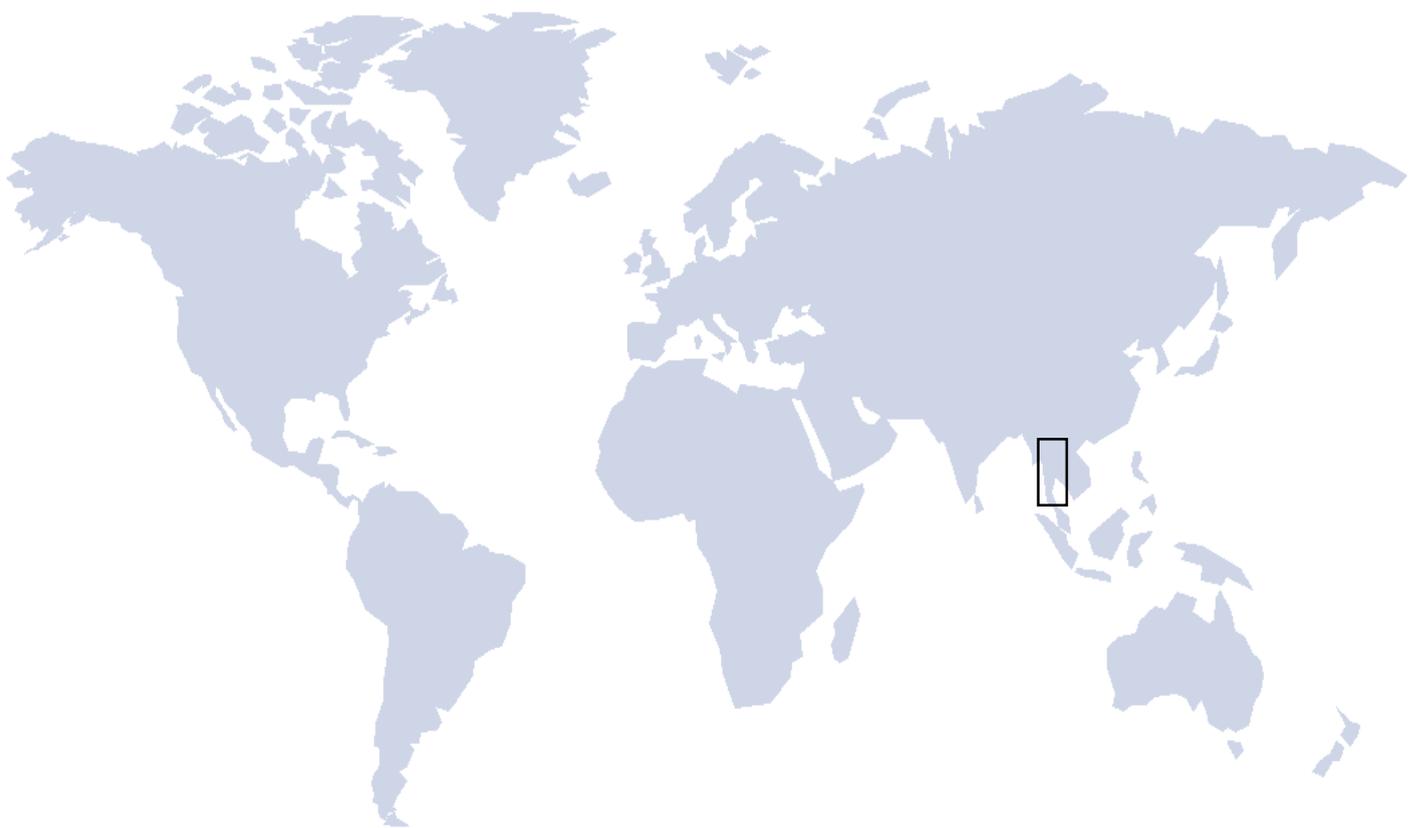


# Country Strategy for Development Cooperation **Thailand**

*1 January 2000 – 31 December 2004*



March 6, 2000

## **Country strategy for Thailand**

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### **1. Introduction**

The aim of the present country strategy is to establish the goals of Swedish development co-operation with Thailand during the period 2000–2004. Swedish development cooperation with Thailand should be seen as temporary support for the ongoing process of reform in the aftermath of the Asian crisis. The possibility of reducing cooperation to selective measures only should be examined in the next country strategy.

### **2. Summary**

Developments in recent decades have led Thailand away from military rule and towards becoming a modern democracy. The latest five-year plan is decentralised in character, with an emphasis on popular participation in the development process. A new Constitution was adopted in 1997, and for the first time in the history of Thailand elections to the country's Senate were held on 4 March, 2000. The high election turn-out (70%) reflected strong popular commitment to the Constitution and its implementation.

The Asian financial crisis, which originated in Thailand in July 1997, interrupted several years of economic growth and revealed structural weaknesses. Thanks to a decisive reform policy and significant international support, however, the Government was able to turn this development around. After declining by almost 10% in 1998, the economy is picking up speed once again. However there is a danger that short-term progress will mean that necessary reforms are not fully implemented.

The downside of the economic growth is the extensive damage to the environment, especially in the Bangkok region. Air and water pollution are

serious problems, and overexploitation of natural resources – especially forestry resources – has caused extensive environmental degradation.

Swedish development cooperation started in 1986 and has consisted primarily of contract-financed technical co-operation. Eighty projects at a total amount of SEK 160 million have been agreed. Three loans for industrial development were granted in the 1990s: two for projects involving green technology and one for the supply of medical equipment. About 500 Thais have attended Sida's international courses.

Swedish-Thai relations are of long standing and cover a wide range of areas at private as well as commercial and official level. Thailand is increasingly seeking to play a more active role in the region, not least within the framework of ASEAN. Moreover, shared interests in the realm of international affairs make her a politically interesting partner. Other cooperation programmes in the region have also made use of Thai expertise.

Specific objectives for Swedish development cooperation with Thailand in 2000–2004 should be:

- to support efforts to protect the environment and measures to facilitate the sustainable use of natural resources, and
- to support political and economic reform processes aimed at promoting greater transparency in society.

Cooperation within the above framework should also be aimed at widening areas of contact between Sweden and Thailand.

As in the past, cooperation in the future should be through contract-financed technical co-operation, international courses, credits/guarantees and NGOs. Researcher-initiated research cooperation could also be tried as part of the attempt to enhance Swedish-Thai relations in general. Greater consideration should be given to the possibility of using the Thai resource base for development cooperation in the region.

### **3. Assessment**

#### *3.1 Conclusions of the country analysis*

Developments in recent decades have led Thailand away from military rule and towards democratisation, a move largely initiated by the urban middle class. The Army crackdown on student protests in the 1970s, widespread

corruption and the buying of votes were some of the factors behind the growing challenge to the old political leadership raised by civilian politicians and popular movements from the mid-1980s. The military coup in 1991, a counter-reaction to these currents, led to extensive protests in Bangkok in May 1992. It was largely thanks to the intervention of King Bhumibol that a repetition of the 1976 bloodbath was prevented and the military forced to withdraw.

Since then, four coalition governments have gradually introduced reforms aimed at reducing the power of the military and the bureaucracy, and strengthening democracy. The new Constitution, adopted in 1997 after extensive local consultations, and the five-year plan adopted in the same year reflect the development towards a more modern and representative democracy. The Constitution is committed to proportional representation, a measure designed to benefit national parties, and to direct elections of senators to the upper house. Other features of the new democracy include independent elections, human rights commissioners, a constitutional court and a bill of rights. The first general election since the introduction of the new Constitution took place on 4 March. Turn-out was high (70%), reflecting strong popular commitment to the new Constitution and its implementation. Although a number of newly-elected senators had traditional political connections, new political forces were unexpectedly well represented. Despite evidence of vote buying and other irregularities, the election may be regarded as an important step in the development of democracy in Thailand.

In part, the new Constitution and political reforms were forced into existence or facilitated by the financial crisis that erupted in Thailand in July 1997, when several decades of economic development, marked by high growth rates, low inflation, industrialisation, high exports and rapid urbanisation, came to an end. High interest rates and rising inflation had undermined competitiveness and stifled export growth. These developments, combined with excessive dependence on short-term dollar loans, contributed to the collapse of the Thai economy. Corruption and lack of transparency and control in the financial sector were contributory factors.

Thanks to an IMF emergency package, Thailand was able to recover from the acute crisis relatively quickly, and after an almost 10% decline in the economy in 1998, recovery is under way. Measures within the financial sector and the introduction of bankruptcy legislation are decisive in this

context. However, recovery is still slow, and major structural problems remain in small and medium-sized companies and the banking sector. The number of non-performing loans (NPL) is still alarmingly high. Allowing foreign investors to acquire majority shareholdings has been a significant factor in strengthening the domestic banks and accelerating the restructuring of industry.

Rapid growth – an average of 8% per year from the mid-1980s to the mid-1990s – was a major factor in the significant reduction of poverty during that period. The proportion of the population living below the poverty line – 22% in 1988 – had fallen to about 12% in the years preceding the crisis. The fruits of growth – and the costs in terms of environmental damage – were most in evidence in the Bangkok area. About two-thirds of all economic activity in Thailand takes place there and 90% of all industrial production is located in the Bangkok Metropolitan Region. Development has led to increasingly skewed distribution, however, and despite a break in the statistical trend, first recorded in 1994, income gaps are among the highest in Asia. The poor are to be found in the rural areas, primarily in the north-eastern and northern parts of the country. Most work on the land and are poorly educated.

Since the economic crisis of 1997, real incomes have fallen by 10–20%. More than one million Thais were driven into poverty between 1996 and 1998. The rural areas, especially in the north-east, were hardest hit.

Rapid economic growth had contributed to major environmental problems and unsustainable exploitation of natural resources. Estimates of the cost of environmental damage in the form CO<sub>2</sub> emissions and of the consumption of natural resources suggest that these fluctuated between 5% and 10% of GDP (8% on average) in the period 1970–94. In many places the exploitation of these resources led to strong clashes between urban, commercial interests and the affected rural population. The environmental movement which emerged in response to this exploitation may also have played a part in speeding up the process of democratisation.

Deforestation continues at a rapid rate despite the ban on logging since 1989, and estimates show that natural forest now accounts for less than 20% of the country's total area. Soil erosion and water pollution are widespread problems and mangrove forests and coral reefs have been largely destroyed. Gas emissions and solid wastes from industry and urban

areas have increased rapidly and there is serious air pollution, especially in the Bangkok area. The use of fossil fuels in industry and the increase of motor traffic are contributory factors. Although new environmental legislation from 1992 is among the most advanced in the region, the supervisory authorities still lack real teeth.

Thai women have traditionally enjoyed a relatively strong position: Thailand ranked 40th in the 1998 UNDP gender index, among the highest of all developing countries. For example, women were given the vote as early as 1932. In recent decades, rapid growth in the manufacturing industry has drawn increasing numbers of women into the labour market, which in turn has led to higher incomes, greater independence and a relatively large number of women in important positions in the business sector. On the other hand, there has been no appreciable increase in the numbers of women represented in politics (only about 5% of Members of Parliament are women), the judiciary, the military or the religious establishment. The Asian crisis was not specifically prejudicial to gender equality; as with distribution of income, the determining factors are residence and level of education. However, growing prostitution, child labour and the drop-out rate from formal schooling are worrying tendencies.

Once in danger of being phased out, development cooperation has increased sharply since 1997. Although the bulk of support has been forthcoming from international financial institutions, bilateral donors such as Japan have also invested large sums in combating poverty, health care, education and other social sectors. Short-term crisis management is largely covered by this. In the medium-term perspective the comparative advantages of Sweden are in three main areas – environmental protection, higher education and research, the process of political reform and the development of civil society. That development in Thailand could serve as an example and model for other countries in the region is another reason for continued cooperation.

### *3.2 Conclusions from the statement of operations*

The Swedish Government's development cooperation with Thailand was started by BITS in 1986. It has focused primarily on contract-financed technical cooperation. In all, 80 projects or project phases have been completed and some fifteen programmes are now in operation. The total value of projects completed or under way amounts to approximately SEK 160 million, of which some SEK 28 million have yet to be disbursed. While

co-operation has involved a number of sectors, the energy and environmental sectors have been dominant, with approximately SEK 50 million each.

The evaluations so far conducted, most recently a multi-sectoral study in 1998, have revealed variable results. Efforts within the environmental sector were sharply criticised in the latter study but efforts in the area of administration (reform of the government administration) were considered successful. Throughout, it has been difficult to get the Thai partners to meet their share of the costs.

During the 1990s, Thailand obtained two credits for environmentally friendly technology in the wood pulp industry, three lines of credit amounting to US\$ 40 million for a domestic development bank (IFTC), and a credit for the delivery of medical equipment for rural hospitals. The latter was coordinated by Skanska and covered equipment from 13 main and some 100 sub-contractors.

All credits but the latter were covered by the 1998 evaluation, and overall they received a positive assessment. A Thai evaluation of the health credit at the beginning of 1999 refers to inadequate education and maintenance inputs in connection with deliveries. The ambulances supplied were also criticised. A Swedish evaluation was carried out in the autumn of 1999.

Over 500 Thais, one quarter of whom were women, have participated in the international course programme since 1985. Some 70 participated in 1999. The support via Swedish NGOs is relatively extensive and amounted to SEK 28 million altogether during the fiscal year 1995/96–1998. The aim is to strengthen civil society. Of the 13 framework organisations Diakonia, LO/TCO, OPIC, PMU, SHIA and SMR are working in Thailand. Their efforts are clearly focused on human rights and democracy as well as social and economic issues.

In development cooperation with local organisations, special attention is being directed at marginalised groups such as the poor, ethnic minorities, women, children and the disabled. Several organisations target groups that have fallen victim to or are exposed to the risk of HIV/Aids or drug abuse. One organisation supports a rehabilitation home for girls who have been victims of the sex trade. A number of trade union organisations are also receiving support.

Through various channels, Sida has supported a number of regional institutions and organisations with a head office or operation in Thailand. These include the Asian Institute of Technology and, previously, the Mekong Commission, NGO networks such as Forum Asia and the Asia Pacific Women Legal Development Forum. However these contributions do not primarily target activities in Thailand. A decision was taken in 1999 to give a three-year support of just under SEK 4 million to ECPAT, which works world-wide on issues concerning sexual exploitation of children and trafficking in human beings.

Finally, Sida has channelled a contribution from the humanitarian appropriation via Diakonia to the Burmese Border Consortium for a programme targeting approximately 110.000 Burmese refugees in the north-west border areas.

### *3.3 Thailand's development policy*

Thailand's development policy and programme have traditionally taken the form of a five-year plan. From the beginning of the 1960s industrialisation was emphasised through import substitution and agriculture, and later through an increased emphasis on the export of industrial goods. Major investments in infrastructure were made in the 1970s in the shadow of the Vietnam War. From the 1980s onwards the regional distribution policy became more important. During the second half of the 1980s the emphasis was shifted from import substitution and agriculture to export-oriented industrial growth, and in the early 1990s Thailand was heading for NIC status. The 7th plan, for 1992–96, continued to focus on growth (the target was 8.2% p.a.), but also pointed out the need to even out the income differences and improve the environment.

For the period of the present plan for 1997–2001 the emphasis has been shifted from growth to quality of life, income distribution, the environment and good governance. Increased decentralisation in planning and increased popular participation in the development process is emphasised. The changed focus of the development policy is closely connected with the new Constitution. However the Government was forced to quickly revise the five-year plan in order to manage the economic crisis. In the short term it became most important to address the balance of payments deficit and stabilise the economy. This has been relatively successfully achieved.

The importance of education for Thailand's development is strongly emphasised in the plan. Competitiveness on the world market requires increased productivity and new directions for manufacturing, which in turn necessitates a significant increase in the level of skills and education of the labour force. A reform of the educational system is underway. The weaknesses are also noted at higher level, and even if the university education is of a comparatively high standard there is room for measures to raise the quality. Research, especially at the prestige universities in Bangkok, is of a reasonable standard, but there are relatively few qualified researchers and there is a great need for international exchange and contacts.

Good governance and respect for human rights are of the utmost importance in carrying out the Government's development policy. Thailand has signed the central human rights conventions, but has not ratified those concerning genocide, torture and the rights of refugees. The process that paved the way for the new Constitution heralds a new balance between the Government and civil society. Public accountability, protection for citizens' rights, the introduction of a constitutional court and a parliamentary ombudsman are positive examples. Decentralisation of decision making, in order to deal with regional inequality, is another new feature in the 8th plan. However considerable efforts will be needed to develop capacity at the local level.

### *3.4 Strategic considerations*

Thailand is an important player in south-east Asia. For several decades the country has been an economic model of high growth and low inflation. The Asian financial crisis broke out in Thailand in July 1997, but the country is among those that first took the necessary measures and relatively quickly started to recover from the effects of the crisis.

After about half a century of military rule, coups, bought votes and corrupt politics a more genuine democracy seems to have rooted itself in Thai society during the 1990s. The new Constitution is an indication of this and even if democracy is still challenged by the old power elites the Government's ambitions are well in line with Swedish political values. Thailand has also been proactive in the process towards increased transparency and has questioned the principle of non-intervention which was initiated within ASEAN in the shadow of the economic crisis. Burma and

Cambodia are two examples in which Thailand pushed for a more active role for ASEAN.

One reason for engaging in development cooperation with Thailand is that the country is in many respects a leading country in south-east Asia – or could be if the reform process continues. The political and constitutional reforms reflect a movement towards a democratic society and the rule of law. More attention is being paid to inequality. Major steps forward have been made in the area of environmental policy, but so far not as regards implementation. The determined efforts to deal with the HIV/Aids problem and the experience of this work can provide an example for further efforts in the region. Thailand is a progressive force within ASEAN.

Sweden and Thailand have long had good relations – in political, commercial and scientific terms and through personal contacts and considerable tourism (last year about 150 000 Swedes went to Thailand). Confidence in Sweden has been built up through these relations, and there is an interest in Swedish solutions.

Development cooperation that builds on Swedish knowledge and models can support Thailand in completing the ongoing reform process. With Thailand as an example other countries in south-east Asia might also become interested in new solutions to societal problems. In this way the support to Thailand can serve as a model.

Before the crisis Thailand had a per capita income of approximately US\$ 3000, which makes it a relatively well-to-do developing country. Swedish development cooperation should be seen as temporary support especially when the reform process is at its most intensive. It should be examined in the next country strategy whether cooperation can be reduced to very selective measures only.

Swedish development cooperation will remain marginal, both in relative and in volume terms, and the strategic orientation will therefore be decisive for the impact of Swedish efforts in Thailand. The perspectives of equality between women and men and of poverty will naturally be taken into account in the measures adopted but, in view of the country's income level and operations by other donors, Swedish development co-operation should not focus on direct measures to combat poverty. The relatively favourable conditions for women in Thailand leads to the conclusion that efforts for

equality between men and women are also unlikely to be given a particularly prominent role in the strategy.

Experience to date indicates that Swedish expertise and knowledge in the environmental sphere – broadly interpreted – are of interest to Thailand. Support for the process of democratisation, especially good governance and the strengthening of civil society, is another broad area in which Swedish models and experience could be of interest for both the public sector and NGOs. Meanwhile, it is in Sweden's interests to promote development in both these areas in view of the country's role in the region.

#### **4. Strategy for future development cooperation**

##### *4.1 Objectives*

The above considerations form the basis of the following proposed objectives for development cooperation during the strategy period. The specific goals – based on overall development assistance objectives – for Swedish development cooperation with Thailand in 2000–2004, should be:

- to support efforts to protect the environment and measures to facilitate the sustainable use of natural resources, and
- to support political and economic reform processes aimed at achieving greater transparency in society.

Efforts should be made, within the framework of these goals, to use cooperation to broaden areas of contact between Sweden and Thailand.

##### *4.2 Areas and forms of cooperation*

Development cooperation should be mainly financed within the framework of Sida's programme of international courses, contract-financed technical cooperation (KTS) and credits/guarantees. Swedish NGOs are expected to continue giving support, and it should be possible to assess the conditions for research cooperation in accordance with the recommendations in the Swedish strategy for Asia.

Capacity building and the development of institutions should be important project goals. The Swedish resource base involved in KTS cooperation should be broadened in the areas concerned.

Efforts aimed at protecting the environment should focus on agriculture and forestry, industry, urban waste management, water and sewage treatment.

This could well entail efforts to promote institutional development, new legislation and support for further education and direct technology transfer. More attention should be given to the possibility of strengthening the environmental monitoring organisations and the framework for their work. Sida should be particularly active in identifying areas of interest for credits and guarantees in the environmental sector. In exceptional cases credits can be provided for projects in other sectors. It should be possible to continue applying the framework credit model.

Support for the processes of political and economic reform should be focused on areas where Sweden can contribute with knowledge and skills that are relevant and in demand. One such area could be the experience of crisis management in Sweden in the early 1990s. Others could be the Ombudsman institutions, justice, the social security systems, municipal democracy and the situation of the media, broadly interpreted (from legislation to journalist training). The emergence of the Swedish popular movements and NGOs, and their methods and position in society, should also be a theme of interest in the process of reform in Thailand.

The Government's ambitions, as stated in the Asian Strategy, of generally broadening the contacts between Sweden and Asia in order to develop cooperation of mutual interest, is particularly relevant to Thailand. In many respects Thailand is a leading country in the region, with internationally recognised expertise in a number of sectors. There are already contacts and exchanges between the countries in many spheres, but they can be developed in ways that are of interest to the goals of the country strategy. The expert exchange programme managed by the Swedish Institute for Sida – and which includes Thailand – offers a suitable way to broaden contacts.

Cooperation between Swedish and Thai NGOs is another important area of contact, in which strengthening the capacity of domestic organisations and their role in civil society should receive continued emphasis. Continuing to draw attention to poor and vulnerable groups is also crucial, especially those victim to or exposed to the risk of HIV/Aids, drug abuse and prostitution.

Opportunities for developing and/or expanding researcher-initiated cooperation between Swedish and Thai universities and researchers should be investigated. In this connection KTS-like forms of cooperation should be considered. Thailand is already included in several Sida-supported regional

research programmes. Environmental technology, management of natural resources, medicine and other natural sciences are relevant spheres. Research grants from other Swedish sources of funding, e.g. STINT, should be taken into account in setting priorities, however.

Continued use should be made of the possibilities to use Thailand as a base for or partner in regional operations and networks (human rights, environment, research, migration/trafficking, etc.). Discussions continue for example on a masters course in human rights at Mahidol University, aimed at students from the region as well as from Thailand. In many cases the higher education available in Thailand provides a cost-effective alternative to Europe. The possibility of locating a regional environmental division/environmental centre in Thailand, as discussed by Sida, should be more closely examined. Suitable co-operation partners are likely to be found.

#### *4.3 Volume*

During the period 1996–98, KTS and international courses have amounted to approximately SEK10 million per year. If the process of reform continues and Swedish participation proves useful, it should be possible to increase the volume of participation somewhat during the strategy period. In the longer term, however, it should be possible to replace the bulk of cooperation by normal relations, not involving financial assistance.

#### *4.4 Administrative resources*

At present, administrative work in connection with development cooperation with Thailand requires the services of one Sida employee working slightly less than full time, primarily at INEC. In the future, cooperation should be so designed that it does not place increased demands on Sida's capacity.



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