CHAPTER THREE

THAILAND'S ROLE IN EAST-WEST ECONOMIC CORRIDOR

The Kingdom of Thailand, formerly known as Siam, is located in the core of Southeast Asia region. Thailand shares its boundaries with Laos PDR on the east and northeast, Myanmar on the west and northwest, and on the southeast by Cambodia and on the south by the Gulf of Thailand and Malaysia. It has a coastline of about 1,500 miles. Geo-politically, Thailand is divided into five regions, the Northern Highlands (North), which is a mountainous region and is characterised by natural forest ridges and deep, narrow and alluvial valleys. The Central plains, the basin of the Chao Phraya River, is a lush and fertile valley. As this part of the country is the richest and most extensive rice-producing area. This area has often been called the "rice basket" or "heartland of Thailand." Bangkok, the capital of Thailand, is located in this region. The Northeastern region, called the Khorat Plateau, is an arid region characterised by a rolling surface and undulating hills. The Southern region is a hilly to mountainous area with thick virgin forests and rich deposits of minerals and ores (Emanuel Friedman 1983: 230).

Thailand has a large number of natural fauna and flora. Spanning over 513,000 square kilometers, 40 per cent of Thailand geographical area is devoted to farmland. With massive industrialisation taking place in the country, the forest coverage has been reduced to a great extent. The government of Thailand having felt the impact of the depletion of natural resources and the environment enacted the Enhancement and Improvement of the National Environmental Quality Act in 1975; and in 1992 Enhancement and Conservation of the National Environmental Quality Act was passed (ADB 2002: 8). However, the landmark judgment on environment came into being in Thailand only in 1997. The Royal Thai government enacting the Community Right to Environmental and Resource Management (Article 45), Right to Environmental Management (Article 46) and Right to a Decent Environment and Environmental Impact Assessment Requirement (Article 56) in its new 1997 Constitution is a turning point in the Thailand environment history (Momthip S. Tabucanon 1999: 4).

Thailand is reported to have over 8,463 billion cubic feet of natural gas beneath the Gulf, along with hundreds of millions of barrels worth of crude oil. Yet, it was only recently that Thailand began to tap its carbon-based resources, particularly
natural gas. As a result, Thailand imports approximately 75 per cent of its petroleum products to meet its growing domestic demands (UNESCAP 2002: 120). Thailand's Governments since the 1970s made a conscious decision to integrate with global economy by adopting an export-led growth strategy. As a result, Thailand's economy expanded in the 1980s till 1997. ESCAP reports that "from 1987 until 1996 the manufacturing sector increased its contribution to GDP between 7 and 18 per cent per year, while services grew annually at a rate of 6 to 13 per cent." Unfortunately, the rising income in the 1980s led to massive imports outstripping exports, subsequently, resulting in large trade deficits. Before the Asian economic crisis, construction achieved some of the highest sector growth rates 22 per cent in 1990, but its overall percentage of GDP remained much smaller than manufacturing and services. Agriculture performed erratically over the same period with contractions or no growth in 1987, 1990, and 1993, but interspersed among growth of 3-10 per cent in other years (UNESCAP 2002: 121). In the post-economic crisis, Thailand imports and exports system has changed leading to a trade surplus. In 1998, Thailand had a positive balance of trade of US$ 12.1 billion. Exports for that year topped US$ 54.5 billion and imports stood at US$ 42.4 billion. In 1980 agricultural products accounted for nearly 47 per cent of Thailand's exports, while manufacturing was only 32 per cent, whereas the latest trend shows manufactured goods account for 82 per cent of Thailand's total exports (ibid: 124).

The trend of Thailand exports indicates that the North American Free Trade Area (NAFTA) countries, especially the United States, has continued as the largest export market, with the export share rising from 21 per cent in 1997 to 24 per cent in 1998 (see table 1), followed by the European Union (EU) with the export share rising to 17.8 per cent. While Japan remains the largest single market of Thailand. "The export value to the Asian and Pacific region (comprising ASEAN, GMS, China, Taiwan Province of China, Hong Kong, China, and the Republic of Korea) declined by 18.6 per cent" (ibid: 125).

Table-1

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<tbody>
<tr>
<td>NAFTA</td>
<td>379.1</td>
<td>537.4</td>
<td>40%</td>
<td>42%</td>
<td>21%</td>
<td>24%</td>
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<tr>
<td>EU</td>
<td>290.4</td>
<td>401.4</td>
<td>29%</td>
<td>38%</td>
<td>16%</td>
<td>18%</td>
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Source: Greater Mekong Sub-region Business Handbook, p. 125

Notes: 1. ASEAN includes Myanmar, Vietnam, and Lao PDR
2. NIEs includes Taiwan, Hong Kong, China, Korea
3. GMS excluding Yunnan.

Thailand imports stood at 1,774.1 billion baht in 1998, a decline of 8 per cent from 1997. The decline in the imports was due to the effect of the economic crisis in the region. Table 2 indicate that nearly one quarter of Thai imports comes from Japan, reflecting Japan’s high level of investment in Thailand. The NAFTA, ASEAN, and EU member countries are other major import sources (ibid: 126).

Table 2

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<tbody>
<tr>
<td>NAFTA</td>
<td>286.3</td>
<td>265.7</td>
<td>16%</td>
<td>-7%</td>
<td>15%</td>
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<tr>
<td>EU</td>
<td>268.5</td>
<td>221.8</td>
<td>-3%</td>
<td>-17%</td>
<td>14%</td>
<td>12%</td>
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<tr>
<td>ASEAN</td>
<td>245.4</td>
<td>265.6</td>
<td>1%</td>
<td>8%</td>
<td>13%</td>
<td>15%</td>
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<tr>
<td>Japan</td>
<td>492.1</td>
<td>420.3</td>
<td>-5%</td>
<td>-15%</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>Other</td>
<td>632.0</td>
<td>600.7</td>
<td>15%</td>
<td>-5%</td>
<td>33%</td>
<td>34%</td>
</tr>
<tr>
<td>Total</td>
<td>1,924.3</td>
<td>1,774.1</td>
<td>5%</td>
<td>-8%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Greater Mekong Business Handbook, p. 120

Thailand’s major exports to the GMS countries include basic industrial goods, raw materials, and agro-processing products. Meanwhile, Thailand imports light consumer goods, raw materials, and agricultural commodities from GMS countries. Between the mid-1980s and 1990s, Thailand set the standard for economic
development with its record-breaking growth rates. With annual economic growth in that period averaging over 8 per cent, Thailand appeared to have perfected the formula for industrialisation. Thailand served as a model for other developing countries because of its success and due to the fact that its achievements were essentially led by the private sector, which is a sharp contrast to the heavily state-guided economic models of Korea, Japan, Taiwan and Singapore (ibid: 118).

By 2000, the exports and foreign investment of the country began to change and the economic growth rate appears to have achieved the forecasted 4.5 per cent. Subsequently, under the leadership of Thai Prime Minister, Thaksin Shinawatra, by 2003 Thailand’s economy “produced a growth rate exceeding that of all major Asian economies” (Mutebi 2004: 84). It was reported that by the end of 2003, the economy had grown at over 6%; foreign reserves stood at more than $ 42 billion; hundreds of thousands of new jobs were created; and the composite Stock Exchange of Thailand (SET) had experienced a record-setting bull surge of over 72 %”( ibid).

Thailand’s National Policy

In the late 1950s, Thailand’s economy recorded an impressive performance but unfortunately in 1997 it suffered from “economic meltdown” which in turn had “effectively slowed its active participation in the GMS activities” (Krongkaew1999: 1009). One of the main causes of the economic crisis in Thailand was due to “structural constraints.” Thailand Ministry of Finance reported that “the major problems came from the excessive quantitative expansion instead of growth with quality” (NESDB 2001: 19). Takao Tsuneishi (2005: 3) stated that “Thailand cannot help thinking of economic development in neighbouring countries as an extension of its own domestic regional development since it shares borders with Myanmar, Laos, Cambodia and Malaysia and has a close relationship with them, ethnically and historically.” Thailand commenced regional development from the central area initially and gradually expanded out to the periphery where they have close relationships with neighboring countries. Hence the regional development policy of Thailand has now been deployed along with the framework for wide-ranging regional development plans under the idea of cross-country economic zones in the wake of Indo-China’s transition to market economies” (Tsuneishi 2005: 3).

The above policy was adopted by Thailand with the plan “to expand industrial estates to local and border areas so that their economic effects would reach the
neighbouring countries." The concept of this policy was "to relocate production bases to border areas where relative advantages such as cheap labour and raw materials are available while developing consumer markets. Moreover, The Thai government started economic co-operation for building infrastructure such as roads and bridges between Thailand and neighbouring countries" (ibid). In line with this programme, Thailand began to develop its trade relations towards the Indo-China countries in the early 1980s. Further, the 7th development plan emphasised on the promotion of border trade with respect to the New Economic Zone in the North and the Northeast over such provinces as Chaing Rai, Tak, Nong Kai, Mukdahan and Ubon Ratchathani (NESDB 1992: 122-123).

The 8th development plan (1996-2000) which was initiated in the midst of the Asian economic crisis emphasised on "people-centered development." In it "the well-being of the people was considered to be the final measure of success and economic improvement was viewed only as a means to improve the people's well-being rather than as the final objective of development" (NESDB 2002: 4). Nevertheless, the economic crisis has said to have generated many negative impacts on the quality of life of Thai people. Income distribution was reported to have gone worse and poverty was reported to have increased substantially (NESDB 2002: 5).

Prime Minister, Thaksin Shinawatra (2001) took over the reign of the politics of Thailand at the time when there was a slowdown in the world economy, which has adversely effected the growth of Thailand economy. It was reported that export value during the first quarter of the year (2001) shrank by 2.4 percent. Thus, the government of Thailand initiated "the economic development strategy plan with clear targets for the next five years. The strategy plan is aimed to lead the country to "Growth with Stability, Alleviation of Poverty and Strengthening the Economic Fundamentals in the Long Run" (Thailand, Ministry of Finance 2001: 1-2).

In its plan to overcome the prevailing economic crisis in the country, the policy makers of Thailand adopted "the philosophy of sufficient economy" in the 9th National Economic and Social Development Plan which was initiated in 2002. Henceforth, Thailand development vision for the coming two decades has been to emphasis on "the alleviation of poverty and the upgrading of the quality of life for the Thai people," so as to achieve "sustainable development and well-being for all" (NESDB 2002: i, iii).
Further, the policy makers of Thailand formulated an “area-based
development plan based on the economic potential and roles of each area” to enable
every parts of the country to benefits “from new economic trends and opportunities,
thereby enhancing the international competitiveness of the country.” The northern
region of the country has been planned to “more closely integrate” with the GMS,
with the core group of provinces like Chiang Mai, Chaing Rai, Lamphun, and
Lampang to serve as the centre for co-operation. In the Northeast, places like Nong
Kai, Mukdahan and Nakhon Phanom were marked to facilitate as the gateways to
Indo-China, and make Ubon Ratchathani the centre of the region, besides, making
Nakhon Ratchasima and Khon Kaen as a centre to connect the Lower North and the
Eastern Seaboard. It was also emphasised to develop the border provinces along the
East-West Economic Corridor, bordering Myanmar, Laos PDR, Cambodia and
Vietnam and the North-South Economic Corridor linking Myanmar, Laos PDR and
Southern China (Yunnan) “to serve as economic gateways to the region (ibid: 55-56).

Thailand and Asian Development Bank

Thailand was one of the founding members of Asian Development Bank. Yet
the ADB’s Thailand resident mission was established only in 2005. ADB reports that
Thailand is the 11th largest shareholder among regional members and the 17th largest
in overall position, and “has absorbed cumulative ADB lending of $ 5.4 billion as of
31 December 2005, comprising 84 loans” (ADB 2006). Further, ADB is the main
sponsor of the GMS programmes. With the “initiation of a regional Technical
Assistance· Programme designed to promote and facilitate economic co-operation
among the six riparian countries” by ADB in 1992, the GMS programme took off to a
grand start. The role of ADB is largely that of a catalyst: it encourages dialogue,
provides fora for that dialogue, and assists if requested, in the sub-regional co­
operation through project identification and development (Than and Carolyn L 2001: 132).

Since the formation of GMS, ADB and Thailand has been working together to
bring about faster socio-economic development in the region. The preparing of a
Partnership framework to define strategic directions of co-operation with Thailand on
national development issues, and to support Thailand’s growing role as a regional
donor and global development partner is a turning point in Thailand-ADB relations
(ADB 2006). National-level issues cover infrastructure development, capital markets
development and institutional capacity building. At the regional level, the partnership focuses on sub-regional co-operation and regional economic integration. Sub-regional co-operation includes co-financing of cross border infrastructure investments and building capacity for managing development and enhancing competitiveness of less developed GMS neighbours, thereby, strengthening Thailand’s role as regional donor. Support for regional economic integration comprises knowledge sharing and technical assistance to develop the policy, institutional and financial frameworks of the Asian bond markets. Thailand’s secretariat to coordinate GMS Programme activities is based in the National Economic and Social Development Board (NESDB).

Like other middle-income countries, Thailand too faces development challenges which fall into three broad categories: promoting economic growth, supporting inclusiveness and social development, and achieving sustainable development. The Government of Thailand places emphasis on the improvement of physical infrastructure and strengthening of domestic markets. It also aims to institutionalise social protection mechanisms for workers and vulnerable persons such as the poor, women, and elderly. Its approach to sustainable development involves balancing economic growth, environment, and social responsibility, with good governance as an essential pre-condition. Thus, under the ADB-Thailand Partnership, ADB co-operates with civil society organisations in Thailand to strengthen the effectiveness, quality and sustainability of the services it provides (ADB 2006).

Thailand and Greater Mekong Sub-region

The Greater Mekong Sub-region (GMS) co-operation which was formed by the six Mekong countries in 1992, “aims to promote economic and social development” in the region by strengthening economic linkages between and among them. The GMS programme seeks to achieve enhanced connectivity, increased competitiveness, and a great sense of community in the GMS (Thailand, Ministry of Foreign Affairs). The government of Thailand regard GMS economic co-operation as an opportunity for Thailand’s future economic development. Thus, since the establishment of GMS programme in 1992, Thailand is actively involved with several GMS infrastructure projects and in ADB-financed regional technical assistance (RETA) projects. Besides, Thailand has also been a major provider of financial and technical assistance to neighbouring GMS countries for the implementation of priority sub-regional projects.
Strategically located in the centre of Southeast Asia region Thailand is part of the three main GMS economic corridor (i) North-South Economic Corridor, (ii) East-West Economic Corridor and (iii) the Southern Economic Corridor. Thailand is determined to push for substantial progress of the GMS programme. Thus, for the speedy implementation of the North-South Economic Corridor, it was reported that “the governments of Thailand and the People Republic of China as well as the ADB have approved their respective loan assistance to Laos PDR for the rehabilitation of Boten-Houayxay road.” On the East-West Economic Corridor, Thailand will provide financial assistance for the construction/road improvement project of the missing link in Myanmar connecting Mawalamyine-Myawaddy-Mae Sot (Thailand),” besides financially assisting the Southern Economic Corridor.

From 1990 onwards, Thai government has started reforming various economic, transportation, financial and foreign trade systems. This was done with the view to make Thailand the navigation, transportation and financial centre in the region. Further, Thailand has launched economic co-operation toward GMS countries to convert this under-developed area into an active economic one. Prime Minister Thaksin revealed that 10 billion baht would be provided annually in the ECS plan for the construction and renovation of four lane roads to connect the targeted cities among Thailand, Myanmar, Cambodia and Laos. The foundation for this programme was already established at the Fiscal Policy Office, Ministry of Finance in 1996 as the Neighboring Countries Economic Development Co-operation Fund (NECF) in compliance with fund demand to build infrastructure in Cambodia, Laos, Myanmar and Vietnam (Shimomura 2004: 31). Based on this, the provision of 300 million baht was decided as a soft loan in February 1997 at the Cabinet for the construction of the 164 km. road between Kengtung and Shan state in the Northern Myanmar. This is the first project of the NECF. At that time, the Thai Export and Import Bank had played a leading role in injecting funds to development projects in neighbouring countries such as the construction of the Mandalay airport in Myanmar. But, these development projects were suspended due to the economic crisis in 1997 in Thailand.

As of August 2004, the total on-going projects by the NECF amounted to 6.5 billion baht. There are six projects involving road construction which were already decided, related with the North-South Economic Corridor, the East-West Economic Corridor and the South Economic Corridor in the GMS programme and backed up again as the ECS program. The six projects include three projects on Laos, two
projects on Cambodia and one project in Myanmar. Although the development of infrastructure in the GMS region is being carried out partly by Thailand, it is not affordable for the member countries. They strongly expect aid from other countries, regions and international organisations. Accordingly, Thailand initiated and decided in the 3rd ECS Ministerial level meeting held in Yangon in August 2004 that not only the representatives of the ACMECS member countries but also advanced countries and the international organisations would be invited. As a result, at the ministerial level meeting in Krabi, Thailand on November 2, 2004 representatives of Australia, France, Germany and Japan attended and examined the feasibilities of 12 projects. Among them, Japan proposed the economic aid for Savannakhet Airport renovation while Thailand and Germany signed the Memorandum Of Understanding (MOU) to support the third countries, While France revealed support of the ACMECS projects (Bangkok Post, November 2, 2004). Economic aide by Thailand is to be given in baht not in dollars and more than half of the aid is earmarked for Thai corporations i.e. the so called “tied aids” which is intended to prosper Thai industries. Although this aid has been provided so far by the Export-Import Bank of Thailand, the Thai government decided in November 2003 to establish a comprehensive organisation to undertake a wide range of functions and practices over loans like the JBIC (Japan Bank of International Co-operation). However, before its establishment, the Thai EXIM Bank will continue to perform this role.

Objectives of Thailand in GMS Cooperation

As Thailand is strategically located in the heart of the ASEAN regions it is a natural hub for the ten member nations. Compared to Malaysia and Singapore, Thailand is closer to China, which potentially gives the country a better opportunity to become a gateway to Chinese mainland. Taking advantage of its geographical location, the Thai government views its participation in GMS economic co-operation as an important opportunity for Thailand’s future economic development, by way of expanding trade and investment, procuring necessary resources and enhancing the international competitiveness of Thai products. In addition, its participation in GMS serves as a driving force to quicken the development of frontier economy, and to promote the sustainable growth of Thai economy. Further, Thailand policy makers also aim to play a vital role in the Southeast Asian economic affairs. With this
objective in mind Thailand has participated in various main co-operative projects like sub-regional transportation, energy, and tourism, etc.

Thailand is currently strengthening its infrastructural facilities to provide improved links between the countries in the region for land, air and sea transportation. The signing of the proposed Asian Highway Agreement on April 26, 2004 which will connect 32 countries in Europe and Asia is one such example. Another such project of Thailand government is the construction of Kunming-Bangkok Road, which has been listed as a priority project of GMS economic co-operation. These interconnectivities and Thailand’s free trade agreements with People’s Republic of China, ASEAN and India will substantially bolster Thailand’s position as a crucial hub for international trade and production.

The newly inaugurated multi-billion-Baht Suvarnabhumi Airport (Thailand) demonstrated Thailand as one of the key aviation hubs in the region. It is one of the most modern airports in the world, providing services and capacity for a larger number of passengers and cargo in comparison to the old Don Muang Airport. The initial capacity of the new Suvarnabhumi Airport will accommodate up to 45 million passengers a year, 76 flights an hour and over three million tonnes of cargo per year.

Thailand is pursuing the integration of its Northeast region development with the quadrangle economic development, which encompasses Thailand, China, Laos and Myanmar. As such it has listed the “Golden Quadrangle” Development Plan in its fiscal budget. It has also set up a national committee to administer and co-ordinate the implementation of the four countries’ co-operation plan. In order to encourage foreign businessmen to invest in high-technology industries and non-polluting industries in the North Thailand, at the end of the 1990, the government classified three categories of investment areas. The North Thailand falling under the third category will be exempted from business tax for 8 years and then pay half of the tax in the next five years. In addition, the foreign businessmen are allowed to hold 100% shares. The supportive policies of the government have drawn some industries into Northern Thailand. The Thai government believes that GMS economic co-operation will make Chiang Mai a sub-regional transportation hub. Further, Chiang Rai of Thailand not only has geographic advantage to carry out multi-national trade, but it is also one of the biggest areas with favourable government’s policies. Therefore, the North Thailand has huge potential to become the center of banking, financial and human resource development. Thus, by playing a leading role in regional
development Chiang Mai and Chiang Rai extend Thailand’s market reach towards Myanmar, Laos and of China.

Professor Medhi Krongkaew, who is the Director of Institute of East Asian Studies of Thammasat University, believes that co-operation to develop GMS economic area will benefit six countries. He asserts that China will benefit most from it by transforming its poor and backward Southwest frontier to an economically prosperous area. It can export products to Southeast Asia and South Asia. It can help transport the products to different places in the world through the Gulf of Thailand and the Andaman Sea. It can also attract more foreign investors to invest in Southwest China. The benefits of GMS for Thailand can be outlined as follows: First, it can accelerate the economic development of its North and Northeast region. Secondly, it can become the centre of many activities of this region according to the Seventh National Economic and Social Development Plan. Thus,

a) Thailand can become the financial centre to mobilise and allocate funds in this region because it can attract funds and technology to enter this economic area.

b) Thailand can become the trade and investment centre of this region as the countries that participate in the co-operation open up to each other, thereby enabling Thailand to expand its market reach, which will attract more foreign investments into Thailand. It will not only benefit the regional construction sector, but also the regional trade.

c) Thailand can become the centre of foreign assistance. After the end of the Cold War, the United States has called off its boycott on Vietnamese economy. As result, foreign funds have flown into Indo-China region for rebuilding of its economy. The assistance of 50 billion Baht from Japan has been the highest so far. Efficient and productive utilisation of these funds requires the assistance of Thailand.

d) Thailand can become the energy centre. China has planned to build hydro-power stations on the Lancang River and export electricity to Thailand. While, Myanmar will export natural gas to Thailand, Vietnam will export coal to Thailand. Different countries have regarded Thailand as the biggest buyer of energy. Thailand can process the energy and then re-export. As such, it can become the indirect energy resource centre.

Professor Medhi Krongkaew also believe that Thailand can have greater access to minerals, timber, agricultural products, raw materials, as well as the primary
products processing investment spots. Thailand can make use of the raw materials and cheap labour force of the neighbouring countries to process the primary products, which can directly be sold to the third country or transported back to Thailand for fine processing the cost of which can be reduced and its competitiveness in the international market can be raised.

In terms of the benefits Myanmar and Laos, according to the report of Asian Development Bank can benefit from continuous business activities and serve as the transfer posts. Vietnam and Cambodia not only can benefit from tourism, trade and investment, but also from the agricultural aspect. In due course of time, a vibrant and prosperous economy will emerge in the Mekong River Basin. The six countries' economic co-operation will certainly make great achievement (Yang & Yang). To maximise the benefits of improved transport infrastructure, Thailand, together with other GMS countries, have agreed to expedite the implementation of the GMS Cross-Border Transport Agreement (CBTA). The CBTA includes provisions for single-stop/single-window inspection at border check-points, simplified visa formalities, and exchange of traffic rights. When the CBTA is fully implemented in 2008/2009, GMS countries will enjoy lower transport costs, increased tourism, and greater opportunities for cross-border trade and investment.

Sectors of Cooperation

The early focus of the GMS centered on seven priority sectors, namely, energy, telecommunications, trade facilitation and investment, human resource development, environment, agriculture and tourism. A brief summary of the sectors is as follows:

a) Energy

Thailand is one of the signatories to the Inter-Governmental Agreement (IGA) on Regional Power Trade, which was signed during the First GMS Summit in 2002. It participated in the study to formulate the Regional Power Trade Operating Agreement (RPTOA), and in the preparation of the Memorandum of Understanding (MOU) on the guidelines to implement Stage 1 of the RPTOA, which was signed during the Second GMS Summit. Thailand contributed inputs to the study on the GMS indicative master of the Regional Power Trade Co-ordination Committee (RPTCC) created under the IGA to advance GMS power trading arrangements. The RPTCC is now pursuing the development of best practices of Power Purchase Agreements, setting up
of the GMS power database and website, and the updating of the GMS power master plan; Thailand is the co-ordinator for the latter activity. Thailand is also working with China and Laos PDR in preparing the proposed 500 kilovolts GMS Power Transmission Line to enable power exports from Yunnan, to Thailand.

Thailand is also participating in the ongoing development of the GMS Energy Strategy, which will articulate the vision for GMS energy co-operation and develop action plan that will lead to financing of priority initiatives for enhanced energy trade, and establishment of institutional and other arrangements toward enhanced regional energy security.

b) Tele-communications

Thailand is a signatory to the MOU on the Planning and Construction of the GMS Information Super-highway Network (ISN) signed during the Second GMS Summit. It participated in the Implementation Group (IG) and Steering Group (SG) activities created under this MOU to pursue ISN development. Thailand is the chair of the SG composed of representatives of tele-communications ministries, which is now overseeing the ISN development plan and financing for priority sections. Thailand is also contributing to further develop information and communication technology (ICT) for rural applications in the GMS, and is supporting efforts to build telecommunications operations capacity of other GMS members.

c) Trade Facilitation and Investment

Thailand will undertake trade facilitation and investment promotion measures, which will be guided by the Strategic Framework for Action on Trade Facilitation and Investment (SFA-TFI), endorsed at the Second GMS Summit. The SFA-TFI covers four priority areas, namely: 1) customs procedures 2) inspection and quarantine measures 3) trade logistics and 4) mobility of business people. Another important initiative is the implementation of the CBTA, which will facilitate cross-border transport of goods and people in the sub-region. The CBTA entered into force in December 2003 with its ratification by all six GMS member countries. Initial implementation of the CBTA in Thailand is expected to commence at the Mukdahan-Savannakhet border crossing between Thailand and Laos PDR in December 2006.

Thailand has been participating in activities of the Sub-regional Investment Working Group, such as capacity building for investment promotion and improving the information architecture for investment promotion. The Thai Chamber of
Commerce is a member, together with the national chambers of other GMS countries, of the GMS Business Forum, which offers various services to promote private sector participation in the GMS Programme.

d) Human Resource Development

Communicable diseases control has become a top priority for regional collaboration in health in the GMS in view of the potential for cross-border transmission of emerging diseases, such as SARS, avian flu and HIV/AIDS, along with endemic diseases like measles, malaria and tuberculosis. This complements Thailand’s national efforts to prevent the spread of communicable diseases. The GMS Phnom Penh Plan for Development Management (PPP), which was launched in Phnom Penh in November 2002 on the occasion of the First GMS Summit, will continue to support the training of middle and senior level Thai government officials in development policy, planning, and management. The resulting core of PPP training recipients in Thailand will contribute to ensuring effective, efficient and sustainable delivery of services in support of Thailand’s economic development goals. Thailand has been helping in building capacity of the people of the GMS through provision of technical assistance and training in the areas of agriculture, tourism, trade, telecommunications and transport, among others.

e) Environment

Thailand has been active in GMS efforts at managing the sub-region’s shared resources, which include developing the strategic environmental framework (SEF) and environmental performance assessment systems, and building capacity for carrying out sustainable development activities. Thailand is expected to continue its full support for and participation in the GMS Core Environment Program (CEP), endorsed at the Second GMS Summit. This involves a co-ordinated approach to protecting shared resources and ensuring sustainable economic development of the sub-region. ADB will administer the CEP with contributions from various partners to enhance the level of strategic environmental assessments, knowledge sharing and financial mobilisation for conservation, and to mitigate the environmental effects of economic corridor development. Also under the CEP, a GMS Bio-diversity Conservation Corridor Initiative is under way to protect high-value terrestrial biodiversity and protected areas in economic corridors. One of the pilot bio-diversity corridor sites identified is located in Thailand (Tenasserim Range in western
Thailand). The Environment Operations Centre opened in April 2006 in Bangkok to serve as the secretariat and co-ordinating centre for the CEP.

**f) Agriculture**

The GMS countries recognise the importance of agricultural development in achieving sustained and inclusive development in the sub-region. In line with the pledge of the GMS Leaders at the Second GMS Summit to accelerate sub-regional co-operation in agriculture and focus on its cross-border dimensions, the GMS countries have endorsed in principle a Strategic Framework for GMS Co-operation in Agriculture and the accompanying Core Agriculture Support Programme (CASP). The Strategic Framework and CASP outline the key objectives, strategic thrusts, and indicative programmes and projects in agriculture, to be pursued from 2006-2010, in co-operation with development partners. The CASP will facilitate cross-border trade and investment in agriculture, enhance private sector participation and knowledge sharing, implement co-operative capacity building programmes, establish emergency response mechanisms for crisis situations in agriculture and natural resources management, and strengthen institutional linkages and mechanisms. Thailand is expected to actively participate in these activities.

**g) Tourism**

GMS co-operation under the Tourism Working Group was co-ordinated in the past by the Agency for Co-ordinating Mekong Tourism Activities (AMTA), which was supported by the Tourism Authority of Thailand. With the revision of the institutional framework for tourism co-operation, the AMTA’s role has been taken over by the Mekong Tourism Co-ordination Office, which will provide sustained organisational capacity to address tourism issues at the sub-regional level. Under the 10-year GMS Tourism Sector Strategy and associated five year action plan completed in June 2005, seven strategic programmes and 29 high priority investment projects have been identified, focusing, among others, on an intensified promotion of the GMS region as a single tourist destination, developing tourism-related infrastructure, improving standards for the management of natural and cultural resources, and promoting pro-poor community-based tourism. Thailand has been designated as lead country for five priority projects, including Capacity Building for Heritage Managers, the Mekong World Tourism River Corridor, the Tourism Development Plan for the
Emerald Triangle, Support for Development of the Heritage Necklace Circuit, and the Andaman Coast Tourism Zone.

**Thailand’s Foreign Policy**

Since Thailand is strategically located in the Southeast Asian and Indo-China sub-region, its geographical location enable Thailand to play an important role in fostering greater economic co-operation in the region and sub-region (Krongkaew 2004: 996). Thailand’s foreign policy towards the region has been directed by a wider vision that places Thailand in the role of economic transformer for mainland Southeast Asia (Buszynski 1994: 721). After Prime Minister, Chatichai Chunhawon took over in August 1988, the administration of the country adopted a policy of building economic relations with its neighbouring countries. His policy of “turning the battlefield into a market place,” emphasized active trade relations with Cambodia, Laos, and Vietnam, as well as with other countries in Asia and Latin America. Thus, Chatichai Chunhawon was one of the main architects of transition in which Thailand adjusted to a new role as an Asian NIE and a regional economic power. He also emphasized the importance of developing economic relations with Indo-China and bringing it into the wider community of Southeast Asia and, as generator of the area’s economic transformation, found support in the military's concept of “the Golden Land” [Suwannaphum] (ibid: 723).

Prime Minister Chatichai successor Dr. Anand Panyarachun, too saw Thailand as a gateway to Indo-China and cast it in the pivotal role of a commercial, financial, and distributive centre for mainland Southeast Asia. Dr. Anand, opined that Thailand must shoulder the important task of overcoming the division of Southeast Asia, which was a consequence of the Cold War. Chuan Leekpai has expressed similar ideas, referring to Thailand as a "financial gateway" to the region and its role as a bridge between mainland Southeast Asia and the outside world. In fact Chuan had fleshed out his conception of a regional role for Thailand by stressing the importance of eastern and southern seaboard programmes that would be linked with the economic activities of neighbours including Malaysia and Indonesia. Mahathir during a visit to Bangkok in 1993 had proposed the growth triangle involving southern Thailand, Northern Malaysia and Singapore, based upon the encouragement of tourism, agriculture and tele-communication. A similar idea was also seen in the creation of northern quadrangle involving southern China, Laos, Burma and northern Thailand.
Thai companies have promoted the construction of a 225 km road into this project, connecting Thailand, Burma and Yunnan. But the problem is in Burma, where the road runs across the area controlled by the drug kingpin Khun Hsa, and that is why the Burmese army is resolutely mounting military operations against the Khun Hsa's Mong Tai army (Win 1996).

While the administration of Chuan Leekpai (1997-2001) was a vocal advocate for democracy and human rights abroad, foreign policy under the current centre-right government led by Prime Minister Thaksin Shinawatra is primarily focused on economic co-operation. Thailand is recovering from the severe economic crisis that engulfed it since 1997. The real GDP grew by 4.2% in 1999. The external sector showed a strong recovery with significant increase in both exports and imports while maintaining a current account surplus of 9.1% of GDP. Overall GDP increased, in real terms, at an average annual rate of 4.5% in 1990-2003 according to estimates by the World Bank (The Europa World Year Book 2005: 4218). Thailand’s international economic and trade interests has formed the cornerstone of its foreign policy. The policy of forward engagement is to seek new opportunities to strengthen special relationship based on mutual trust. Thailand clearly stated that it will not allow anyone to use its territory as a sanctuary for any anti-social activities towards its neighbours. And with Thailand becoming a non aid-recipient country, it is requesting the former donor countries to turn their assistance to the less developed sub-regional neighbours. Thailand will endeavour to find ways and means to create more wealth, peace and prosperity in the Greater Mekong Sub-region through closer co-operation with these GMS countries and in partnership with their donor countries.

a) Thailand-China Co-operation

Geographically, China does not fall under Southeast Asia region and thus is not a member of ASEAN. China is linked formally with ASEAN only through GMS. These facts prompted Supachai Panitchpakdi, former Deputy Prime Minister and Minister of Commerce of Thailand to remark that the GMS programme “offers a great opportunity for China to expand her trade with Thailand as well as with other GMS countries” (Panitchpakdi 2001: 265). On the other hand, Thailand does not have a land border with Yunnan, so its bilateral border trade is conducted across the Mekong River. Many scholars and policy makers were of the opinion that “the development of China’s land-locked western provinces is one of the reasons for China’s participation
in GMS co-operation” (Dosch & Hensengerth 2005: 265). With the aim of enhancing socio-economic development of its western provinces, for decades China followed a policy of economic co-operation with Thailand and other Southeast Asian countries. On the other hand, Thailand’s relationship with China was an obvious case of subordination to a larger power. During 1986-1990, it was reported that General Chavalit planned to rely upon Chinese weapons purchases to modernise Thai defence capabilities. However, with the changed of military leadership in Thailand, Thailand diverted its policy towards the U.S (Buszynski 1994: 733).

Economically, China and Thailand are the two most developed countries among the GMS participants. Taking advantage of the geographical and socio-economic condition, China and Thailand has been a close partner in many of the GMS projects especially in the North-South economic corridor linking Yunnan province and northern Thailand. The possibility of water transport from China (Simao port) to Thailand (Chiang Saen port) is a milestone development in the relations of the two countries. Besides bilateral relations, China and Thailand have also co-operated in many regional economic developments like the agreement to assist Laos and Myanmar implement the land transport projects (Masviriyakul 2004: 303). The attempt by China and Thailand to materialise various GMS projects relates directly to their national economic strategies to propel economic growth and raise the people’s standard of living in the frontier areas along the Mekong basin (ibid: 305).

The 1997 Asian Financial Crisis affected Thailand’s relations with major international powers in general and China in particular. Sino-Thai relations have continued to be cordial since 1975, and the two countries became even closer when China became the first country to help Thailand by pledging US$ 1 billion to the International Monetary Fund (IMF) bail-out fund. Ironically US and Europe did not provide comparable assistance. The two countries relations reached a new high in February 1999 with the signing of a joint statement on a “Plan for Action for the 21st century” (Snitwongse 2001:189-212).

Because of China’s growing economy and potential market for Thai exports, Bangkok views China as a close friend and even a strategic partner. Moreover, business in Thailand is dominated by Sino-Thais who view China as offering immense economic opportunities. Thus, China meets both the security and economic interests that most significantly shape Thai policy. In this way, Thailand has sought to
engage China in regional affairs by encouraging Beijing's involvement in regional organisations and initiatives such as ASEAN+3.

At present, China's economy is continuously growing, which promotes the adjustment and upgrading of industrial structure. The industrialisation levels continue to go up with advanced manufacturing industry and increasing product export. Participating in Quadrangle Economic Co-operation and six countries' GMS economic co-operation has given both countries with common development opportunities and co-operative opportunities. Both countries regard participating in sub-regional co-operation as the motive force to enhance international competitiveness of domestic products and the opportunities to expand bilateral co-operation in transportation, energy, investment, trade and tourism, etc. Since both are developing countries, they are inevitably faced with the threat of trade protectionism and trade sanction from developed countries, as well as the obstacles and difficulties of GMS co-operation. These difficulties are not only challenges but also an opportunity to foster closer co-operation.

China has to expand the scale and scope of its foreign trade in order to satisfy the rising consumption and production level. Thailand's manufacturing industry is faced with shortage of raw materials due to the rising cost of labour-intensive industries caused by rising salary. Since China is Thailand's nearest huge market, any future economic relations must emphasise Thailand's investment in China. The mounting investments will give impetus for further expansion of trade and development in the region.

The Yunnan Province in China is linked with the five countries on the Indo-Chinese Peninsula by mountains and rivers. Being land-locked, Yunnan has to rely on developing extensive land connections with its neighbours in order to conduct trade and facilitate communications. As a result, to bring the two countries closer and enhance faster transport facilities in the region, China has planned route R3 from Mohan to Chiang Khong of Thailand to link with Southeast Asian countries (Masviriyakul 2004: 307).

Over the years relations between the two countries have grown stronger. This is clearly reflected in their trade relations. The number of total trade value was said to have increase from $3,569 million in 1998 to $4,333 million in 1999, an increase of about 21.4 percent. And further still, the record in the first half of the year 2000 shows that the trade volume has increased at the rate of 51 percent (ibid: 266).
## Yunnan’s Formal Border Trade with GMS Countries

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<td>13.5</td>
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<tr>
<td>Total</td>
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<td>616.0</td>
<td>449.1</td>
<td>405.4</td>
<td>487.0</td>
<td>439.6</td>
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Note: @ = less than 0.1%

b) **Thailand-Cambodia Co-operation**

Thailand-Cambodia relations have never been stable. Rather they have fluctuated from acrimony to co-operation and vice versa. The burning of the Thai embassy and destruction of other Thai-owned business in Phnom Penh by the angry Kher mob on the false report of Cambodian press that Thai soap opera actress Suwanan Kongying had claimed the ancient Angkor Wat temple belongs to Thailand is one such instance (Mutebi 2004: 79). However, the sad reality with Cambodian government is that it cannot afford to ignore Thailand despite its acrimonious political relations with the latter, because the country suffers from dis-organisation, with inadequate capital, infrastructure and human resources (Krongkaew 2004: 981). Thus, Cambodian government needs the help of its neighbouring countries, especially Thailand, in its economic reconstruction. In the light of this background, Cambodia has signed various agreements like the Trade, Economic and Technical Co-operation (September 20, 1996), MOU on Intellectual Property Co-operation (March 5, 1997) and MOU on Joint Committee on Trade (May 22, 2000) with Thailand to enhance its trade relations with the latter (ESCAP 2004: 6).

In the 1960s and 1970s, trade relations between Thailand and Cambodia were affected by conflicts and crisis. As a result only informal trade existed. With the end of the cold war and the change in world political system, trade relations between the two countries resumed. Thailand-Cambodia relations were further regenerated by the new foreign policy (turning Indochina battlefield into a marketplace) adopted by the then Thailand Prime Minister, Chatichai in the late 1980s (Masviriyakul 2004: 308). On the other hand, Cambodian government in its plan to attract foreign investment in the country enacted the *Law on Investment* in 1994. Which open many sectors of the economy open to foreign investment, with the exception of the legal and accountancy sectors, as well as certain areas of transport, construction and foreign trade. Subsequently, investment promotion and protection agreements were signed by Cambodian government with China, Cuba, France, Germany, Malaysia, the Netherlands, the Philippines, the Republic of Korea, Singapore, Switzerland, Thailand and the United States of America (ibid: 31). The ESCAP direction of imports shows that Cambodia imports from Thailand grew from $168.5 million in 1998 to $ 228 million in 2001. Whereas its export to Thailand declined from $ 76.8 million in 1998 to just 7.6 $ million in 2001(ibid: 22 & 29).
The Prime Minister of Thailand and Cambodia, Dr. Thaksin Shinawatra and Samdech Hun Sen, met at the Summit Meeting on Economic Co-operation Strategy (ECS) held in Bagan from 11-12 November 2003, and officially announced the following border crossing facilitation as part of the bilateral co-operation. The three new international points of entry between the two countries are:

- Ban Pakkard (Pong Namron District, Chanthaburi Province)-Prum (Pailin City).
- Ban Laem (Pong Namron District, Chanthaburi Province) Daung (Kamrieng, Battambang Province).
- Sa Ngam (Phu Sing District, Sisaket Province)-Choam Anlong Veng (Oddor Meanchey Province).

On a trial basis, the two countries agreed that their respective nationals in Banteay Meanchey and Sakaew Provinces, who hold valid Border Pass and cross the border at Klong Luk-Poipet international point of entry, are permitted to travel in both Sa Kaew and Prachinburi of Thailand and vice-versa in both Banteay Meanchey and Siemreap of Cambodia with 7 days stay-permit.

Besides, the two Prime Ministers also signed a Joint Statement on Energy Co-operation on 12 November 2003 in Bagan. Further, in addition to the above initiatives, their respective agencies in charge of industrial development, namely, the Industrial Estates Authority of Thailand (IEAT) and the Ministry of Commerce of Cambodia, held a senior officials meeting parallel to the ECS Meeting on 10 November 2003. As a result, both sides agreed on the Terms of Reference for feasibility study on the establishment of Koh Kong industrial estate in Cambodia with technical co-operation from Thailand.

c) Thailand-Lao PDR Cooperation

Thailand relations with Laos PDR like those of its other neighbouring countries did not have a smooth sail. The long years of socialist economic ideology in Laos PDR have strained its relations with Thailand (Krongkaew 2004: 981). Laos officially becoming a member of ASEAN only in 1997 indicates its past acrimonious relations with the countries of the region. Mya Than stated that during the Cold war period, trade between the Southeast Asian countries were minimal due to seemingly unending armed conflicts, doctrinaire socialist ideologies, and an appalling lack of infrastructure (Than 2005: 38).
However, after 1986 with the "Adoption of the New Economic Mechanism Programme" by Laos PDR, in which the centrally planned economy has been transformed into a market-oriented economy, the economic relationship with Thailand has improved. After the adoption of the New Economic Mechanism and the new Constitution in 1991, the Laos PDR has promulgated a numbers of laws and regulations which promote foreign investment and form the legal basis for the development of the private sector.

The Laos PDR government considers border trade as one of the most important factors for the economic development of the country. The purpose of the policy is to attract FDI and to promote commercial production for exports as well as to create jobs and generate income, which contribute to the socio-economic development of the country. Border trade relations with Thailand were specially emphasised by the governor of Bokeo province. He "stresses strongly that border trade with Thailand has major potential for socio-economic development in Bokeo and gives it his strong support" (Leebouapao et al: 84 & 86) As a result of this development, a trade agreement was signed between Thailand and Laos PDR on June 20 1991. Thailand and Laos PDR have also signed a Bilateral Investment Agreement, and a separate bilateral agreement for the avoidance of double taxation. Subsequently, it was reported that during 2003-2004, Thailand investment in the Laos PDR has risen to US $ 51 million (ESCAP 2005: 36-37).

The first Thai-Laos Friendship Bridge linking the Thai province of Nong Khai and Laos's capital Vientiane, which accidentally happens to be the first bridge built across the Mekong River, was completed in 1994 with Australia funding. The opening of the bridge enables transportation between Yunnan (China) and other Southeast Asia countries easier and faster (Than & Gates 2001: 140). A decade later, on December 20, 2006, a second Thai-Laos Friendship Bridge linking Savannakhet province of Laos and Mukdahan province of Thailand was official inaugurated. The second Friendship Bridge aimed to strengthen economic linkage under the East-West Economic Corridor between Laos, Thailand and Vietnam via the highway no. 9 which is being extended to Burma at present (Mekong Connection 2006: 8).

Transport is a key component of a major economic and infrastructure development plan to facilitate transportation, trade, investment, and tourism activities for countries in the Mekong Sub-region (George: 2006). While, the Thai-Laotian railway enters Laos by going across the Mekong River Bridge, the construction of
Mekong River riparian ports such as Chiang Saen and Chiang Khong ports is underway. With the establishment of the ASEAN Integration System of Preferences (AISP) on January 1, 2002, Thailand government has issued its legal enactments to implement the AISP. Thus, Laos PDR along with Vietnam and Myanmar enjoy trade preferential tariffs from Thailand. According to ESCAP reports, “during the period 2003-2004, the main foreign investor in the Laos PDR were Australia (US $ 293 million), Vietnam (US $ 63 Million), Thailand (US $ 51 million), Switzerland (US $ 30 Million) and China (US $ 28 million) (ESCAP 2005: 31). This report indicated that Thailand invested almost double of China’s investment.

For Thailand-Laos’ border trade at Savannakhet and Mukdahan check-point, in the first 10 months of 2006, the aggregate trade value equaled to THB 7,630 million, of which Thailand’s exports to Laos at this check-point totaled THB 5,356 million, and the imports valued totaled THB 2,275 million, resulting in Thailand posting a trade surplus of around THB 3,080 million. At this Savannakhet-Mukdahan checkpoint, consumer goods are the leading export from Thailand to Laos, accounting for 23 percent of all Thailand’s border exports to Laos. Other key export goods from Thailand to Laos at this border point are fuel lubricants, non-electrical machines, electrical machines and parts, and construction materials. The goods that Thailand imports mostly from Laos at the Savannakhet-Mukdahan check-point are mining products, representing almost 74 percent of all Thailand’s imports from Laos, followed by processed wood and products and non-electrical machines.

d) Thailand-Myanmar Cooperation

Like in any other neighbouring countries Thailand and Myanmar relations has been affected by the border dispute and minorities problem for many years. However, it was reported that traditional trade along the narrow strip on both sides of the Myanmar-Thai border has existed for a long time though more pronounced informal trade and smuggling started soon after the military took power in Myanmar in 1962 (Than 2005: 38). Smuggling and informal trade on the Thailand-Myanmar border began to witness after the military took over the administration of the state because the junta nationalised most of the economy which resulted in serious shortages of consumer goods.

With the change of world politics Myanmar policy makers began to focus on its relations with its neighbouring countries especially Thailand because of its need to
develop the border town (Limskul & Taniguchi 1996: 5). Mya Than (2005: 40) stated that “the policy of the Government of Myanmar is to utilise border trade as a mechanism to further develop and strengthen bilateral trade relations with all five of its immediate neighbours (Bangladesh, PRC, India, Laos PDR and Thailand) and with other states in the region.” In June 1993, Thailand gave Myanmar government a loan of 336 million baht for the development of the road from Tha Chilak, just across from the northernmost border of Thailand, to Keng Tung, a distance of 164 km (Krongkaew 2004: 981). Three years later in June 1996, Thailand and Myanmar signed a trade agreement to facilitate better trade between the two countries. Thus, because of the trade agreements between the two countries, “the Government of Myanmar has increased revenues from custom duties, barter trade can be done without using foreign exchange in some cases, and security and development in the border regions have been enhanced. Border trade is in fact becoming increasingly important with improvements in political relations and infrastructure among GMS neighbours. Unlike traditional cross-border trade, today’s trade includes economic and technological co-operation and mutual exchange markets” (Shengda 2003: 28-30).

The positive impact of cross-border trade for Myanmar has been a rise in employment and income, improvements in security, transportation facilities, and the social sectors in border regions. Nonetheless, political, social, and economic obstacles to cross-border economic co-operation persist. Thai-Myanmar border trade accounted for some 70% of overall trade between the two countries. Similarly, in terms of value, Yunnan-Myanmar border trade accounted for 68.7% of the total (ibid). Despite these thriving economic relations, no reports exist on cross-border economic activities. As of December 1997, Thailand ranked third in terms of the amount of capital investment in Myanmar (US$ 1,165 million). Thai investors have put money into hotels, fishery products, transportation, and agriculture in addition to industry projects.

As part of the Ayeyarwady-Chao Phraya-Mekong Economic Co-operation Strategy (ACMECS), Thailand offered loans of US$ 100 million to Cambodia, Laos PDR and Myanmar. Further, Thailand also agreed to help in implementing an industrial zone in Pa An, the capital of Kayin State and another one in Mawlamyine, the capital of Mon State. In addition, economic development zones are being planned in the border areas of Tachileik, Kengtung (Kyaing Tong), Dawei, Myeik, and Kawthoung on the Myanmar side.
According to the Bagan Declaration, the Thai Prime Minister believes that helping to raise living standards in Myanmar will reduce the problem of illegal workers entering Thailand. He further expressed expectations for job creation, transport links, energy development, and tourism promotion. Thailand agreed to provide grant aid worth US$ 2 million to upgrade the first 18 kilometers of the road from the Thai border to Myanmar’s southern port Tavoy (Dawei) to facilitate shipments from western Thailand through the Andaman Sea.¹

Cross-border co-operation extends to infrastructure as well. Thailand and Myanmar signed an agreement on 19 May 2003 to build a second “friendship bridge” across the Mae Sai River to facilitate trade, communication, and tourism in the upper Mekong region. The first friendship bridge was built in the 1990s and joined Myawaddy in Myanmar and Mae Sot in Thailand. Under the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation, India, Myanmar, and Thailand agreed to build a 13,690 kilometer three-nation highway. In addition, Myanmar and Thailand signed a memorandum of understanding in May 2005 on cross-border transportation so that trucks would be able to pass through the Myawaddy-Mae Sot checkpoint to deliver freight to cities in either country. This arrangement is part of the GMS initiative (East-West Economic Corridor). Upgrading roads near the Myanmar-Yunnan border has been carried out with Chinese assistance, and the PRC, India, and Myanmar are now planning to build a highway from India to the PRC through Myanmar.

The Myanmar border towns of Tachileik and Pangsan receive electricity from Mae Sai, Thailand and the PRC respectively. Myanmar also allowed Thailand to study a US$ 15 million hydro-power project on the Salween River to supply electricity to Thailand. The output of the Yadana and Yetagun offshore gas fields will continue to grow to meet the demand from Thailand as Myanmar currently supplies a quarter of Thailand’s gas needs with exports worth up to US$ 1 billion.

However, all is not well in Thailand-Myanmar economic relations. The trade reports indicated that exports from Myanmar to Thailand declined at the rate of 0.7% and imports declined by 8.6% between 1992/93 and 2003/04 although informal cross-border trade seemed to thrive. Thailand’s share of Myanmar’s total cross-border trade

¹ It was reported Thailand has also assured Myanmar that it will provide a loan of US$ 30 million for upgrading a 200 kilometer highway directly linking Thahton (Myanmar) and Tak Province (Thailand), Xinhua January 2, 2004.
decreased from 40% in 1992/93 to 14.8% in 2003/04 mainly due to frequent border tensions and changes in Myanmar's trade policies (Than 2005: 44).

e) Thailand-Vietnam Co-operation

Vietnam due to its geographical location has no difficulty in establishing its external contact with other countries via the sea. But, this opportunity is deprived to Vietnam because of its geographical limitation. Vietnamese policy makers always look out to develop land cross-border infrastructural development with its neighbouring countries, especially Thailand. The proposal to develop growth triangle between the northeastern region of Thailand starting with Khon Kaen province and extending to Mukdahan and Ubon Ratchathani provinces, with the Savannakhet and Khammouane areas of Laos PDR, and stretching across to Dong Hoi and Da Nang in Vietnam is one such example (Krongkaew 2004: 982).

Former Thai Prime Minister Anand Panyarachun participated in the negotiations and signed a joint communiqué on August 6, 1976, relinquishing all problems and differences of the past aside and establishing diplomatic ties with Vietnam. Since then and especially following Vietnam's official joining to ASEAN, the friendship and co-operation between the two countries have seen a healthy improvement. Assessing the Vietnam-Thailand friendship, Vietnamese Ambassador to Thailand Nguyen Duy Hung affirmed that thirty years is a period of great importance in Vietnam-Thailand relations marked by positive and outstanding developments. The co-operation between the two countries has been boosted in many fields, including in politics, economics, culture, social affairs, tourism and security and has been expanded to the regional and international frameworks such as the Asia-Europe Meeting (ASEM), ASEAN, ACMECS, GMS and the EWEC.

After the signing of the historical joint communiqué, Vietnamese Prime Minister Pham Van Dong paid an official visit to Thailand in September 1978 which opened up new page in bilateral relations. So far, the two countries have exchanged many high-level visits including the delegations of Party General Secretary, Prime Minister and National Assembly Chairman from Vietnam and in return by Thai Prime Minister and Royal delegations. February 2004 marked a significant event as Vietnam and Thailand held the first joint cabinet meetings in Da Nang and Nakhon Phanom. The two countries have so far signed about 30 co-operation agreements and treaties in the fields of economics, culture, social affairs and others.
Trade ties between Vietnam and Thailand have seen continuous improvement in recent years, especially after the joint cabinet meetings in 2004. This is reflected in the rapid increase of two-way trade turnover. In the five recent years: US $1.12 billion in 2001, US $1.18 billion in 2002 US $1.6 billion in 2003, US $2.32 billion in 2004, US $3.2 billion in 2005 and US $1.8 billion in the first six months of 2006 alone. It is estimated that the value will reach US $3.5-3.8 billion in 2006. The two countries are also making active efforts to expand co-operation in rice and shrimp exports. During the visit of Thai Foreign Minister Kantathi Xuphamongkhon to Vietnam, both sides expressed their determination to lift Vietnam-Thailand co-operation ties to a new height, including measures to raise two-way trade turnover to US $5 billion in the next several years to meet each other's potential.

Along the Mekong River, a Thai-Laos Friendship Bridge has been built, linking Nongkhai province (Thailand) to Vientiane (Laos) and another starting from Mukdahan (Thailand) to Savannakhet (Laos) is planned to be put into operation, thus shortening the way from Lao Bao border-gate in Quang Tri province of Vietnam to Laos and Thailand. Thailand now ranks ninth in terms of foreign direct investment capital in Vietnam with 125 projects worth US $1.5 billion. In addition, more and more Thai businesses are entering to seek co-operation opportunities. In 1997, Thai companies had invested approximately US$ 53 million in Vietnam. The main areas of Thai investment include agro-business such as agricultural production, feed production, as well as industrial production of ready-to-wear clothes, jewelry, mining, and hotel and tourism services industries.

Table 5 indicates Thailand's border trade with its neighbours from 1994 to 2001. During this period, overall trade increased very rapidly at an average annual rate of 17.0%, but trade with Cambodia, Laos PDR, and Myanmar increased even more rapidly at 20.5, 19.5, and 24.5% respectively. Myanmar's share of Thailand's border trade averaged at 9.2% during the period, second to Laos PDR at 9.9%. Cambodia averaged at 7.5%. Laos PDR has the longest border with Thailand along the Mekong River, and its economic relations with Thailand have been good. Except for 2001, Myanmar has had a trade deficit with Thailand since the 1950s. As mentioned earlier, the figures provided do not include Thailand's imports from Myanmar's Yadana and Tetagun gas fields.
### Table-5
Thailand’s Formal Border Trade Flows (1994-2001)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Export</td>
<td>54.9</td>
<td>80.0</td>
<td>113.9</td>
<td>152.0</td>
<td>225.5</td>
<td>1184.2</td>
<td>236.6</td>
<td>350.3</td>
<td>30.</td>
</tr>
<tr>
<td>- Import</td>
<td>43.0</td>
<td>79.9</td>
<td>32.1</td>
<td>54.8</td>
<td>25.6</td>
<td>14.1</td>
<td>11.5</td>
<td>11.0</td>
<td>-21.</td>
</tr>
<tr>
<td>- Total</td>
<td>97.9</td>
<td>160.0</td>
<td>146.0</td>
<td>206.8</td>
<td>251.0</td>
<td>198.3</td>
<td>248.1</td>
<td>361.3</td>
<td>20.</td>
</tr>
<tr>
<td>- Share (%)</td>
<td>4.8</td>
<td>10.4</td>
<td>9.4</td>
<td>9.4</td>
<td>9.3</td>
<td>4.8</td>
<td>4.6</td>
<td>5.9</td>
<td>(7.5)</td>
</tr>
<tr>
<td>Lao PDR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Export</td>
<td>113.9</td>
<td>204.3</td>
<td>201.9</td>
<td>272.4</td>
<td>375.9</td>
<td>324.8</td>
<td>404.9</td>
<td>448.6</td>
<td>21.</td>
</tr>
<tr>
<td>- Import</td>
<td>48.9</td>
<td>62.8</td>
<td>49.6</td>
<td>50.0</td>
<td>37.1</td>
<td>83.4</td>
<td>103.5</td>
<td>117.7</td>
<td>13.</td>
</tr>
<tr>
<td>- Total</td>
<td>162.8</td>
<td>257.1</td>
<td>251.5</td>
<td>322.4</td>
<td>412.0</td>
<td>408.2</td>
<td>508.4</td>
<td>566.3</td>
<td>19.</td>
</tr>
<tr>
<td>- Share (%)</td>
<td>7.9</td>
<td>16.8</td>
<td>16.3</td>
<td>14.6</td>
<td>15.3</td>
<td>10.0</td>
<td>9.4</td>
<td>9.2</td>
<td>(9.9)</td>
</tr>
<tr>
<td>Myanmar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Export</td>
<td>133.3</td>
<td>118.9</td>
<td>123.2</td>
<td>207.9</td>
<td>160.1</td>
<td>172.9</td>
<td>276.2</td>
<td>153.4</td>
<td>2.</td>
</tr>
<tr>
<td>- Import</td>
<td>65.3</td>
<td>28.8</td>
<td>12.1</td>
<td>16.7</td>
<td>26.5</td>
<td>31.5</td>
<td>170.0</td>
<td>769.6</td>
<td>42.</td>
</tr>
<tr>
<td>- Total</td>
<td>198.6</td>
<td>147.7</td>
<td>136.3</td>
<td>224.6</td>
<td>186.6</td>
<td>204.3</td>
<td>446.2</td>
<td>923.0</td>
<td>24.</td>
</tr>
<tr>
<td>- Share (%)</td>
<td>9.7</td>
<td>9.6</td>
<td>8.8</td>
<td>10.2</td>
<td>6.9</td>
<td>5.0</td>
<td>8.3</td>
<td>15.0</td>
<td>(9.2)</td>
</tr>
</tbody>
</table>

Note: Average (1994-2001) *
Source: Department of Customs, Thailand, 2002.

Thailand had been an active investor in the neighbouring countries of the GMS. The significant outflows began only after 1992, with total outward flows roughly doubling in 1995, and again in 1996. However, the economic downturn has virtually stopped Thai overseas investment, including in the GMS countries.

**Special Border Economic Zones**

One of the main objectives of GMS increasing sub-regional economic integration is to facilitate cross-border trade and investment. Therefore, in early 2000 the GMS countries requested ADB to carry out a survey on the GMS economic corridors. Subsequently, at the commemoration of the 10th anniversary of the GMS
formation held in November 2002, the GMS strategy for the coming decade and the flagship programme were approved. In the summit, the setting up of economic development areas along the GMS was also confirmed. This was done with the view for overall development in the region that is not only to build roads and bridges but also to develop the adjoining border areas. Alice Pham remarked, “Border trade has a rather significant role to play in the relationship between two or more neighbouring countries” (Alice Pham 2007). In its commitment to fulfill the proposed programme the GMS countries signed Cross-Border Transport Agreement (CBTA) between the countries of the region. The agreement provides “provisions for single-stop/single window inspection at border check-points, simplified visa formalities, exemptions from border inspections for goods in transit, and the exchange of traffic rights.” Ronald Antonio Q. Butiong and Le Dinh Thang quoting Laos PDR Vice Minister of Communication, Transport/Posts, and Construction, Sommad Pholsena stated that, “The implementation of the CBTA at Dansavanh-Lao Bao border crossing is gradually transforming the East-West Economic Corridor into a land bridge” (Butiong and Thang 2006: 2).

i) Chiang Rai Border Economic Zone

Thailand and Laos in January 2002 made an agreement to construct the road connecting through to Chiang Rung and Kunming in China via Huay Xi and Luan Nam Tha in Laos by constructing a pier in Chiang Khong in Chiang Rai (Nation 2002: January 11). Thailand was reported to have selected the Chiang Rai province to be its first special economic zone because of its “potential to co-operate with neighbours in the North-South economic corridor.” This fact was corroborated by its “air, road and waterway linkages with neighbouring countries” (Masvriyakul 2004: 309). Thailand in October 2002 made an agreement to provide Laos with a soft loan of 1,300 million baht, covering a period of over 30 years with a ten year-exemption on interest and 1.5% interest over the rest of the period. With regard to this route there is a plan to construct a third Mekong ridge between Chiang Khong in Thailand and Huay xia in Laos. Also on this route, the second Mae Sai Bridge was completed in April 2004 and one-stop-service check-points are to be built on both sides of the border bridge within 2004. The building of this infrastructure for transportation is indispensable for the plan of Chiang Rai special economic zone to strengthen the relation over trade and investments among Kunming, Myanmar and Laos.
Thailand has a plan to set up the “Chiang Rai Border Economic Zone” as a business hub centering on Chiang Rai province where there is linkage with Yunnan of China, Laos and Myanmar along the North-South Economic Corridor. This is based on the plan of the NESDB of Thailand wherein 35 programs and 112 projects (a total investment of 475.8 million dollars) are to be made for human resource development, urban development, industrial development, trade, tourism, infrastructure, environment, public health, and institutional improvement in Mae Sai, Chiang Saen and Chiang Khong in Chiang Rai province (JETRO 2004: 101).

The NESDB sees this Chiang Rai development plan as a pilot project and recognises that the outcome of the project would have great influence on the fate of other border economic zones (NESDB: 2004). This project will be implemented from 2006 through 2014 in which the following projects are being carried out by 2006.

A) Mae Sai: In order to promote border trade with Myanmar, a custom office in Mae Sai was improved to a one-stop-service, and another custom office is to be set up in a different place within 2005, following completion of the second Mae Sai Bridge in March 2004 along with a temporary custom office beside the bridge.

B) Chiang Saen: Renovation of Pier I was completed and the related custom office was improved to a one-stop-service. Pier II is scheduled to be built by 2007 and the industrial estate is to be constructed. Since the signing of the FTA (Free Trade Agreement) with China in 2003, inflow of Chinese commodities into Chiang Saen port seems to be increasing recently.

C) Chiang Khong: The Pier of the Chiang Khong port was renovated and the custom office is being changed to a one-stop-service. The third Mekong bridge is to be built and the new custom office is also to be built by 2007.

The establishment of an industrial estate in Chiang Saen is thought to be especially crucial as a core of this regional development. The IEAT in an action plan of 2004 launched the project to set up an industrial estate along with an ICD (Interland Container Depot) whereby it procured 3,100 Rai in Sri Don Moon in Chiang Saen (IEAT 2003: 19). The IEAT already made a MOU in 2003 with KNTZ (Kunming National New and High Tech Industrial Development Zone) to develop an industrial estate and to invite about 100 investors from China. The initial cost of the industrial estate is estimated to amount to 4 billion baht and to be shared jointly by Thailand and China. In September 2004, about 40 investors from Yunnan reportedly visited the potential investment areas to have meetings with the Governor of Chiang
Rai province, executive members of the IEAT, the NESDB and the BOI and showed interest in investment in pharmaceutical, electric and electronics industries. It is also reported that the Thai side took six months to make surveys on technical, marketing and regal aspects (Bangkok Post 2004: September 24). After finishing a feasibility study started from March 2004, it scheduled formal contract with the Chinese government within 2004 and to start construction in 2005. According to IEAT, they are targeting such six fields of industries as agro-processing, jewelry, garment, distribution, motorcycle parts and electric-electronics. The Yunnan state reportedly so far accepted about 150 investments from Thailand for electrical plants, animal feeds, plastics, hotel, wood processing and agriculture (Nation, October 22, 2003). With the construction of this industrial estate, it is expected that investment from China to Thailand will be reversely made along the North-South Economic Corridor. There is an observation that China has a clear strategy to make Chiang Saen a place to link exports for ASEAN, Europe and the US.

**ii) Mukdahan-Savannakhet Border Economic zone**

Laos being a landlocked country, most of its geographical areas are covered by forests and mountains. Though Laos is predominantly an agricultural country, trade relations with its neighbouring countries have been carried out for decades. The Laos government in 1986 adopted a comprehensive reform programme known as “the New Economic Mechanism” that aims to shift from its old centrally planned to a market-oriented economy” (Leebouapao, et. al. 2005: 81). Subsequently, in September 2003, in its move to develop the border areas, Laos PDR Prime Minister issued a proclamation (Prime Minister Decree No. 148/PM) “on the establishment of the Savan-Seno Special Economic Zone (SSEZ) located in Savannakhet province.” The Savannakhet province is located about 500 km south of the Laos PDR capital Vientiane along the East-West Economic Corridor. “The main objectives of SSEZ are to attract and promote investment, to create jobs and upgrade labour skills, to develop and modernise the country industrialisation and to become a trade and service hub on EWEC” (ESCAP 2005: 41). Further, the Savan-Seno special economic zone will be developed to promote foreign investment. The zone will be at two sites in Kantabuli near the Thai-Lao border and in Outhoomphone in the middle of the Highway No. 9 cross-border transport is seen as one way to improve co-operation and cut transport costs.
The second Mekong Bridge which was started in March 2004 to connect Mukdahan to Savannakhet over the Mekong River was completed in 2006. On completion of the bridge the transportation time within the proposed region was expected to reduce to 4-5 hours (without time for custom clearance) between Mukdahan and Da Nang port in Vietnam although at present it takes a few days by sea between Thailand and Vietnam. This means that Mukdahan would become closer to Da Nang than to Leam Chaban port in Thailand (Tsuneishi 2005: 20).

Takao Tsuneishi reports that “with reference to the development of the special economic zone in Savannakhet, the JICA (Japan International cooperation Agency) proposed to set up a complex special economic zone furnished with such functions as free passing zone, export processing zone and free trade zone, based on a survey carried out from July 2000 to January 2001 with a Japanese consulting agency, KRI (Koei Research Institute) International. Based on this proposal, Industrial estates have been set up including site A composed of factories, residential areas, hotels, duty-free commercial areas and entertainment facilities and site B composed of factories, logistic center and warehouse.” However, “although the estate is planned to be set up gradually in three stages from 2003-2011,” he goes on to conclude that the progress of the work has been moving at a slow pace (ibid).

iii) Trat-Koh Kong Border Economic Zone

Also underway is an IEAT action plan for 2004 that Thailand will establish an industrial estate with 200 Rai in Koh Kong in Cambodia along the framework of establishing border economic zones based on the ECS initiated by Thaksin administration from 2003. Since Koh Kong is close to the Khlong Yai area of Trade province of Thailand, it is expected to be a source of cheap labour and raw materials. The estate is to be completed by 2006 targeting such industries as food, fishery products, glass, textiles, electronics, motorcycles and motor parts. By realising this, Cambodia will make it possible to create employment, technology transfer, and to secure foreign exchange by exports.

iv) Myanmar Border Economic Zone

With reference to the economic zones in the border area between Thailand and Myanmar, Thailand has since the beginning of 2004 conducted feasibility studies on Mea Sot in Tak province and the area near the border checking point in Kanchanaburi
province as candidates for development. Since the Thai government was planning to set up an industrial estate in Tak province, it made public on October 19, 2004 the plan to develop the three places such as Mae Sot, Phob Phra and Mae Ramat with 400 million baht (Bangkok Post 2004: October 20). Mae Sot is to be developed as the centre for industry, commerce and tourism while Phob Phra and Mae Ramat are to be the centre for the agriculturally related enterprises. This development plan includes expansion of Mae Sot Airport, expansion of roads, as well as construction of anti-flood facilities, distribution centers, employment co-ordination facilities for labour from neighbouring countries and hotels. The government is also planning to improve infrastructure in the border area with the co-operation of Myanmar by 2006. In this economic zone, it is planned to provide incentives for investors like various tax exemption, liberalisation for employing foreign labourers including Myanmarese and others by the IEAT, BOI and the custom offices. It is planned to remove tariffs completely on border trades. Thailand also plan to examine the construction of an industrial estate inside Myanmar, that is, in the opposite side of Mae Sot so that a feasibility study was to be conducted from the mid-2004 for seven to eight months. Myanmar is reportedly expecting to invite investments from Thailand in such fields as agriculture-related activities and textiles. Medhi was of the opinion that “Thailand must look upon this economic zone as part of its effort to increase its international competitiveness, by adopting the ‘offensive plan’ rather than ‘defensive plan’ in its future strategy of economic development (Krongkaew 2004: 996).

Thailand’s role in EWEC

The analysis of the geo-political economic condition of the region indicates that there are vast developmental gap between the old and new members of ASEAN. Poverty remains a major problem, particularly near the Northeastern border of Thailand and Laos PDR, and in the border regions with Cambodia and Myanmar. As a result, large migration, force labour, sexual exploitation, trafficking of women and spread of infectious disease, like HIV-AIDS has been often reported. Earth Right International reports that “much of the route linking Mawlamyine (Moulmein), the capital of Mon state in Burma, to Myawaddy, opposite Mae Sot on the Thai border, remains little more than narrow roads that varies from a dirt track in sections to a single-lane of cracked asphalt” (ERI: 2005). The UNESCAP similarly reported that “with the exception of Thailand and Yunnan, road conditions within the GMS are
extremely poor.” “Railway travel for tourism purposes is typically undertaken only by the more adventurous FITs and backpackers.” “Cross border rail links are only currently available between Yunman and Vietnam. The existing track between Cambodia and Thailand is bad (ESCAP1997: 2-5).

In the light of this background, the EWEC was formed with an aim (i) to further strengthen economic co-operation and facilitate trade, investment and development between and among Laos PDR, Myanmar, Thailand and Vietnam; (ii) to reduce transport costs in the project influence area, and make the movement of goods and passengers more efficient; and (iii) to reduce poverty, support development of rural and border areas, increase the earning of the low-income groups, provide employment opportunities for women, and promote tourism.

Thailand is the most developed, fastest growing and largest market, and is an important source of knowledge and capital resources. Thailand is also a communication and transportation hub. The survey conducted by the Japan External Trade Organisation (JETRO) in 2006 showed that Thailand is the “most optimal location for establishing a production/sales base in the coming 5-10 years.” The country has an excellent infrastructure as well as world-class facilities in many resort towns; property is far cheaper in Thailand than other countries; there is no capital gains tax for private investors; and ongoing taxes are low. On the whole, the strategic geographical location and superior economic technological development has an important role to play in bridging the development gap within the region and sub-region.

Since the formation of EWEC, Thailand played an active role in all developmental projects. In April 2003, Thailand initiated an Economic Co-operation Strategy (ECS) including four GMS countries: Cambodia, Laos PDR, Myanmar, and Thailand. The Chiangrai-Kunming highway, a project co-financed in 2002 by Thailand, PRC, and ADB, gives an indication of the co-operation possible between the GMS and ECS programmes. With the GMS serving as the backbone, ECS initiatives are expected to complement and be closely linked to ADB support for the sub-region. Besides, under EWEC project, Thailand has agreed to “provide financial assistance for the construction/road improvement project of the missing link in Myanmar connecting Mawalomyine-Myawaddy-Mae Sot (Thailand).”

Further, a road is under construction connecting Mae Sot and Hpa-an in Myanmar at the request of Myanmar (April 2003). The construction is a part of the
East-West Economic Corridor from Moulmein in Myanmar via Mukdahan and Savannakhet in Laos to Da Nang in Vietnam. This 153 kms construction is an ambitious plan for Thailand in order to become a pivotal place along the East-West Economic Corridor to transport goods from India to Vietnam. Thailand is scheduled to receive grants and loans for the propose of which the amount has not been decided. Also there is a plan to renovate Tavoy Harbor located in the South of Myanmar in order to improve transportation to Thailand through the Andaman Sea.

Yet, despite the optimistic hype of rapid economic developmental work taking place in the region some political and economic analysis indicated that much more needs to be done if Thailand is to derive full benefits from development of the East-West Economic Corridor, because, the benefit of development in the region has not reach the grassroot level. On the other hand, though Thailand is far ahead of the other GMS countries, Thailand has its socio-economic problems within the country. This fact was pointed out by Tadao Chino, President Asian Development Bank in his Keynote address at the Policy Seminar Hosted by the Ministry of Finance, at Bangkok on January 12, 2005. He remarked that “despite Thailand’s remarkable success in bringing down the poverty incidence substantially over the past few decades, Thailand is not yet free of poverty. Reduction of both income and non-income poverty remains a complex challenge facing Thailand, and the persisting inequality among different groups in society and regions need to be addressed urgently.” Thailand has been playing an important role in the development of the sub-region by assisting other less developing countries financially and materially. But, it is imperative to note that the development of the region as a whole can only bring about changes in the life (socio-economic condition) of the people of the region.


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