networking and institutional co-operation in fields of mutual interest.

In addition, the action would contribute substantially towards the improvement of political, economic, and cultural links between the EU and Thailand.

The specific objective of the action is to foster linkages between the EU and Thailand in higher education by encouraging and enabling Thai students to complete postgraduate studies in Europe.

3.3.2.2 Expected results

The expected results are Thai graduate students completing masters degrees in Europe. Quantitatively, it is expected that under the present 'Thailand window' approximately 100

Thai graduate students⁹ will complete Erasmus Mundus Masters Courses at EU universities.

The programme is expected to increase future demand from Thailand for European higher education. Also, given the fact the programme will create personal links between Thai students and their European counterparts, it can be expected to foster future cooperation. This is particularly important to the extent that the selected students may become decision-makers in Thailand in the future.

3.3.2.3 Activities

Masters Courses at EU universities which have been designated by the overall Erasmus Mundus Programme as ‘Erasmus Mundus Masters Courses’ will be allocated a specific number of EC-funded scholarship grants for foreign students. The ‘Thailand Window’ funding will be used to fund grants for Thai students. Such funding will be over and above the funding which Thailand could expect to receive from the overall Erasmus Mundus programme. University consortia and the EC will publicise the scholarship opportunities worldwide using a variety of media.

Each university consortium running an Erasmus Mundus Masters Course will establish lists of the students (for attendance on its Erasmus Mundus Masters Course) considered eligible for scholarships. The selection criteria will be those adopted by the Erasmus Mundus Programme, with a particular focus on the excellence of students.

University consortia will submit an application for funding with their proposed scholarship lists to the EC for final approval, and the Thai authorities will be informed accordingly.

Co-ordination and synergy with EC regional and thematic programmes, namely the EU-ASEAN University Network Programme (AUNP) and Asia Link, will be envisaged.

3.3.2.4 Implementation

The Commission shall be responsible for the implementation of the activities to be financed in accordance with the procedures and standards defined for the Erasmus Mundus Programme.

It is foreseen that from 2005 onwards the European Commission will entrust the management of some EC programmes, including Erasmus Mundus, to an Executive Agency based in Brussels.

Part of the programme implementation will be undertaken by the university consortia that will be chosen to run Erasmus Mundus Masters Courses. They will publicise the programme widely in Thailand, carry out the initial selection of students for scholarships, put in place appropriate arrangements to host third country students and make payments to students.

⁹ This figure is a rough estimate, given that the number of beneficiaries may vary in respect of the combination of one or two-year master courses.

In co-operation with the Executive Agency, the Commission Delegation in Bangkok will be involved in monitoring the implementation of the specific 'Thailand Window' funding under the programme.

3.3.2.5 Cross-cutting issues

Gender issues

Based on the Platform for Action endorsed in the Beijing UN Conference on Women in 1995 and on Council Regulation (EC) No 2836/98 on integrating gender issues in development co-operation, Commission Communication COM (2001) 295 defines a Programme of Action for mainstreaming gender in Development Co-operation.

The proposed action will follow the Community's equal opportunities policy, and an effort will be made to ensure an adequate gender balance of students.

3.3.2.6 Risks and conditions

The risks and assumptions related to the programme are that information on opportunities under the Erasmus Mundus Programme reaches the targeted students; that EU universities remain competitive with other higher education providers; that there is continued support for the programme from the Thai authorities; that students who receive scholarships will return to Thailand and pursue high-level careers; and that their positive experiences in Europe are disseminated to others.

3.3.2.7 Main indicators

The main indicators will be the numbers of Thai students participating in the programme, the numbers of degrees awarded to the students. More indirectly the indicators will be the overall numbers of Thai students participating in higher education courses in the EU, and the impact of the action in Thailand in terms of knowledge and awareness of Europe and EU issues.

3.3.2.8 Estimated EC contribution

The estimated EC contribution represents the total indicative amount available for the NIP 2005-06, i.e. €3.2 million.

3.3.2.9 Coordination with Member States and other donors

In order to preserve the necessary coherence between the activities of the programme and activities undertaken by other donors in the sector, regular meetings will take place with all interested parties, and in particular EU Member States' representatives in Thailand, to ensure an open exchange of information, to avoid overlapping of activities and/or financing and to incorporate the lessons learnt by these other actors into the work of the programme.

Extensive consultation took place between the Commission and EU Member States in the preparation of the overall Erasmus Mundus Programme for which this programme provides additional funding for Thailand, and will continue in the framework of the Erasmus Committee.

3.3.2.10 Indicative timeframe

It is intended that funds for the programme be committed in 2005 in order that scholarships for students may be awarded as from the academic year 2005/2006.

ANNEX 1: EC- SUPPORTED PROJECTS/PROGRAMMES IN THAILAND (EXCEPT ECHO)**Bilateral Cooperation**

Sector	N° of projects	EC grant (€)
Energy	1	3.000.000
Public health	1	5.000.000
Environment /Natural resources	1	8.000.000
Social support	1	15.000.000
Economic cooperation	1	5.000.000
Total	5	36.000.000

ASEAN Cooperation

Sector	N° of projects	EC grant (€)
Higher Education	13	2.508.724
Intellectual Property Rights and Standards	2	13.105.786
Energy	6	6.468.622
Environment	1	5.919.877
Total	22	28.003.009

ASIA Cooperation

Sector	N° of projects	EC grant (€)
Higher Education	16	4.699.795
Trade and Investment	3	409.084
Environment	8	2.499.421
Information Technology and Communication	15	4.332.662
Urban planning	1	423.432
Transport	1	8.526.346
Total	44	20.890.740

ASEM Cooperation

Sector	N° of projects	EC grant (€)
Financial and Social Sector Reform	2	7.610.000
Total	2	7.610.000

Horizontal budget-lines / programmes

Sector	N° of projects	EC grant (€)
NGO Co-financing	3	2.086.472
Uprooted people (refugees / displaced persons)	6	8.459.423
HIV / AIDS	3	3.546.050
Environment	4	9.454.042
Total	16	23.545.987

ANNEX 2: EC-SUPPORTED PROJECTS IN THAILAND (HUMANITARIAN AID – ECHO)

N° CONTRACT	PARTNER	€ AMOUNT	Type of assistance	Location	START	END	Comments
Ongoing projects 2003							
ECHO/THA/210/2003/02002	MHD	900.000	Health and water & sanitation assistance for Karen and Burmese refugees along the Thai-Myanmar border	Mae Rama Luang and Ban Mae La U, Mae Hong Son Province	10/11/2003	31/12/2004	
ECHO/THA/210/2003/02001	AMI	890.000	Humanitarian Assistance for Burmese refugee population living in the camps on the Thai-Burmese border	Nu Po and Umpiem camps, Tak province	17/10/2003	31/12/2004	
New projects 2004							
ECHO/THA/210/2004/01001	ICCO	3.475.000	Food aid/security, Nutrition, Non-food items, Cooking Fuel for Refugees on the Thai-Burmese border	Mae La and Umpiem refugee camps, Tak Province	1/02/2004	30/11/2004	Expected to be signed in June 2004
ECHO/THA/210/2004/01002	MSF-F	900.000	Health and water & sanitation assistance for Burmese refugee population living in the camps on the Thai-Burmese border	Mae La camp, Tam Hin camp, and Mon's resettlement areas	1/04/2004	31/03/2005	Expected to be signed in June 2004
ECHO/THA/210/2004/01003	HI	275.000	Mine victim assistance and mine awareness for refugees on the Thai-Burmese border	all refugee camps along the Thai-Burmese border	1/06/2004	31/05/2005	Expected to be signed in June 2004