

**Japan's Economic Cooperation
Program for
the Kingdom of Thailand**

Government of Japan

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Japan's Economic Cooperation Program for Thailand

0. Outline -the review of the previous program and future direction

(1) Recognition of current status in Thailand and the review of the program

(a) Recognition of current status

a) Becoming an upper-middle-income country

Thailand is at present undergoing various changes. It implements a series of positive measures, including the dual track policy which aims at two objectives, i.e. "enhancement of international competitiveness" and "expansion of domestic demand and vitalization of the grassroots economy." Thailand has been maintaining relatively high economic growth rates, and it is highly possible that it would become an upper-middle-income country in the near future.

b) "Emerging donor" and "partnership"

In the area of Official Development Assistance (ODA), Thailand identifies itself as an "emerging donor" and is advancing the transition from a recipient country to a donor country. It has also called on the conventional donor countries to shift their form of cooperation from "assistance" to "partnership."

c) Increase in geopolitical importance

Thailand has been enhancing its presence in Asia for the past several years, by launching various diplomatic initiatives to its neighboring countries, including those in South Asia and the entire Asian region, and beyond the framework of the Association of Southeast Asian Nations (ASEAN). Japan's relations with Thailand at different levels and in different aspects are marking an ever growing closeness, which suggests that its significance for Japan should also be increasing.

(b) The review of the previous program

Thailand now experiences the transitional period with various changes and developments in many areas such as the shift of the status "from a developing country to an upper-middle-income country" and "from a recipient country to a donor country." While it continues to grow steadily in all aspects of the economy and society, it could be assessed that Thailand has improved its capability to solve development issues through grappling with these issues independently.

In such a situation, different opinions emerge in Japan, concerning its assistance to Thailand. Some argue that the assistance to Thailand would be unnecessary and should be terminated in the near future, while others counter this idea by pointing out that the continuous assistance is still necessary. Opponents emphasize that Thailand is still at

the level of a developing country in its actual socioeconomic situation when it comes to factors such as the disparity between the urban and rural areas, and incomplete infrastructure which can be seen in traffic congestion and water-related disasters. Under these circumstances, therefore, there is a need to review Japan's policy for cooperation with Thailand.

Because it was March 2000 when Thailand was still in the process of recovering from an economic crisis to establish the previous Country Assistance Program for Thailand, it was reviewed in light of the recent changes surrounding Thailand. We will hereby establish the newly called "Japan's Economic Cooperation Program for Thailand" that stipulates the new cooperation policy.

(2) Future Direction of the cooperation with Thailand

(a) Basic stance in cooperation: Constructing a new cooperative relationship and collaborating with various cooperative bodies

With regard to Japan's cooperation with Thailand, taking the recent development and various changes in Thailand and the solid ownership of Thailand into account, a new style of cooperative relations based on "new partnership for economic cooperation" will be developed. The new partnership under the framework of ODA which is accompanied by an asymmetric transfer of asset, can be characterized by "focus on dialogue," "mutual interests" and so on.

Furthermore, having seen that the activities by non-government sector such as private sector companies, non-governmental organizations (NGO) and universities are solid in Thailand, coordination with these organizations will be actively promoted.

(b) Areas of cooperation

a) Bilateral cooperation to Thailand

As the independent capability of Thailand improves, the focus of Japan's bilateral cooperation to Thailand will be changed in the quality. Specifically, Japan will provide cooperation by each of assistance methods in the following areas.

1) Technical cooperation

Cooperation will be provided for areas in compliance with the development stage of Thailand, which is becoming an upper-middle-income country. Specifically, cooperation will be given for "enhancement of competitiveness for sustainable growth" and for "Responses to issues that emerge with maturing of society." In addition, technical cooperation will be provided with issues which need to be dealt with other countries as a common concern, among which are major issues concerning human

security.

2) Yen loan

Due to Thailand's policy for restricting overseas borrowing, the only request for a yen loan that Japan has received since 2003 is for the project which is already being implemented (Second Bangkok International Airport Development Project). In a practical sense, it can be said that bilateral cooperation through large-scale yen loans is to be terminated. However, should Thailand make a request for a new project, cooperation might be provided if necessary on the basis of the economic and fiscal situation of Thailand at that point, after giving a full consideration whether advanced technologies which are not existent in Thailand and Japan's experiences and knowledge are required.

3) Grant assistance for grassroots human security projects, grant assistance for Japanese NGO projects, grassroots technical cooperation, etc.

More active cooperation will be provided for those issues relating to human security, such as capacity building of the local community for poverty reduction, assistance for the disabled, assistance for minority ethnic groups and measures against human trafficking, through these methods of assistance. Cooperation in this area will be basically implemented through assisting the non-government sector and volunteer programs, except for those above mentioned in 1), because the Thai government itself has already actively engaged in measures in these areas, and a wide range of activities are being conducted by domestic and overseas NGOs within Thailand.

The scale of Japan's bilateral cooperation to Thailand has already been dwindling in recent years, and as a future direction, it is anticipated to decrease gradually as Thailand develops further. However, if serious and critical situation arises, such as natural disasters affecting a wide area, an economic crisis or in the event that demands for cooperation specifically requiring Japan's technology and experiences heighten, Japan will actively and promptly provide cooperation. Therefore, although the scale of cooperation to Thailand is marking a decreasing trend, it may increase or decrease depending on the situation as the country continues to be in process of shifting into an upper-middle-income country.

b) Joint assistance to a third country

Japan will actively promote the regional cooperation with Thailand, considering the significance of the country in the region and seeing its shift to donor country. While

respecting the initiatives taken by Thailand, Japan will advance joint assistance, focusing mainly on the Mekong region development, Asia-Africa cooperation and Assistance to countries emerging from conflict.

This joint assistance includes not only Japan's conventional South-South cooperation, i.e. assistance to a third country through assistance provided to Thailand, but also direct assistance to a third country where Japan and Thailand provide assistance as together partners through due contribution and burden sharing. Furthermore, in order to implement joint cooperation on a more grand scale with Thailand, new framework of cooperation will be considered, beyond the conventional cooperation schemes.

1. Current Status

(1) Transformation of Politics, Economy and Society in Thailand

(a) Politics

At present, a parliamentary democracy and a party political system are well established in Thailand. On the basis of the current stable administrative foundation, the first Thaksin Administration, which was inaugurated in 2001, implemented a series of new policies under a dynamic leadership of the prime minister's. The Thaksin Administration completed the first term of office, and the Thai Rak Thai (TRT) party which is led by the prime minister won a stunning 377 seats out of the fixed number of 500 seats in the lower house election in February 2005. The Thaksin Administration won the second term in its power.

Thailand lies in the center of the Indochina Peninsula and has historically had a great influence on the neighboring countries like Cambodia, Laos and Myanmar. Under the circumstances, Thailand aims at the balanced development of the region and raises its importance as a geopolitical hub in the Mekong region, through several efforts such as taking the lead in launching the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)¹ in 2003. The presence of Thailand in Asia is also rising as a result of building stronger cooperative relations with South Asia through such efforts as leading the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and launching the Asia Cooperation Dialogue

¹ The Thailand initiative in pursuing a balanced economic development in the region, taken with three neighbouring countries (Cambodia, Laos and Myanmar) in 2003. With Vietnam participating in 2004, this initiative and Japan share the objects in promoting development the Mekong region, and the area of interest. ACMECS refers to three largest rivers running through member countries: Ayeyawady, Chaophraya and Mekong.

(ACD) on its own initiative. In addition, Thailand calls the year 2005 the 'African year' and has shown a strong interest in cooperation with Africa, as shown in the plans of Prime Minister Thaksin's visit to African countries and formulation of a basic strategy for cooperation with Africa.

(b) Economy

Since its inauguration, the Thaksin Administration has adopted the dual track policy that strongly promotes the enhancement of international competitiveness, the expansion of domestic demands and the vitalization of the grassroots economy. Based on the need of responding to the changing international community, the enhancement of international competitiveness aims to strengthen strategic industries (automobiles, fashion, food products, tourism, etc.), the promotion of free trade agreements (FTA), and the establishment of a knowledge-based society, coupled with the promotion of more advanced education. The expansion of domestic demands and the vitalization of the grassroots economy are ambitious policies aiming to eradicate poverty and to promote local and regional social development, through the increase of economic opportunities for low-income persons, improving their skills, as well as promoting community businesses and creating employment.

Under these policies, Thailand has achieved a robust economic growth in recent years (growth rates in real GDP terms of 2.1% in 2001, 5.4% in 2002, 6.9% in 2003 and 6.1% in 2004) and the GDP on Thai baht basis rose to the level prior to the Asian economic crisis.

Having exhausted the emergency loans from the International Monetary Fund (IMF) earlier than scheduled, which it received immediately after the economic crisis, Thailand achieved a withdrawal from the economic crisis in terms of overseas borrowing. The ratio of public debt outstanding to GDP falls below the 60% level and there is also the increase in fiscal income through taxation system reforms and other measures, so that Thailand is achieving a sound financial basis.

Thailand also takes a positive attitude towards the conclusion of Free Trade Agreement (FTA) and has already initiated an 'early harvest' program with China under the China-ASEAN framework since October 2003. This program is to deregulate trade of certain products in advance on the consensus-basis and at present is applying to trade of fruits and vegetables between Thailand and China. Thailand also signed a FTA

framework agreement with India in October 2003, initiating an ‘early harvest’ program for 82 products since September 2004, and they are currently negotiating in areas other than the goods’ trade. In addition, Thailand signed the FTA with Australia, the first developed country with which Thailand concludes the FTA, in July 2004 (coming into effect in January 2005) and with New Zealand in April 2005 (coming into effect in July 2005). As far as the bilateral agreements are concerned, Thailand is negotiating with a number of countries, including Japan, the United States and Peru. With regard to regional frameworks, Thailand also participates in negotiations such as those of Japan-ASEAN, China-ASEAN, India-ASEAN, Republic of Korea-ASEAN, CER (Closer Economic Relations: an economic cooperation agreement with Australia and New Zealand)-ASEAN, and BIMSTEC.

The economic policies of the Thai government develop from the previous development policies focusing on the infrastructure building into the institutional building for responding properly to the global competition and international free trade structure. The issues which Thailand has begun to deal with are more characterized as those of the upper-middle-income countries. Respecting GDP per capita, it is US\$2,236 in 2003, but should reach US\$3400 by 2009, if the growth rate continues to be 5 per cent. It is highly possible therefore that Thailand becomes an upper middle income country² within the next five years by the World Bank definition.³

On the other hand, however, there are also a number of destabilising factors such as fears of inflation due to surges in petroleum prices or uncertainty of stable energy supply as well as the deterioration in law and order in the southern part of Thailand that has a large population of Islamic community. In order to maintain a stable economic growth and to pursue the dual track policy, it is essential for Thailand to have a sound macroeconomic management in exchange rates, market and finance, and in particular to strengthen its financial basis.

(c) Society

After having reached a certain stage of development, Thailand now experiences social

² According to the World Bank classification in 2005, an “upper middle income country” is defined as a country which GNI per capita is between US\$3,256 and \$10,065 in 2004.

³ The National Economic and Social Development Board (NESDB) estimated on the economic outlook of Thailand in September 2004 that the Thai economy would grow by 5.3% to 6% each year over the next five years, and that GDP per capita would reach US\$3,600 by 2009.

structural changes caused by increased mobility of people to cities and a decreasing birthrate⁴. By 2010, it is predicted that Thailand should become an ageing society^{5,6}. Thailand is facing issues of the upper-middle income countries reflecting the structural changes. Under the circumstances, Thailand actively addresses social security policies such as the enhancement of pension and insurance, the introduction of the 30-Baht Health Care Scheme⁷. In addition, Thailand is currently carrying a banner, the “Poverty Eradication Campaign”, aiming to eradicate poverty by 2008, and beginning to address human security issues by launching ‘the Ministry of Social Development and Human Security’.

Educational reforms in the 1990s already accomplished 30 percent in the enrollment rate in higher education institutions such as universities. The Thaksin Administration, which aims to achieve a “knowledge-based society”, is dealing with a educational reforms to improve the quality of educational services and the prevalence of higher education, through the “National Scholarship Fund System” (funded to 2.3 million students since its initiation in 1996), the introduction of an autonomous system for universities, the establishment of an evaluation system, enhancement of monitoring to educational institutions, and the promotion of IT education.

As characteristics of recent years, a movement is seen, in which Thailand attempts to manage “extra-structural economy”; the economic and social sector which was previously ignored or overlooked. This can be classified into two areas. One area is to ban illegal economic activities in order to secure social stability through strengthening measures against narcotics and stimulant drugs, illegal business, money laundering and corruption and other things. The other area concerns the outcast sectors like farmers, the self-employed, and micro- and small and medium enterprises (SMEs). In addition to enhancing measures for registration and management of such sectors, efforts are being made to achieve the enhancement of the social security system, the increase of education opportunities and the ensuring of a tax income base.

⁴ The fertility rate of Thailand in 2002 was 1.9 (Total Fertility Rate: the average number of children one woman bear in her lifetime (Age-specific birthrates of mothers/Age-specific female population)).

⁵ An aging society is one which the aging ratio (a percentage of the population over 65 to the total population) is over 7%.

⁶ The aging ratio of Thailand increased from 6.0% in 2000 to 6.8% in 2004.

⁷ The medical insurance scheme ensures the lower income classes that all Thai people can access to medical care at a cost of 30 baht per treatment.

In this way, development issues to be tackled by the Thai government on its own initiative are gradually changing from measures against poverty problems and those for low income persons into the establishment of a social security system on a national scale, the incorporation of the informal sector and the stabilization of its basic living conditions, most of which are the issues facing upper-middle income countries .It is pointed out that the national enhancement of the social security system will incur a severe financial burden in the future. To complement the social security system, efforts are being made to review the functions of the social safety nets such as families and local communities and to strengthen the functions.

At the same time, however, there are many issues to be solved in terms of human security. These issues include the issues of the socially vulnerable such as the disabled and orphans whose parents died with HIV/AIDS as well as ethnic minorities. In terms of environmental efforts, Thailand established the Ministry of Natural Resources and Environment and is building a comprehensive management structure to deal with environmental issues like protection of natural resources and prevention of pollution. However, given enormous diversity of areas to be considered, it is necessary to implement more effective measures from a mid- to long-term perspective.

Furthermore, a lot of serious and profound issues still remain unsolved, including urban problems such as traffic congestion, flooding and drought and other water-related disasters, income disparity between urban and rural areas, and the disparity in telecommunications (digital divide) which is gradually increasing. The Thai government is planning or implementing a number of measures against these problems, including a plan to expand the public transportation network in Bangkok, a framework to develop the national water network and the vitalisation of a grassroots economy. However, there are still quite a lot of issues, which Thailand finds difficulty in resolving with its own personnel and economic resources in terms of human resources, technology, systems and finances.

(2) Japan-Thailand Relations

Japan and Thailand have historically maintained strong and friendly relations, as symbolized by many years of close relations between the Imperial Family of Japan and the Royal Family of Thailand. The registered number of Japanese residents in Thailand has reached 32,000 (the 8th largest population of Japanese nationals living abroad in

2004), and the annual number of Japanese people visiting Thailand has reached 1.21 million (the 4th largest number of Japanese visitors abroad in 2004). Both of these indices continue to maintain an upward tendency.

Relations are very close economically too, and, in terms of trade, Japan is Thailand's top source of imports and second largest destination for exports. For Japan, Thailand stands 10th as a source of imports and 6th as an export destination (2004). In terms of investment, on a cumulative basis, Japan is Thailand's top source of foreign direct investment (FDI), and in 2004, about 40% of all FDI to Thailand came from Japan. Moreover, the Japanese Chamber of Commerce in Bangkok boasts a world-class scale of over 1,200 member corporations. Japanese investment has played a significant role as a driving force, not only in the economic development of Thailand, but also in the revitalization of the economic exchanges within the Southeast Asian region, with Thailand as a hub.

As to Japan-Thailand Economic Partnership Agreement(JTEPA), it is confirmed that the negotiation came to a broad agreement at the Summit on 1st September 2005, and their economic relation is expected to be further strengthened. The negotiation is currently ongoing between Japan and Thailand towards the conclusion of the Japan-Thailand Economic Partnership Agreement (JTEPA), and their economic relation is expected to be strengthened. This agreement aims to be a broad-ranging comprehensive economic cooperation beyond the conventional FTA, the objective of which is to liberalize the trade in goods and services, and encompass comprehensive economic partnership, including investment, movement of natural persons, intellectual property rights, competition policy, government procurement, and other various sectors.

To Japan, Thailand is an important ally in its own right, but that importance increases still further when looking from the broader perspective of the whole Mekong region. From the perspective of promoting integration in the ASEAN region, the importance of developing the Mekong region continues to grow. The position of Thailand as the regional hub has been enhanced through initiatives including launching ACMECS, and this enhancement will be further strengthened.

Japan has been the largest donor country for Thailand to date, and Japan's Official Development Assistance (ODA) has significantly contributed to the economic and social development in the country, through the establishment of a major infrastructure,

the development of human resources, the transferring of technology and so on. Japan's assistance has been highly appreciated by Thailand. For example, Yen Loan has assisted to facilitating many public services and building institution, such as the Eastern coastal regional development and the Bangkok underground, therefore significantly contributed to Thai socio-economic development. At the time of the economic crisis, Japan implemented a comprehensive package of assistance, mobilizing a variety of assistance methods, that not only supported the recovery of the Thai economy, but also contributed significantly to a firmer friendship between Japan and Thailand. In addition, the Japan-Thailand joint assistance to a third country is also developed, as it was demonstrated in the conclusion of the Japan-Thailand Partnership Programme in Technical Cooperation (JTPP) of 1994 and the phase 2 of the JTPP of 2003. Through such joint cooperation, the local ODA Task Force (hereafter the local TF), which is consisted of Japanese embassy and aid agencies such as JICA and JBIC, cooperates closely with major Thai organizations.

(3) Thailand in Asia

(a) Current situation in Asia

As the by-products of the ever-advancing process of globalization, uncertainty and instability at the regional level has been increased, and various problems including the economic crisis of 1997, the outbreak of severe acute respiratory syndrome (SARS) and avian influenza in 2003 among others, easily come across the border and spread throughout the whole region. There are also natural disasters which inflict tremendous damage on the region, such as the major earthquake off the coast of Sumatra and tsunami in the Indian Ocean that occurred at the end of 2004. From the perspective of maintaining international peace and stability, the proliferation of weapons of mass destruction etc. and the threat of terrorism in Asia are concerned and there is a need to grapple with issues such as export controls.

In order to overcome the increased uncertainty and instability in the region, it is necessary for the region to cooperate in tackling these broad-ranging issues. The stability of Japan significantly depends on the stability of the whole Asian region through such cooperation.

(b) The influence of Thailand in Asia

Looking at the ASEAN member countries, there are a variety of methods for economic development. In such a milieu, Thailand has achieved a steady economic growth from

an agriculture-based economy by combining agriculture and industry as well as utilizing foreign investment and capital. Thailand's experience would set a precedent for the future economic development of neighboring countries which are under the similar initial conditions as those of Thailand's.

The private sector currently makes an investment in Thailand which functions as the centre of production and export in Southeast Asia, or as the regional hub of physical distribution and research development(R&D). Thailand is an important destination for investment in the context of the corporate strategy for a balanced investment which avoids heavily concentrating investment in China and of establishment of the system for division of labor with China.

In the Mekong region, the Thai GDP accounts for more than 70% of that of the combined GDP of Thailand and the CLMV countries (Cambodia, Laos, Myanmar and Viet Nam). This amount exceeds 90% of the combined GDP of Thailand and the CLM countries. Thailand increases its influence in both political and economic aspects through various ways such as taking initiatives in launching ACMECS,.

(c) Japan's strategy in Asia and its position of Thailand

Japan has continued to pursue foreign policy with the focus on Asia. As far as the Southeast Asia is concerned, Japan has announced its policy that it attaches a great importance to the stability and prosperity of the whole ASEAN region. At this time of day when ASEAN are consisting of 10 member countries, it could be said that the precondition to achieve such stability and prosperity have now been met. In such a context, Prime Minister Koizumi announced the idea of a joint community in East Asia when he visited the ASEAN countries in January 2002, and it is expected that the ASEAN countries will play an important role in the initiative.

There is a considerable disparity between original members and newly joined members of CLMV among ASEAN countries in the actual circumstance, although the ASEAN currently has been working for initiatives in a security community, an economic community and socio-cultural community. While the ASEAN members themselves work for overcoming these regional disparities, through adopting the Initiative for ASEAN Integration (IAI: Initiative for ASEAN Integration), Japan actively supports for correcting these disparities through adopting the Initiative for the Mekong Region Development.

Under the circumstances, Thailand, as a country with an advanced level of development in the Mekong region, begins to assist its neighboring countries in an active manner. For Japan, Thailand is not only a country whose bilateral relations with Japan should be maintained and advanced, but also a country that is expected to be a partner with which Japan addresses various regional and international issues in implementing its Asian policy. In particular, Japan-Thai cooperation in assistance to CLMV countries is significant for the IAI promoted by ASEAN as well as for the Mekong region development to which Japan gives a high value. This joint assistance will likely contribute to the realization of an East Asian community.

2. Changes in ODA policy of Thailand and trends of the donors

(1) Changes in Thailand

(a) Controlling overseas borrowing

Under a policy of maintaining a sound finance, the Thaksin Administration has strictly controlled overseas borrowing since its inauguration. With regard to Japan's Yen loans, Thailand has made no requests for new loans since 2003, apart from the ongoing development project of constructing the Second Bangkok International Airport. Against the background of this policy, it is pointed out that the situation has continued, in which low interest rates push up capital liquidity and domestic capital without exchange risk can be procured within Thailand. It should be taken into consideration that the situation might change in the future.⁸

In November 2003, the Thai Cabinet decided to restrict the reception of "assistance with conditionality" which restrains the independence of policy management in Thailand⁹, as well as to limit facile loans to nationalized industries, which will cause

⁸ Thai government decided to control overseas borrowing under the prospect on that the sufficient fund for future national projects can be procured through the sell-off of national assets in the partial privatization of state-owned enterprises and the domestic and foreign bond markets. As to 'Mega project', the large public investment planned by the current government, however, it is decided that as much as 18% of its necessary fund should be procured by overseas borrowing, due to the hike in import oil prices, worry about inflation, the decrease in the domestic consumption after 2005 and so on. The strict line to control overseas borrowing up to 50% of nominal GDP is still valid, yet Thai government may demand for new yen loan in future.

⁹ In December 2003, in policy consultations with the local TF, the Thai government assured that cooperation such as technical assistance and yen loans which are being implemented by Japan does not apply to the category of "assistance with conditionality."

the increase of public external debt.

(b) Transition to an emerging donor

While reducing the amount of assistance it receives from bilateral partners, Thailand is positioning itself as an emerging donor and making the transition to donor status. As a part of transition, Thailand intends to reorganize the Department of Technical and Economic Cooperation (DTEC) which serves as the organization coordinating the acceptance of technical cooperation into the Thailand International Development Cooperation Agency (TICA) which functions as one of the departments under the direct control of the Vice-Minister for Foreign Affairs. With these structural reforms, Thailand will implement organizational change to facilitate Thailand's transition to a donor country while maintaining close contact with diplomatic policy. In addition, reorganizing the Neighbouring Countries Economic Development Cooperation Fund (NECF) into the Neighbouring Countries Economic Development Cooperation Agency (NEDA), under the purview of the Ministry of Finance, strengthens its functions to serve as an independent agency being responsible for the disbursement of loans to neighboring countries.

On Thailand's initiative, four countries of Thailand, Cambodia, Laos and Myanmar launched ACMECS¹⁰ in October 2003, and Thailand showed a positive attitude towards providing assistance to its adjacent countries with focus on the development of border zones (Viet Nam also joined ACMECS in 2004). In addition, economic cooperation which will be implemented by Thailand includes not only assistance to neighboring countries, but also assistance to South Asian countries, neighboring countries which are on the process of recovering from conflict (e.g. Timor-Leste), and Africa.

(c) Rebuilding cooperative relations with donors

In line with the above initiatives, Thailand requests developed countries to engage a new relationship, transferring from the previous one which is based on the concept of "donor-recipient" to what is based on "partnership."¹¹ This is thought to be a strong

¹⁰ ACMECS (Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy) is an initiative launched under the leadership of Thailand in 2003 with Thailand and neighboring countries Cambodia, Laos and Myanmar in 2003, that aims for a balanced economic development of the whole region. With Viet Nam joining the initiative in 2004, it comes to share a target area with the Mekong Region Development being promoted by Japan. ACMECS is an acronym of the major three rivers in the region.

¹¹ Although the term "partnership" is often used in "donor-recipient" relationships too, it means that the

reflection of the intention of Thaksin Administration's to have a more equal relationship with developed countries.

Having said that Thailand is becoming upper-middle income country, and is willing to become a donor country, significant disparities still remain between Thailand and developed countries including Japan, in terms of financial power and the development level. Under such a reality, the way how this partnership could be realized with respect for the importance of ownership, has become an important issue to be considered.

(2) Trends of Other Donors in the Cooperation for Thailand

(a) Reduction of bilateral cooperation

Each donor reduces its bilateral cooperation towards Thailand as Thai economy shows signs of strong recovery and Thailand changed its ODA policies as discussed above.

The World Bank and the Asian Development Bank (ADB) had been main donors to Thailand until the economic crisis in which they implemented the active provision of loans, however, partially due to the control policy on overseas borrowings promoted by the Thaksin Administration, either of the organizations has hardly provided any new loans to Thailand.

Other donors, being different from the World Bank, ADB or Japan, provide their assistance mainly in the form of grant, and they also reduce their bilateral cooperation towards Thailand. For instance, Germany (German Technical Cooperation: GTZ) has implemented a bilateral cooperation program over the period from 2004 to 2010 with a focus on the areas of competitiveness enhancement and environmental issues, but plans to terminate its bilateral cooperation towards Thailand after this program. Canada (Canadian International Development Agency: CIDA), New Zealand (New Zealand Agency for International Development: NZAID) and Australia (Australian Agency for International Development: AusAID) are moving in a similar direction of terminating their bilateral cooperation towards Thailand.

international community provides assistance on equal terms to developing countries making moves toward development on their own volition. On the other hand, "partnership" in the sense that Thailand suggests to symbolize a new kind of relationship based on Thailand's becoming independent through economic growth and being 'emerging donor'. Note should be taken that this kind of "partnership" implies a more active relationship.

(b) Thailand to be the base for regional cooperation

On the other hand, recognizing Thailand to be the base for future regional cooperation, donors empower their offices in Thailand to function as a supervisor for the surrounding areas and start to work together with Thailand to provide assistance to other countries. For instance, the United States (United States Agency for International Development: USAID) terminated its bilateral assistance in 1995 and closed down its office in Bangkok, but reopened this office as the regional one in 2003. Likewise, as the focus on bilateral cooperation decreases, Germany and Australia also shift their focus more on regional cooperation. The ADB also opened an office as a regional one in Bangkok in January 2005, for the reason of supporting wide-area projects, in particular, the Greater Mekong Sub-Region Program (GMS Program) in which it has played a central role.

(c) From “assistance” to a new form of cooperation

Another trend is a move to formulate a new form of cooperation which is different from the previous form of “assistance.” For instance, the US, after terminating the bilateral cooperation of USAID, established the Kenan Institute in 1996. This institute adopts a new form of cooperation scheme, supported by the US-Thailand joint investment, and finances ‘seed money’ for entrepreneurial business. In addition, the World Bank reached an agreement with Thailand on the “Country Development Partnership (CDP)” in December 2002, and attached an importance to formulating a mid-term and participatory framework for reforms in Thailand in cooperation with the Thai government and other partners. Under this CDP method, the Thai government takes the initiative in implementing the programs formulated in each area, and the World Bank performs such tasks as advisory operations and promotion of coordination among partners.

(3) Trend of Japan

(a) Changes in its Cooperation towards Thailand in Recent Years

The content of Japan’s cooperation to Thailand also changes.

Firstly, having seen that Thailand achieved remarkable economic growth over the second half of the 1980s into the 1990s, Japan principally terminated grant aid to Thailand in 1993. Moreover, Thailand itself became a donor country, and in the following year of 1994, Japan concluded the Japan-Thailand Partnership Program (JTTP) in which Japan and Thailand jointly provide technical assistance to other

countries.

After the economic crisis occurred in 1997, Japan resumed to provide assistance actively for the recovery of the Thai economy and engaged in comprehensive assistance through various methods, including the exceptional provision of grant aid. For instance, in October 1998, apart from an international assistance package through the IMF, Japan pledged the New Miyazawa Initiative. Japan granted sector program loans for the social and agriculture sectors as a mid- to long-term assistance based on this Initiative. In addition, in 1999, Japan made a suggestion to the Thai government regarding a policy for the promotion of small and medium enterprises (SME) and implemented various assistance for the realization, including support for the formulation of a master plan for the promotion of SMEs, the adoption of a management consulting system, the facilitation of financial flow to SMEs and the promotion of supporting industries. Such assistance provided at the time of the economic crisis is highly appreciated for the contribution not only to the recovery of the Thai economy, but also to further deepening of friendly relations between Japan and Thailand.

When looking at the trend since the inauguration of the Thaksin Administration in 2001, there has been an increase in the number of wide-area projects, support for institutional building and policy advisors in the area of technical cooperation. Considering Thailand's shift to a donor country, the JTPP2 was also concluded in 2003 to strengthen joint assistance by Japan and Thailand to third countries. In addition, as a part of functional enhancement at field level (transfer of responsibility and authority to local offices), JICA located the Asian region assistance office in Thailand in 2004. It enhances support to the local offices in Asian countries and promotes regional cooperation. In the same way, JETRO Bangkok Centre provides technical cooperation etc which contributes to the vitalization of trade and investment and the enhancement of the economic partnership as well as intensifies such cooperation to Cambodia and Laos. As for yen loans, while the number of new loans decreases due to the control policy on overseas borrowings promoted by the Thaksin Administration, JBIC strengthens its intellectual assistance including the introduction and utilization of its own knowledge in areas such as the environment, which was provided through research etc. The JBIC Bangkok Office also supervises Cambodia, Laos and Myanmar and strengthens its function as a regional office. Furthermore, Japan particularly lays weight on giving grant assistance for grassroots human security projects in recent years

and strengthens its assistance for NGOs and other organizations working in Thailand.

Japan has been the largest donor country to Thailand for the long time and Japan's share in the total amount of ODA provided by all DAC countries accounts for approximately 80% when looking specifically at the five-year period (1998-2002) after the economic crises during which Japan provided full support. The characteristic of Japan's ODA to Thailand is that a good share of this is provided in the form of loans. Japan's share in the total amount of loans provided to Thailand during this five-year period exceeds 90% of the total amount of loans including loans provided by international organizations such as the World Bank and ADB, and the share numbers 97% of the total amount of bilateral loans excluding loans provided by these international organizations (based on net disbursement). Japan's share of grants (grant aid cooperation and technical cooperation) during this period accounts for 47% of the total amount of grants.

The scale of Japan's aid providing to Thailand has decreased in recent years, due to the fact that Thailand's economy recovered from the economic crisis and its requests for yen loans decreased rapidly. It is presumed that this trend would continue.

(b) Formulation of a new ODA Charter

Coinciding with the time when various changes regarding ODA were seen in Thailand under the Thaksin Administration, the ODA reform was advanced in Japan as well, and a new ODA Charter was formulated in August 2003. In considering the modality of Japan's cooperation to Thailand in the future, it is necessary to take into account not only the changes in Thailand but also the new ODA Charter in particular the following points.

a) The new ODA Charter explains the objectives of Japan's ODA as "to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity." The active use of ODA would bring Japan various profits such as the promotion of friendly relationship with other states and the enhancement of people exchange. Based on the fact that interdependence is deepening further, it would also secure Japan's safety and prosperity and increase the benefits of Japanese people.

b) The new ODA Charter, as its Basic Policies, incorporated the "perspective of human security", and also stipulated "Utilization of Japan's experience and expertise" and

“Partnership and collaboration with the international community” and so on. It also established four priority issues, which are namely, poverty reduction, sustainable growth, addressing global issues and peace-building.

c) The new ODA Charter designated Asia as a priority region of focus. Especially in the East Asian region including ASEAN, ODA will be utilized to forge stronger relations with this region and to rectify disparities in the region, fully considering such factors as the strengthening of economic partnership.

d) The new ODA Charter aims to strengthen policy consultation, the functions of field missions and collaboration with a wide range of aid-related entities when formulating and implementing ODA policies and foster participation by Japanese citizens.

(c) Formulation of the Medium-Term ODA Policy

In February 2005, the Medium-Term ODA Policy was formulated to set forth Japan’s positions and action in the following areas stipulated in the ODA Charter.

a) Perspective of “human security”

Human security means focusing on individual people and building societies in which everyone can live with dignity, and for its realization, a well-planned and detailed approach such as “assistance that puts people at the center of concerns and that effectively reaches the people” and “assistance to strengthen local communities” is important. Thailand is shifting into an upper-middle income country, at the same time, however, it is also suffering from such issues of AIDS orphans and the socially vulnerable. Therefore, the perspective of human security is also very important to Thailand.

b) Priority issues

Japan’s positions and approaches on each of the priority issues of the ODA Charter—poverty reduction, sustainable growth, addressing global issues and peace-building—are described in this Medium-Term ODA Policy. In Japan’s Economic Cooperation Program for Thailand, the areas of cooperation have been decided as described in 4(2) below, taking into account these priority issues.

c) Measures to ensure the efficient and effective implementation of assistance

Japan’s Medium-Term Policy on ODA outlines concrete actions to strengthen functions

at the field level, to promote a system for such a purpose and for the local TF to actively participate and make proposals in realizing this. In particular, in the cooperation with Thailand which is becoming an upper-middle income country and wishes to become a donor country, it is important for the local TF to actively make concrete proposals on the new prospect of cooperation while taking note of these trends in Thailand.

(d) Other movements

While designating Asia as Japan's priority region in the ODA Charter, Japan promotes Asia-Africa cooperation in the process of Tokyo International Conference on African Development (TICAD)¹² as well. Thailand, which shows strong interest in cooperation towards Africa, could become a major player in the Asian side in this Asia-Africa cooperation, and it is possible that Japan's active cooperation in this scheme may serve as a stepping stone towards a new stage where Japan provides assistance to regions and countries outside the Asian region, with the cooperation of the Asian countries.

3. Significance of Cooperation to Thailand

(1) Importance of Japan-Thailand Bilateral Relations

As Japan's diplomacy values its relations with ASEAN, there is a growing importance for Japan to enhance its relationship with Thailand, which is thought to increase its presence in the region. Moreover, Japan and Thailand maintain close relations between people from all walks of life, not only in the diplomatic field but also in economic and cultural aspects. As such, the large amount of personnel and technical exchanges accumulated over the many years between Japan and Thailand could be considered as both of their valuable national assets. When considering these factors, Japan should continue to utilize ODA to enhance the Japan-Thailand relations and also to complement or push forward cooperation the intensifying private sector. It can be considered that these efforts will serve the maintenance and expansion of Japan's presence in Thailand.

On the other hand, Thailand has already accumulated a lot of experience and

¹² TICAD is an international conference on the African development, which Japan jointly holds with UN, UNDP, GCA and WB. At the TICADIII held in Tokyo in 2003, while it proposed that three pillars of African development be: "consolidation of peace", "human-centered development" and "poverty reduction through economic growth," it also ensured the importance of "human security" and "the south-south cooperation." The next TICADIV will be held in 2008.

knowledge regarding government's measures for issues of developing countries such as the Millennium Development Goals (MDGs) and poverty reduction. It could be assessed that Thailand had enhanced its efforts to address those issues faced by upper-middle income countries voluntarily and improved its capability to solve these issues while it continues to grow steadily in all aspects of the economy and society. It is of great significance for the future Japan-Thailand relations to change the quality of conventional bilateral cooperation and to build a new cooperative relation in compliance with the development stage of Thailand.

(2) Partner for Assistance to Third Countries

Thailand, calling itself as an "emerging donor", taking various diplomatic initiatives and endeavoring to expand its assistance to other developing countries, is expected to become a partner of Japan when implementing assistance to a third country.

The Mekong region development and Asia-Africa cooperation, on which Japan is primarily focusing, require not only Japan's efforts but also countries concerned participating in them as driving forces. Thailand is deemed to have the capacity to take on this role as a partner of Japan.

Collaboration between Japan and Thailand which are different from each other in development levels enables multi-faceted and effective measures in compliance with development needs of a developing country in implementing assistance to other developing countries. It is expected among others that the presence of Thailand whose development level is more similar to that of the recipient third country contributes to enhancing the ownership of the country concerned. Furthermore, from the perspectives of utilization of assistance achievements and efficiency of assistance, it is significant to disseminate and utilize Japan's knowledge and experience accumulated over the years through cooperation with Thailand in the fields of HIV/AIDS, poverty reduction and environmental issues.

In addition, jointly working with Thailand in implementing assistance to a third country also leads to assisting the transition of Thailand into a donor country. This collaboration contributes to advertising the Japan's approach to assistance in the international aid community, as Thailand, a successful example of Japan's assistance, will work to become a donor country by utilizing its own development experience as a recipient country.

4. Direction of the Cooperation to Thailand

(1) Basic Stance in Cooperation

(a) New cooperative relationship - toward “new partnership for economic cooperation”

Taking Thailand’s steady economic and social development into consideration, it is a matter of course that Thailand in its process of growth proposes a new form of relationship to the developed countries: a shift from the conventional vertical relationship of “donor and recipient countries” to the one based on “partnership.” This stance taken by Thailand is an indication of strong ownership, a characteristic of this country in recent years. Japan welcomes this trend and constructs a new cooperative relationship with Thailand.

On the other hand, at present, the term “partnership” has been used extensively not only in the field of ODA but also in other various fields including that of Japan-Thailand Economic Partnership Agreement (JTEPA) at the high-levels including heads of states and has become to encompass many different meanings. It is also important to take note that “partnership” does not necessarily imply that Japan and Thailand are equal in every aspect as there are still great differences in their financial capability and development levels.

Japan understands that the keyword of “partnership”, symbolizing the general relationship between Japan and Thailand in the future, means a cooperative relationship described as follows in the framework of ODA that is an asymmetric transfer of asset. Japan names this relationship the “New Partnership for Economic Cooperation” and promotes it.

a) Focus on dialogue

Sharing a common understanding through close exchanges of information and building a consensus in a courteous manner, Japan and Thailand will implement a series of the project cycle which includes the establishment of cooperation agenda for each fiscal year, formulation, implementation, monitoring, evaluation, and so on. Considering the capacity and ownership of Thailand, formulation of higher qualified projects and its efficient implementation could be expected to be realized through the efforts of both sides, Japan and Thailand, to provide ideas mutually and exchange opinions actively in this process.

In addition, Japan will further enhance the process of policy consultation with the Thai

government. Japan will continue consultation with main organizations of Thai government's, in which the local TF plays a central role and intensify its collaboration with Thailand at the policy level. Japan considers the possibilities of holding discussions on wide range of issues beyond the framework of ODA not only with governmental officials but also with those including academics if necessary. This is based on the recognition that, when exploring the details of cooperative relations, it has become important for Japan and Thailand to exchange their understanding of the world affairs, uncertainty and instability of which are increasing, as well as that of the current and future status of the Asian region.

b) Mutual interests

For aspiring for a more horizontal cooperative relations between Japan and Thailand, Japan should actively seek not only for the national interests of Thailand but also for Japan's own national interests, through taking the viewpoint of "mutual interests" into consideration.

This viewpoint is significant, being developed on the aim of the New ODA Charter, that to ensure Japan's security and prosperity through contributing to the peace and development of international community, and within its framework, being evolved, in Japan's cooperation with Thailand, a country that has reached a certain level of development.

In particular, the following items will be considered in cooperation with Thailand.

- 1) Strengthening and intensifying the Japan-Thailand exchange, and sharing social values of the two countries
- 2) Stability and development in the Asian region as well as peace-building
- 3) Development of the trade and investment environment and enhancement of economic partnership
- 4) Transfer of Japan's high-quality knowledge, technologies and experiences
- 5) Enhancement of the presence of Japan and Thailand in the international community

c) Think together, work together

In the issues Thailand is facing or will face in the future, there are social issues, such as decreasing birthrate and an aging society, which still remains not entirely solved

although Japan had tried precedent attempts and had a lot of experiences on them. There is a possibility that the accumulation of cooperation experiences with Thailand in these areas might give suggestions to a direction of measures to be taken by Japan. Because Thailand has achieved a certain level of development, the approach of thinking together and working together will be fruitful for both countries.

d) Joint assistance to a third country

Taking the geopolitical significance of Thailand and its transition into a donor country into consideration, Japan and Thailand, as partners, actively promote cooperation to a third country. In the case of formulating projects, Japan and Thailand jointly figure out development needs of a third country, bear benefits of the recipient in mind, and select appropriate agenda to be tackled jointly by Japan and Thailand while thinking highly of Thai initiatives such as ACMECS. Furthermore, while respecting the ownership of Thailand, consideration should be given to the differences in the level of financial capability and development between Japan and Thailand, so as to allocate the appropriate roles and the responsibilities commensurate.

Moreover, from the perspective of supporting Thailand's efforts to become a donor country, Japan examines the possibility of more dynamic joint assistance including collaboration not only in traditional assistance through assistance provided to Thailand such as holding training courses for a third-country in Thailand and dispatching Thai experts to a third-country, but also in direct assistance to a third country.(See 5(3).).

e) Becoming the first case study

The experience of cooperation with Thailand may become the first case study in building new cooperative relations in the future with other Asian countries in the course of their development. With such awareness of both countries, it is vital that Japan and Thailand both work hard to formulate and implement projects. In addition, Japan and Thailand will actively make efforts to introduce their cooperation experience and its results to the international community

(b) Collaboration with various organizations

Domestic and foreign nongovernmental organizations (NGOs) and non-profit organizations (NPOs) have been active in Thailand from an early stage. Recently, wide range of private companies and universities are also active and have yielded good results Implementing cooperation for Thailand's efforts to tackle the issues it faces

through these organizations make it possible to have a dramatic effect at low cost. Furthermore, it also promotes the participation by Japanese citizens in assistance activities, as prescribed in the new ODA Charter when providing assistance to Japanese NGOs and others active in Thailand. From such perspective, Japan will further enrich assistance through non-governmental channels.

In Thailand, there is the Japan Chamber of Commerce (JCC) in Bangkok which boasts one of the largest memberships in the world with its history of activity for the past half century. This means that there is no need to seek for human resources from Japan, as Japan's advanced technology has been accumulated to a considerable degree. Furthermore, Japanese universities' branch-out into Asian countries is intensifying amidst the recent trend of globalization and transformation of universities into independent institutions. Respecting the differences between the role respectively of those organizations and their comparative advantages, Japan will actively utilize human resources accumulated at private companies and universities, for instance, in the field of cooperation for enhancing the economic partnership and cooperation for developing human resources at institutions of higher education. The improvement of quality and efficiency of cooperation will be expected through the establishment of "public-private partnership (PPP)" which encourages including the participation of the private sector

When conducting joint cooperation with Thailand to its neighboring countries, especially in area of development, provision of private investment in addition to assistance from the government sector through ODA is indispensable. It is therefore crucial to strengthen the collaboration with Thailand's private sector which is driving the regional economy. From this point of view, it is also beneficial to enhance the collaboration with Japanese corporations and other Japan-related organizations in Thailand.

The local aid community is starting to designate Thailand as a base of regional cooperation. Japan enhances the effects of cooperation between Japan and Thailand by promoting coordination with this community as well.

In addition, Japan promotes the coordination with international organizations such as ADB which implements the GMS Program, as well as the coordination with ASEAN, through utilizing a cooperative framework such as the AEM-MITI Economic and

Industrial Cooperation Committee (AMEICC).

(c) Coordination between projects and assistance methods

When formulating and implementing projects, coordination between projects and assistance methods continue to be enhanced, with the aim of achieving synergistic effects of projects. Japan will formulate a group of appropriate projects for each area of cooperation as far as possible so that several projects are integrated into a program.

Regarding wide-area projects, the coordination between assistance methods is effectively promoted in order to implement more dynamic cooperation. For instance, this kind of cooperation includes coordination between technological assistance implemented jointly by both Japan and Thailand, and bilateral grant aid provided by Japan to a third country.

As for joint assistance implemented by Japan and Thailand to a third country, they will consider the possibility that each country implements cooperation in areas in which it respectively has comparative advantages and coordinates the cooperation.

(2) Areas of Cooperation

(a) Bilateral cooperation to Thailand

With regard to bilateral cooperation to Thailand, while acknowledging Thailand's independent capacity and respecting its effect and efficiency that can be expected, the areas of cooperation are identified in each of assistance methods as follows;

As a rough direction, the scale of future cooperation is anticipated to decrease gradually as Thailand develops further. However, if serious and critical situation, such as an Asian economic crisis, infectious diseases such as SARS or natural disasters affecting a wide area occurs, or in the event that demands for cooperation specifically requiring Japan's technology and experiences heightens, Japan would actively and promptly provide cooperation regardless of Thailand's development stage. Therefore, although the scale of cooperation to Thailand is marking a decreasing trend, it may increase or decrease depending on the situation.

Furthermore, after the entry into force of Japan-Thailand Economic Partnership Agreement (JTEPA), which is currently being under negotiation after coming to a broad agreement, the government as a whole will coordinate well with cooperation projects other than those through ODA and consider efficient and effective use of

ODA for the actual implementation.

a) Technical cooperation (excluding grassroots technical cooperation and the JICA Volunteer Program)

1) Areas of cooperation to be worked on according to Thailand's development stage (areas of cooperation for an upper-middle income country)

Japan will cooperate in the following areas according to the development stage of Thailand which is continuing its growth to be an upper-middle income country.

(i) Enhancement of competitiveness for sustainable growth

For Thailand, which has reached a certain development stage, it is considered that the continuation of its growth hinges on sustainable growth led by private sector. This analysis led Japan to support Thailand's efforts to enhance its competitiveness, which is one of the pillars of its dual track policy. In pursuit of strengthening industrial competitiveness, Japan provides cooperation in institutional building such as international standardization, increasing the efficiency of physical distribution and information-communication technology as well as human resources development in relation to that.

(ii) Responses to issues that emerge with maturing of society

It is likely that Thailand will face changes in its social structure due to development, and the issue of decreasing birthrate and aging society will be becoming even more serious. Furthermore, as Thailand continues to develop economically, it needs to take such measures for environmental management more actively as an upper-middle income country. Japan provides cooperation in institutional building to prepare for the maturing of society and human resources development in relation to that. Such cooperation will provide an opportunity for Japan and Thailand to consider together social issues which are becoming more serious in the Asian countries in the future, and this is expected to further intensify contribution to the establishment of a safety net in the region.

The issues accompanied by maturing of society include those which Thailand has already been tackling and still requires its further efforts. These are among others urban issues and water disasters. As for these issues, Japan will provide cooperation in areas where it has comparative advantage in an international community and also where Thailand including private sector cannot deal with on its own.

2) Human security

Even in Thailand continuing to develop, there are many measures to be taken in order to build a society in which everyone can lead life safely with dignity. In principle, Japan will cooperate through applying measures such as grant assistance for grassroots human security projects, grant assistance for Japanese NGO projects, grassroots technical cooperation, etc. to those issues deemed vital from the aspect of human security, whereas technical cooperation will be utilized for those issues to be dealt with as a common issue shared by other countries, including measures against infectious diseases, drugs, natural disasters that affect a wide area, etc.

(b) Yen loans

As mentioned above, due to the implementation of overseas borrowing control policy promoted by the Thaksin Administration, Thailand has made no request for yen loans since 2003, apart from the ongoing projects (the construction project of the Second Bangkok International Airport Development Project). In a practical sense, it can be said that bilateral cooperation through large-scale yen loans is to be terminated. As just described, Thailand advances its development with a strong sense of ownership; however, in the event that Thailand resumes to make a request for a new yen loan at some point in the future, cooperation might be provided if necessary, on the basis of the economic and fiscal situation of Thailand at that point. A full consideration should also be given to the aspect whether advanced technologies which are not existent in Thailand or Japan's experiences and knowledge are required.

When Thailand becomes an upper-middle income country, Japan will cooperate within four areas of: environment, assistance for human resources development, measures against earthquakes and assistance to correct the income disparity through development of specific socioeconomic infrastructures in certain poverty regions, in accordance with the conditions that confines provision of Japan's yen loans to an upper-middle income countries into above mentioned four areas.

(c) Grant assistance for grassroots human security projects, grant assistance for Japanese NGO projects, grassroots technical cooperation, etc.

As for the Grant assistance for grassroots human security projects, Grant assistance for Japanese NGO projects, Grassroots technical cooperation and JICA volunteer program

(Senior Overseas Volunteers and Japan Overseas Cooperation Volunteers (JOCVs)), Japan will expand its cooperation in those projects that will contribute to the realization of human security. Major issues to be grappled from the perspective of human security, such as capacity building of the local community for poverty reduction, assistance for the disabled, assistance for minority ethnic groups and measures against human trafficking, still remain in Thailand incorrigibly. Considering the fact that the Thai government itself has already actively engaged in measures in these areas and a wide range of activities is being conducted by domestic and foreign NGOs, Japan will provide cooperation through assistance to the non-government sector and volunteer programs in principle, except for those mentioned in a)2) .

This complies with the policy of the collaboration with various organizations.

(2) Joint Assistance to a third country

Utilizing the experiences obtained from cooperation to Thailand, Japan will implement joint cooperation focusing on the following areas.

On such occasion, consideration will be given from the perspective of human security as well as importance of addressing global issues. Furthermore, Japan will continue to promote cooperation based on the JTPP2 actively.

(a) Mekong Region Development

Japan will actively promote the joint cooperation with Thailand for development in the Mekong region based on the “New Concept of Mekong Region Development” announced by Prime Minister Junichiro Koizumi at the ASEAN-Japan Commemorative Summit meeting in December 2003. Furthermore, Japan will enhance its assistance to and coordination with the initiatives proposed by ASEAN, such as the IAI, from the perspective of assisting the correction of disparity in the ASEAN region, which is one of the objectives of the Mekong Region Development.

(b) Asia-Africa cooperation

Embracing the fact that Thailand also has a strong interest in cooperation toward Africa, Japan will actively promote its joint efforts with Thailand, as one of the bases in Asia in order to realize the Asia-Africa cooperation proposed at the TICAD III meeting.

(c) Assistance to countries emerging from conflict

In line with the concept of “peace building”, a priority issue stipulated in the ODA

Charter, Japan will engage in efforts to provide assistance for the consolidation of peace and nation-building in the post-conflict countries, such as Timor-Leste and Afghanistan, as it is a common issue of interest.

5. Other Points to Be Considered in Implementing New Forms of Cooperation

(1) Enhancement of the Functions of Field Missions at regional level

In order to actively promote the joint assistance to a third country, it is necessary to formulate a high-quality project which is based on assistance needs of a third country. Therefore, this also requires a considerable amount of time and effort to identify assistance needs of several countries and combine these needs with financial and human resources of Japan and Thailand. In order to conduct this efficiently, Japan will further utilize the framework of the JICA ASEAN Regional Cooperation Meeting (JARCOM)¹³ in terms of technical cooperation, while encouraging Thailand and other relevant countries to make efforts on their own initiative. Moreover, the local TF will actively consider efficient approaches for the formulation of projects that affect a wide area. First of all, in order to promote the development in the Mekong region, it is recognized that, in addition to the combination between Japan and relevant countries, it is essential to strengthen the coordination among Japan's local TFs in relevant countries. Therefore, Japan will actively hold meetings between local TFs, and formulate high-quality projects in accordance with the local situation.

(2) New Framework for a Joint Cooperation

In order to actively provide assistance to a third country, Japan will also consider the possibility of more dynamic joint assistance by Japan and Thailand. Upon such an occasion, consultation will be conducted to create a cooperation framework among the three countries of Japan, Thailand and the country that will benefit from the cooperation, with due distinction of roles and burden sharing by the former two countries.

It is plausible for Japan and Thailand to implement joint assistance to a third country

¹³ The JICA-ASEAN Regional Cooperation Meeting (JARCOM) is a measure with the purpose of designing JICA projects for correcting disparities within ASEAN (mainly the south-south cooperation with utilization of resources of the region) and of promoting the effective implementation of projects. In project formulation, it engages in matching the needs of the recipient countries to the resources of the donor countries in the region throughout the year. Since 2002, JICA and counterparts of ASEAN members has held a conference once a year in the ASEAN region to discuss matching of needs and resources, improving the implementation of regional projects, and measures to address common development issues of the region.

through allocating existing appropriate assistance methods. In order to explore the feasibility of this assistance, the intensification of combination and consultation will be intended among Japan, Thailand and a third country. Furthermore, Japan will consider the possibility of joint financing in which Japan and Thailand closely work together to provide loans to a third country, while respecting the practice of information disclosure in both countries and the debt repayment capacity of the third country, as well as seeking for the possibility of coordination with aid community on concession and priorities etc.

In addition, with regard to the regional development, for there are projects which bring benefit not only to a country of concern directly but also indirectly to neighboring countries at the same time, it is considered to be increasingly important to create a new framework having those neighboring countries share due contribution. For instance, Thailand also proposed that Thailand and Japan established a fund like Mekong Regional Development Fund either through joint investment by both countries or through investment from other governments and corporations, and implement invest and finance to the regional project of infrastructure building (governmental project/BOT project) in consultation among investors.

In the future, Japan will consider the possibilities of assistance methods beyond existing frameworks as above mentioned flexibly while having full discussions with countries concerned.

(3) Faster Decision-Making Process

In order to respond to the rapidly changing Thai society and its cooperation needs promptly and flexibly, Japan will make decisions and adopt proposals promptly, without ignoring to be fully accountable to the public. Furthermore, Japan will endeavor to operate smoothly and promptly in the process from receiving a request to implementing a project. As for the local TF, efforts will be made to formulate high-quality projects, such as initiating to formulate projects as early as possible, through cooperating with Thailand.

(4) Expansion of Grant Assistance for Grassroots Human Security Projects, etc.

In order to expand Japan's cooperation through non-government sectors such as NGOs, Japan will work together with NGOs and other organizations, and appropriately and efficiently formulate quality projects, conduct monitoring and public relations

regarding the grant assistance for grassroots human security projects and the grant assistance for Japanese NGO projects, which are major assistance methods used for the non-government sector. In order to realize this expansion, Japan will consider enhancing its implementation structure by such means as supplementing the local human resources.

(End)

(Table) Japan's ODA to Thailand (From 1991 downward)

(¥100 million)

| Fiscal Year | Yen Loan | Grant Aid | Technical Cooperation | Total |
|-------------|----------|-----------|-----------------------|----------|
| FY 1991 | 846.87 | 59.53 | 75.78 | 982.18 |
| FY 1992 | 1,273.75 | 32.14 | 93.41 | 1,399.30 |
| FY 1993 | 1,044.62 | 31.45 | 83.80 | 1,159.87 |
| FY 1994 | 823.34 | 0.99 | 81.02 | 905.35 |
| FY 1995 | 616.53 | 1.87 | 79.78 | 698.18 |
| FY 1996 | 1,183.81 | 2.56 | 95.07 | 1,281.44 |
| FY 1997 | 1,059.47 | 2.87 | 89.05 | 1,151.39 |
| FY 1998 | 1,475.62 | 22.59 | 102.52 | 1,600.73 |
| FY 1999 | 1,517.90 | 2.07 | 66.03 | 1,586.00 |
| FY 2000 | 956.71 | 2.48 | 66.39 | 1,025.58 |
| FY 2001 | 64.05 | 3.16 | 69.25 | 136.46 |
| FY 2002 | 451.70 | 3.54 | 56.77 | 512.01 |
| FY 2003 | 448.52 | 4.30 | 42.96 | 495.78 |
| FY 2004 | — | 5.00 | 47.02 | 52.02 |

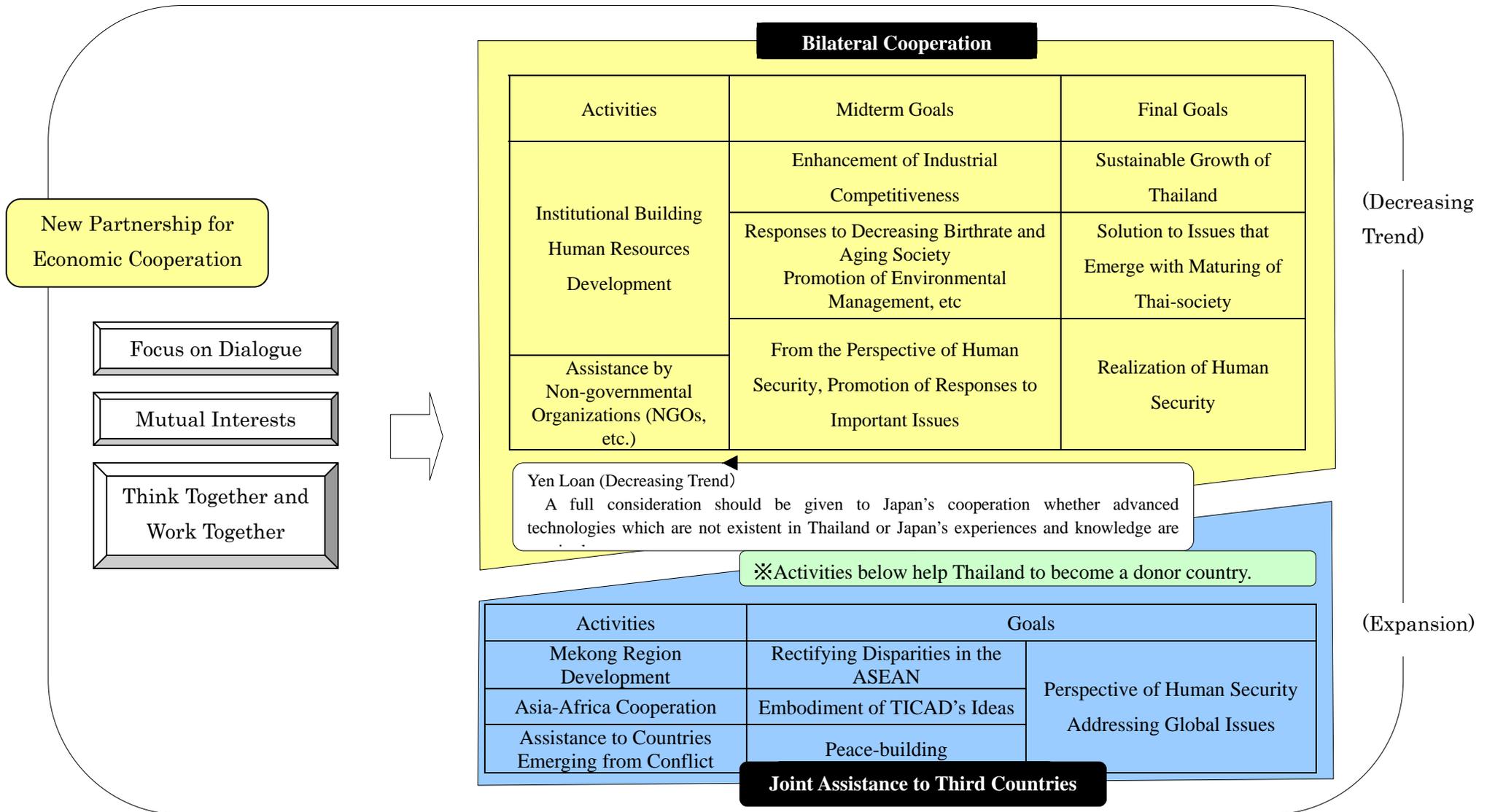
(Notes)

1. Classification of "Fiscal Year": Yen Loan and Grant Aid are on an Exchange of Notes(E/N) basis. (However, before 2000, Grant Aid was on an approval of Cabinet basis.) Technical cooperation is on a Fiscal Year basis.

2. Yen Loan and Grant Aid are on an E/N basis, and technical cooperation is on a JICA's disbursement basis.

(Annex)

The Goals of Japan's Economic Cooperation Program for Thailand



Notice Enhancement of the Functions of Field Missions at Regional Level / New Framework for a Joint Cooperation
Faster Decision Making / Expansion of Grassroots Human Security Projects, etc.