

serious repercussions for Thai people. Poverty and income disparities have worsened. In addition, the number of unemployed increased by almost 1 million persons as a result of the crisis. The rapid deterioration of natural resources and the environment continued through the planning period.

Despite shortcomings, the Eighth Plan's emphasis on meaningful participation represented a major step toward the mobilization of people from all walks of life to play a more active role in the process of national development. This is evident in the increased levels of development-oriented networking among people's organizations, and in the increase in partnerships for development with the public sector, which can serve as a strong foundation for the future development of the country.

1.2 National Development in the Ninth Plan (2002-2006)

The Ninth National Economic and Social Development Plan has been formulated on the basis of a shared vision of Thai society for the next 20 years; it reflects the views of Thai people from all social sectors at provincial, sub-regional, regional and national levels. It also builds on the Eighth Plan's advocacy of holistic people-centered development. The results from Eighth Plan brainstorming processes led to the identification of a shared vision, and identification of key development strategies for Thailand's future development. Furthermore, a consensus was reached to adopt the "philosophy of sufficiency economy", which stresses the middle path, moderation, and due consideration, in all manner of conduct, as the guiding framework for national development.

Development Vision

Thailand's development vision for the next 20 years focuses on the alleviation of poverty and the upgrading of the quality of life for the Thai people, so that "sustainable development and well-being of all Thais" can be achieved. This vision of Thai society, characterized by a "strong and balanced society", comprises three aspects:

Quality Society: a balanced, moderate and self-reliant society with its members being moral, responsible, and skillful.

Knowledge-based and Learning Society: creative and rational thinking, life-long learning, and application of local wisdom as appropriate.

United and Caring Society: preserving Thai values regarding harmony and interdependency, while focusing on loving families and networked communities as core to development.

Major Objectives

In order to achieve the development vision based on the philosophy of “sufficiency economy”, the Ninth Plan sets the following objectives for development.

(1) To rehabilitate the national economy in order to bring about stability and resilience, a strong financial sector, and a secure fiscal situation.

(2) To establish a strong national development foundation for greater self-reliance, and to keep pace with the world.

(3) To promote good governance at all levels of the society, from the government, the private sector, non-governmental organizations, the community, down to the family level.

(4) To alleviate poverty, empower Thai people to be more self-reliant, and create more opportunities for equitable access to education and social services.

Development Strategies

In order to reposition Thailand according to the aforementioned Plan objectives, seven strategies have been grouped under three main strategic clusters as follows:

Group I: Establishment of good governance at all levels of the society. The highest priority is accorded those strategies that focus on the reform of management mechanisms in the political, public, private and civil society sectors. Popular

participation is to be enhanced to increase the efficiency of development efforts, based on accountability and transparency. Reform of management systems will create a strong development foundation, increasing the capacity of Thai society to cope with change, as well as fight corruption.

Group II: Consolidation of a strong social foundation.

This group of strategies recognizes that people, families, and communities are the corner stone of Thai society. Major development approaches advocated include human resource development and social protection provision, strengthening of management systems for sustainable development in rural and urban areas, as well as prudent management of natural resources and the environment to achieve sustainable development and to improve the quality of life of Thai people.

Group III: Economic restructuring for balanced and sustainable development. This group of strategies emphasizes macro economic management to achieve a stronger economic base that can be translated into qualitative, as well as quantitative growth. Economic structures at all levels need to be adjusted - from the grassroots to macro levels. Linkages with the global economy should be enhanced, while keeping in mind the importance of developing resiliency to global shocks. Thailand's international competitiveness should be improved at both macro and sectoral levels. A consolidated science and technology development strategy needs to be formulated, with particular attention being paid to innovation and incorporation of Thai local wisdom into innovative processes.

1.3 Translation the Plan into Action

Achievement of Ninth Plan strategies depends on translating the Plan into action. Change management is needed, based on the guidelines below, to generate a paradigm shift based on the philosophy of sufficiency economy. These guidelines are:

(1) Promote understanding of Ninth Plan concepts and strategies, along with the enhancement of knowledge and

leadership for change management.

(2) Formulate action plans at various levels (by function and sub-national areas) to implement Ninth Plan principles.

(3) Improve roles and functions of central agencies to facilitate implementation of the Ninth Plan.

2. Economic Profile

2.1 Economic Policy

An historically severe financial and economic crisis in Thailand broke out on July 2, 1997 when the Bank of Thailand changed the exchange rate mechanism from a fixed rate to a managed float system. This led to various economic problems, in particular, economic instability and economic contraction. Although the present economic situation is much improved, the result of the implementation of several measures, crucial issues confront policy makers in pursuing long-term economic sustainability.

2.2 Crisis and Post-Crisis (1997-present)

Two main problems, which dominated policy formulation considerations during the first and second-phases of the crisis period, were instability and contraction of economy. A series of measures were introduced in order to solve those problems, for instance, a fiscal stimulus program and financial restructuring.

1. Main Problems: Economic Instability and Economic Contraction

Phase-1 (Mid of 1997-1998)	Phase-2 (1999-Present)
Insufficient international reserves	Stability in international reserves
Instability of Thai Baht	Stability of Thai Baht
Weakness in financial system	Progressive financial restructuring, reducing NPLs
High level of NPLs	Lower level of NPLs
High interest rates	Low interest rates
High inflation	Low inflation
Liquidity shortage	Over-liquidity
Large capital outflow	Too low domestic demand and over-supply of capital
A dramatic contraction of GDP	A gradual recovery of GDP

2. Resolution of the Thai Economic Recession

Resolution policies, which were implemented during the crisis-period, can be categorized into three types; stabilization, stimulus, and restructuring policies. Stimulus and stabilization policies aimed to deliver short-term economic improvement, while restructuring policy aimed to promote long-term economic development.

Stabilizing Policy

The goal of stabilization policy was to recover and maintain macroeconomic stability, both in domestic and external markets. Key areas of focus included the exchange rate, interest rates, and inflation.

➤ *Exchange Rate Policy*

Although the Thai Baht fluctuated widely during the early months of the crisis, the Thai exchange rate regained stability by mid 1998 with the abandonment of the Non-Residential Baht Account. The main objective of exchange rate management was to minimize exchange rate fluctuation in order to support the economic recovery and export promotion.

➤ *Inflation and Interest Rate*

The Bank of Thailand adopted a new monetary regime in May 2000 based on “Inflation Targeting”; the target was to keep the inflation rate within the range of 0-3.5 percent. This new system allowed the Central Bank to intervene in financial markets through the repurchase market, by adjusting the 14-day repurchase rate. In July 2001, the Bank of Thailand established the Monetary Policy Committee (MPC) that was responsible for monitoring domestic and foreign economies and, based on that information, providing the Bank of Thailand with direction in regard to monetary policy.

Stimulus Policy

The Thai government launched various stimulus packages, mainly focused on fiscal policy, in order to stimulate domestic demand and alleviate social hardship. Examples of such policies are as follows:

➤ *Government Expenditure:*

The Government influenced domestic markets through expenditure adjustments to the annual government budget, both through normal budget and non-budget items. Since the renegotiation with IMF in 1998, the Thai Government operated a budget deficit at the rate of 2.1 percent of GDP in 2001, 2.4 percent in 2002, and an estimated 3.3 percent in 2003. (All figures quoted are fiscal year figures.) For non-budgetary expenditure, foreign agencies, such as the World Bank, OECF, ADB, and J-EXIM Bank, were the main sources of funding. The projects under this type of funding included the Miyazawa stimulus Package, the Structural Adjustment Loan, the Social Investment Fund, and the 58,000 Million Baht Stimulus package. Moreover, additional funding was targeted directly to low-income people in rural areas through a new project called the “Village Fund”.

Unit: Percent of GDP

	1998	1999	2000	2001	2002	2003
Net Budget Balance						
Estimated Budget	-1.0	-0.5	-2.2	-2.1	-3.8	-3.3
Actual Budget	-2.3	-2.4	-2.1	-2.2	-2.4	0.0
Non-Budgetary Fund	-0.2	-0.5	-0.3	0.5	0.3	0.0

Source: The Bureau of the Budget, Ministry of Finance

➤ *Tax Policy:*

Important tax and fee measures were the temporary reduction of the VAT rate from 10 percent to 7 percent in 1999, scheduled to end in 2003, and the exemption elimination of personal income tax for people whose annual salary is less than 50,000 Baht. Other measures included the abolishment of 1.5 percent VAT collection for the firms whose revenues exceed 0.6 Million Baht but are not over 1.2 Million Baht per annum.

Restructuring Policy

➤ *The Financial Market and Non-Performing Loans (NPLs)*

In the early months of the crisis, the Bank of Thailand implemented a resolution policy designed to close down insolvent financial institutions. Accordingly, 56 financial institutions were closed by November 1997. In 1998, the Thai Government changed the policy to allow firms to continue to operate provided that they re-capitalized and re-organized in order to avoid the collapse of asset value. Additional measures were launched to stabilize and restructure the domestic financial system, in particular, by addressing the NPL's problem. The chronology of important measures is as follows:

- ❑ The establishment of the Corporate Debt Restructuring Advisory Committee (CDRAC) in June 1998.
- ❑ The enforcement of the new loan classification and provision requirement, based on the BIS standard.

- ❑ The implementation of eleven key economic reform bills including the Bankruptcy Court Act and the Alien Business Bill in 1999.

- ❑ The establishment of the Thai Asset Management Corporation (TAMC) in June 2001.

Real Sector Restructuring

- The Master Plan for the Reform of State-Owned Enterprises was approved in September 1998. This Plan put forward basic guidelines for the country's privatization program focusing on four sectors: energy, telecommunications, transport, water, plus other targeted activities.

- Tariff Reforms have been gradually activated in response to Thailand's commitment to AFTA's tax reduction agreement, which required all members to reduce their import tariffs to be in the range of 0-5 percent by 2003.

- The Master Plan for Restructuring Manufacturing was formulated; it focused on thirteen sub-sectors and was financed by the Structural Adjustment Loan (SAL).

- Special purpose financial institutions, such as the Small Industries Finance Corporation (SIFC), the Thailand Recovery Fund, and the SMEs Venture Capital Fund, were launched. Several other SMEs funding schemes were activated in response to the need to provide liquidity to the SMEs.

2.3 Moving Forward to Sustainable Development (Present)

To achieve long-term economic sustainability, sound macroeconomic policy, effective private sector management, and sustained domestic expenditure are essential. Expansion of the economy based on an increase in Total Factor Productivity (TFP) is crucial to achieving long term economic growth. Sound macroeconomic policy is based on appropriate coordination between fiscal and monetary policy, in the context of sound economic and social policy. Moreover, in regard to the sufficient economy philosophy, increased in productive efficiency and

forward-looking socio-economic strategies are key factors needed to achieve sustainable development under contemporary globalization conditions. As a result, a dual track policy should be implemented.

The role of future macroeconomic policy in achieving Thailand's development goals is as follows:

1. Short-Term Economic Stimulus

Sound fiscal and monetary policy is required to achieve continuing economic recovery. In pursuit of this objective, four main factors need to be considered: (1) a continual decrease in NPLs is required to regain investors' confidence in tandem with extension of credit lines. (2) a persistent rise in private consumption expenditure, driven by an increase in private consumption at the grassroot level, is essential. (3) an expansion of private investment, in particular, private construction, is required and (4) the generation of external income, both from exporting goods and tourism is important.

2. Medium-Term and Long-Term sustainable development

To achieve medium- and long-term goals, effective economic management demands a strong and stable financial system, and a fiscal system supportive of development of equity markets, to act as an additional source of corporate funding.

Monetary Policy Framework:

Keys to good this policy in this area include: (1) an increase in the financial sector's strength and resilience to crisis, (2) improvement of prudential regulation and supervision of the financial institutions, (3) an increase in the role of capital markets as a source of capital mobilization, and (4) the improvement of the financial system's capability to distribute the benefits of growth more equitably.

Fiscal Policy Framework

Effective public debt management and fiscal sustainability are the primary targets of fiscal management. Public revenue and expenditure should be aligned with economic and social goals, without breaking down fiscal discipline. Moreover, the transferring of fiscal expenditure responsibilities to local administrations should be consistent with the decentralization of public authority in order to reinforce the strengthening of communities and maximize the efficiency of resource allocation.

3. Real Sector Strategy

Agricultural Sector

Although the agriculture is the sector which employs most workers in the labor market, it contributes only 11 percent to total GDP. This reflects the fact that most Thai farmers are continually in-debt and have inadequate incomes while the country's national resource base is diminishing over time. Therefore, the development of agricultural sector requires significant adjustment based on application of basic community known-how and modern technology that will lead to a sustainable development.

Key measures in this regard are:

- ❑ Promote high quality production rather than mass production.
- ❑ Encourage the integration and coordination of agricultural supply chains, and strengthen the capability of farmers, associations and private firms, in terms of technological advance, productivity, and business management.
- ❑ Enhance the broader participation of farmers and private firms to increase and ensure agricultural product standards, and input into policies of agricultural agencies.
- ❑ Include efficiency and competitiveness as key development targets in the agricultural sector.

Manufacturing Sector

The manufacturing sector was impacted by the crisis through demand shock and liquidity problems, that led to a deep contraction in manufacturing output in 1998. Many interventions to resolve the problems, particularly credit assistance, have enabled the manufacturing sector to recover remarkably. However, there are four underlying problems remaining: (1) capacity utilization rate is still below pre-crisis level, (2) share of exports in major markets, i.e., US, Japanese and EU markets, has decreased over time compared with competing countries, (3) medium-technology products have experienced high competition from Malaysia, the Philippines, and China, and (4) the country's international performance is generally at a low level.

The above problems represent the challenges Thai policy makers face under conditions of globalization. The following are key measures that should be adopted:

- Restructure from labor intensive production to skilled, technology and knowledge-based intensive production in tandem with development of quality control processes and establishment of product standards.
- Draw up the strategies for each sub-sector based on the following categorization: (1) potential global products, (2) potential regional products, and (3) potential local products.
- Support coordination among policy makers, industrial / trade associations, and the service sector to ensure rapid coordinated action. The public sector should change its role from that of control to coordination.
- Every level in supply chains and logistics should be strengthened in support of economic cluster formation and development.

3. Social Profile

3.1 Population: For the Ninth Plan period, a Master Plan for Population Development has been formulated, to be put into effect next year. This Plan includes many strategies,

based on maintaining fertility at the replacement level, developing the quality of the population through investment in human resources, encouraging suitable population distributions, developing a population data system, and undertaking demographic research, based on and cooperation among domestic and international agencies.

3.2 Health: The emphasis during the Ninth Plan period is on the participation of all sectors in society in promoting health and creating an enabling environment for good health; and on development of a diversified and holistic health delivery system. The prevention of disease and delivery of proactive health services based on the principles of high quality, efficiency and fairness, shall be undertaken. The people will be able to select services according to their needs and have the right to question services. Importance will also be placed on the development of alternative medicine, Thai traditional medicine, and uses of medicinal plants, to attain accepted medical standards. Medical and health personnel should be trained in alternative and traditional medicine.

3.3 Education: The capabilities of Thai people should be developed through well balanced and reflective education to enable them to realize their full potential, by giving high priority to the educational reform process. Important elements of reform include developing quality teachers and the amending curricula so that they are of high quality, meet high standards, are up-to-date, and are aligned with the needs and conditions of localities. Formal and informal learning processes are to be adjusted to encourage learners to continuously explore and pursue a wide range of knowledge.

In regard to vocational education, the quality of the Thai labor needs to be enhanced, especially in terms of basic knowledge, craftsmanship, use of indigenous Thai working values, and management skills, especially through the Thai Vocational Qualification (TVQ) program.

3.4 Human Security: The social safety net program should be further developed, focusing on enhancing the potential of the poor and the underprivileged to become more self-reliant. Local administrative organizations and community-based organizations will be the key players in delivering services that are responsive to the needs of local communities.

In response to drug problems, and other crimes, families, community organizations, local administrative organizations, the private sector and the press will be encouraged to participate in the process of crime prevention. Regarding the security of life and property, the overall management system shall be improved. The organization and management of the judiciary process should be restructured so that the system becomes more efficient. The enforcement of laws and regulations should be strengthened in order to provide greater security and justice, and protect the legitimate rights and freedoms of people. The efficiency of disaster and crime prevention services should be improved so that they are able to promptly respond to problems.

3.5 Drugs: The Thai Government has given its highest priority to drug prevention. Various types of media are being used to convince Thai people to fight against drugs. At the same time, the drug education in schools will be focused on preventing more students from getting involved with drugs and on reducing the demand for drugs in Thailand. Cooperation and coordination among all concerned agencies to control drugs needs to be improved. The government's plan is to strengthen three main institutions, schools, families, and communities, in an effort to reduce illegitimate drug use.

By strengthening treatment and rehabilitation measures, according to the PM's Order No. 119/B.E. 2544 (2001), the objective is to prevent drug addicts from returning to their addictions, thereby reducing the demand for drugs in Thai society. Drugs addicts will be treated and rehabilitated using both compulsory and voluntary systems. All registered addicts will be divided into groups according to the kind of drugs they used. Then, suitable guidelines, treatment, and rehabilitation

methods will be established for each group of addicts. Personnel development in this field will be carried out at the same time. Revision of laws and regulations concerning the treatment and rehabilitation process are in progress based on the premise that addicts have to be treated as patients. Career training and education is being provided to drug addicts while they are receiving treatment.

4. Efficient Management of Natural Resources and Environment

Over the last four decades, Thailand extravagantly exploited abundant natural resources in pursuit of national development, without proper management, leading to serious environmental degradation. Natural wealth could not be sustained. Soil, forests, mangrove forests, fisheries, and coastal resources were used extensively for economic gain. Users failed to consume resources at a sustainable level. The lack of strict and effective enforcement of laws contributed to natural resource degradation. Water shortages ensued. Farmers increasingly used chemical fertilizers and pesticides, affecting the quality of water and soil resources. Even more damaging has been the extensive extraction of mineral resources, leading to the environmental degradation and deterioration, including in tourist destination areas. Limited rehabilitation of natural resources and the environment was unable to keep pace with rapid degradation.

4.1 Directions in the Ninth Plan

Given the above problems, the Ninth Plan emphasizes improvements in management so as to restore balance in the utilization and conservation of natural resources and the environment. The sustainable use of natural resources in order to support national economic development, enhance self-reliance, upgrade the quality of life of the Thai people, and enhance the resilience of communities and the country, is promoted. Popular participation by all social and economic sectors in the management of natural resources and environmental conservation is encouraged. Emphasis is given to effective, transparent and honest monitoring, together with practical R&D, which will yield concrete benefits to society.

4.2 Development Guidelines

To ensure effective implementation in order to achieve the above priorities, major development guidelines in the area of natural resources and the environment are prioritized in the Ninth Plan as follows:

(1) Upgrading the efficiency of natural resources and environmental management in support of conservation, and rehabilitation and development of the grassroots economy. To this end, the existing mechanisms should be adjusted to focus on enhancing local participation, public awareness, quality of life, and efficiency of law enforcement. Data bases at the local level should be established to facilitate efficient monitoring and evaluation.

(2) Preservation and rehabilitation of natural resources. Action should be taken to protect and demarcate preservation and conservation areas in order to maintain eco-system balance and promote land use consistent with capability and best use. A master plan for the rehabilitation of Thai coastal and marine environments should be formulated. Nationwide, natural resource strategies should stress preservation of bio-diversity, efficient utilization of water resources, and the restoration of soil fertility to support increased agricultural productivity, as well as support conservation, and improved economic utilization of energy.

(3) Rehabilitation and preservation of community surroundings, art and culture, as well as tourist attractions to enhance the quality of life and the local economy. Actions should be taken to preserve natural tourist attractions, local arts, and archeological sites in order to support sustainable development of tourism. Town planning should be used as a mechanism to coordinate environmental management in cities to achieve livable and viable cities.

(4) Efficient pollution abatement management conducive to the development of livable cities and communities. Resources should be focused on development of waste disposal systems that are acceptable to communities. Pollution abatement requires strict law enforcement, the adoption of appropriate technologies, and the upward adjustment of environmental standards to international levels.

5. Selected Key Infrastructure Development Programs

5.1 Direction of infrastructure development

The Ninth Plan emphasizes utilizing existing infrastructure systems effectively, establishing sectoral regulatory bodies, encouraging public participation in planning and management of infrastructure projects, and revision of project preparation processes to minimize problems identified at project submission and in operating procedures. Private sector investment in mega infrastructure projects is to be encouraged.

5.2 Development Guidelines

Thailand will emphasize new projects that increase efficiency of transportation systems, accelerate the country's gateway function (e.g., access to the Greater Mekong Subregion), introduce new technology to provide better service, and support a better quality of life.

5.3 Sectoral Priorities

Transportation

Accelerate the construction of Suvarnabhumi International Airport (SIA) in Bangkok and develop a transportation network, which better connects major cities with the new airport. Furthermore, coordinate public and private efforts in developing related economic activities, which would enhance Thailand's role as a regional air transport hub.

Develop an inter-city network of controlled access motorways and special expressways connected with other

transport systems, in support of economic development in Thailand's regions.

Develop road and rail networks connecting airports and seaports in order to transport conveniently, quickly and efficiently commodities and passengers to and from airports, seaports, railway stations, and cargo terminals.

Improve maritime transport systems, especially in the Eastern Seaboard Area, to enhance Thailand's role in marine transport in South East Asia, particularly as a gateway to the Greater Mekong Sub-region. The capacity of maritime transportation services needs to be increased - the private sector should be supported in this regard.

Energy

Promote efficient and economic use of energy, using price incentives as the main instrument. Market based instruments should be and supported with complementary measures such as public information campaigns, regulatory measures, in order to reduce the burden of investment in electricity generation.

Promote private sector involvement and competition in the energy industry, in order to increase efficiency in the use, provision, and sale of energy. Reduce the public investment burden and promote private sector participation in energy development.

Prevent and reduce environmental problems resulting from the development and use of energy, and improve safety standards in the energy industry.

Telecommunications

Develop telecommunication and information technology systems in order to increase economic competitiveness and upgrade the people's quality of life by allowing free competition in the provision of services.

Establish a regulatory body in order to set fair competition criteria and protect users in regard to accessing service at international standards in terms of quality and price. Promote private participation in the telecommunication sector in order to increase efficiency in service.

Public Utilities

Support private sector investment in expanding water networks (water supply and waste water) in extended urban regions, including peri-urban areas.

Coordinate public and private sector efforts to achieve more efficient water usage, through pricing measures, and through campaigns to raise public awareness of water shortages and effective water-saving habits.

Provide waste water and solid waste treatment systems in areas of rapid economic development, particularly the five suburban Bangkok provinces, the Eastern Seaboard (Chonburi, Rayong), and in Regional cities and recreation / tourism areas.

5.4 On Going Projects

Recently, in support of Thailand's development, a number of key infrastructure projects have been initiated, for example:

Land Transportation: Metropolitan Rapid Transit Project

This project is the first underground railway system in Thailand. It connects with other major transport systems in Bangkok, including the BTS (Bangkok Rapid Transit System) and the Mochit Bus Terminal. The system will be 20 kilometres in-length and serve 18 stations, operating from 5 am. to 12 am. The system stretches from Hua Lumphong station to Bang Sue station. This project will be completed by the year 2003.

Air Transportation: Suvarnabhumi International Airport Project

This project, of national strategic importance, will act

as a gateway to South East Asia, serving as a first-order air-hub. It will provide air-transport services to meet long-term demand and enhance Thailand's competitiveness in exports and tourism.

The first phase of the Suvarnabhumi International Airport, with a total investment cost of \$ 2.8 billion (U.S.) is designed to serve at least 40 million passengers per year and to operate 76 flights per hour with 2 parallel runways. The construction of Suvarnabhumi International Airport is now 30 percent complete; operations will commence by the year 2005.

Telecommunications: 1900 MHz Mobile Telephone Services Project

The 1900 MHz Mobile Phone project is a digital phone system using 1900 MHz frequency range. The project will have a network of 1,500 base stations to support 400,000 numbers, which will cover Bangkok metropolis and peripheral areas. The project is expected to be completed by 2004. Its cost is approximately \$ 97.37 million (U.S.).

At present, the Telephone Organization of Thailand (TOT) is in the process of selecting a construction company to implement the project.

Public Utility: The 7th Bangkok Water Supply Improvement Project

The 7th Bangkok Water Supply Improvement Project is to increase water capacity in the Bangkok Metropolitan Area from 4.9 million cu.m./day to 5.7 million cu.m./day in order to cover the 1,423 sq.m. service-area. The investment cost of the project is approximately \$ 582.67 million.

At September 2002, this project was 16 percent completed; it will be operational by the year 2006.

Energy: Transmission System and Substation Development Project 7th State Phase 1 & 2

This project is designed to increase power supply capability and reliability to meet the increasing demand for electricity in the project area, covering 15 provinces in the northern part of Thailand. It will support power distribution system reinforcement and rural development programs of the Thai Government.

The total investment cost of this project is approximately \$ 245 million (U.S.). Completion of this project in 2004 will secure continuity of supply, increase reliability, and provide quality service for present and potential customers in the project area.

Energy: Thailand-Malaysia gas Pipeline Project and Thailand-Malaysia gas Separation Plant Project

The goal of this project is to provide energy to meet both short-term and long-term demand, especially by supporting electricity generation utilizing petrochemicals.

The total investment cost of this project is around \$ 662 million (U.S.). Completion of this project in 2006 will provide sufficient capacity for the ensuing 10 years.

6. Spatial Development Programs

6.1 Subregional Economic Cooperation Programs

Thailand's rapid economic growth over the last decade has been increasingly based on a liberalized trading and financial environment. The degree of openness to the global economy increased from 66% of GDP in 1992 to 103.5% in 2002. The expansion of international trade and foreign direct investment has been one of Thailand's major economic driving forces. On the other hand, when compared to other competitors in the global market such as China, Malaysia, and Vietnam, Thailand's competitiveness has declined drastically.

While international trade and investment have been a primary engine of growth, emphasis is increasingly being placed on strengthening of the domestic economy, particularly in terms

of consumption and investment under the principle of sufficiency economy, by giving importance to increasing the domestic savings rate. Secondly, the productivity of labor, land, and capital must be improved to achieve enhanced total factor productivity.

Given Thailand's geographic location at the center of Indochina, it is advantageous to Thailand and its neighbors to promote cooperation with the neighboring countries. Cross-border cooperation can play a significant role in creating 'new market clusters' for Thai products, as well as supplying raw materials and inputs for trans-border production processes. In many cases, both Thailand and its neighbors can benefit by shifting manufacturing activities in which Thailand has less competitive advantage to neighboring countries. Increased trans-border linkages will result in Thailand playing a more significant role as a regional and international hub for land and multi-modal transportation, aviation, telecommunications, and tourism. Opportunities for Thailand in production, logistics and services are likely to be a secondary benefit of a trans-border development strategy.

Development strategies to promote economic cooperation between Thailand and neighboring countries have been implemented since 1993 under three major programs; namely, the Greater Mekong Subregion (GMS) Economic Cooperation; the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); and the Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMST-EC). Development has occurred in three phases.

The first phase (1993-1997) was used to define strategic plans, master plans, and prioritize projects/programs. Feasibility studies of projects/programs were also carried out, particularly in terms of infrastructure, e.g., road and railway networks, telecommunications, river and sea ports.

The second phase (1998-2002) saw the translation of plans/programs into actual implementation, which included financial mobilization. Detailed design and construction of the

prioritized projects were conducted with a particular focus on the neighboring countries, i.e., Laos PDR, Vietnam, and Cambodia, where the lack of infrastructure significantly constrained trans-border linkages. In addition, the streamlining of cross-border rules and regulation, and the signing and implementation of agreements to facilitate cross-border movement of goods and people, characterized this period.

The third phase (2003-2007) will be devoted to coordinating the action plans for spatial development at a bilateral level e.g. Thailand-Cambodia Economic Cooperation, etc. Also harmonizing or streamlining of rules/regulations to implement activities in certain priority areas, enhancement of private sector investment, and promoting the shift of industrial bases to neighboring countries are expected to be priorities during this period.

Greater Mekong Subregion (GMS) Economic Cooperation

Thailand has been actively involved in the ***Greater Mekong Subregion Economic Cooperation Program (GMS)*** comprising Cambodia, China (Yunnan Province), Laos, Myanmar, Thailand, and Vietnam. Home to some 250 million people, the GMS covers 2.3 million square kilometers. Its rich human and natural resources make it a frontier for economic growth in Asia. The GMS aims to facilitate sustainable growth and reduce poverty by strengthening economic linkages among countries. It seeks to enhance development opportunities, encourage trade and investment, resolve or mitigate cross border problems, and meet common resource and policy needs.

Substantial progress has been made under the GMS since 1992 in the following areas: *(a) fostering cooperation and trust*, the mutual cooperation through regular dialogue among GMS countries has contributed to peace, stability, and prosperity in the subregion; *(b) developing subregional infrastructure*, several cross-border projects in transport, energy, and telecom sectors involving more than one country are being implemented or prepared; *(c) developing the “soft” aspects*, increasing attention has been given to human resource development which has

included harmonization of training standards and accreditation/certification, and introducing ways to mitigate the trans-border spread of communicable diseases. Tourism promotion and product development have been highly successful, supported by active involvement of private sector. Environmental management is increasingly concerned with broader trans-border issues. The GMS includes initiatives for resolving policy, regulatory, and other nonphysical barriers to cross border traffic, complementing investment in transportation infrastructure.

Cooperation initiatives between Thailand and its neighboring countries have been developed under the GMS, with a view to optimizing subregional linkages, notably in the form of joint border areas development plans, and establishment of special border economic zones, creating favorable climates for investment and business enterprises, thereby promoting faster growth for the subregion as a whole.

GMS development, in its second decade will be realized through implementation of flagship programs which are clusters of integrated, multisector projects that have close linkages to one another. Three of the flagship programs are for the North-south, the East-west, and the Southern economic corridors. Different economic activities will be integrated with a major

transport artery in a specified geographical area. The economic corridors will play a key role in integrating the GMS, and in highlighting its strategic location in Asia.



Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) Project began in early 1993 when former Prime Minister of Thailand (Mr. Chuan Leekpai) visited Malaysia and Indonesia. The three countries agreed to request assistance from the ADB in 1993 to undertake a study and prepare a development strategy to promote regional economic cooperation in this growth area. Initially the IMT-GT covered 20.5 million people and an area of 230,000 square kilometers. It included 2 provinces in northern Sumatra Island of Indonesia (North Sumatra, West Sumatra and the Special Territory of Aceh), 4 northern Malaysia states (Kedah, Perlis, Penang and Perak), and 5 Southern border provinces of Thailand (Songkhla, Yala, Pattani, Narathiwat and Satun). Presently, the IMT-GT has expanded to cover additional provinces in Sumatra namely, Riau, Bangkulu and Jambi.

The IMT-GT displays significant differences in resource endowments, giving rise to numerous potential trade, investment and tourism complementarities. The IMT-GT goal is to accelerate private sector-led economic growth and development in the area through the initiatives that aim to: (a) promote foreign direct investment and facilitate economic development of the subregion by exploiting underlying economic complementarities and investment opportunities, (b) enhance international competitiveness for direct investment and export production, (c) lower transport and transaction costs, and (d) reduce production and distribution costs through economies of scale. Presently, cooperation areas focus mainly on infrastructure development, trade, and sectoral development,

IMT-GT development during the Ninth Plan period will be realized through the implementation of the Songkhla-Penang-Belawan Seamless Corridor plan through which physical facilities and infrastructure, i.e. seaports and different economic activities, will be well integrated.

6.2 Thailand's Spatial Development Programs

Regional development plans have been prepared and

implemented in different stages to promote sub-national development in Thailand, for instance, the Southern Seaboard Development Program, the Border Towns Urban Development Program, and the Establishment of the Special Border Economic Zone. Improvement of regional road networks connecting major cities and towns with border areas, port improvement (Mekong River), and the construction of Suvarnabhumi New International Airport, etc., all have contributed to regional development efforts in Thailand.

The Eastern Seaboard Development Program

The development of the Eastern Seaboard (ESB) was one of the priority agenda in the Fifth National Economic and Social Development Plan, launched in 1981 to reduce over-concentration of economic activities in Bangkok. Also, the ESB was key to Thailand's early industrialization based on the utilization of local resources, particularly natural gas. The ESB covers three provinces: Chonburi, Rayong and Chachoengsao. The two core areas are (a) the Map Ta Phut Industrial Estate and deep seaport, where heavy chemical industries using domestic energy resources are clustered, and (b) the Laem Chabang Industrial Estate and deep seaport, which is a production center for non-polluting export-oriented industry.

Industrialization in the ESB region has progressed remarkably, and the region has developed into Thailand's industrial center. The total investment in the ESB area between 1982 and 2002 was 45,280 million U.S. dollars, approximately 50% of the total investment in the country.

The Thai Government has expressed its continued support for future development in the ESB. In its next phase, the ESB will continue to play a leading role as Thailand's supra-industrial base for high technology export-led production, including the manufacturing of automotive parts, and machinery industries for the Southeast Asian market. The development framework includes three set of initiatives: In terms of *infrastructure development*: the expansion of existing deep seaports at Laem Chabang and Map Ta Phut and the rehabilitation of the

U-Tapao international Airport are planned with the focus of investment to be by the private sector. In terms of *software development*, the workforce will be enhanced in terms of skills to serve the growing demands of high-end industries. In *social and environment*, several initiatives such as social service restructuring and water resources management have been implemented to make local settlements safer, healthier, more livable, equitable, and sustainable.



Tourism Development of Koh Chang Island and Its Vicinities

Koh Chang, one of the most beautiful islands located along the coast of Trat Province in the Eastern region of Thailand, has become a center for coastal eco-tourism in the upper Siam Gulf, as well as being the gateway to Indochina countries and the Greater Mekong Subregion. Its strategic location and the surroundings offer great opportunities and advantages for the development of tourism circuits linking with many destinations in neighboring countries, through various transportation means. *By sea*-the seaports at Laem Chabang and Trat can be utilized as a base to connect with the tourism sites in the Siam Gulf and in Cambodia. *By road*-the networks of tourism sites which exist along the major route from Bangkok to Koh Chang, can be connected to the trading area at the border checkpoint at Khlong Yai, and to Koh Kong Province in Cambodia. And *by air*-an airport in Trat will provide opportunities for networking with the other major tourism cities in every region of Thailand, including Koh Samui, Phuket, plus tourism sites in Cambodia.

With the potential of being the coastal eco-tourism center of the upper Siam Gulf, Koh Chang and its vicinities is being planned as a qualified eco-tourism site, for so-called

“Green & Blue Eco-Tourism” -encompassing unique services and local products. The area will also cater to a wider range tourism activities based in coastal areas of Chonburi, Rayong, Chantaburi, and Trat, as well as the tourist attractions in the neighboring countries. Three development strategies have been set. First, ***spatial management and community ordering*** by enhancing the transportation networks and basic services to systematically accommodate community expansion and the growing demand for tourism. Best practice in urban planning and tourism environment conservation will be applied, with strong local participation. Second, ***enhancing and upgrading the product quality and tourism services*** will be pursued by diversifying tourism-related activities, and adding value to local products by maintaining the lifestyle and culture. Marketing will be proactive, addressed to every level of tourists, utilizing information communications technology (ICT) as a major tool. And third, to ***ensure long-term sustainable management***, a unique tourism management mechanism for Koh Chang and its vicinities will be established, based on public and private sector partnerships, local authorities, and residents of the area.



7. Good Governance

The Constitution of 1997 has increased awareness of good governance among Thai people. People have more rights and are more involved, through participatory processes, in the good governance of the country. At the same time, civil society has been strengthened and is playing an important role in good governance of Thailand.

7.1 Good Governance in Public Sector

To enhance good governance in the public sector, the Cabinet endorsed the Public Service Management Reform Plan. The core of the Plan is the **“Holistic Reform Approach”**. Holistic reform means that the Plan covers all aspects of public sector management, namely: 1) Revision of Role, Functions and Management of the Public Sector with an Emphasis on Economy-related Agencies, 2) Budget, Finance and Procurement Management Reform, 3) Personnel Management Reform, 4) Legal Reform, and 5) Reform of Cultural and Public Values.

The most important reform is the public sector structural reform, which has been effective since October 1, 2002. The number of Ministries has changed from 16 to 20. Redundancies were eliminated, resulting in smaller and more focused organizations. Work and management systems were grouped according to clear missions, consistent with the new roles of the public sector.

Another crucial reform is budget system reform, which represents a shift from the traditional line-item budget system which focused on inputs to **“Performance-Based Budgeting”**. The latter systematically defines an organization’s mission, goals, and objectives, then regularly evaluates its performance as a part of the budget process by linking information on inputs, outputs, and outcomes to policy goals and objectives.

7.2 Good Governance in Private Sector

Lesson learned from the 1997 crisis have made the private sector much more aware of the importance of good

governance. Therefore, the concept of good corporate governance is popular in private sector. Good corporate governance stresses that the private sector must take responsibility for the welfare of the overall society and economy. Business performance must be of a high standard, transparent, and based on discipline and morals. Adoption of good corporate governance principles is likely to increase Thailand's competitiveness in the world of business.

7.3 Check and Balance Mechanism

The Constitution of 1997 set up various mechanisms which provide necessary checks to make sure that power is not abused. The mechanisms are in the form of "independent organizations". At present, there are 8 independent organizations. The organizations authorized for decision-making are The Constitutional Court, The Administrative Court, The Auditor General Commission of Thailand, The National Counter Corruption Commission, and The Election Commission of Thailand. The organizations which are not authorized for decision-making are The Ombudsman, The National Human Rights Commission of Thailand, and The National Economic and Social Advisory Council. Furthermore, media, academics, civil society and people are also provided roles in the check and balance mechanism.



Section IV: High Priority Agenda



In line with the Ninth Plan, the Government has formulated an urgent development agenda for implementation. Given the challenges and opportunities arising from within and outside Thai society, there is a need to prioritize public policy initiatives in terms of timing and budget management. The Government has clearly identified 4 priority issues to be handled in a systemic manner. These are: strengthening the country's competitiveness, improving social capital, reducing poverty, and promoting sustainable development.

1. Enhancing Thailand's Competitiveness

1.1 Global Forces Affecting Thailand

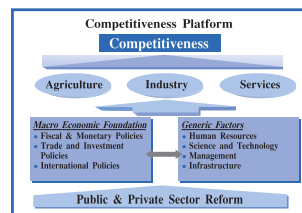
The world is changing very fast, technology and the global economy are profoundly affecting the way we live and work. Firms, governments, and private citizens face increasing global competition as people, goods, services, skills, and ideas move freely across national borders. Markets and production

processes are becoming increasingly seamless. Rapid technological change, and its diffusion, as well as dramatic changes in information technologies (IT) have increased the importance of knowledge. Such global changes significantly complicate the competitive environment and pose threats to Thailand. On the other hand, they provide a spectrum of opportunities for firms/businesses operating in this new competitive landscape.

1.2 Thailand's Position on the Global Stage

Globalization's march has significantly affected Thailand in terms of production, trade, and foreign direct investment (FDI). The country's competitive edge is declining as measured by shares in the world export market for certain products, and in terms of share of FDI. Equally important, the country's efficiency, measured in terms of the critical total factor productivity (TFP) indicator has continuously declined relative to other countries. Thailand is in a so-called "nutcracker" position; it is being squeezed on both sides, by the low production cost countries and the higher technology ones. Thailand is increasingly being trapped in a position where profit margins are being reduced, in both domestic and export markets, especially the latter. What is needed is a clear competitiveness strategy based on the realities of rapidly changing geo-politics and geo-economics.

1.3 Where We Go From Here



From now on, the developmental direction of the country has to be clear, and resources and activities strategically levered to achieve a **High Performance Economy (HPE)**, which may be characterized as follows: (i) an economy of speed (rapid response), (ii) public and private good governance, (iii) quality software and hardware infrastructure, (iv) sound macroeconomic management, and (v) high quality

social capital. The goal is to increase world market share by no less than 1.1 percentage share by the year 2006, and to promote at least 5 Thai high potential niche industries that can be serious competitors in world markets. These would include: (i) Kitchen of the World (food); (ii) Detroit of Asia (auto industry), World Tropical Fashion (garments-gems & jewelry-leather & shoes). To support the foregoing, productivity in every segment of production and the service sector (including business and producer services, health, and tourism / hospitality) needs to be enhanced.

1.4 What Needs to Be Done to Get There

In order to drive the country to HPE status, two major tasks need to be undertaken. (a) A Thailand Competitiveness Strategy with an emphasis on the production and service sectors, trade, investment, and foreign policy, and enabling factors, needs to be formulated; and (b) the public sector needs to be reformed to enhance the business environment and competitiveness. As has been indicated in this Report, progress has been made in the implementation of governance reform programs. Importantly, a National Competitiveness Committee (NCC), chaired by the Prime Minister, has been established. The mission of the NCC is to strategically drive and coordinate key tasks that the Government and private sector need to undertake to achieve HPE status. The private sector will be assisted in competing and responding to emerging trends based on: (i) society-wide productivity and efficiency improvements, (ii) macroeconomic stability, and (iii) creation of an enabling business environment.



2. Social Capital

2.1 Social Capital in Thai Context

Social capital is defined as the sum of resources already existing in the form of a society's human resources, formal and informal networks, institutions, and work modes. In societies where social capital is increasing, it is the product of accumulation and continual improvement. Social capital is a major factor, probably the major factor, in achieving sustainable economic and social development, as well as in improving the population's quality of life. In Thailand, social capital is classified as follows:

(1) *Human capital* refers to people's qualities including, intelligence and skills, moral stature, discipline, work ethic, diligence, responsibility, and commitment to the social good. All members of society contribute to a nation's human capital including thinkers, leaders, public figures, and the general public. A commitment to the overall social welfare is a particularly important element of social capital in terms of development.

(2) *Institutional capital* refers to families, industrial associations, trade groups, academic institutions, media groups, religious institutions, political institutions, etc. It also includes civil society networks and groups, such as non-governmental organizations, community institutions, professional institutions, volunteer organizations, etc. It is networking, both within and among institutions, that is the most important element of institutional capital.

(3) *Local wisdom and culture* is rather abstract, unable to be clearly measured. It covers value systems, such as ethics, core values, beliefs, generosity, respect to senior people, discipline, commitment to the social good, etc. It is a product of Thai culture, importantly including, language, arts, traditions, way of life, etc, and local wisdom, embodied in Thai food, traditional Thai medicine, traditional technology, etc.

2.2 Social Capital : Its Importance

During the economic boom period (1984-1997), Thailand relied on inexpensive labor, and the non-sustainable mining of abundant natural resources to achieve rapid economic growth. Although the results were satisfactory in an economic sense, such a mode of development resulted in structural problems. This has clearly been observed in the disruptions associated with the economic crisis that broke out in 1997. Structural problems that came home to roost in 1997, but a by-product of the economic boom, include a decline in the country's international competitiveness, increasing poverty and income distribution problems, social problems, such as crimes, drugs, and the degradation of natural resources and environment, etc. These structural problems represent impediments on the path to sustainable development and improvement in the people's quality of life. Therefore, development alternatives must be assessed and identified so that the Thailand's capabilities in today's rapidly changing world can be strengthened. The strengthening of Thailand's social capital has a key role to play in this regard.

2.3 Social Capital : Revitalization

To effectively develop and utilize social capital, it is necessary to assess and identify the magnitude and nature of social capital existing in Thai society, modes of utilization, and the most effective means to continuously and systematically add value to Thailand's social capital. Preliminary assessment has identified several types of social capital in Thailand that could represent important foundations for accelerated productivity-based sustainable development. If utilized skillfully, social capital could, and should be an important force in achieving HPE status.

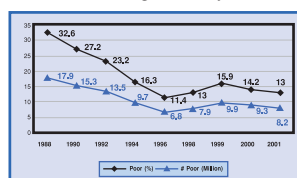
To revitalize Thailand's social capital, four **fundamental concepts** should be considered. Firstly, the administrator/planner's paradigm must be adjusted so that they are aware of the diversity of social capital existing in each locality. Secondly,

valuable social capital must be maintained, continuously improved, rehabilitated, and developed, while unfavorable social capital should be reduced. Development of new forms of social capital, e.g., support to new types of institutions and networks, should be explored. Thirdly, social capital should be utilized both to strengthen the quality of life of the majority of people and to improve the competitive capability of the country. In HPEs considerable synergy is achieved in pursuing both these objectives simultaneously based on effective utilization of social capital. Lastly, active participation of all institutions and networks in society is required. Public awareness should be raised so that everyone realizes the importance and necessity of the development and utilization of social capital.

To put the above concept into action, the Office of National Economic and Social Development Board intends, in 2003, to commence systematic implementation of this concept by first formulating a “Framework for the Development of Social Capital for Sustainable Development”. To enable practical application, this Framework will be submitted to the Cabinet for consideration and approval.

3. Poverty Alleviation towards the Millennium Development Goal

Poverty alleviation has been recognized by the Thai Government as a high priority area for action. The seriousness of the issue is underlined by the increase in the number of the poor, using the poverty line as the measurement, post 1997. The number of the poor had declined from 17.9 million people or 32.6 percent of the population in 1988 to 6.8 million people (11.4%) in 1996. However, post 1997, the number of the poor rose to approximately 8.2 million people (13%) in 2001.



The present Government has targeted poverty alleviation as one of its priorities. Urgent policies of the government

to assist the poor include: Debt Suspension for Farmers, the Village and Urban Revolving Fund, the One Tambon - One Product program, the People's Bank, and establishment of a Universal Health Assurance program.

The Ninth Plan also indicates poverty alleviation as one of the key objectives of the Plan. The Plan aims to reduce the incidence of the poverty over the period of the Ninth Plan to less than 12 percent of the population, and to enhance human potential and quality of life of the poor.

3.1 Poverty Alleviation Strategy Plan

According to the Ninth Development Plan, the role of **the Poverty Alleviation Strategy Plan** is to serve as a comprehensive, multifaceted, and integrated plan to attack poverty in Thailand. The plan, which was approved by the Cabinet in January 2002, defines poverty as encompassing not only low income and consumption but also structural problems that prevent the poor from escaping from poverty. The plan consists of five sub strategies:

The Macro Economic Strategy advocates fair and equitable economic growth that will contribute to employment growth in the agricultural sector, the main source of income of the poor.

The Strategy for Capability Building focuses on enhancement of the grassroots economy and communities' selfreliance through the building up of local organizations.

The Strategy for Social Safety Net Improvement advocates the strengthening of community potentials to enable them to act as key actors in developing and managing social safety nets in their localities.

The Natural Resources Management Strategy focuses on better land and water management to enhance the livelihood of poor farmers. Legislation related to these issues in forestry, fisheries, and land and water management needs to be drafted, approved, and put into practice.

The Public Sector Restructuring Strategy advocates good governance and strong social foundations in communities and the nation. Proposed initiatives include increasing the roles and responsibilities of provincial and local governments in poverty alleviation efforts.

3.2 Translating the Strategy into Action

At present, five essential measures have been identified to translate the Strategy into action.

First, NESDB is assigned as the main organization to coordinate relevant agencies and development partners to implement poverty alleviation strategies.

Second, poverty areas (socio-economic and geographic) are being identified and prioritized to ensure consistency in targeting by all public sector agencies. This process includes development of poverty profiles that indicates groups the poor by characteristics, in both geographic and socio-economic terms.

Third, public mechanisms to address poverty have to be improved. This includes improving legislation, integrating funding for poverty alleviation programming, more effective programming, and better targeting of efforts, both in terms of target groups and geographic areas.

Fourth, formulation of community plans and local participation in poverty alleviation efforts needs to be supported.

Finally, participation from all sectors in the society must be promoted in order to expand popular participation in translating the Strategy into action.

4. Sustainable Development: Balancing Perspectives on Key Issues Affecting Economic, Social and Environment

Pervasive unbalanced development leads to various aspects of natural resources and environmental degradation, including soil degradation, water and air pollution, and deforestation. Realizing these negative impacts, many recently countries affirmed Agenda 21, and the Rio Declaration, a global framework

for balancing perspectives on key issues affecting the economy, society and the environment. Agenda 21 advocates strengthening the roles of key stakeholders in society in implementing sustainable development.

4.1 Sustainable Development in Thailand

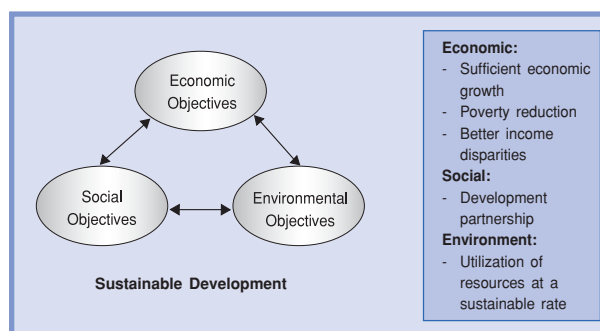
Thailand has applied the global concept of sustainable development to the Thai context, particularly key themes resulting from the Johannesburg Summit on Environment, to renew our commitment to Agenda 21 for the benefit of present and future generations.

The Thai economic crisis in 1997 has generated several negative impacts on the quality of life of Thai people. As has been indicated, poverty and unemployment has worsened. Income distribution has also worsened. The income share of the poorest 20 percent, dropped from 4.2 percent to 3.8 percent of GDP, while the top 20 percent of households saw their combined income rise from 56.5 percent to 58.5 percent of GDP. The rapid deterioration of natural resources and the environment has also given rise to more social conflicts, such as in use of forest resources.

4.2 Thai Performance

To ensure effective implementation to achieve sustainable development, there are three areas of concern as follows:

(1) There is a need to balance the three pillars of sustainable development as follows:



(2) There is a need to establish effective management systems and mechanisms for implementation, monitoring, and evaluation in accordance with public policy identified in the Strategic Sustainable Development Framework (SSDF). The SSDF is being prepared by the National SD Committee with the Prime Minister as a Chair, the concerned Ministers constituting the Committee, and the Secretary-General of NESDB acting as Secretariat.

(3) Skills need to be developed to upgrade and maintain the National Sustainable Development Index (NSDI)

Section V: Major Events in 2003



1. APEC Conference

The Kingdom of Thailand is honored to host the Asia-Pacific Economic Cooperation forum in 2003. It will be a valuable opportunity to further strengthen economic cooperation and promote friendship among the member economies of APEC.

The main theme for APEC 2003 is "A World of Differences: Partnership for the Future". In addition, the sub-themes are as follows :

- Knowledge-Based Economy for all
- Promoting Human Security
- Financial Architecture for a World of Differences
- New Growth Enterprises: SMEs and Micro Business
- Act on Development Pledge

APEC 2003 will commence with the Informal SOM, which will be held on December 12-13, 2002 in Bangkok.

For more information, please see www.apecsec.org.sg

Dates	Major APEC meetings and events	Other APEC meetings and associated events	Venues
December 12-13, 2002	Informal SOM		Bangkok
December 16-18, 2002	15 th APEC Finance Ministers' Technical Working Group		Chiang Mai
February 12-21, 2003	APEC SOM I and related meetings		Chiang Rai
April 8-9, 2003	22 nd APEC Tourism Working Group (TWG)		Pattaya
May 21-30, 2003	APEC SOM II and related meetings		Khon Kaen
May 26-28, 2003		APEC Study Center Consortium	Phuket
June 2-3, 2003	Meeting of APEC Ministers Responsible for Trade		Khon Kaen
June		APEC Automotive Steering Committee Meeting	Tbc
July 10-12, 2003	16 th APEC Finance Ministers' Technical Working Group		Hua Hin
July 30 - August 3, 2003		8 th Women Leaders' Network (WLN)	Chiang Mai
August 4-6, 2003		Business Forum	Chiang Mai
August 5-6, 2003	APEC SME Working Group Meeting		Chiang Mai
August 7-8, 2003	APEC SME Ministerial Meeting		Chiang Mai
August 14 - 23, 2003	APEC SOM III and related meetings		Phuket

Dates	Major APEC meetings and events	Other APEC meetings and associated events	Venues
July 6-16, 2003		APEC International Youth Camp	Chantaburi (Tbc)
September 2-3, 2003	APEC Finance and Central Bank Deputies		Phuket
September 4-5, 2003	10 th APEC Finance Ministers Meeting		Phuket
September		APEC Financiers Group Meeting	Tbc
October 16-21, 2003		APEC Investment Mart	Bangkok
October 14-15, 2003	Informal SOM	Informal SOM	Bangkok
October 17-18, 2003	15 th APEC Ministerial Meeting		Bangkok
October 18-20, 2003		ABAC	Bangkok
October 18-21, 2003		CEO Summit	Bangkok
October 20 - 21, 2003	11 th Informal APEC Economic Leaders' Meeting		Bangkok

Remark: Tbc = to be confirmed

2. NESDB's Annual Conference 2003

NESDB will hold its annual conference in June 2003. The objectives of the conference are: to report on the status of economic and social development in Thailand, building on discussions at the year 2002 annual conference, and to brainstorm ideas and suggestions concerning sustainable development strategies, defined holistically to cover economic, social and ecological dimensions. The topics of the conference are as follows:

Morning Session:

- Report on Well-Being of the Thai people and Overall Economic Performance, building on last year's conference
- Report of outputs/outcomes of Government policy
- Report on the developmental results associated with the Ninth Plan strategies

Afternoon Session:

- Sustainable Development

The number of participants is expected to be 1,500 persons, from the public and private sectors, as well as politicians.

3. NESDB's Conference on National Competitiveness

NESDB plans to organize the biggest conference on competitiveness in the history of Thailand in August or September 2003.

The 2-day conference is aimed to generate a common perception and awareness among business communities in Thailand regarding new concepts and national strategies to drive competitiveness. The conference will also highlight Thailand's repositioning efforts and assess drivers key to the country's competitiveness at both macro and micro levels.

The Prime Minister, along with key cabinet members, will deliver keynote speeches at the conference. Leading thought-provoking scholars and developmental visionaries, domestic and foreign, will address key issues identified through global comparative analysis of competitiveness strategies.

More than 3,500 participants from various segments of the private sector, including the Federation of Thai Industries, the Board of Trade of Thailand, and top executives from Thailand and international companies doing business in Thailand are expected to join this important conference.

Section VI: NESDB and Related Agencies



The Office of the National Economic and Social Development Board (NESDB) is currently restructuring in accordance with the country's public sector reform policy in pursuit of good governance, and to keep pace with globalization. The details are as follows:

1. Main Functions and Responsibilities

In compliance with the National Economic and Social Development Board Act of 1978, NESDB operations can be divided into two, the NESDB Board and the Office of NESDB.

1.1 The NESDB Board comprises 15 distinguished professionals, namely a chairman and 9 members who are highly qualified experts in development. There are five ex-officio members, includingly the Secretary-General of the Civil Service Commission, the Director of the Bureau of the Budget, the Director-General of the Fiscal Policy Office, and the Governor

of the Bank of Thailand. The NESDB Secretary-General serves as member and secretary. The committee works for a four-year term. Responsibilities of the NESDB are to provide comments and recommendations on national economic and social development to the Cabinet, to scrutinize the National Economic and Social Development Plan, and to consider proposals on other national issues that come to the attention of NESDB, then propose them to the Cabinet, after scrutiny.

1.2 The Office of NESDB is the central agency responsible for designating strategic guidelines for formulating national development policies. Other responsibilities are as follows:

- (1) Study and analyze economic and social conditions and recommend policy goals for national economic and social development.
- (2) Appraise and evaluate development programs/projects of public agencies.
- (3) Assess existing financial, human, and other resources available for public sector purposes.
- (4) Make proposals for involving assets available for developmental purposes from the national budget, loans, retained earnings, and other sources.
- (5) Examine expenditures incurred by creation and maintenance of fixed assets required for development; suggest measures to make these expenditures more cost effective.
- (6) Examine expenditures in support of economic and social goals; suggest measures to make these expenditures more cost effective.
- (7) Provide advice to public agencies in formulating development plans and projects involving external aid, and in providing assistance to foreign countries.
- (8) Follow-up on the performance of the National Plan and monitor and evaluate development programs, projects, and plans of public agencies associated with National Plan implementation.

(9) Undertake any other activities as stipulated by law, or designated by the Prime Minister or the Cabinet.

2. Organization Structure

The Office of NESDB has divided its administrative structures into 13 offices and 2 divisions; namely,

Our Office	Contact us
Office of the Secretary (OS)	Tel: 0-2281-5342, 0-2628-2853 Fax: 0-2280-0892 E-mail: os@nesdb.go.th
Management Coordination Division (MCD)	Tel: 0-2281-6326 Fax: 0-2281-6637 E-mail: mcd@nesdb.go.th
National Accounts Office (NAO)	Tel: 0-2216-5430 Fax: 0-2216-5425 E-mail: nao@nesdb.go.th
Development Evaluation and Communication Office (DECO)	Tel: 0-2282-4842 Fax: 0-2282-2559 E-mail: deco@nesdb.go.th
Competitiveness Development Office (CDO)	Tel: 0-2282-0181-3 Fax: 0-2281-9269 E-mail: cdo@nesdb.go.th
Spatial Development Office (SDO)	Tel: 0-2253-3116 Fax: 0-2253-3258 E-mail: sdo@nesdb.go.th
Community Economic Development and Income Distribution Office (CEDIO)	Tel: 0-2628-2855, 0-2280-1421 Fax: 0-2280-1420 E-mail: cedio@nesdb.go.th
Central Region Economic and Social Development Office (CESO)	Tel: 0-2281-6632, 0-2281-9840 Fax: 0-2281-5241 E-mail: ceso@nesdb.go.th
Northeastern Region Economic and Social Development Office (NEESO)	Tel: 0-4323-6784 Fax: 0-4323-9912 E-mail: neeso@nesdb.go.th

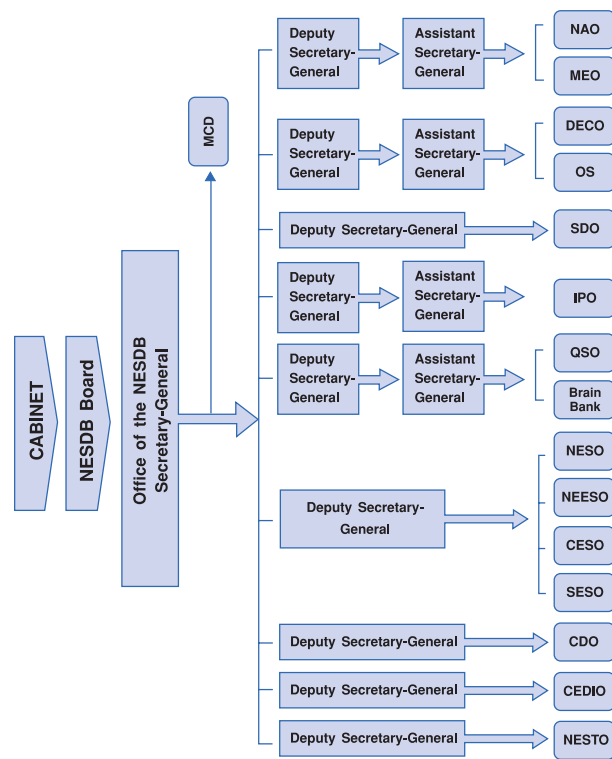
Our Office	Contact us
Southern Region Economic and Social Development Office (SESO)	Fax: 0-7431-2702 E-mail: seso@nesdb.go.th
Northern Region Economic and Social Development Office (NESO)	Tel: 0-5389-2115, 0-5322-1155 Fax: 0-5389-2110 E-mail: neso@nesdb.go.th
Quality of Life and Social Development Office (QSO)	Tel: 0-2281-6329 Fax: 0-2282-9158 E-mail: qso@nesdb.go.th
Natural Resource, Environment, Science and Technology Office (NESTO)	Tel: 0-2281-6634 Fax: 0-2280-2747 E-mail: nesto@nesdb.go.th
Macro Economic Office (MEO)	Tel: 0-2281-6635 Fax: 0-2281-9882 E-mail: meo@nesdb.go.th
Infrastructure Project Office (IPO)	Tel: 0-2281-0992 Fax: 0-280-1860 E-mail: ipo@nesdb.go.th

3. Coordination Mechanism

3.1 An ongoing responsibility of the Office of NESDB is to appraise development programs/projects of public agencies, and make proposals to the NESDB Board, before they are submitted to the Cabinet.

3.2 The Office of NESDB serves as Secretariat Office of various national committees, generally chaired by the Prime Minister, such as the Competitiveness Development Committee, Suvarnabhumi Airport Development Committee, and the Sustainable Development Committee. The Office of NESDB will propose the national committee's resolutions to the Cabinet.

4. Organization Chart

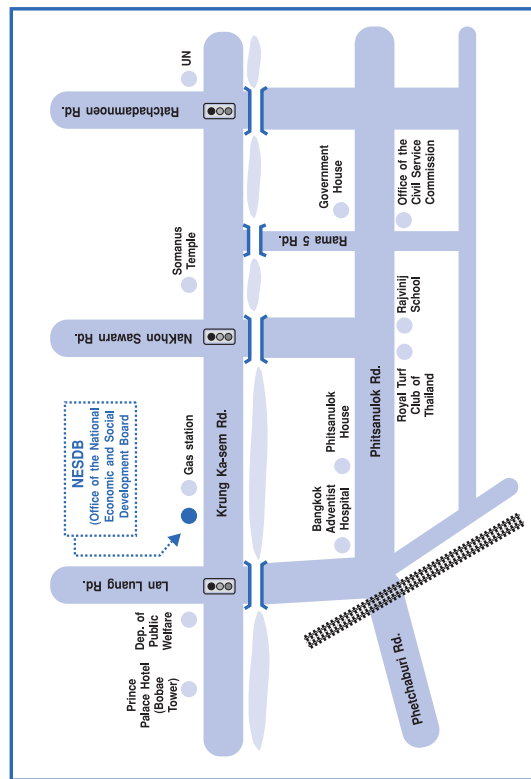


5. Related Links

Royal Thai Government	www.thaigov.go.th
Bank of Thailand Tel : 0-2283-5353	www.bot.or.th
Office of The Board of Investment Tel : 0-2537-8111	www.boi.go.th
National Statistical Office Tel : 0-2281-0333	www.nso.go.th
Ministry of Finance Tel : 0-2273-9021	www.mof.go.th
Ministry of Commerce Tel : 0-2225-8411-27	www.moc.go.th
Ministry of Industry Tel : 0-2202-3000	www.industry.go.th
Ministry of Foreign Affairs Tel : 0-2643-5000	www.mfa.go.th
Ministry of Public Health Tel : 0-2590-1000	www.moph.go.th
Ministry of Science and Technology Tel : 0-2640-9600	www.moste.go.th
Ministry of Education Tel : 0-2628-5600	www.moe.go.th
Ministry of Labour Tel : 0-2248-5558	www.mol.go.th
Ministry of Interior Tel : 0-222-1141-55	www.moi.go.th
Ministry of Transport Tel : 0-2283-3000	www.motc.go.th
Ministry of Energy Tel : 0-2226-4772	www.energy.go.th

Ministry of Justice Tel : 0-2502-6500	www.moj.go.th
Ministry of Agriculture & Cooperatives Tel : 0-2281-5884	www.moac.go.th
Ministry of Natural Resources & Environment Tel : 0-2298-2049	www.monre.go.th
Ministry of Social Development & Human Security Tel : 0-2659-6228-9	www.social.go.th
Ministry of Information Technology & Communications Tel : 0-2238-5422, 0-2238-5424-6	www.ict.go.th
Ministry of Tourism & Sports Tel : 0-2215-9951	Under construction
Tourism Authority of Thailand Tel : 0-2250-5500	www.tat.or.th
Ministry of Culture Tel : 0-2248-5849	Under construction

6. Our Location





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Fax. 0-5389-2110

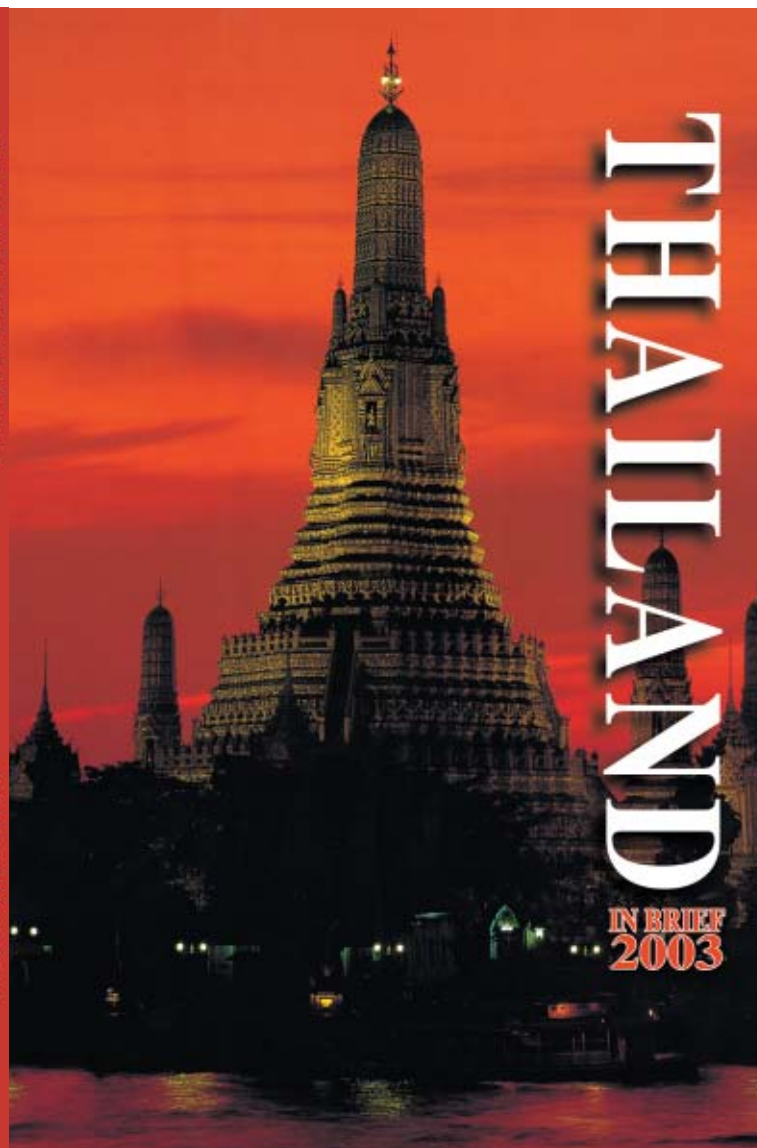
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THAILAND IN BRIEF 2003

ISBN 974-9545-21-4



THAILAND

IN BRIEF
2003

P r e f a c e

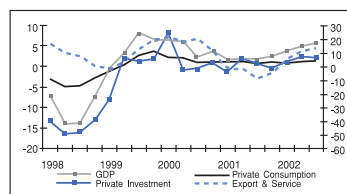
Thailand in Brief 2003 contains key economic and social data and information on national development in our country. The primary objective of this booklet is to promote better understanding of Thailand.

Thailand in Brief 2003, produced by the National Economic and Social Development Board (NESDB), focuses on the current economic and social context, development issues facing Thailand, and puts forward a national agenda for future development, based on fresh thinking. Furthermore, it provides information on NESDB's role as a coordinating agency in implementing the National Development Plan, and catalyzing developmental initiatives in Thailand. Last, but not least, the booklet contains information on major events, directly related to Thailand's development, to be held in 2003. Tables, charts and figures are presented for your reference and to enhance the presentation.

We would like to extend our appreciation to those agencies that provided information; and to NESDB staff and experts who have worked very hard to update this booklet. To those who have devoted time in sharing opinions and ideas, we wish to take this opportunity to express our gratitude.

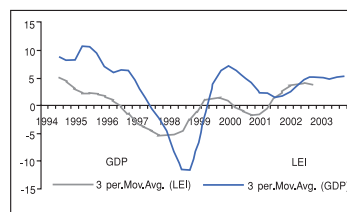
Office of the National Economic and Social Development Board
January 2003

Economic Growth in 2002

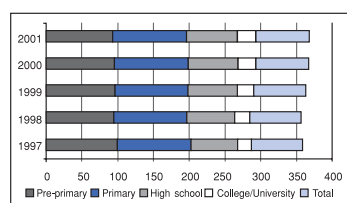


Source : Office of the National Economic and Social Development Board
Unit : Percent

Trend of Economic Growth in 2003

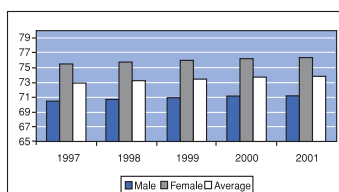


Enrolment Ratio of Education



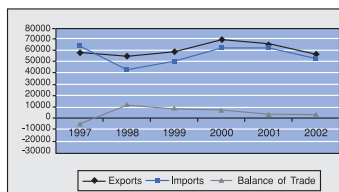
Source : Office of the National Education Commission
Unit : Percent

Life Expectancy at Birth



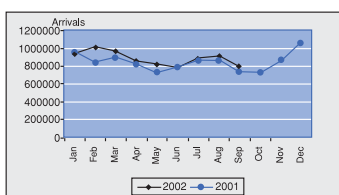
Source : Office of the National Education Commission
Unit : Years

International Trade of Thailand



Source : Ministry of Commerce
Unit : Million US\$
Note : Data in the year 2002 is from January - October only.

Thailand Tourism Statistics

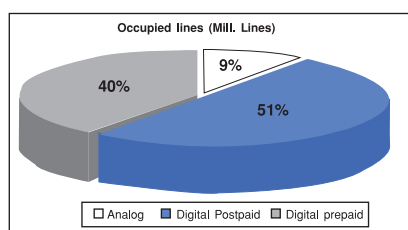


Source : Tourism Authority of Thailand
Unit : Person

Major Events in 2003

Events	Period
1. APEC Conference	Dec. 2002 - Oct. 2003
2. NESDB's Annual Conference	June. 2003
3. NESDB Conference on National Competitiveness	Aug. or Sep. 2003

Cellular Telephone Service



Source : Office of the National Economic and Social Development Board

CONTENTS

Section I: Introduction to Thailand	7
• Historical background	7
• Geography	7
• People	9
• Political and Administrative System	10
• Finance and Business	11
• Public Facilities	12
• Tourism	14
Section II: Economic and Social Outlook	17
• Economic Situation	17
• Social Situation	32
Section III: Thailand's Development Profile	49
• The National Economic and Social Development Plan	49
• Economic Profile	54
• Social Profile	61
• Efficient Management of Natural Resources and Environment	64
• Selected Key Infrastructure Development Programs	66
• Spatial Development Programs	70
• Good Governance	78
Section IV: High Priority Agenda	81
• Enhancing Thailand's Competitiveness	81
• Social Capital	84
• Poverty Alleviation Towards the Millennium Development Goal	86
• Sustainable Development: Balancing Perspectives on Key Issues affecting the Economy, Society and the Environment	88
Section V: Major Events in 2003	91
• APEC Conference	91
• NESDB's Annual Conference 2003	93
• NESDB's Conference on National Competitiveness	94
Section VI: NESDB and Related Agencies	95
• Main Functions and Responsibilities	95
• Organization Structure	97
• Coordination Mechanism	98
• Organization Chart	99
• Related Agencies	100



Section I: Introduction to Thailand



1. Historical Background

Siam is the name by which the country was known to the world until 1939, and again between 1945 and 1949. On May 11, 1949, an official proclamation changed the name of the country to “Prathet Thai”, or “Thailand”, by which it has since been known. The word “Thai” means “free”, and therefore “Thailand” means “Land of the Free.”

2. Geography

2.1 Location: Thailand is situated in the heart of the Southeast Asian mainland, covering an area of 513,115 square kilometers and extends about 1,620 kilometers from north to south and 775 kilometers from east to west, at its broadest point. Thailand borders the Lao People’s Democratic Republic and the Union of Myanmar to the North, the Kingdom of Cambodia and the Gulf of Thailand to the East, the Union of Myanmar and the Indian Ocean to the West, and Malaysia to the south. Thailand is divided into four natural Regions: the

mountainous North, the fertile Central Plains, the semi-arid plateau of the Northeast, and the peninsular South.

Northern Region: The Northern Region consists of 17 provinces, and covers an area of approximately 169,600 square kilometers. Almost 80% of its land is mountainous and hilly, importantly being the main source of water resources for Thailand. For developmental purposes, the Region is divided into two sub-regions: the Upper and the Lower North. Chiangmai, the second largest city of Thailand, is the growth center of the Upper North; Pitsanulok is the growth center of the Lower North.

Northeastern Region: The Northeast of Thailand is a rolling plateau, about 200-300 meters above sea level, made up of 19 provinces, covering a land area of 168,854 square kilometres, or approximately one third of the country. Nongkhai, Mukdahan and Nakhon Phanom are designated as the region's international gateways.

Central Region: The Central Region consists of 26 provinces, covering an area of approximately 103,946 square kilometers. It is a lush, fertile plain. Based on physical and socio-economic characteristics, four subregions have been defined: Bangkok and Vicinities, Eastern, Upper Central and Western. The Region is anchored by Bangkok, the capital of Thailand.

Southern Region: The Southern Region is a long and narrow peninsula 750 kilometers in length, 50-220 kilometers in width, and 70,715 square kilometers in area. It consists of 14 provinces. Most of the area is mountainous and hilly. Plains are found in the central part of the Region and along the east coast. Core provinces are Phuket, Phang Nga, and Krabi on the Andaman Sea, and Suratthani and Songkhla on the Gulf of Thailand.

2.2 Capital: Bangkok

2.3 Climate: Thailand is a warm and rather humid tropical country with a monsoon climate. Average temperatures

are about 29 degree Celsius, ranging (in Bangkok) from 35 degrees Celsius in April to 17 degrees Celsius in December. In most of the country, there are three seasons: the cool season (November to February), the hot season (April to May), and the rainy season (June to October).

2.4 Local time: GMT + 7 hours.

3. People

3.1 Population: Thailand has a population of 62.2 million, of which approximately 10 million live in Bangkok. The major ethnic group is Thai, along with sizable communities whose ethnic origins are Chinese, Indian and that of neighboring countries. Thai is the national language. In major cities, a range of services are available in English. More than 90% of the population is Buddhist. Other religious groups include Muslims, Christians, and Hindus.

3.2 Education: Education accounts for 25% of total government expenditures. The literacy rate in Thailand is 92%. Compulsory education is nine years (from grade 1-9), but the state provides free education through upper secondary school to all Thais.

Number of Schools/Institutions by Type of Educations

Type of Educations	1998	1999	2000
General Education	37,991	37,828	37,670
Vocational Education	1,060	1,105	856
Higher Education(1)	53	58	58
Other Education(2)	3,645	4,115	4,266
Total	42,749	43,106	42,850

(1) For Office of Rajabhat Institutes Council and Department of Physical Education only.

(2) For institutions in non-formal education under the Department of Vocational Education and Office of the Private Education Commission only.

Source: National Statistical Office, Ministry of Science and Technology

3.3 Income per Head:

Income Comparison among Regions

Unit: US\$

Provincial	Per Capita (GDP : 1999)	Per Capita (GDP : 2000)
Bangkok	5,247.72	5,416.61
Bangkok and Vicinity	4,682.53	4,823.75
Central	1,664.87	1,753.53
Northeastern	595.25	609.05
Northern	887.11	906.92
Western	1,320.04	1,374.80
Eastern	3,449.41	3,861.17
Southern	1,173.99	1,244.94
Whole Kingdom	1,734.45	1,818.81

Source: National Accounts Office, NESDB.

Note: Exchange rate (Buying Rate) as of November 28, 2002,
1 US\$: 43.21 Baht

4. Political and Administrative System

The Kingdom of Thailand is a constitutional monarchy, the King is the Head of State. Power is exercised through the parliament, executive power through the Cabinet, and judicial power through the courts. Parliament consists of the House of Representatives consisting of 500 members and the Senate, whose 200 members are directly elected by the people. Four hundred members of the House of Representatives are elected through constituency elections, the remainder by way of a list of names supplied by the political parties. The current monarch is His Majesty King Bhumibol Adulyadej, who ascended to the throne in 1946; he is revered throughout the country. He is the ninth monarch of the Chakri dynasty. Portraits of His Majesty and Her Majesty Queen Sirikit are proudly displayed in public places, as well as in private homes.

The Prime Minister is usually appointed from among the members of the House of Representatives, with at least one fifth of the members supporting the nomination. Once a person

is agreed upon, the recommendation is presented to the King. The Prime Minister then appoints a Cabinet of about 35 members. General elections are held at least every four years.

The current Prime Minister is Dr.Thaksin Shinawatra, leader of the Thai Rak Thai Party which won the general election in January, 2001.

Thailand's legal system blends principles of traditional Thai and Western laws. The Supreme Court is the highest court of appeal, and its judges are appointed by the King.

The administration of Metropolitan Bangkok falls under an elected governor, the Bangkok Metropolitan Administration (BMA) is divided into 36 districts. Nationally, there are 76 provinces, administered by appointed governors; which in turn are divided into 795 districts, 81 sub-districts, 7,255 tambon (groups of villages), and 72,577 villages.

5. Finance and Business

5.1 Currency : The Baht is the national currency unit. There are 100 satangs in 1 baht.

5.2 Major Exchange Rates

Country	Currency	Exchange Rates (Selling Rates) ⁽¹⁾
USD	United States of America	43.52
GBP	United Kingdom	67.47
EUR	Euro Zone	43.25
JPY	Japan (:100)	35.73
HKD	Hong Kong	5.59
SGD	Singapore	24.73
CNY	China	5.28
AUD	Australia	24.42
CHF	Switzerland	29.31
CAD	Canada	27.72

⁽¹⁾ Exchange Rate as of November 28, 2002, from Bank of Thailand

5.3 Business Hours: Government and business offices are open from 8:30 AM to 4:30 PM, Monday to Friday.

5.4 Banks: The country's central bank is the Bank of Thailand. Business hours of commercial banks are 9:30 AM - 3:30 PM, Monday to Friday. Several international banks also have offices in Thailand.

6. Public Facilities

6.1 Road Network

The national road network totals 130,689 kilometers comprised of national highways (57,403 kilometers) and rural roads (73,286 kilometers).

6.2 Expressway Networks

There are 210 kilometers of expressways in the Bangkok Metropolitan Region and 146 kilometers of motorways serving the extended Bangkok urban region.

Route	Length (kms.)
Expressway System	210.1
1. The first Stage Expressway System	27.1
2. The Second Stage Expressway System	38.4
3. Ramintra-Ardnarong	18.7
4. Bangna-Chonburi	55
5. Bangpain-Parkred	32
6. Don Muang Toll-way	38.9
Motorway System	146
1. Bangkok-Chonburi Motorway (New Route)	82
2. Outer Ring Road (Eastern Part and Bangpain-Bangpli)	64
Total	356.1

6.3 Mass rapid Transit System

In the Bangkok Metropolitan Area, there are 23.5 kilometers of elevated mass transit railway, the Bangkok Mass Transit System (BTS). The BTS comprises 2 lines,

the Sukhumvit Line, running from Onnut to Mor Chit, and the Silom Line, running from the National Stadium to Sathorn Bridge.

6.4 Aviation Transport

International Airports

There are 5 international airports in Thailand: Bangkok International Airport, able to accommodate 35 Million passengers/year, 0.9 Million tons of air cargo/year, and 60 flights/hour at peak times; plus the Chiang Mai, Chiang Rai, Hat Yai, and Phuket international airports

Domestic Airports

There are 29 domestic airports consisting of: 26 regional airports, 2 private airports (Samui and Sukhothai), and U-Tapao airport in the Eastern Seaboard region.

6.5 Electric Supply

In 2001, the total generation capacity in Thailand was 22,034.80 MW, consisting of 15,000.40 MW. from the Electricity Generating Authority of Thailand (EGAT) and 7,034.40 MW. from neighboring Laos. The electricity network efficiently serves 98.97% of the country's population.

6.6 Telecommunications

Public Telephone Services

In 2001, there were 225,174 lines or 3.61 lines per 1,000 persons, consisting of 71,100 lines in the metropolitan area (8.57 lines per 1,000 persons), and 154,000 lines in the provincial areas (2.85 lines per 1,000 persons)

Cellular Telephone Services

At the end of the year 2001, there were 7.99 Million subscribers or 12.83 users per 100 persons, the Digital network served 91% of these users. Rapid expansion of cellular phone services is underway, especially pre-paid service, which accounts for 44% of digital network users.

Network	Occupied lines (Mill. Lines)	Percentage (%)
Analog	0.74	9
Digital	7.25	91
- postpaid	4.09	56
- prepaid	3.16	44
Total	7.99	100

7. Tourism

7.1 Tourism Industry: Tourism industry plays a major role in the economic and social development of the Kingdom. Thailand is known around the world for the hospitality of its people, its ancient culture, and Thai cuisine. Record numbers of tourists continue to take advantage of the myriad of tourist destinations and products the kingdom has to offer. Tourism facilities are provided throughout the country, such as Tourist Police and Tourist Service Centers.

7.2 Regulations for Foreign Visitors to Thailand: Foreign nationals visiting Thailand must possess valid passports or accepted travel documents and appropriate visas before entering the country. Visitors from certain countries are permitted to stay up to 30 days without visas, provided they possess tickets confirming departure within 30 days, while visitors from several other countries are allowed to apply for tourists visas at all ports of entry. Transit visas are granted for up to 30 days and tourist visas for up to 60 days. Non-immigrant, diplomatic and official visas are valid for up to 90 days.

7.3 Major Tourist Attractions :

Sun, Sand and Sea such as Pattaya Beach, Phuket Island, Samui Island, Koh Chang Island, and beautiful islands and beaches in Phang-nga and Krabi Provinces.

Nature such as Phu Kradueng in Loi Province, Doi Inthanon in Chiang Mai Province, and Khao Yai in Nakornrat-chasima Province.

Culture and Heritage such as northern Serene Lanna culture in Chiangrai, Payao, Prae, and Nan Provinces, spicy I-san cuisine in Nongkai, Udon Thani, Khon Kaen, and Kalasin provinces, and Mythical I-san culture, including festivals in Nakhon Ratchasima, Buriram, Surin, Srisaket and Ubonratchathani Provinces.

Niche Market (Adventure, Health and Agro) such as Long Stay, Cruise, Wedding/Honeymoon, Eco Tourism and Soft Adventure, and major events (for example, Songkran Festival, Loi Krathong Festival.)

Manmade such as Rattanakosin island, Bangkok, Elephant Nature Centers, and Theme Parks.

For more information, see www.tat.or.th



Section II: Economic and Social Outlook

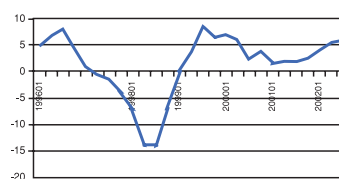


I. Economic Situation

1. Overview

Five years after the financial crisis, Thailand has made significant progress in resolving economic and financial problems, thanks to systematic policy implementation and favorable external conditions during 1999-2000. Given favorable external conditions and persistent policy efforts, the Thai economy has regained strength, both in terms of stability and growth, since 1999. To revive the economy, the Government has systematically implemented economic policies; starting from policies to restore stability as a priority in the initial stage of the crisis, during late 1997 and throughout 1998. Once stabilization was achieved, policies were then geared towards growth stimulation.

Thailand's Economic Growth



As a result of systematic and progressive implementation of appropriate macroeconomic policies, economic stability has improved substantially since 1999, reflected in low inflation and stable exchange rates. On the external front, the current account registered a surplus. Although the surplus was attributed mainly to a decline in private investment and thus lower imports of capital goods, and raw material and intermediate products, it provided a facilitating environment for implementing stimulus policy. The international reserves were also replenished, while short-term external debts declined consistently and substantially. Moreover, financial institutions made good progress in raising capital and carrying out provisioning for the NPLs.

In terms of growth, after experiencing the economic contraction of 1.4 and 10.5 percent in 1997 and 1998 respectively, the Thai economy has gradually moved toward a continuous recovery path. Economic expansion was apparent in 1999, given the growth rate of 4.4 percent. This performance was attributed to a wide range of government measures aimed at restoring economic stability as well as stimulating economic growth. In addition, strong export performance in response to the global economic situation, especially the pickup in the United States economy, was a key contributing factor.

Continued economic stability allowed fiscal and monetary policy to be more accommodative to economic growth in 2000 while the world economy picked up, significantly benefiting Thai exports. These factors contributed to economic

growth of 4.6 percent in 2000, indicating continued economic momentum.

Nevertheless, the pace of recovery that began in 1999 slowed down in the latter half of 2000, owing to the global economic downturn, which inevitably affected Thai exports. The slowdown became more pronounced and continued throughout 2001 when exports contracted sharply. With continued economic stimulus policy to sustain domestic demand, however, Thailand managed to achieve the positive growth of 1.9 percent, supported primarily by private consumption and investment.

The aforementioned economic slowdown indicated that the Thai economy remains significantly sensitive to the external environment. In response, the Government has implemented policy emphasizing the domestic economy more, for example, through strengthening grass-roots and local economies, along with small and medium enterprises (SMEs) development. In parallel, development in the international sector has been continually pursued. This is the so-called “Dual Track Development Strategy”; which is coupled with maintenance of macro-economic stability.

The above policy framework is aimed to steer the Thai economy in the medium term toward growth with stability, and subject the nation to fewer risks associated with external volatility. In 2002, policies aimed at strengthening the non-tradable goods sector, and efforts to stimulate local economies continued to be emphasized and started to pay off, while external conditions improved. Consequently, the first nine months of 2002 registered 4.9 percent economic growth, driven mostly by domestic demand, but also by the exports of goods and services.

Although remarkable improvements were achieved in a stable macroeconomic environment, the expansion rates are still below potential and the structure of the economy at present is still weak, reflected by low total factor productivity. In this regard, development strategies have been emphasized to

improve efficiency and productivity and hence, competitiveness of Thai products.

Therefore, in order for Thailand to move towards sustainable economic growth with quality in a more complex external environment with intensified global competition, development strategies are currently geared towards sound macroeconomic management, restructuring of the real sector to enhance competitiveness, and strengthening of the financial sector. These include, for instance, effective and prudent management of monetary policy, efficient public debt management under the Public Debt Management Act, enhancing economic cooperation with neighboring countries, and improving total factor productivity.

Meanwhile, local economies and income bases are being strengthened employing sectoral and micro policies. These micro approaches include, for instance, the establishment of village funds, micro credit provided by state owned banks, credit expansion to SMEs under the SMEs bank, and the one village one product program.

Under the Strategic Framework Toward Quality and Sustainability of Thailand's Economic Development, it is expected that in the medium term the country will strive for higher economic growth and approach potential GDP with low inflation and low unemployment. With a strong economic foundation, the economy will be more resilient and less sensitive to global fluctuations.

2. Economic Performance in 2002

Thailand entered 2002 with more favorable external conditions, while monetary and fiscal policies are accommodative and various other measures to stimulate domestic demand have been continued. As a result, since the turn of the year, the Thai economy has shown continued recovery. High export volumes and domestic demand expansion, particularly private consumption and private investment, have reversed the downturn in 2001. Contributing factors, apart from favorable external

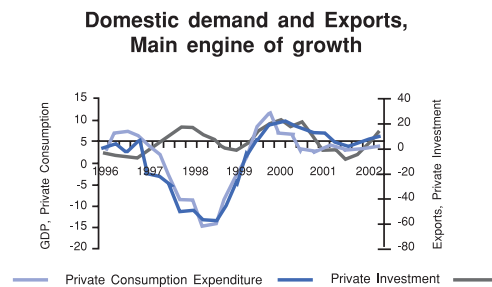
conditions, included persistent economic stability, both internal and external; low interest rates, and improved employment conditions. Moreover, improved farm income helped stimulate private consumption, while various measures have been implemented to revive the real estate and construction sectors.

Given these driving forces, the economy grew by 3.9 in the first quarter and accelerated to 5.1 and 5.8 percent in the second and third quarters respectively. However, concerns over possible conflict between the U.S. and Iraq have caused consumer and business confidence to deteriorate around the globe. Despite no anticipation of the war by the end of this year, the Thai economy in the last quarter is expected to register lower growth than in the second and third quarter. Accounting for downside risk in the last quarter, economic growth is forecast to be 4.9 percent for 2002, and inflation of 0.5 percent.

Economic Development by sectors

1. Real Sector

1.1 Domestic Expenditure: the main supportive factor for the recovery. In the first 9 months of 2002, domestic expenditure expanded impressively, underpinned by continued increases in private consumption expenditure and private investment.

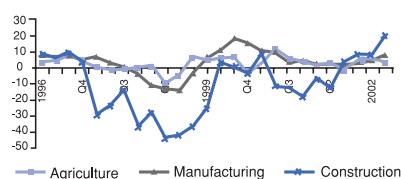


(1) Private Consumption expanded by 3.8 percent in the first half of 2002, supported by low interest rates, low inflation rate, improved farm income, the better employment situation, and improved consumer confidence. In the third quarter, private consumption accelerated to grow by 5.0 percent. The expansion were seen in significant increases in consumer goods imports, sales of automobiles, and value added tax collection.

(2) Private investment expenditure also increased considerably, by 8.8 percent in the first half, and this trend continued strongly in the third quarter with 18.7 percent increase. The rapid growth in private investment is the product of increasing manufacturing production, in line with favorable domestic demand, and recovery in the real estate sector. Increased private investment was attributed to both investment in equipment and machinery, and in construction. The evidence suggests that investment in machinery and equipment has been concentrated more in export-oriented industries that possessed higher capacity utilization rate, namely electronics, and vehicle and parts. On the construction front, the expansion is due to low interest rates and government measures to stimulate demand for real estate, as well as credit extension for property and real estate investment by financial institutions.

1.2 Production side: continued improvement in production for domestic uses and export. Production expansion was in response to the expansion in domestic demand and strong export performance. The construction sector improved significantly from 6.7 percent growth in the first quarter to 18.6 percent growth in the second quarter. However, due to postponement of public construction project, the construction sector showed no growth in the third quarter. The manufacturing sector expanded at the rate of 4.2, 6.8, and 9.0 percent in the first three consecutive quarters. As well, the financial sector, with progress in NPLs resolution, expanded by 2.6 percent in the first half, and progressed to 4.6 percent in the third quarter. The agriculture sector; however, only grew by 1.5 percent in the first 9 months.

Production growth (%)



Growth Rate of GDP on expenditure and production sides in real term (1988=100)

	2001p1	2001p1				2002p2		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
Demand Side (Expenditure)								
Domestic Demand								
Private Consumption Expenditure	3.7	4.0	4.2	3.3	3.4	3.7	3.9	5.0
Government Consumption Expenditure	2.9	3.9	8.7	3.0	-3.6	8.3	-1.6	-3.1
Gross Fixed Capital Formation	0.9	-3.9	5.9	2.5	-0.7	3.2	7.5	6.9
Private Investment	4.7	10.3	4.7	-0.3	4.0	8.3	9.9	18.7
Public Investment	-5.5	-22.9	8.3	6.3	-11.5	-6.8	2.5	-7.9
Supply Side (Production)								
Agriculture	3.3	2.4	1.7	0.5	6.8	2.6	0.7	1.1
Manufacturing	1.4	1.1	1.7	1.2	1.6	4.2	6.8	9.0
Construction	-0.9	-6.2	-10.5	5.5	8.4	6.3	20.0	0.0
Financial Intermediation	0.9	0.2	0.7	1.1	1.7	2.5	2.7	4.6
Services and Others	2.3	2.3	2.8	2.2	1.8	3.9	4.2	4.6
Gross Domestic Product	1.9	1.6	1.9	1.8	2.5	3.9	5.1	5.8

Source: NESDB

2. External Sector

2.1 Export: Export value in US dollar terms increased by 2.8 percent over the first nine-months of 2002. After declining for five quarters in a row, export value increased by 3.4 and 11.3 percent respectively in the second and the third quarters of 2002. These increases were attributable to an expansion in export volume, due to the recovery of trading partners' economies, especially in Asia, at the same time export prices fell at a decreasing rate. Agricultural product exports, particu-

larly rice and rubber, increased, in both value and volume terms. Meanwhile, the export value of hi-tech manufactured products, such as vehicles, automobile parts, and plastic products, experienced a slight increase as well. Fisheries exports, on the other hand, contracted due to excess supply in the world market.

2.2 Imports: Import value rose by 1.3 percent over the first nine-months, owing to increased private investment, in line with the economic recovery. Import value started growing in the second quarter, expanding by 2.0 percent, after contraction over the preceding three consecutive quarters, and further grew by 12.9 percent in the third quarter. The increase in import value was due mainly to volume increase while import prices continued to fall. The categories which experienced an increase in import value included capital goods, durable consumer goods, electrical appliances and household goods, as well as intermediate products and raw materials.

2.3 Trade and Current Account Surplus: The acceleration in exports led to a trade surplus of US\$ 2,193 million in the first nine-months, higher than the same period in 2001. This, combined with a slight increase in net services income and transfers, underpinned by receipts from tourism, resulted in a current account surplus of US\$ 4,899 million.

2.4 The Capital and Financial Account registered a smaller deficit in the first nine months of 2002 compared to the same period of 2001. This is the result of a large capital inflow to the Bank of Thailand, mainly for the purpose of debt repayment incurred under the IMF package. Moreover, the private sector capital account recorded a smaller deficit, particularly in the banking sector. Foreign Direct Investment (FDI); however, continued to decline and the outflows of non-resident Baht accounts increased.

2.5 Balance of Payments: With the high current account surplus and a smaller capital account deficit, the balance of payments registered a large surplus of US\$ 3,052 million in the first nine-months of 2002, compared with a deficit of US\$77 million in the same period in 2001.

Balance of Payments (Bil.US\$)

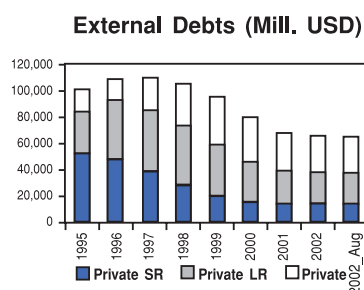
	2001	2002		Jan-Sep (9 months)	
		Q1	Q2	2001	2002
Export	63.19	15.02	16.16	47.66	49.00
- Value (%)	-6.9	-6.3	3.4	-4.6	2.8
- Volume (%)	-5.4	8.8	16.1	-5.5	13.7
- Price (%)	-1.5	-13.8	-11.1	0.9	-9.8
Import	-60.67	-14.32	-15.55	-46.19	-46.81
- Value (%)	-2.8	-10.2	2.1	1.3	1.3
- Volume (%)	-10.7	-0.9	12.8	-10.2	10.0
- Price (%)	8.8	-9.4	-9.6	12.9	-7.9
Trade Balance	2.53	0.70	0.62	1.48	2.19
Net Services Income& Transfer	3.72	1.10	0.40	2.60	2.71
Current Account Balance	6.24	1.80	1.02	4.08	4.90
Capital and Financial Account	-5.08	-1.51	0.758	-4.07	
- Private	-4.13	-2.17	-1.33	-2.35	
- Public	-0.57	-0.44	-0.14	-0.47	
- BOT	-0.39	1.12	2.24	-1.02	
Balance of Payments	1.32	0.89	1.89	-0.77	3.05

Source: Bank of Thailand

2.6 International Reserves increased to US\$37,652 million at the end of September, 2002, equivalent to 7.4 months of import values, compared to US\$ 33,614.5 million at the end of March, 2002. International reserves are (September, 2002) approximately equivalent to three times the level of short-term foreign debt.

2.7 External Debts: Total external debts continued to decline compared with 2001, both private sector and public sector debt. At the end of August 2002, total external debt stood at US\$ 64,424 million, having decreased by US\$ 3,087 million from the end of 2001. The main supportive factor is high external debt repayment in the private sector, especially the repayment of long-term debt in the non-banking sector. Another important factor is a decrease in external public sector debt, owing to continued rapid repayment of the IMF package.

The ratio of short-term debt to long-term debt at the end of August 2002 is about 21:79, compared with 35:65 at the end of 1997.



3. Fiscal Conditions

The fiscal policy stance in fiscal year 2002 emphasized stimulating the Thai economy, focusing on domestic spending. The Government pursued a budget deficit, and sped up the disbursement process to meet the disbursement target. At the end of the fourth quarter of fiscal year 2002, the fiscal position recorded a treasury cash deficit of 112,485 million Baht, having decreased by 32.2 percent from the same period of last year.

3.1 Government revenue increased due to the recovery in the economy and better performance of the business sector: At the end of the fourth quarter of fiscal year 2002, government revenues increased by 10.2 percent from the previous fiscal year, owing mainly to the recovery up of the economy; in addition the effectiveness of tax collection has been improved.

3.2 Government expenditure expanded by 11.1 percent from the last fiscal year, amounting to 973,273 million Baht in fiscal year 2002. As a result of front-loaded budget disbursement measures to fully stimulate the economy, government expenditure increased at an accelerated rate in the first half of the fiscal year, and slowed down in the latter half.

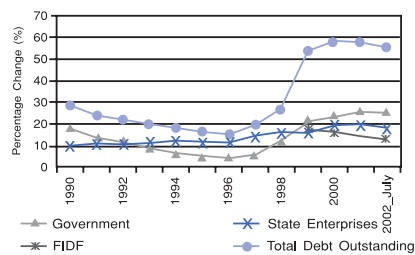
Treasury Account (Billions Baht)

Fiscal Year	2001	2002 ^p				
		Q1	Q2	Q3	Q4	Total
1. Revenues	765.4	172.5	197.4	257.02	216.3	843.2
(% change)	(2.4)	(5.7)	(16.9)	(10.7)	(7.3)	(10.2)
2. Expenditures	876.0	257.1	259.8	235.5	235.5	973.3
(% change)	(3.0)	(14.5)	(27.0)	(0.5)	(3.7)	(11.1)
2.1 Current year	784.9	219.4	231.9	207.3	225.1	883.8
Overall Budget	910.0	1,023.0	1,023.0	1,023.0	1,023.0	1,023.0
Disbursement rate	86.2	21.4	22.7	20.3	22.0	86.4
2.2 Carry-over	91.0	37.3	27.7	13.4	10.3	88.9
3. Budgetary Balance	-110.6	-84.6	-62.4	36.2	-19.2	-130.1
Surplus (+) or Deficit (-)						
4. Non-Budgetary Balance	25.5	16.0	-7,034	-117	8,761	16,616
Surplus (+) or Deficit (-)						
5. Cash Balance	-85.1	-68.7	69.5	36.1	-10.4	-113.4
Surplus (+) or Deficit (-)						

Source: Ministry of Finance

3.3 Public Debts: At the end of August 2002, public debts were equivalent to 54.9 percent of GDP, having decreased from 57.3 percent of GDP at the end of 2001. This is partly due to the higher economic growth, associated increases in state enterprises reimbursements, and a decrease in the Financial Institution Development Fund (FIDF)'s debts.

Puclic Debts to GDP (%)

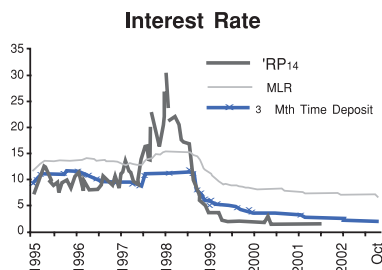


4. Monetary Conditions

4.1 Liquidity and Interest rate: Liquidity in the financial system remained high in the first nine-months of 2002, resulting in low interest rates in the money market.

This was the result of a reduction in the policy rate (RP-14 days) by 25 basis points in January 2002, and high liquidity in the system as financial institutions invested more in the money market. Accordingly, money market interest rates, both 1 day-repurchase rates and the interbank lending rate, continually declined to 1.64 and 1.77 percent per annum respectively, in the third quarter of the year.¹

Deposit and lending rates remained low due to high liquidity. The 3 month-time deposit rate averaged 2.0 percent per annum, while the minimum lending rate (MLR) was at 7.125 percent per annum. However, due to continued excess liquidity in the banking system, with bank deposit growth exceeding credit growth, and a reduction of the policy rate by the BOT on the 19th of November 2002, commercial banks are likely to reduce their deposit and lending rates further in the last quarter of the year.



¹ The U.S. Federal Reserve Bank already lowered the Federal Fund rate and the discount rate by 50 basis points on November 6, 2002. Thus, in line with the declining trend in the world

4.2 Commercial Bank Deposits continued to expand while Bank Credit improved:

(1) Commercial bank deposits grew in the first nine-months of 2002, continuing last year's trend. Deposits expanded over 5 percent in the first and second quarters of the year. Nevertheless, deposit growth slowed down at the end of the third quarter, and grew by only 2.4 percent. This is due to people transferring money to invest in the government bonds issued in September.

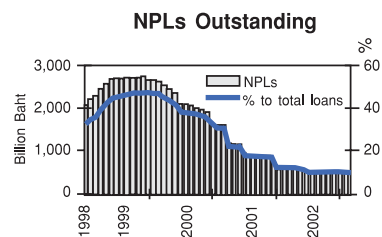
(2) Commercial bank credits showed an improvement during the first nine-months of 2002, consistent with low interest rates. In particular, at the end of the third quarter, bank credits increased for the first time since the end of 1998, by 1.6 percent. Meanwhile, the credits including bad debts and loan-assets that have been transferred to Asset Management Companies (AMCs), also rose slightly by 2.9 percent.

Commercial Bank Deposits and Credits

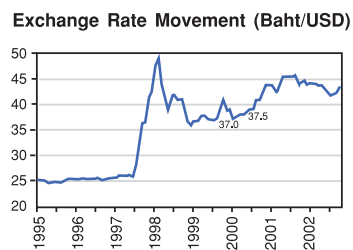
	2000	2001	2002		
			Q1	Q2	Q3 ^p
Commercial Bank Deposits	4,816.0	5,009.1	5,167.0	5,200.7	5,073.4
(% change)	(5.3)	(4.0)	(5.3)	(5.5)	(2.4)
Commercial Bank Private Credits	4,723.7	4,447.9	4,551.0	4,651.5	4,696.4
(% change)	(-10.0)	(-5.8)	(-3.8)	(-0.8)	(1.6)

Source: Bank of Thailand

4.3 Non-Performing Loans (NPLs) decreased notably as a result of progress in debt restructuring and debt transferring to AMC and TAMC: Total NPLs outstanding in financial institutions, excluding new Bangkok International Banking Facilities (BIBFs) and Credit Foncier companies, declined to 467.7 billion Baht in August 2002. This is equivalent to 10.2 percent of total loans outstanding, compared to 2,730 billion Baht in May 1999, or 47.7 percent of total loans, the highest level ever.

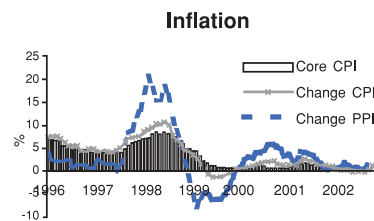


4.4 Exchange rate remains stable: The value of the Baht in the first nine-months of 2002 fluctuated between 40.38 and 44.21 Baht per US\$, averaging 42.87 Baht per US\$ (reference rate). The Baht appreciated slightly compared with the average rate of 44.48 Baht per US\$ in same period of 2001. Factors contributing to the currency appreciation included (1) robust economic growth and the balance of payments surplus, (2) the fragile recovery of the U.S. economy that weakened the U.S. dollar, and (3) appreciation of the Yen.



5. Price level

The inflation rate was low, averaging 0.6, 0.2 and 0.3 percent in the first, second and third quarters of 2002, respectively, compared with an inflation rate of 1.6 percent in the previous year. Despite rising oil prices, inflationary pressures were meager.



3. Economic Outlook for 2003

In 2003, external conditions will remain uncertain owing to conflict between the U.S. and Iraq, which is expected to develop into war and interrupt global economic activity including Thailand's in the first half of the year. However, having followed the "Dual Track Development Model", domestic demand in Thailand is expected to expand continuously and drive the economy. Supportive factors for economic growth in 2003 include: (1) Accommodative monetary policy will continue and stimulate consumption and investment. (2) Improving intra-regional trade is expected to somewhat cushion the impacts of global volatility. (3) Government measures to stimulate housing demand, strengthen local economies, and to revive small and medium enterprises. (4) Continual rise in income and better employment situation should help secure private consumption. (5) Strong economic performance in 2002 should provide good momentum for further growth of the economy in 2003.

Under the assumptions that the external volatility will only be temporary while the effects of measures to stimulate domestic demand are expected to be more pronounced, economic restructuring of the country is expected to proceed at a faster pace, boosting investors' confidence. Thailand is expected to register a growth rate of around 4.5% in 2003, comparable to that in 2002. As in a number of countries, the main driving force of the Thai economy in 2003 will continue to be domestic demand, while exports could be interrupted shortly in the first and second quarters due to external conflicts. However, the

expected revival of the world economy in the latter half of the year will benefit Thai exports and tourism.

Although domestic policies will continue to be conducive to growth, main risks associated with the forecast are the external ones. In the worst case, the war between the U.S. and Iraq could be protracted and jeopardize public confidence severely. Under such a case, Thai exports and the number of foreign tourists traveling to Thailand would be affected, while oil prices would rise. Under this scenario, the Thai economy is expected to expand by 3.5 percent.

In any case, the economic expansion will continue, under stable domestic macroeconomic conditions. Inflation will remain low despite some pressures from oil price increases as excess capacity in the economy will remain. International reserves will stand at a comfortable level of around three times of short-term debt or approximately 6 months of imports. Given the comparatively strong economic fundamentals of Thailand compared to most other economies, the exchange rate is expected to be stable.

II. Social Situation

1. Overview

Thai society has unique characteristics, the product of a culture and wisdom accumulated over a long time. It is a society that values peace; being an open society it is able to easily adjust to new cultural influences. The Royal institution catalyzes and strengthens the citizens' morale; and Thailand is a place where people of various religions can peacefully live together. It is a caring and kind society based on strong families and communities.

However, rapid changes, both domestically and from international influences, have had both positive and negative impacts on Thai society. Globalization has been an especially strong driver, coupled with the rapid progress in information technology. Global information flows force the Thai people and

society to adjust. Under these conditions, human resources and human qualities must continually be improved, both through the regular education system, training, development of various learning sources, development of mass media, etc. Rules and regulations must be adjusted so that they are in line with those prevailing globally. These actions will contribute to an increase in the country's capabilities so that it is able to function effectively and with dignity in the world forum.

Various measures have also been implemented in order to mitigate the negative impacts of, and address key problems, that Thailand has faced for a long time, including poverty, income inequality, narcotics and crimes, degradation of natural resources and environment, corruption, etc. Based on the 1997 Constitution and associated political reforms, opportunity exists for various reforms to take place, particularly social reform. Under the Constitution, citizens' basic rights must be justly and widely protected. People from all social and economic sectors have the opportunity to participate in the development process. A number of checks-and-balance mechanisms have been established in order to ensure the accountability and transparency of public administration. Reforms have also taken place in education and health care, emphasizing the increasing coverage, and quality and efficiency of service delivery. The Constitution supports and promotes people's participation in politics at every level through: (i) the decentralization process, (ii) increasing the role of community organizations, and (iii) promoting freedom of the press.

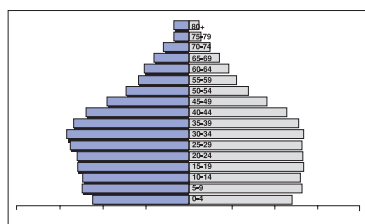
The 1997 financial crisis had wide and serious impacts on most Thai people, through unemployment, reductions in the quality of life, including care to the poor and the disadvantaged. However, given existing social capital, such impacts have been mitigated. To a significant extent, social impacts of the crisis have been less severe than initially expected. Social capital has played an important role in cushioning the people affected by the crisis, e.g., through income transfers and assistance in kind within families. Such lessons indicate that social capital is an important ingredient in ensuring long-term

development. Developing social capital and human resources, will provide the foundation for the country to overcome poverty problems and, at the same time, to strengthen the country's competitiveness in the global economy.

2. Population

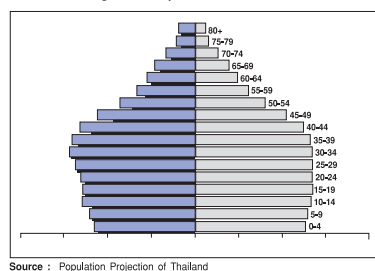
Thailand has experienced a demographic transition over the last three decades. Fertility has declined as a result of the success in family planning - one of the most successful in the world. In 1970, one woman had about 6 children compared with less than 2 in 2000. The crude death rate has decreased while life expectancy at birth has increased. The population growth rate is below 1.0 percent in 2002. Consequently, the population structure has changed. The share of young population (0-14) has declined from 45.2 percent of the population in 1970 to 24.3 percent in 2000, and is forecast to be 23.1 percent in 2006, the last year of the Ninth Plan. Meanwhile, the working age population (15-59) has continuously increased from 50.0 percent in 1970 to 66.5 in 2000, while the elderly population (60+) has grown from 5.4 percent to 10.4 percent of the population during the same period. In the not too distant future, the working age population will decrease while aging will increase. This increase in the dependency ratio will mean that the country has to bear a higher burden, especially in taking care of the aging (given the rapid growth of this cohort), but also the young aged less than 15 years old.

Figure 1 : Population Structure 2000



Source : Population Census of Housing 2000

Figure 1 : Population Structure 2003



3. Labor Force

The labor force totaled 35.10 million in August 2002, a slight increase over the previous year. Employed persons in the third quarter of 2002 are 34.39 million. The number of employed persons has increased as the economy has expanded. Recent flooding will cause short term increases in unemployment in the last quarter of 2002. Consequently, the unemployment rate in that quarter will be higher. Unemployment rates are expected to be 2.9 percent in the first quarter, declining slightly to 2.8 percent in the second quarter. Given continued export growth, the unemployment situation is not critical.

4. Health

Health Indicators

The health status of the Thai people has been improving continuously over the last several decades. Life expectancy at birth has increased over the past twenty years to reach 69.97 for males and 74.99 for females (2001). Comparison by regions reveals much variation, with the highest life expectancy in Bangkok and the lowest in the North East. The significant increase in life expectancy is largely the result of a sharp drop in infant mortality rates. Infant mortality of 8.0 (per 1,000) in 1990 fell to 6.46 in 2001. The maternal mortality rate fell from 24.8 to 12.9 over the same period.

Health Status (2001)

Region	Life expectancy rate at birth		Infant mortality rate (per 1,000 live birth)	Maternal mortality rate (per 100,000 live birth)
	Male	Female		
Bangkok	75.57	79.71	7.30	8.90
Central	72.15	75.72	5.87	9.80
North	69.05	75.85	7.09	20.23
North East	68.43	73.71	6.16	9.80
South	68.11	73.45	6.55	19.86
Whole kingdom	69.97	74.99	6.46	12.90

Source: Health Statistic 2001, Ministry of Public Health

Health resources in Thailand have improved considerably over time. The physician per population ratio has decreased from 3,689: 1 in 1996 to 3,427 : 1 in 2000 and the population per hospital bed has also decreased from 464 : 1 to 454 : 1 over the same period. In Bangkok, there is one bed for 200 people and the physician to population ratio is 1 to 793, compared one bed for 494 population and a physician to population ratio of 1 to 8,311 in the North East.

Health Resources (2000)

Region	Physician : Population	Hospital Bed : Population
Bangkok	1:793	1:202
Central	1:3,576	1:369
North	1:4,501	1:766
South	1:5,194	1:493
North East	1:8,311	1:494
Whole Kingdom	1:3,427	1:454

Source: Health Statistic 2001, Ministry of Public Health

Public health expenditure in Thailand has shown a rising trend over the past 20 years. The private sector also plays a significant role in the provision of health care. In 1996, 8.3 percent of the annual budget was allocated to the Ministry of Public Health. The increase during the period 1993-1996 was due to investment in the expansion of health facilities to cover all tambons and districts. There are 121 regional/general hospitals, 722 community hospitals at the district level and 9,738 health centers at the sub-district and village level in 2001. In addition, there are currently 16 international medical centers in Thailand, for example, Siriraj Hospital, Bangkok General Hospital, and Bumrungrad Hospital. These centers provide world-class health services to Thais and people of many nationalities.

Health Budget

Unit: Million Baht

Items	1993	1994	1995	1996	1997
Total Budget	285,500	387,500	625,000	843,200	944,000
Health Budget	12,982.2	23,835.1	48,844.2	70,103	72,406
Health Budget:	4.55	6.15	7.82	8.31	7.67
Total budget (%)					

Source : Bureau of the Budget

Universal Coverage

Thailand has several health insurance and security schemes covering various segments of the population. These include the Voluntary Health Care Card scheme, the Civil Servants Medical Benefit scheme, the Social Security scheme, and the Health welfare system for the low income group, the elderly, children under 12, and other underprivileged groups. Although these schemes cover various population groups, they do not yet covered 100 percent of the total 62 million Thai population. However, the 30 Baht-health scheme launched in 2001 resulted in universal health coverage that would cover 8.6 million population in its early stage and reach 46 million people in 2002.

Under this 30 Baht universal coverage policy, the insured are people who are not in any other health care scheme. These people receive the universal health card or the gold card. This card must be shown, together with the individual's identification card, every time they access health services, government or private health services registered under the scheme. To access health services, the insured must contribute a co-payment of 30 Baht per episode. They will receive the same quality health services as offered by other public health schemes.

Health Promotion

Health services in Thailand have shifted to a more integrated approach, i.e. preventive promotive, curative and rehabilitative services. The health plan therefore needs to be reconsidered and reoriented to emphasize promotive and preventive measures as means to more effectively utilize the overall health expenditure.

Although health promotion activities have already been included in hospitals' services, most of hospitals in Thailand are primarily curative in orientation. Hospitals are centers of medical treatment and allocation of various types of health resources. They emphasize passive curative services. The Ministry of Public Health is reconsidering this overall orientation and shifting hospital services to a more integrated proactive approach based on health promotion and prevention, through so-called Health Promoting Hospitals. By developing new roles for hospitals, working closely with the community and the people, the potential to improve the health of the population in part by changing people's health behavior, could subsequently decrease overall health costs.

5. Education

Educational System

The Thai education system provides formal, non-formal, and informal education. Formal education is divided into 2 levels: basic education and higher education, with 9 years

education compulsory. Ministries, bureaus, departments, public enterprises and other public agencies are and will be authorized to provide specialized education. In the near future, local administrative organizations, Tambon Administrative Organizations in particular, will play an important role in delivering education services to local citizens.

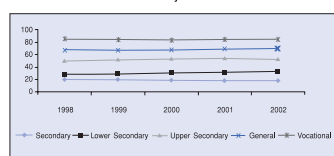
Access to Basic Education

The enrolment rate at the pre-primary level has increased from 94.5 percent in 1998 to 96.0 percent in 2002. During this period, primary enrolment ratio has increased from 102.6 percent to 104.1 percent, that is more than 100 percent as a result of repetition rate as well as the under-age and over-age population of students. The enrolment in secondary education is gradually increasing, from 68.0 percent in 1998 to 70.9 percent in 2001 and is forecast to rise to 72.3 percent in 2002. At the lower secondary level, absolute numbers of students enrolled has continuously decreased because of the decline in the 12-14 year old population. The proportion of school-age population in upper secondary education increased from 52.6 percent in 1998 to 59.2 percent in 2001, and it is expected to rise to 60.1 percent in 2002.

Access to Higher Education

The enrolment rate at the higher education level has continuously increased from 21.2 percent in 1998 to 23.7 percent in the year 2000 and 25.0 percent in 2001 as shown in Figure 3. However, these figures do not include the number of students in open universities. In 2002, it is estimated that 26.5 percent of 18-21 year-olds will enroll to study in higher education institutions, indicating that increasing numbers of young people have access to higher education.

Figure 3 : Enrolment Ratio of Secondary Education : Academic Years 1998-2002

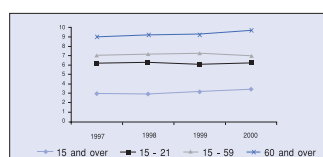


Source : ONCE, Thailand Education Statistics Report 2000 and Thailand Student Enrolment Projection 1999-2016

Participation in Education

The average years of education received by those aged 15 and over increased from 6.8 in 1997 to 7.2 in 2002 (Figure 4). Although these figures indicate that the educational attainment of the Thai population is relatively low, the trend clearly indicates that the population is staying in school longer.

Figure 4 : Average Years of Educational Attainment of the Thai Population, 1997-2000



For the 15-21 age group, who are the school-age population, the average years of education received rose from 9.0 in 1997 to 9.5 in 2000. The educational attainment of this age group, on average, was slightly above lower secondary level.

Among the 15-59 age group, considered as the active labor force, the 1997 figure of 7.4 years, on average, of education slightly increased to 7.8 in 2000. This means that the Thai labor force, on average, received education to the lower secondary level.

A male-female disparity in educational attainment can be found in the year 2000 among those aged 15 and over.

However, for the 15-21 age group, women had a slightly higher educational attainment than men, indicating that this situation is changing. Disparities were also found in all age groups between those in municipal and non-municipal areas as shown in Table below.

Average Years of Educational Attainment of the Thai Population by Gender and Area : Year 2000

Age	Gender		Area	
	Male	Female	Municipal	Non-Municipal
15 and over	7.5	6.9	9.3	6.3
15 - 21	9.4	9.7	10.4	9.0
15 - 59	8.1	7.7	9.7	6.7
60 and over	4.4	3.0	5.2	3.1

Educational Efficiency

Major indicators that can be used to reflect the efficiency of the educational system in Thailand are student-teacher ratios, dropout rates, and retention rates.

(1) Student - Teacher Ratios

Student - Teacher Ratios in 2001 as Compared to the Standards Set by TCSC

Level of Education	Standards Set	2001
Pre-Primary	23 : 1	20 : 1
Primary	25 : 1	19 : 1
Lower-Secondary	17 : 1	21 : 1
Upper Secondary		
• General	18 : 1	21 : 1
• Vocational	18 : 1	31 : 1

Source : Educational Information Center, ONEC.

(2) Dropout Rates

Dropout rates on the whole were not statistically different among regions. More male students have a tendency to dropout from schools than females at all levels of education, and in all areas. As for female students, the highest rate was in

lower secondary schools in the southern Region at 2.51 percent. For other levels, and regions, the dropout rates for females were below 2 percent.

**Dropout Rates (%) Classified by Department and Level of Education:
Academic Year 1999**

Area	DGE			ONPEC		
	Lower Secondary	Upper Secondary	Total	Primary	Lower Secondary	Total
Whole Country	1.52	1.76	1.63	0.89	2.04	1.03
South	1.32	1.63	1.45	1.70	2.54	1.74
North	1.40	1.63	1.50	0.88	2.03	1.04
North East	1.62	1.85	1.72	0.60	1.99	0.79

Source : Thammasat University, The Analysis of School Dropout Situations in Thailand, Jan. 2001.

Overall, the most important reasons for school dropout of students in all regions are lack of funds, poor performance, and entering the workforce, while getting married is the most important reason for female dropouts in Southern and Northern schools.

**Drop-out Rates (%) Classified by Department, Level of Education,
Gender and Area : Academic Year 1999**

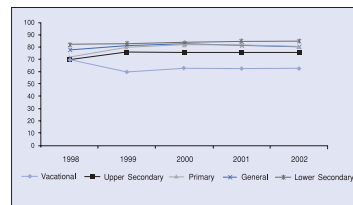
Area	DGE				ONPEC			
	Lower Secondary		Upper Secondary		Primary		Lower Secondary	
	M	F	M	F	M	F	M	F
Whole Country	2.05	1.06	2.37	1.34	1.01	0.11	2.42	1.65
South	2.06	0.63	2.36	1.17	2.06	1.32	2.56	2.51
North	1.94	0.98	2.36	1.17	0.93	0.82	2.18	1.87
North East	2.10	1.20	2.38	1.47	0.65	0.54	2.49	1.49

Source : Thammasat University, The Analysis of School Dropout Situations in Thailand, Jan. 2001.

(3) Retention Rates

During the period from 1998 - 2001, the retention rates in primary, lower secondary and general upper secondary education tended to increase, reflecting improved efficiency in educational provision, and other factors. (Figure 5)

Figure 5: Retention Rate by Level of Education: Academic Years 1998-2000



Source : National Institute for Educational Finance Reform, ONEC

Quality of Education

The capabilities of Thai students have been improving. The higher standards of Thai education were reflected by achievements in the international Olympics Competitions in Chemistry, Biology, Physics, Mathematics and Computer Sciences from 1997 to 2001. Three gold medals, six silver, and eight bronze medals were received by Thai students in 2001, and a Thai student won the gold medal in Biology, with the highest score ever obtained since the competition was established.

In addition, the creativity of Thai children is improving. In 2001, Thai children won awards in International Children's Art Exhibitions, in particular, they won 1,127 awards which was highest number received out of 67 participating countries.

Basic Education Quality Assurance

Both Internal Quality Assurance and External Quality Assurance are needed in the delivery of education. All educational institutions should conduct an Internal Quality Assurance annually. Each institution is required to prepare its own

education development plan in line with the objectives and principles of the National Education Act, the National Education Standards, as well as the aims/philosophy/charter of the institution, utilizing evaluation results to improve and develop the quality of education. The Educational Standards for External Education have been developed as well.

Higher Education Quality Assurance

Evaluation of educational quality at the higher education level is based on criteria and indicators that have been developed. The evaluation process aims to encourage quality improvement in higher education based on the standards set by the Committee for Development of the Evaluation System of Higher Education Quality.

Allocation of Resources for Basic Education

The Government will provide 12 years of quality education, free of charge. However, learners or families will take responsibility for other expenses related to education such as personal expenses or supplementary educational services. Learners from lower income families will be supported by the Government, based on the poverty line.

Allocation of Resources for Higher Education

Learners should be responsible for their educational expenses in response to the high rate of private returns to higher education. A program of phased increases in tuition fees will be introduced as a mechanism for cost recovery. Scholarships and loans will be provided to learners who require financial aid to study at both public and private institutions.

ICT for Educational Reform

As technology is a crucial means of improving the quality of teaching and learning, its role has been emphasized. Accordingly, educational media are to be produced and refined; and the capabilities of learners and educational personnel to use ICT are to be improved.

International Schools and Programs

International Schools were established to provide education for foreign children whose parents lived in Thailand because of official duties or business. Currently there are 61 international schools, with 39 schools in Bangkok and 22 schools in the regions. The schools are classified by curricula; there are 35 English, 20 American, 5 Japanese, 1 German, 1 Singaporean, 1 Indian, and 4 schools with International curricula. Each curriculum uses native languages for learning.

At present, Thai public and private universities offer 425 international program using English as the medium of instruction, both at undergraduate and graduate levels. There are 143 undergraduate programs in 70 areas of study in 27 universities, 205 master's degree programs in 112 areas of study in 27 universities, and 77 doctoral degree programs in 32 areas of study in 12 universities. Both Foreign and Thai students can enroll in such programs.

International School, year 2002

Level of Education	Bangkok Metropolis	Other Provinces	Total
Pre-elementary	21	1	22
Pre-elementary -Elementary	5	1	6
Pre-elementary - Lower secondary	3	1	4
Pre-elementary - Upper secondary	10	19	30
Total	39	22	61

Source: Special Policy School Division, Office of the Private Education Commission, Ministry of Education

Student Loan Fund

The Student Loan fund was set up to assist students enrolled in high school and in university, who need to borrow to pay their tuition fees, and meet other educational and personal expenses to enable them to attend high school and university. This loan can be secured by students up to the bachelor degree level. In 2002, the fund disbursed approximately 138,383.02 million Baht, covering 833,375 students.

6. Human Security Program

Social Security System

Since April 1, 2002, enterprises having one or more employees have to be registered under the Social Security Act. There are 7 types of benefits under the Act including sickness, maternity, old-age pension, child allowance, death, handicapped allowance, and unemployment benefits. At present, there are approximately 6.82 million employees covered by the social security system, or 19.5 percent of total labor force (as of August 2002). There are also 620 provident funds, which are voluntary, covering 1.22 million employees (September 2002).

Labor Protection

Under the Labor Protection Act B.E. 2541 (1998), there are provisions on work hours, occupational health and safety in the workplace, woman and child labor (minimum age), as well as minimum wages (which vary by region) to be paid to employees or workers. At present, the minimum wage for workers in Bangkok and its surrounding provinces is at 165 Baht/day.

Assistance to the disadvantaged

The newly established government agency responsible for assisting disadvantaged citizens is the Ministry of Social Development and Human Security, which works in cooperation with private agencies. Those in need of assistance include orphaned children, families in poverty, the disabled, the elderly, etc. Assistance is delivered in various forms, such as scholarships to children from poor families, cash allowances for the disabled and the elderly, occupational training, etc.

Safety in Life and Property

Although man-made accidents; from traffic, in the workplace, in households and public places, and from chemical substances and hazardous materials have decreased, the rate of incidents, injury, invalid, death and property damage is still

high. According to the figures provided by government agencies, there were significant losses caused by the above types of accidents. For example, there were 15,722 deaths from land transport accidents, 1 million injured and 1,240.80 million Baht of assets damaged. Losses from natural disasters are increasing. For example, during 1997-2000, the number of casualties from flooding were 226 dead, 430 injured and 16,962.83 million Baht in property damage.



Section III: Thailand's Development Profile



1. The National Economic and Social Development Plan

The National Economic and Social Development Plan has played an important role in guiding investment and public resource allocation in Thailand by putting forth guidelines for economic and social development for more than 40 years, since the release of the First Plan in 1961. Over time, the planning process has evolved and improved in terms of concepts for national economic and social development, focus and objectives, implementation mechanisms, as well as the associated plan preparation and implementation processes.

1.1 Past Development Performance

National Development from the First Plan to the Seventh Plan (1961-1996)

A review of national development over the first seven Plan periods shows that Thailand achieved an impressive record of economic growth, averaging 7 percent per annum. The

Kingdom's average per capita income (at current market price) increased from 2,100 Baht in 1961 to 7,700 Baht in 1996, which repositioned Thailand from being a poor country to joining the ranks of developing countries. Over the same period, the number of people living in absolute poverty dropped substantially from 57 percent to 11.4 percent of the population. Full employment was achieved, and the majority of Thai people enjoyed wider access to basic economic and social services.

However, the country's impressive rate of economic growth was based on unbalanced development, evident in a widening income gap and an unequal distribution of development benefits between rural and urban areas, as well as among various social groups. But, rapid economic growth lowered aspects of the quality of life of Thai people, and was associated with social problems such as drug addiction, and public safety issues. At the same time, unsustainable natural resource depletion, as a result of commercial exploitation, led to social conflicts and the serious deterioration of environmental conditions. The foregoing suggests that **past development, despite achieving high levels of economic growth, has not been sufficiently balanced.** Many social problems still remain and **development is unsustainable.**

Development during the Eighth Plan (1996-2000)

The Eighth National Economic and Social Development Plan turned a new chapter in the country's development path, shifting from a growth orientation to people-centered development. In this Plan, the well-being of the people is considered to be the ultimate goal; economic growth is viewed as a means to improve the people's well-being rather than as the final objective of development. The planning process also shifted from a compartmentalized to a more holistic approach, which enabled all stakeholders in the society to participate in the national development planning process.

Nonetheless, the economic crisis, which took place during the first year of the Eighth Plan's implementation, had

serious repercussions for Thai people. Poverty and income disparities have worsened. In addition, the number of unemployed increased by almost 1 million persons as a result of the crisis. The rapid deterioration of natural resources and the environment continued through the planning period.

Despite shortcomings, the Eighth Plan's emphasis on meaningful participation represented a major step toward the mobilization of people from all walks of life to play a more active role in the process of national development. This is evident in the increased levels of development-oriented networking among people's organizations, and in the increase in partnerships for development with the public sector, which can serve as a strong foundation for the future development of the country.

1.2 National Development in the Ninth Plan (2002-2006)

The Ninth National Economic and Social Development Plan has been formulated on the basis of a shared vision of Thai society for the next 20 years; it reflects the views of Thai people from all social sectors at provincial, sub-regional, regional and national levels. It also builds on the Eighth Plan's advocacy of holistic people-centered development. The results from Eighth Plan brainstorming processes led to the identification of a shared vision, and identification of key development strategies for Thailand's future development. Furthermore, a consensus was reached to adopt the "philosophy of sufficiency economy", which stresses the middle path, moderation, and due consideration, in all manner of conduct, as the guiding framework for national development.

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participation is to be enhanced to increase the efficiency of development efforts, based on accountability and transparency. Reform of management systems will create a strong development foundation, increasing the capacity of Thai society to cope with change, as well as fight corruption.

Group II: Consolidation of a strong social foundation.

This group of strategies recognizes that people, families, and communities are the corner stone of Thai society. Major development approaches advocated include human resource development and social protection provision, strengthening of management systems for sustainable development in rural and urban areas, as well as prudent management of natural resources and the environment to achieve sustainable development and to improve the quality of life of Thai people.

Group III: Economic restructuring for balanced and sustainable development. This group of strategies emphasizes macro economic management to achieve a stronger economic base that can be translated into qualitative, as well as quantitative growth. Economic structures at all levels need to be adjusted - from the grassroots to macro levels. Linkages with the global economy should be enhanced, while keeping in mind the importance of developing resiliency to global shocks. Thailand's international competitiveness should be improved at both macro and sectoral levels. A consolidated science and technology development strategy needs to be formulated, with particular attention being paid to innovation and incorporation of Thai local wisdom into innovative processes.

1.3 Translation the Plan into Action

Achievement of Ninth Plan strategies depends on translating the Plan into action. Change management is needed, based on the guidelines below, to generate a paradigm shift based on the philosophy of sufficiency economy. These guidelines are:

(1) Promote understanding of Ninth Plan concepts and strategies, along with the enhancement of knowledge and

leadership for change management.

(2) Formulate action plans at various levels (by function and sub-national areas) to implement Ninth Plan principles.

(3) Improve roles and functions of central agencies to facilitate implementation of the Ninth Plan.

2. Economic Profile

2.1 Economic Policy

An historically severe financial and economic crisis in Thailand broke out on July 2, 1997 when the Bank of Thailand changed the exchange rate mechanism from a fixed rate to a managed float system. This led to various economic problems, in particular, economic instability and economic contraction. Although the present economic situation is much improved, the result of the implementation of several measures, crucial issues confront policy makers in pursuing long-term economic sustainability.

2.2 Crisis and Post-Crisis (1997-present)

Two main problems, which dominated policy formulation considerations during the first and second-phases of the crisis period, were instability and contraction of economy. A series of measures were introduced in order to solve those problems, for instance, a fiscal stimulus program and financial restructuring.

1. Main Problems: Economic Instability and Economic Contraction

Phase-1 (Mid of 1997-1998)	Phase-2 (1999-Present)
Insufficient international reserves	Stability in international reserves
Instability of Thai Baht	Stability of Thai Baht
Weakness in financial system	Progressive financial restructuring, reducing NPLs
High level of NPLs	Lower level of NPLs
High interest rates	Low interest rates
High inflation	Low inflation
Liquidity shortage	Over-liquidity
Large capital outflow	Too low domestic demand and over-supply of capital
A dramatic contraction of GDP	A gradual recovery of GDP

2. Resolution of the Thai Economic Recession

Resolution policies, which were implemented during the crisis-period, can be categorized into three types; stabilization, stimulus, and restructuring policies. Stimulus and stabilization policies aimed to deliver short-term economic improvement, while restructuring policy aimed to promote long-term economic development.

Stabilizing Policy

The goal of stabilization policy was to recover and maintain macroeconomic stability, both in domestic and external markets. Key areas of focus included the exchange rate, interest rates, and inflation.

➤ *Exchange Rate Policy*

Although the Thai Baht fluctuated widely during the early months of the crisis, the Thai exchange rate regained stability by mid 1998 with the abandonment of the Non-Residential Baht Account. The main objective of exchange rate management was to minimize exchange rate fluctuation in order to support the economic recovery and export promotion.

► *Inflation and Interest Rate*

The Bank of Thailand adopted a new monetary regime in May 2000 based on “Inflation Targeting”; the target was to keep the inflation rate within the range of 0-3.5 percent. This new system allowed the Central Bank to intervene in financial markets through the repurchase market, by adjusting the 14-day repurchase rate. In July 2001, the Bank of Thailand established the Monetary Policy Committee (MPC) that was responsible for monitoring domestic and foreign economies and, based on that information, providing the Bank of Thailand with direction in regard to monetary policy.

Stimulus Policy

The Thai government launched various stimulus packages, mainly focused on fiscal policy, in order to stimulate domestic demand and alleviate social hardship. Examples of such policies are as follows:

► *Government Expenditure:*

The Government influenced domestic markets through expenditure adjustments to the annual government budget, both through normal budget and non-budget items. Since the renegotiation with IMF in 1998, the Thai Government operated a budget deficit at the rate of 2.1 percent of GDP in 2001, 2.4 percent in 2002, and an estimated 3.3 percent in 2003. (All figures quoted are fiscal year figures.) For non-budgetary expenditure, foreign agencies, such as the World Bank, OECF, ADB, and J-EXIM Bank, were the main sources of funding. The projects under this type of funding included the Miyazawa stimulus Package, the Structural Adjustment Loan, the Social Investment Fund, and the 58,000 Million Baht Stimulus package. Moreover, additional funding was targeted directly to low-income people in rural areas through a new project called the “Village Fund”.

Unit: Percent of GDP

	1998	1999	2000	2001	2002	2003
Net Budget Balance						
Estimated Budget	-1.0	-0.5	-2.2	-2.1	-3.8	-3.3
Actual Budget	-2.3	-2.4	-2.1	-2.2	-2.4	0.0
Non-Budgetary Fund	-0.2	-0.5	-0.3	0.5	0.3	0.0

Source: The Bureau of the Budget, Ministry of Finance

➤ *Tax Policy:*

Important tax and fee measures were the temporary reduction of the VAT rate from 10 percent to 7 percent in 1999, scheduled to end in 2003, and the exemption elimination of personal income tax for people whose annual salary is less than 50,000 Baht. Other measures included the abolishment of 1.5 percent VAT collection for the firms whose revenues exceed 0.6 Million Baht but are not over 1.2 Million Baht per annum.

Restructuring Policy

➤ *The Financial Market and Non-Performing Loans (NPLs)*

In the early months of the crisis, the Bank of Thailand implemented a resolution policy designed to close down insolvent financial institutions. Accordingly, 56 financial institutions were closed by November 1997. In 1998, the Thai Government changed the policy to allow firms to continue to operate provided that they re-capitalized and re-organized in order to avoid the collapse of asset value. Additional measures were launched to stabilize and restructure the domestic financial system, in particular, by addressing the NPL's problem. The chronology of important measures is as follows:

- ❑ The establishment of the Corporate Debt Restructuring Advisory Committee (CDRAC) in June 1998.
- ❑ The enforcement of the new loan classification and provision requirement, based on the BIS standard.

- ❑ The implementation of eleven key economic reform bills including the Bankruptcy Court Act and the Alien Business Bill in 1999.

- ❑ The establishment of the Thai Asset Management Corporation (TAMC) in June 2001.

Real Sector Restructuring

- The Master Plan for the Reform of State-Owned Enterprises was approved in September 1998. This Plan put forward basic guidelines for the country's privatization program focusing on four sectors: energy, telecommunications, transport, water, plus other targeted activities.

- Tariff Reforms have been gradually activated in response to Thailand's commitment to AFTA's tax reduction agreement, which required all members to reduce their import tariffs to be in the range of 0-5 percent by 2003.

- The Master Plan for Restructuring Manufacturing was formulated; it focused on thirteen sub-sectors and was financed by the Structural Adjustment Loan (SAL).

- Special purpose financial institutions, such as the Small Industries Finance Corporation (SIFC), the Thailand Recovery Fund, and the SMEs Venture Capital Fund, were launched. Several other SMEs funding schemes were activated in response to the need to provide liquidity to the SMEs.

2.3 Moving Forward to Sustainable Development (Present)

To achieve long-term economic sustainability, sound macroeconomic policy, effective private sector management, and sustained domestic expenditure are essential. Expansion of the economy based on an increase in Total Factor Productivity (TFP) is crucial to achieving long term economic growth. Sound macroeconomic policy is based on appropriate coordination between fiscal and monetary policy, in the context of sound economic and social policy. Moreover, in regard to the sufficient economy philosophy, increased in productive efficiency and

forward-looking socio-economic strategies are key factors needed to achieve sustainable development under contemporary globalization conditions. As a result, a dual track policy should be implemented.

The role of future macroeconomic policy in achieving Thailand's development goals is as follows:

1. Short-Term Economic Stimulus

Sound fiscal and monetary policy is required to achieve continuing economic recovery. In pursuit of this objective, four main factors need to be considered: (1) a continual decrease in NPLs is required to regain investors' confidence in tandem with extension of credit lines. (2) a persistent rise in private consumption expenditure, driven by an increase in private consumption at the grassroot level, is essential. (3) an expansion

Fiscal Policy Framework

Effective public debt management and fiscal sustainability are the primary targets of fiscal management. Public revenue and expenditure should be aligned with economic and social goals, without breaking down fiscal discipline. Moreover, the transferring of fiscal expenditure responsibilities to local administrations should be consistent with the decentralization of public authority in order to reinforce the strengthening of communities and maximize the efficiency of resource allocation.

3. Real Sector Strategy

Agricultural Sector

Although the agriculture is the sector which employs most workers in the labor market, it contributes only 11 percent to total GDP. This reflects the fact that most Thai farmers are continually in-debt and have inadequate incomes while the country's national resource base is diminishing over time. Therefore, the development of agricultural sector requires significant adjustment based on application of basic community known-how and modern technology that will lead to a sustainable development.

Key measures in this regard are:

- ❑ Promote high quality production rather than mass production.
- ❑ Encourage the integration and coordination of agricultural supply chains, and strengthen the capability of farmers, associations and private firms, in terms of technological advance, productivity, and business management.
- ❑ Enhance the broader participation of farmers and private firms to increase and ensure agricultural product standards, and input into policies of agricultural agencies.
- ❑ Include efficiency and competitiveness as key development targets in the agricultural sector.

Manufacturing Sector

The manufacturing sector was impacted by the crisis through demand shock and liquidity problems, that led to a deep contraction in manufacturing output in 1998. Many interventions to resolve the problems, particularly credit assistance, have enabled the manufacturing sector to recover remarkably. However, there are four underlying problems remaining: (1) capacity utilization rate is still below pre-crisis level, (2) share of exports in major markets, i.e., US, Japanese and EU markets, has decreased over time compared with competing countries, (3) medium-technology products have experienced high competition from Malaysia, the Philippines, and China, and (4) the country's international performance is generally at a low level.

The above problems represent the challenges Thai policy makers face under conditions of globalization. The following are key measures that should be adopted:

- Restructure from labor intensive production to skilled, technology and knowledge-based intensive production in tandem with development of quality control processes and establishment of product standards.
- Draw up the strategies for each sub-sector based on the following categorization: (1) potential global products, (2) potential regional products, and (3) potential local products.
- Support coordination among policy makers, industrial / trade associations, and the service sector to ensure rapid coordinated action. The public sector should change its role from that of control to coordination.
- Every level in supply chains and logistics should be strengthened in support of economic cluster formation and development.

3. Social Profile

3.1 Population: For the Ninth Plan period, a Master Plan for Population Development has been formulated, to be put into effect next year. This Plan includes many strategies,

based on maintaining fertility at the replacement level, developing the quality of the population through investment in human resources, encouraging suitable population distributions, developing a population data system, and undertaking demographic research, based on and cooperation among domestic and international agencies.

3.2 Health: The emphasis during the Ninth Plan period is on the participation of all sectors in society in promoting health and creating an enabling environment for good health; and on development of a diversified and holistic health delivery system. The prevention of disease and delivery of proactive health services based on the principles of high quality, efficiency and fairness, shall be undertaken. The people will be able to select services according to their needs and have the right to question services. Importance will also be placed on the development of alternative medicine, Thai traditional medicine, and uses of medicinal plants, to attain accepted medical standards. Medical and health personnel should be trained in alternative and traditional medicine.

3.3 Education: The capabilities of Thai people should be developed through well balanced and reflective education to enable them to realize their full potential, by giving high priority to the educational reform process. Important elements of reform include developing quality teachers and the amending curricula so that they are of high quality, meet high standards, are up-to-date, and are aligned with the needs and conditions of localities. Formal and informal learning processes are to be adjusted to encourage learners to continuously explore and pursue a wide range of knowledge.

In regard to vocational education, the quality of the Thai labor needs to be enhanced, especially in terms of basic knowledge, craftsmanship, use of indigenous Thai working values, and management skills, especially through the Thai Vocational Qualification (TVQ) program.

3.4 Human Security: The social safety net program should be further developed, focusing on enhancing the potential of the poor and the underprivileged to become more self-reliant. Local administrative organizations and community-based organizations will be the key players in delivering services that are responsive to the needs of local communities.

In response to drug problems, and other crimes, families, community organizations, local administrative organizations, the private sector and the press will be encouraged to participate in the process of crime prevention. Regarding the security of life and property, the overall management system shall be improved. The organization and management of the judiciary process should be restructured so that the system becomes more efficient. The enforcement of laws and regulations should be strengthened in order to provide greater security and justice, and protect the legitimate rights and freedoms of people. The efficiency of disaster and crime prevention services should be improved so that they are able to promptly respond to problems.

3.5 Drugs: The Thai Government has given its highest priority to drug prevention. Various types of media are being used to convince Thai people to fight against drugs. At the same time, the drug education in schools will be focused on preventing more students from getting involved with drugs and on reducing the demand for drugs in Thailand. Cooperation and coordination among all concerned agencies to control drugs needs to be improved. The government's plan is to strengthen three main institutions, schools, families, and communities, in an effort to reduce illegitimate drug use.

By strengthening treatment and rehabilitation measures, according to the PM's Order No. 119/B.E. 2544 (2001), the objective is to prevent drug addicts from returning to their addictions, thereby reducing the demand for drugs in Thai society. Drugs addicts will be treated and rehabilitated using both compulsory and voluntary systems. All registered addicts will be divided into groups according to the kind of drugs they used. Then, suitable guidelines, treatment, and rehabilitation

methods will be established for each group of addicts. Personnel development in this field will be carried out at the same time. Revision of laws and regulations concerning the treatment and rehabilitation process are in progress based on the premise that addicts have to be treated as patients. Career training and education is being provided to drug addicts while they are receiving treatment.

4. Efficient Management of Natural Resources and Environment

Over the last four decades, Thailand extravagantly exploited abundant natural resources in pursuit of national development, without proper management, leading to serious environmental degradation. Natural wealth could not be sustained. Soil, forests, mangrove forests, fisheries, and coastal resources were used extensively for economic gain. Users failed to consume resources at a sustainable level. The lack of strict and effective enforcement of laws contributed to natural resource degradation. Water shortages ensued. Farmers increasingly used chemical fertilizers and pesticides, affecting the quality of water and soil resources. Even more damaging has been the extensive extraction of mineral resources, leading to the environmental degradation and deterioration, including in tourist destination areas. Limited rehabilitation of natural resources and the environment was unable to keep pace with rapid degradation.

4.1 Directions in the Ninth Plan

Given the above problems, the Ninth Plan emphasizes improvements in management so as to restore balance in the utilization and conservation of natural resources and the environment. The sustainable use of natural resources in order to support national economic development, enhance self-reliance, upgrade the quality of life of the Thai people, and enhance the resilience of communities and the country, is promoted. Popular participation by all social and economic sectors in the management of natural resources and environmental conservation is encouraged. Emphasis is given to effective, transparent and honest monitoring, together with practical R&D, which will yield concrete benefits to society.

4.2 Development Guidelines

To ensure effective implementation in order to achieve the above priorities, major development guidelines in the area of natural resources and the environment are prioritized in the Ninth Plan as follows:

(1) Upgrading the efficiency of natural resources and environmental management in support of conservation, and rehabilitation and development of the grassroots economy. To this end, the existing mechanisms should be adjusted to focus on enhancing local participation, public awareness, quality of life, and efficiency of law enforcement. Data bases at the local level should be established to facilitate efficient monitoring and evaluation.

(2) Preservation and rehabilitation of natural resources. Action should be taken to protect and demarcate preservation and conservation areas in order to maintain eco-system balance and promote land use consistent with capability and best use. A master plan for the rehabilitation of Thai coastal and marine environments should be formulated. Nationwide, natural resource strategies should stress preservation of bio-diversity, efficient utilization of water resources, and the restoration of soil fertility to support increased agricultural productivity, as well as support conservation, and improved economic utilization of energy.

(3) Rehabilitation and preservation of community surroundings, art and culture, as well as tourist attractions to enhance the quality of life and the local economy. Actions should be taken to preserve natural tourist attractions, local arts, and archeological sites in order to support sustainable development of tourism. Town planning should be used as a mechanism to coordinate environmental management in cities to achieve livable and viable cities.

(4) Efficient pollution abatement management conducive to the development of livable cities and communities. Resources should be focused on development of waste disposal systems that are acceptable to communities. Pollution abatement requires strict law enforcement, the adoption of appropriate technologies, and the upward adjustment of environmental standards to international levels.

5. Selected Key Infrastructure Development Programs

5.1 Direction of infrastructure development

The Ninth Plan emphasizes utilizing existing infrastructure systems effectively, establishing sectoral regulatory bodies, encouraging public participation in planning and management of infrastructure projects, and revision of project preparation processes to minimize problems identified at project submission and in operating procedures. Private sector investment in mega infrastructure projects is to be encouraged.

5.2 Development Guidelines

Thailand will emphasize new projects that increase efficiency of transportation systems, accelerate the country's gateway function (e.g., access to the Greater Mekong Subregion), introduce new technology to provide better service, and support a better quality of life.

5.3 Sectoral Priorities

Transportation

Accelerate the construction of Suvarnabhumi International Airport (SIA) in Bangkok and develop a transportation network, which better connects major cities with the new airport. Furthermore, coordinate public and private efforts in developing related economic activities, which would enhance Thailand's role as a regional air transport hub.

Develop an inter-city network of controlled access motorways and special expressways connected with other

transport systems, in support of economic development in Thailand's regions.

Develop road and rail networks connecting airports and seaports in order to transport conveniently, quickly and efficiently commodities and passengers to and from airports, seaports, railway stations, and cargo terminals.

Improve maritime transport systems, especially in the Eastern Seaboard Area, to enhance Thailand's role in marine transport in South East Asia, particularly as a gateway to the Greater Mekong Sub-region. The capacity of maritime transportation services needs to be increased - the private sector should be supported in this regard.

Energy

Promote efficient and economic use of energy, using price incentives as the main instrument. Market based instruments should be and supported with complementary measures such as public information campaigns, regulatory measures, in order to reduce the burden of investment in electricity generation.

Promote private sector involvement and competition in the energy industry, in order to increase efficiency in the use, provision, and sale of energy. Reduce the public investment burden and promote private sector participation in energy development.

Prevent and reduce environmental problems resulting from the development and use of energy, and improve safety standards in the energy industry.

Telecommunications

Develop telecommunication and information technology systems in order to increase economic competitiveness and upgrade the people's quality of life by allowing free competition in the provision of services.

Establish a regulatory body in order to set fair competition criteria and protect users in regard to accessing service at international standards in terms of quality and price. Promote private participation in the telecommunication sector in order to increase efficiency in service.

Public Utilities

Support private sector investment in expanding water networks (water supply and waste water) in extended urban regions, including peri-urban areas.

Coordinate public and private sector efforts to achieve more efficient water usage, through pricing measures, and through campaigns to raise public awareness of water shortages and effective water-saving habits.

Provide waste water and solid waste treatment systems in areas of rapid economic development, particularly the five suburban Bangkok provinces, the Eastern Seaboard (Chonburi, Rayong), and in Regional cities and recreation / tourism areas.

5.4 On Going Projects

Recently, in support of Thailand's development, a number of key infrastructure projects have been initiated, for example:

Land Transportation: Metropolitan Rapid Transit Project

This project is the first underground railway system in Thailand. It connects with other major transport systems in Bangkok, including the BTS (Bangkok Rapid Transit System) and the Mochit Bus Terminal. The system will be 20 kilometres in-length and serve 18 stations, operating from 5 am. to 12 am. The system stretches from Hua Lumphong station to Bang Sue station. This project will be completed by the year 2003.

Air Transportation: Suvarnabhumi International Airport Project

This project, of national strategic importance, will act

as a gateway to South East Asia, serving as a first-order air-hub. It will provide air-transport services to meet long-term demand and enhance Thailand's competitiveness in exports and tourism.

The first phase of the Suvarnabhumi International Airport, with a total investment cost of \$ 2.8 billion (U.S.) is designed to serve at least 40 million passengers per year and to operate 76 flights per hour with 2 parallel runways. The construction of Suvarnabhumi International Airport is now 30 percent complete; operations will commence by the year 2005.

Telecommunications: 1900 MHz Mobile Telephone Services Project

The 1900 MHz Mobile Phone project is a digital phone system using 1900 MHz frequency range. The project will have a network of 1,500 base stations to support 400,000 numbers, which will cover Bangkok metropolis and peripheral areas. The project is expected to be completed by 2004. Its cost is approximately \$ 97.37 million (U.S.).

At present, the Telephone Organization of Thailand (TOT) is in the process of selecting a construction company to implement the project.

Public Utility: The 7th Bangkok Water Supply Improvement Project

The 7th Bangkok Water Supply Improvement Project is to increase water capacity in the Bangkok Metropolitan Area from 4.9 million cu.m./day to 5.7 million cu.m./day in order to cover the 1,423 sq.m. service-area. The investment cost of the project is approximately \$ 582.67 million.

At September 2002, this project was 16 percent completed; it will be operational by the year 2006.

Energy: Transmission System and Substation Development Project 7th State Phase 1 & 2

This project is designed to increase power supply capability and reliability to meet the increasing demand for electricity in the project area, covering 15 provinces in the northern part of Thailand. It will support power distribution system reinforcement and rural development programs of the Thai Government.

The total investment cost of this project is approximately \$ 245 million (U.S.). Completion of this project in 2004 will secure continuity of supply, increase reliability, and provide quality service for present and potential customers in the project area.

Energy: Thailand-Malaysia gas Pipeline Project and Thailand-Malaysia gas Separation Plant Project

The goal of this project is to provide energy to meet both short-term and long-term demand, especially by supporting electricity generation utilizing petrochemicals.

The total investment cost of this project is around \$ 662 million (U.S.). Completion of this project in 2006 will provide sufficient capacity for the ensuing 10 years.

6. Spatial Development Programs

6.1 Subregional Economic Cooperation Programs

Thailand's rapid economic growth over the last decade has been increasingly based on a liberalized trading and financial environment. The degree of openness to the global economy increased from 66% of GDP in 1992 to 103.5% in 2002. The expansion of international trade and foreign direct investment has been one of Thailand's major economic driving forces. On the other hand, when compared to other competitors in the global market such as China, Malaysia, and Vietnam, Thailand's competitiveness has declined drastically.

While international trade and investment have been a primary engine of growth, emphasis is increasingly being placed on strengthening of the domestic economy, particularly in terms

of consumption and investment under the principle of sufficiency economy, by giving importance to increasing the domestic savings rate. Secondly, the productivity of labor, land, and capital must be improved to achieve enhanced total factor productivity.

Given Thailand's geographic location at the center of Indochina, it is advantageous to Thailand and its neighbors to promote cooperation with the neighboring countries. Cross-border cooperation can play a significant role in creating 'new market clusters' for Thai products, as well as supplying raw materials and inputs for trans-border production processes. In many cases, both Thailand and its neighbors can benefit by shifting manufacturing activities in which Thailand has less competitive advantage to neighboring countries. Increased trans-border linkages will result in Thailand playing a more significant role as a regional and international hub for land and multi-modal transportation, aviation, telecommunications, and tourism. Opportunities for Thailand in production, logistics and services are likely to be a secondary benefit of a trans-border development strategy.

Development strategies to promote economic cooperation between Thailand and neighboring countries have been implemented since 1993 under three major programs; namely, the Greater Mekong Subregion (GMS) Economic Cooperation; the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); and the Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMST-EC). Development has occurred in three phases.

The first phase (1993-1997) was used to define strategic plans, master plans, and prioritize projects/programs. Feasibility studies of projects/programs were also carried out, particularly in terms of infrastructure, e.g., road and railway networks, telecommunications, river and sea ports.

The second phase (1998-2002) saw the translation of plans/programs into actual implementation, which included financial mobilization. Detailed design and construction of the

prioritized projects were conducted with a particular focus on the neighboring countries, i.e., Laos PDR, Vietnam, and Cambodia, where the lack of infrastructure significantly constrained trans-border linkages. In addition, the streamlining of cross-border rules and regulation, and the signing and implementation of agreements to facilitate cross-border movement of goods and people, characterized this period.

The third phase (2003-2007) will be devoted to coordinating the action plans for spatial development at a bilateral level e.g. Thailand-Cambodia Economic Cooperation, etc. Also harmonizing or streamlining of rules/regulations to implement activities in certain priority areas, enhancement of private sector investment, and promoting the shift of industrial bases to neighboring countries are expected to be priorities during this period.

Greater Mekong Subregion (GMS) Economic Cooperation

Thailand has been actively involved in the ***Greater Mekong Subregion Economic Cooperation Program (GMS)*** comprising Cambodia, China (Yunnan Province), Laos, Myanmar, Thailand, and Vietnam. Home to some 250 million people, the GMS covers 2.3 million square kilometers. Its rich human and natural resources make it a frontier for economic growth in Asia. The GMS aims to facilitate sustainable growth and reduce poverty by strengthening economic linkages among countries. It seeks to enhance development opportunities, encourage trade and investment, resolve or mitigate cross border problems, and meet common resource and policy needs.

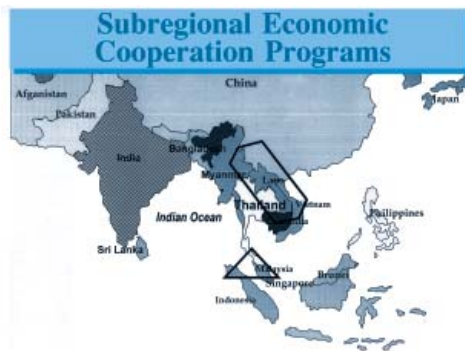
Substantial progress has been made under the GMS since 1992 in the following areas: *(a) fostering cooperation and trust*, the mutual cooperation through regular dialogue among GMS countries has contributed to peace, stability, and prosperity in the subregion; *(b) developing subregional infrastructure*, several cross-border projects in transport, energy, and telecom sectors involving more than one country are being implemented or prepared; *(c) developing the “soft” aspects*, increasing attention has been given to human resource development which has

included harmonization of training standards and accreditation/certification, and introducing ways to mitigate the trans-border spread of communicable diseases. Tourism promotion and product development have been highly successful, supported by active involvement of private sector. Environmental management is increasingly concerned with broader trans-border issues. The GMS includes initiatives for resolving policy, regulatory, and other nonphysical barriers to cross border traffic, complementing investment in transportation infrastructure.

Cooperation initiatives between Thailand and its neighboring countries have been developed under the GMS, with a view to optimizing subregional linkages, notably in the form of joint border areas development plans, and establishment of special border economic zones, creating favorable climates for investment and business enterprises, thereby promoting faster growth for the subregion as a whole.

GMS development, in its second decade will be realized through implementation of flagship programs which are clusters of integrated, multisector projects that have close linkages to one another. Three of the flagship programs are for the North-south, the East-west, and the Southern economic corridors. Different economic activities will be integrated with a major

transport artery in a specified geographical area. The economic corridors will play a key role in integrating the GMS, and in highlighting its strategic location in Asia.



Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) Project began in early 1993 when former Prime Minister of Thailand (Mr. Chuan Leekpai) visited Malaysia and Indonesia. The three countries agreed to request assistance from the ADB in 1993 to undertake a study and prepare a development strategy to promote regional economic cooperation in this growth area. Initially the IMT-GT covered 20.5 million people and an area of 230,000 square kilometers. It included 2 provinces in northern Sumatra Island of Indonesia (North Sumatra, West Sumatra and the Special Territory of Aceh), 4 northern Malaysia states (Kedah, Perlis, Penang and Perak), and 5 Southern border provinces of Thailand (Songkhla, Yala, Pattani, Narathiwat and Satun). Presently, the IMT-GT has expanded to cover additional provinces in Sumatra namely, Riau, Bangkulu and Jambi.

The IMT-GT displays significant differences in resource endowments, giving rise to numerous potential trade, investment and tourism complementarities. The IMT-GT goal is to accelerate private sector-led economic growth and development in the area through the initiatives that aim to: (a) promote foreign direct investment and facilitate economic development of the subregion by exploiting underlying economic complementarities and investment opportunities, (b) enhance international competitiveness for direct investment and export production, (c) lower transport and transaction costs, and (d) reduce production and distribution costs through economies of scale. Presently, cooperation areas focus mainly on infrastructure development, trade, and sectoral development,

IMT-GT development during the Ninth Plan period will be realized through the implementation of the Songkhla-Penang-Belawan Seamless Corridor plan through which physical facilities and infrastructure, i.e. seaports and different economic activities, will be well integrated.

6.2 Thailand's Spatial Development Programs

Regional development plans have been prepared and

implemented in different stages to promote sub-national development in Thailand, for instance, the Southern Seaboard Development Program, the Border Towns Urban Development Program, and the Establishment of the Special Border Economic Zone. Improvement of regional road networks connecting major cities and towns with border areas, port improvement (Mekong River), and the construction of Suvarnabhumi New International Airport, etc., all have contributed to regional development efforts in Thailand.

The Eastern Seaboard Development Program

The development of the Eastern Seaboard (ESB) was one of the priority agenda in the Fifth National Economic and Social Development Plan, launched in 1981 to reduce over-concentration of economic activities in Bangkok. Also, the ESB was key to Thailand's early industrialization based on the utilization of local resources, particularly natural gas. The ESB covers three provinces: Chonburi, Rayong and Chachoengsao. The two core areas are (a) the Map Ta Phut Industrial Estate and deep seaport, where heavy chemical industries using domestic energy resources are clustered, and (b) the Laem Chabang Industrial Estate and deep seaport, which is a production center for non-polluting export-oriented industry.

Industrialization in the ESB region has progressed remarkably, and the region has developed into Thailand's industrial center. The total investment in the ESB area between 1982 and 2002 was 45,280 million U.S. dollars, approximately 50% of the total investment in the country.

The Thai Government has expressed its continued support for future development in the ESB. In its next phase, the ESB will continue to play a leading role as Thailand's supra-industrial base for high technology export-led production, including the manufacturing of automotive parts, and machinery industries for the Southeast Asian market. The development framework includes three set of initiatives: In terms of *infrastructure development*: the expansion of existing deep seaports at Laem Chabang and Map Ta Phut and the rehabilitation of the

U-Tapao international Airport are planned with the focus of investment to be by the private sector. In terms of *software development*, the workforce will be enhanced in terms of skills to serve the growing demands of high-end industries. In *social and environment*, several initiatives such as social service restructuring and water resources management have been implemented to make local settlements safer, healthier, more livable, equitable, and sustainable.



Tourism Development of Koh Chang Island and Its Vicinities

Koh Chang, one of the most beautiful islands located along the coast of Trat Province in the Eastern region of Thailand, has become a center for coastal eco-tourism in the upper Siam Gulf, as well as being the gateway to Indochina countries and the Greater Mekong Subregion. Its strategic location and the surroundings offer great opportunities and advantages for the development of tourism circuits linking with many destinations in neighboring countries, through various transportation means. *By sea*-the seaports at Laem Chabang and Trat can be utilized as a base to connect with the tourism sites in the Siam Gulf and in Cambodia. *By road*-the networks of tourism sites which exist along the major route from Bangkok to Koh Chang, can be connected to the trading area at the border checkpoint at Khlong Yai, and to Koh Kong Province in Cambodia. And *by air*-an airport in Trat will provide opportunities for networking with the other major tourism cities in every region of Thailand, including Koh Samui, Phuket, plus tourism sites in Cambodia.

With the potential of being the coastal eco-tourism center of the upper Siam Gulf, Koh Chang and its vicinities is being planned as a qualified eco-tourism site, for so-called

“Green & Blue Eco-Tourism” -encompassing unique services and local products. The area will also cater to a wider range tourism activities based in coastal areas of Chonburi, Rayong, Chantaburi, and Trat, as well as the tourist attractions in the neighboring countries. Three development strategies have been set. First, ***spatial management and community ordering*** by enhancing the transportation networks and basic services to systematically accommodate community expansion and the growing demand for tourism. Best practice in urban planning and tourism environment conservation will be applied, with strong local participation. Second, ***enhancing and upgrading the product quality and tourism services*** will be pursued by diversifying tourism-related activities, and adding value to local products by maintaining the lifestyle and culture. Marketing will be proactive, addressed to every level of tourists, utilizing information communications technology (ICT) as a major tool. And third, to ***ensure long-term sustainable management***, a unique tourism management mechanism for Koh Chang and its vicinities will be established, based on public and private sector partnerships, local authorities, and residents of the area.



7. Good Governance

The Constitution of 1997 has increased awareness of good governance among Thai people. People have more rights and are more involved, through participatory processes, in the good governance of the country. At the same time, civil society has been strengthened and is playing an important role in good governance of Thailand.

7.1 Good Governance in Public Sector

To enhance good governance in the public sector, the Cabinet endorsed the Public Service Management Reform Plan. The core of the Plan is the **“Holistic Reform Approach”**. Holistic reform means that the Plan covers all aspects of public sector management, namely: 1) Revision of Role, Functions and Management of the Public Sector with an Emphasis on Economy-related Agencies, 2) Budget, Finance and Procurement Management Reform, 3) Personnel Management Reform, 4) Legal Reform, and 5) Reform of Cultural and Public Values.

The most important reform is the public sector structural reform, which has been effective since October 1, 2002. The number of Ministries has changed from 16 to 20. Redundancies were eliminated, resulting in smaller and more focused organizations. Work and management systems were grouped according to clear missions, consistent with the new roles of the public sector.

Another crucial reform is budget system reform, which represents a shift from the traditional line-item budget system which focused on inputs to **“Performance-Based Budgeting”**. The latter systematically defines an organization’s mission, goals, and objectives, then regularly evaluates its performance as a part of the budget process by linking information on inputs, outputs, and outcomes to policy goals and objectives.

7.2 Good Governance in Private Sector

Lesson learned from the 1997 crisis have made the private sector much more aware of the importance of good

governance. Therefore, the concept of good corporate governance is popular in private sector. Good corporate governance stresses that the private sector must take responsibility for the welfare of the overall society and economy. Business performance must be of a high standard, transparent, and based on discipline and morals. Adoption of good corporate governance principles is likely to increase Thailand's competitiveness in the world of business.

7.3 Check and Balance Mechanism

The Constitution of 1997 set up various mechanisms which provide necessary checks to make sure that power is not abused. The mechanisms are in the form of "independent organizations". At present, there are 8 independent organizations. The organizations authorized for decision-making are The Constitutional Court, The Administrative Court, The Auditor General Commission of Thailand, The National Counter Corruption Commission, and The Election Commission of Thailand. The organizations which are not authorized for decision-making are The Ombudsman, The National Human Rights Commission of Thailand, and The National Economic and Social Advisory Council. Furthermore, media, academics, civil society and people are also provided roles in the check and balance mechanism.



Section IV: High Priority Agenda



In line with the Ninth Plan, the Government has formulated an urgent development agenda for implementation. Given the challenges and opportunities arising from within and outside Thai society, there is a need to prioritize public policy initiatives in terms of timing and budget management. The Government has clearly identified 4 priority issues to be handled in a systemic manner. These are: strengthening the country's competitiveness, improving social capital, reducing poverty, and promoting sustainable development.

1. Enhancing Thailand's Competitiveness

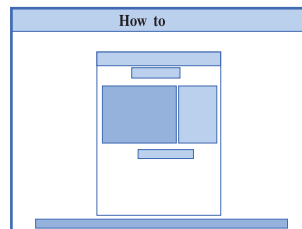
1.1 Global Forces Affecting Thailand

The world is changing very fast, technology and the global economy are profoundly affecting the way we live and work. Firms, governments, and private citizens face increasing global competition as people, goods, services, skills, and ideas move freely across national borders. Markets and production

social capital. The goal is to increase world market share by no less than 1.1 percentage share by the year 2006, and to promote at least 5 Thai high potential niche industries that can be serious competitors in world markets. These would include: (i) Kitchen of the World (food); (ii) Detroit of Asia (auto industry), World Tropical Fashion (garments-gems & jewelry-leather & shoes). To support the foregoing, productivity in every segment of production and the service sector (including business and producer services, health, and tourism / hospitality) needs to be enhanced.

1.4 What Needs to Be Done to Get There

In order to drive the country to HPE status, two major tasks need to be undertaken. (a) A Thailand Competitiveness Strategy with an emphasis on the production and service sectors, trade, investment, and foreign policy, and enabling factors, needs to be formulated; and (b) the public sector needs to be reformed to enhance the business environment and competitiveness. As has been indicated in this Report, progress has been made in the implementation of governance reform programs. Importantly, a National Competitiveness Committee (NCC), chaired by the Prime Minister, has been established. The mission of the NCC is to strategically drive and coordinate key tasks that the Government and private sector need to undertake to achieve HPE status. The private sector will be assisted in competing and responding to emerging trends based on: (i) society-wide productivity and efficiency improvements, (ii) macroeconomic stability, and (iii) creation of an enabling business environment.



2. Social Capital

2.1 Social Capital in Thai Context

Social capital is defined as the sum of resources already existing in the form of a society's human resources, formal and informal networks, institutions, and work modes. In societies where social capital is increasing, it is the product of accumulation and continual improvement. Social capital is a major factor, probably the major factor, in achieving sustainable economic and social development, as well as in improving the population's quality of life. In Thailand, social capital is classified as follows:

(1) *Human capital* refers to people's qualities including, intelligence and skills, moral stature, discipline, work ethic, diligence, responsibility, and commitment to the social good. All members of society contribute to a nation's human capital including thinkers, leaders, public figures, and the general public. A commitment to the overall social welfare is a particularly important element of social capital in terms of development.

(2) *Institutional capital* refers to families, industrial associations, trade groups, academic institutions, media groups, religious institutions, political institutions, etc. It also includes civil society networks and groups, such as non-governmental organizations, community institutions, professional institutions, volunteer organizations, etc. It is networking, both within and among institutions, that is the most important element of institutional capital.

(3) *Local wisdom and culture* is rather abstract, unable to be clearly measured. It covers value systems, such as ethics, core values, beliefs, generosity, respect to senior people, discipline, commitment to the social good, etc. It is a product of Thai culture, importantly including, language, arts, traditions, way of life, etc, and local wisdom, embodied in Thai food, traditional Thai medicine, traditional technology, etc.

2.2 Social Capital : Its Importance

During the economic boom period (1984-1997), Thailand relied on inexpensive labor, and the non-sustainable mining of abundant natural resources to achieve rapid economic growth. Although the results were satisfactory in an economic sense, such a mode of development resulted in structural problems. This has clearly been observed in the disruptions associated with the economic crisis that broke out in 1997. Structural problems that came home to roost in 1997, but a by-product of the economic boom, include a decline in the country's international competitiveness, increasing poverty and income distribution problems, social problems, such as crimes, drugs, and the degradation of natural resources and environment, etc. These structural problems represent impediments on the path to sustainable development and improvement in the people's quality of life. Therefore, development alternatives must be assessed and identified so that the Thailand's capabilities in today's rapidly changing world can be strengthened. The strengthening of Thailand's social capital has a key role to play in this regard.

2.3 Social Capital : Revitalization

To effectively develop and utilize social capital, it is necessary to assess and identify the magnitude and nature of social capital existing in Thai society, modes of utilization, and the most effective means to continuously and systematically add value to Thailand's social capital. Preliminary assessment has identified several types of social capital in Thailand that could represent important foundations for accelerated productivity-based sustainable development. If utilized skillfully, social capital could, and should be an important force in achieving HPE status.

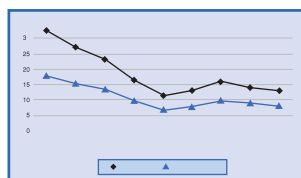
To revitalize Thailand's social capital, four **fundamental concepts** should be considered. Firstly, the administrator/planner's paradigm must be adjusted so that they are aware of the diversity of social capital existing in each locality. Secondly,

valuable social capital must be maintained, continuously improved, rehabilitated, and developed, while unfavorable social capital should be reduced. Development of new forms of social capital, e.g., support to new types of institutions and networks, should be explored. Thirdly, social capital should be utilized both to strengthen the quality of life of the majority of people and to improve the competitive capability of the country. In HPEs considerable synergy is achieved in pursuing both these objectives simultaneously based on effective utilization of social capital. Lastly, active participation of all institutions and networks in society is required. Public awareness should be raised so that everyone realizes the importance and necessity of the development and utilization of social capital.

To put the above concept into action, the Office of National Economic and Social Development Board intends, in 2003, to commence systematic implementation of this concept by first formulating a “Framework for the Development of Social Capital for Sustainable Development”. To enable practical application, this Framework will be submitted to the Cabinet for consideration and approval.

3. Poverty Alleviation towards the Millennium Development Goal

Poverty alleviation has been recognized by the Thai Government as a high priority area for action. The seriousness of the issue is underlined by the increase in the number of the poor, using the poverty line as the measurement, post 1997. The number of the poor had declined from 17.9 million people or 32.6 percent of the population in 1988 to 6.8 million people (11.4%) in 1996. However, post 1997, the number of the poor rose to approximately 8.2 million people (13%) in 2001.



The present Government has targeted poverty alleviation as one of its priorities. Urgent policies of the government

to assist the poor include: Debt Suspension for Farmers, the Village and Urban Revolving Fund, the One Tambon - One Product program, the People's Bank, and establishment of a Universal Health Assurance program.

The Ninth Plan also indicates poverty alleviation as one of the key objectives of the Plan. The Plan aims to reduce the incidence of the poverty over the period of the Ninth Plan to less than 12 percent of the population, and to enhance human potential and quality of life of the poor.

3.1 Poverty Alleviation Strategy Plan

According to the Ninth Development Plan, the role of **the Poverty Alleviation Strategy Plan** is to serve as a comprehensive, multifaceted, and integrated plan to attack poverty in Thailand. The plan, which was approved by the Cabinet in January 2002, defines poverty as encompassing not only low income and consumption but also structural problems that prevent the poor from escaping from poverty. The plan consists of five sub strategies:

The Macro Economic Strategy advocates fair and equitable economic growth that will contribute to employment growth in the agricultural sector, the main source of income of the poor.

The Strategy for Capability Building focuses on enhancement of the grassroots economy and communities' selfreliance through the building up of local organizations.

The Strategy for Social Safety Net Improvement advocates the strengthening of community potentials to enable them to act as key actors in developing and managing social safety nets in their localities.

The Natural Resources Management Strategy focuses on better land and water management to enhance the livelihood of poor farmers. Legislation related to these issues in forestry, fisheries, and land and water management needs to be drafted, approved, and put into practice.

The Public Sector Restructuring Strategy advocates good governance and strong social foundations in communities and the nation. Proposed initiatives include increasing the roles and responsibilities of provincial and local governments in poverty alleviation efforts.

3.2 Translating the Strategy into Action

At present, five essential measures have been identified to translate the Strategy into action.

First, NESDB is assigned as the main organization to coordinate relevant agencies and development partners to implement poverty alleviation strategies.

Second, poverty areas (socio-economic and geographic) are being identified and prioritized to ensure consistency in targeting by all public sector agencies. This process includes development of poverty profiles that indicates groups the poor by characteristics, in both geographic and socio-economic terms.

Third, public mechanisms to address poverty have to be improved. This includes improving legislation, integrating funding for poverty alleviation programming, more effective programming, and better targeting of efforts, both in terms of target groups and geographic areas.

Fourth, formulation of community plans and local participation in poverty alleviation efforts needs to be supported.

Finally, participation from all sectors in the society must be promoted in order to expand popular participation in translating the Strategy into action.

4. Sustainable Development: Balancing Perspectives on Key Issues Affecting Economic, Social and Environment

Pervasive unbalanced development leads to various aspects of natural resources and environmental degradation, including soil degradation, water and air pollution, and deforestation. Realizing these negative impacts, many recently countries affirmed Agenda 21, and the Rio Declaration, a global framework

for balancing perspectives on key issues affecting the economy, society and the environment. Agenda 21 advocates strengthening the roles of key stakeholders in society in implementing sustainable development.

4.1 Sustainable Development in Thailand

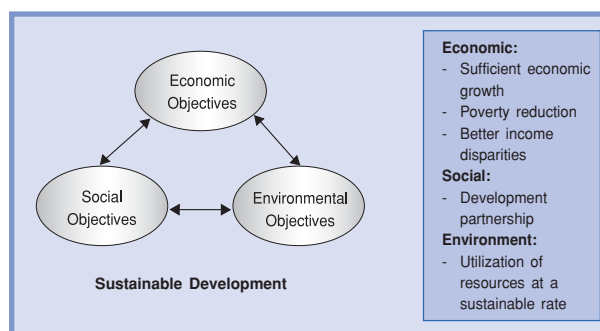
Thailand has applied the global concept of sustainable development to the Thai context, particularly key themes resulting from the Johannesburg Summit on Environment, to renew our commitment to Agenda 21 for the benefit of present and future generations.

The Thai economic crisis in 1997 has generated several negative impacts on the quality of life of Thai people. As has been indicated, poverty and unemployment has worsened. Income distribution has also worsened. The income share of the poorest 20 percent, dropped from 4.2 percent to 3.8 percent of GDP, while the top 20 percent of households saw their combined income rise from 56.5 percent to 58.5 percent of GDP. The rapid deterioration of natural resources and the environment has also given rise to more social conflicts, such as in use of forest resources.

4.2 Thai Performance

To ensure effective implementation to achieve sustainable development, there are three areas of concern as follows:

(1) There is a need to balance the three pillars of sustainable development as follows:



(2) There is a need to establish effective management systems and mechanisms for implementation, monitoring, and evaluation in accordance with public policy identified in the Strategic Sustainable Development Framework (SSDF). The SSDF is being prepared by the National SD Committee with the Prime Minister as a Chair, the concerned Ministers constituting the Committee, and the Secretary-General of NESDB acting as Secretariat.

(3) Skills need to be developed to upgrade and maintain the National Sustainable Development Index (NSDI)

Section V: Major Events in 2003

December 12-13, 2002	Informal SOM	Bangkok
December 16-18, 2002	15 th APBer 16-18, 2002	15

Dates	Major APEC meetings and events	Other APEC meetings and associated events	Venues
July 6-16, 2003		APEC International Youth Camp	Chantaburi (Tbc)
September 2-3, 2003	APEC Finance and Central Bank Deputies		Phuket
September 4-5, 2003	10 th APEC Finance Ministers Meeting		Phuket
September		APEC Financiers Group Meeting	Tbc
October 16-21, 2003		APEC Investment Mart	Bangkok
October 14-15, 2003	Informal SOM	Informal SOM	Bangkok
October 17-18, 2003	15 th APEC Ministerial Meeting		Bangkok
October 18-20, 2003		ABAC	Bangkok
October 18-21, 2003		CEO Summit	Bangkok
October 20 - 21, 2003	11 th Informal APEC Economic Leaders' Meeting		Bangkok

Remark: Tbc = to be confirmed

2. NESDB's Annual Conference 2003

NESDB will hold its annual conference in June 2003. The objectives of the conference are: to report on the status of economic and social development in Thailand, building on discussions at the year 2002 annual conference, and to brainstorm ideas and suggestions concerning sustainable development strategies, defined holistically to cover economic, social and ecological dimensions. The topics of the conference are as follows:

Morning Session:

- Report on Well-Being of the Thai people and Overall Economic Performance, building on last year's conference
- Report of outputs/outcomes of Government policy
- Report on the developmental results associated with the Ninth Plan strategies

Afternoon Session:

- Sustainable Development

The number of participants is expected to be 1,500 persons, from the public and private sectors, as well as politicians.

3. NESDB's Conference on National Competitiveness

NESDB plans to organize the biggest conference on competitiveness in the history of Thailand in August or September 2003.

The 2-day conference is aimed to generate a common perception and awareness among business communities in Thailand regarding new concepts and national strategies to drive competitiveness. The conference will also highlight Thailand's repositioning efforts and assess drivers key to the country's competitiveness at both macro and micro levels.

The Prime Minister, along with key cabinet members, will deliver keynote speeches at the conference. Leading thought-provoking scholars and developmental visionaries, domestic and foreign, will address key issues identified through global comparative analysis of competitiveness strategies.

More than 3,500 participants from various segments of the private sector, including the Federation of Thai Industries, the Board of Trade of Thailand, and top executives from Thailand and international companies doing business in Thailand are expected to join this important conference.

Section VI: NESDB and Related Agencies



The Office of the National Economic and Social Development Board (NESDB) is currently restructuring in accordance with the country's public sector reform policy in pursuit of good governance, and to keep pace with globalization. The details are as follows:

1. Main Functions and Responsibilities

In compliance with the National Economic and Social Development Board Act of 1978, NESDB operations can be divided into two, the NESDB Board and the Office of NESDB.

1.1 The NESDB Board comprises 15 distinguished professionals, namely a chairman and 9 members who are highly qualified experts in development. There are five ex-officio members, includingly the Secretary-General of the Civil Service Commission, the Director of the Bureau of the Budget, the Director-General of the Fiscal Policy Office, and the Governor

of the Bank of Thailand. The NESDB Secretary-General serves as member and secretary. The committee works for a four-year term. Responsibilities of the NESDB are to provide comments and recommendations on national economic and social development to the Cabinet, to scrutinize the National Economic and Social Development Plan, and to consider proposals on other national issues that come to the attention of NESDB, then propose them to the Cabinet, after scrutiny.

1.2 The Office of NESDB is the central agency responsible for designating strategic guidelines for formulating national development policies. Other responsibilities are as follows:

- (1) Study and analyze economic and social conditions and recommend policy goals for national economic and social development.
- (2) Appraise and evaluate development programs/projects of public agencies.
- (3) Assess existing financial, human, and other resources available for public sector purposes.
- (4) Make proposals for involving assets available for developmental purposes from the national budget, loans, retained earnings, and other sources.
- (5) Examine expenditures incurred by creation and maintenance of fixed assets required for development; suggest measures to make these expenditures more cost effective.
- (6) Examine expenditures in support of economic and social goals; suggest measures to make these expenditures more cost effective.
- (7) Provide advice to public agencies in formulating development plans and projects involving external aid, and in providing assistance to foreign countries.
- (8) Follow-up on the performance of the National Plan and monitor and evaluate development programs, projects, and plans of public agencies associated with National Plan implementation.

(9) Undertake any other activities as stipulated by law, or designated by the Prime Minister or the Cabinet.

2. Organization Structure

The Office of NESDB has divided its administrative structures into 13 offices and 2 divisions; namely,

Our Office	Contact us
Office of the Secretary (OS)	Tel: 0-2281-5342, 0-2628-2853 Fax: 0-2280-0892 E-mail: os@nesdb.go.th
Management Coordination Division (MCD)	Tel: 0-2281-6326 Fax: 0-2281-6637 E-mail: mcd@nesdb.go.th
National Accounts Office (NAO)	Tel: 0-2216-5430 Fax: 0-2216-5425 E-mail: nao@nesdb.go.th
Development Evaluation and Communication Office (DECO)	Tel: 0-2282-4842 Fax: 0-2282-2559 E-mail: deco@nesdb.go.th
Competitiveness Development Office (CDO)	Tel: 0-2282-0181-3 Fax: 0-2281-9269 E-mail: cdo@nesdb.go.th
Spatial Development Office (SDO)	Tel: 0-2253-3116 Fax: 0-2253-3258 E-mail: sdo@nesdb.go.th
Community Economic Development and Income Distribution Office (CEDIO)	Tel: 0-2628-2855, 0-2280-1421 Fax: 0-2280-1420 E-mail: cedio@nesdb.go.th
Central Region Economic and Social Development Office (CESO)	Tel: 0-2281-6632, 0-2281-9840 Fax: 0-2281-5241 E-mail: ceso@nesdb.go.th
Northeastern Region Economic and Social Development Office (NEESO)	Tel: 0-4323-6784 Fax: 0-4323-9912 E-mail: neeso@nesdb.go.th

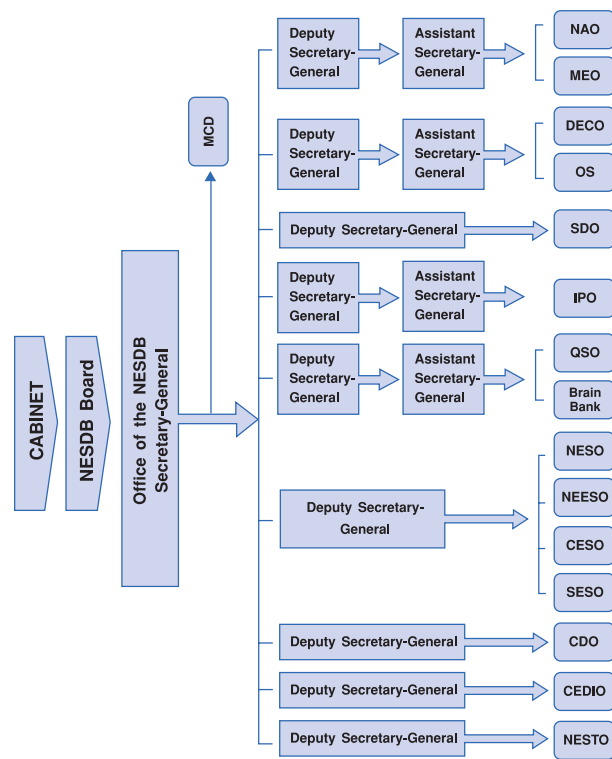
Our Office	Contact us
Southern Region Economic and Social Development Office (SESO)	Fax: 0-7431-2702 E-mail: seso@nesdb.go.th
Northern Region Economic and Social Development Office (NESO)	Tel: 0-5389-2115, 0-5322-1155 Fax: 0-5389-2110 E-mail: neso@nesdb.go.th
Quality of Life and Social Development Office (QSO)	Tel: 0-2281-6329 Fax: 0-2282-9158 E-mail: qso@nesdb.go.th
Natural Resource, Environment, Science and Technology Office (NESTO)	Tel: 0-2281-6634 Fax: 0-2280-2747 E-mail: nesto@nesdb.go.th
Macro Economic Office (MEO)	Tel: 0-2281-6635 Fax: 0-2281-9882 E-mail: meo@nesdb.go.th
Infrastructure Project Office (IPO)	Tel: 0-2281-0992 Fax: 0-280-1860 E-mail: ipo@nesdb.go.th

3. Coordination Mechanism

3.1 An ongoing responsibility of the Office of NESDB is to appraise development programs/projects of public agencies, and make proposals to the NESDB Board, before they are submitted to the Cabinet.

3.2 The Office of NESDB serves as Secretariat Office of various national committees, generally chaired by the Prime Minister, such as the Competitiveness Development Committee, Suvarnabhumi Airport Development Committee, and the Sustainable Development Committee. The Office of NESDB will propose the national committee's resolutions to the Cabinet.

4. Organization Chart



5. Related Links

Royal Thai Government	www.thaigov.go.th
Bank of Thailand Tel : 0-2283-5353	www.bot.or.th
Office of The Board of Investment Tel : 0-2537-8111	www.boi.go.th
National Statistical Office Tel : 0-2281-0333	www.nso.go.th
Ministry of Finance Tel : 0-2273-9021	www.mof.go.th
Ministry of Commerce Tel : 0-2225-8411-27	www.moc.go.th
Ministry of Industry Tel : 0-2202-3000	www.industry.go.th
Ministry of Foreign Affairs Tel : 0-2643-5000	www.mfa.go.th
Ministry of Public Health Tel : 0-2590-1000	www.moph.go.th
Ministry of Science and Technology Tel : 0-2640-9600	www.moste.go.th
Ministry of Education Tel : 0-2628-5600	www.moe.go.th
Ministry of Labour Tel : 0-2248-5558	www.mol.go.th
Ministry of Interior Tel : 0-222-1141-55	www.moi.go.th
Ministry of Transport Tel : 0-2283-3000	www.motc.go.th
Ministry of Energy Tel : 0-2226-4772	www.energy.go.th

Ministry of Justice Tel : 0-2502-6500	www.moj.go.th
Ministry of Agriculture & Cooperatives Tel : 0-2281-5884	www.moac.go.th
Ministry of Natural Resources & Environment Tel : 0-2298-2049	www.monre.go.th
Ministry of Social Development & Human Security Tel : 0-2659-6228-9	www.social.go.th
Ministry of Information Technology & Communications Tel : 0-2238-5422, 0-2238-5424-6	www.ict.go.th
Ministry of Tourism & Sports Tel : 0-2215-9951	Under construction
Tourism Authority of Thailand Tel : 0-2250-5500	www.tat.or.th
Ministry of Culture Tel : 0-2248-5849	Under construction

6. Our Location

