REGIONAL COOPERATION AND INTEGRATION

1. Thailand is emerging as an increasingly important regional economic hub in one of the world’s most dynamic regions. Its remarkable economic transformation has been underpinned by an open, business-friendly, and globally integrated economy—with relatively high flows of trade, tourism, and foreign investment. Thailand is a founding member of the Association of South East Asian Nations (ASEAN) and is committed to economic (and other) cooperation with ASEAN member countries. Strategically located at the crossroads of subregional cooperation initiatives, including the Greater Mekong Subregion (GMS), the Ayeyarwady–Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS), the Indonesia–Malaysia–Thailand Growth Triangle (IMT-GT), and the Bay of Bengal Initiative on Multi-Sector Technical and Economic Cooperation (BIMSTEC), Thailand is an active participant in regional cooperation programs. Regional integration, which will be enhanced with establishment of the ASEAN economic community (AEC) in 2015, is creating enormous opportunities for Thailand. At the same time, Thailand’s socioeconomic development affects neighboring countries.

A. Thailand’s Strategic Framework for Regional Cooperation

2. The government’s Eleventh National Economic and Social Development Plan, 2012–2016 recognizes that regional cooperation to develop stronger economic links with its increasingly prosperous neighboring countries is pivotal to Thailand’s efforts to move to higher value-added production.¹ The plan views regional cooperation as important in providing new economic opportunities to less-developed border areas. It identifies the core objectives of regional cooperation as (i) strengthen the capability to utilize the advantageous strategic location of Thailand as the key connecting point in ASEAN and Asia and the Pacific; (ii) enhance the interests of Thailand in international trade, investment, finance, and market opportunities through ASEAN membership, and trade and investment; and (iii) promote Thailand as a key participant in cooperation under (sub)regional frameworks. The plan provides specific directions, including to enhance transport and logistics connectivity under subregional cooperation programs; develop border areas, border economic zones, and economic corridors; create regional economic partnerships for human capital development and labor mobility; encourage Thai firms to invest in the region via private–public linkages; and help prevent trafficking and communicable diseases. The government plans to increase investment to strengthen connectivity, which is expected to generate new market opportunities and stimulate growth and development of regional production chains utilizing the comparative advantages of regional economies.²

B. Priorities in Regional Cooperation and Integration

1. ASEAN Economic Community

3. AEC, which envisages a single market and production base, is expected to enhance trade and investment opportunities, and to strengthen Thailand’s role as an important production, trade, transport, and logistics hub, acting as a major conduit for regional and international trade. Like other participating countries preparing for AEC, Thailand needs to improve connectivity; strengthen the capacity of enterprises, especially small and medium-sized

² Cabinet approved a 7-year Infrastructure Development Strategy worth B4.2 trillion in February 2013. It has a strong focus on transport infrastructure to strengthen domestic and regional connectivity.
enterprises, to take full advantage of AEC; and reform national institutions to meet regional standards.

4. Consistent with the Roadmap for an ASEAN Community, 2009–2015, the Master Plan for ASEAN Connectivity (MPAC), and ADB’s own regional cooperation and integration (RCI) strategic framework, ADB cooperation with ASEAN has focused on (i) enhancing connectivity (transport, energy, and other “hardware” infrastructure, together with transport and trade facilitation, logistics, energy trade policy, and other related “software” services); (ii) widening and deepening ASEAN capital market integration (harmonized regulatory frameworks, bond market development, interlinked stock markets and payment and settlement systems, and capacity building); (iii) promoting environmental sustainability (through climate change mitigation and adaptation, renewable energy, and energy efficiency); and (iv) enhancing trade and investment (trade architecture and free-trade agreements, and capacity-building activities). To date, ADB has provided more than $40 million in technical assistance (TA) to support ASEAN-related issues. ASEAN and ADB signed a memorandum of understanding for 2012–2015. Responding to the resource mobilization aspects of MPAC, ADB has been supporting the establishment of the ASEAN Infrastructure Fund with an equity contribution from Thailand, with ADB acting as the administrator, lender of record, and equity contributor.

2. Greater Mekong Subregion

5. Thailand has been an active partner in GMS cooperation, particularly in transport, transport and trade facilitation, energy, agriculture, environment, human resource development, tourism, telecommunications, and trade and investment. It is involved with three original GMS economic corridors: (i) the North–South Economic Corridor, (ii) the East–West Economic Corridor (EWEC), and (iii) the Southern Economic Corridor. The Thai government finances most of the GMS-related investment projects in Thailand from its own resources. ADB however financed the 2009 GMS Highway Expansion Project (for $77.1 million). As a development partner to neighboring countries, the Thai government also financed a road section of the North–South Economic Corridor in the Lao People’s Democratic Republic (Lao PDR), in cooperation with ADB and the People’s Republic of China; and will finance a road section of the EWEC in Myanmar in cooperation with ADB. Thailand has participated in most of the regional TA projects that ADB, together with other development partners, has provided from 1992 to 2012 (valued at $304 million) for various GMS cooperation-related activities, particularly economic and sector work, policy advice, and capacity building. The GMS Core Environment Program and Biodiversity Conservation Corridor Initiative, which aims to promote environmentally sound and sustainable GMS development, is being implemented through the GMS Environment Operations Center, based in Bangkok. Thailand currently hosts the Mekong Tourism Coordinating Office. Thailand has been actively participating in the implementation of the Core Agriculture Sector Program, which aims to increase cross-border trade, subregional agricultural competitiveness, and agribusiness investment in the economic corridors, while addressing climate change challenges. Thailand helps build the capacity of its neighbors in the GMS by providing scholarships and training courses in various fields of expertise, and making available its network of academic and research institutions to increase public sector efficiency. Jointly with the other GMS countries, Thailand is expected to participate actively in implementation of the Strategic Framework and Action Plan for Human Resource Development

\[\text{The memorandum of understanding covers cooperation on connectivity (both hard and software); financial and capital market integration; environmental sustainability; macroeconomic surveillance; trade; investment; and agricultural development through trade facilitation, with narrowing the development gaps, reducing poverty and helping to achieve the Millennium Development Goals as cross-cutting themes. A work program to operationalize the memorandum of understanding has been developed.}\]
in the GMS, 2013–2017. About 380 Thai civil servants have been trained under the Phnom Penh Plan for Development Management.

3. Bay of Bengal Initiative on Multisector Technical and Economic Cooperation

6. BIMSTEC, which currently comprises Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand, was formed in 2004 to create the enabling environment for rapid development and accelerate social progress in South and Southeast Asia. Initial operations were in trade and investment, technology, transportation and communication, energy, tourism, and fisheries. ADB has been working closely with Thailand and other BIMSTEC member countries in developing and implementing select BIMSTEC strategies, including for transport infrastructure and logistics.

4. Indonesia–Malaysia–Thailand Growth Triangle

7. IMT-GT was formed in 1993 by the governments of Indonesia, Malaysia, and Thailand with the aim of accelerating economic transformation in these countries and recognizing economic complementarities and opportunities in the subregion. The IMT-GT Roadmap for Development, 2007–2011 emphasized the importance of (i) increasing regional connectivity through infrastructure development along priority corridors; (ii) promoting trade and investment; (iii) addressing human resource development, and environment and natural resource management; (iv) increasing growth in agriculture, agro-industries, and tourism; and (v) strengthening institutional capacities for coordination and monitoring. The results-based Implementation Blueprint, 2012–2016 is now in place.

8. Under the IMT-GT framework, Thailand is particularly interested in enhancing connectivity around the southern border to facilitate Thai–Malaysian border trade, establishing a special Thai–Malaysian economic zone, developing border towns and green cities, and developing halal standard and halal logistics systems among the IMT-GT countries.

9. As a development partner of IMT-GT since 2006, ADB has been providing support for institutional strengthening and capacity building, and economic and sector work (totaling $8.3 million), including for studies on agriculture, energy, tourism, transport, economic corridors, logistics development, maritime, investment, and trade surveys; promotion of green cities; formulation and review of the IMT-GT road map 2007–2011; support to the 2010 business process review; institutional strengthening of the Center for IMT-GT; and preparation of the Implementation Blueprint, 2012–2016. Current ADB cooperation with Thailand under the IMT-GT includes (i) an initiative to promote green cities, and (ii) a study on a special border economic zone between Thailand and Malaysia.

5. Ayeyarwady-Chao Phraya-Mekong Economic Cooperation Strategy

10. Initiated by Thailand, ACMECS is a subregional grouping comprising Cambodia, Lao PDR, Myanmar, Thailand, and Viet Nam. ACMECS focuses on (i) cross-border trade facilitation, (ii) intraregional relocation of investment, (iii) tourism and services, (iv) special border economic zones and sister cities, (v) capacity building, and (vi) coproduction activities (i.e., contract farming). While ADB does not directly support ACMECS, ADB support for the Cross-Border Transport Agreement, trade facilitation, investment, tourism, and HRD under the GMS Program, directly complements ACMECS strategic priorities.
6. Thailand Development Assistance to Neighboring Countries

11. Thailand is taking on an increasingly important role as development partner to its neighbors. Its assistance to Cambodia, Lao PDR, Myanmar, and Viet Nam—via the Thailand International Cooperation Agency (TICA), Neighboring Countries Development Cooperation Agency (NEDA), and line ministries—includes loans and TA for scholarships, training and study tours, research, and experts. Thailand provided $173 million in development assistance to Cambodia, Lao PDR, Myanmar, and Viet Nam during 2008–2009. ADB and TICA are collaborating on joint training programs to share ADB and Thailand expertise and development experience with neighboring countries, primarily under the GMS Phnom Penh Plan. Under the Water Operators Partnership, ADB and the Provincial Waterworks Authority will continue joint cooperation with Lao PDR counterparts. NEDA and ADB are collaborating, through parallel cofinancing, on a road section of the EWEC in Myanmar, will continue dialogue on GMS Economic Corridor Towns Development, and explore cofinancing opportunities for projects in neighboring countries.

C. ADB Support Strategy

12. Opportunities. RCI is a recurring government priority, with a particularly strong focus on initiatives to support AEC, as well as economic cooperation under IMT-GT, the GMS Program, and BIMSTEC. Stronger economic links with increasingly prosperous neighboring countries will support Thailand’s efforts to move to higher value-added production. Improved connectivity has been generating new market opportunities and the scope for further integration with regional production chains utilizing the comparative advantages of regional economies. Opportunities are available to develop the associated infrastructure and institutions needed to improve economic benefits in border areas and along economic corridors. Recent developments in Myanmar provide new opportunities for Thailand to strengthen regional economic cooperation. With its new role as a development partner, Thailand can help its neighboring countries, especially Myanmar, in upgrading regional infrastructure and related software, which is critical for AEC and greater ASEAN integration. Cooperation under IMT-GT will support sustainable development in southern Thailand, which is generally lagging development progress and affected by ongoing instability in some areas.

13. Strategy. ADB will support Thailand to capitalize on its geographic advantage and strong economic position using a two-track approach. Firstly, ADB will work with Thailand in fostering (sub)regional competitiveness, inclusiveness, and sustainability through subregional economic cooperation programs, especially the GMS and IMT-GT, serving as building blocks for ASEAN integration, as well as establishing the economic link with South Asia through BIMSTEC. ADB will work closely with the government, and will provide knowledge and financial support for regional priorities, as identified in the 11th plan, including for (i) addressing practical barriers to regional trade and investment linkages, and increased integration with regional and global production chains, including cross-border trade agreements and common border facilities; (ii) improving transport connectivity (while addressing associated adverse social impacts); (iii) developing economic activities including urban centers along the corridors; (iv) integrating capital markets; (v) strengthening regional power markets, interconnection, and generation; (vi) promoting sustainable environment management (including climate change); (vii) supporting GMS tourism cooperation; (viii) developing competitiveness of agricultural products; (ix) strengthening public health security; and (x) developing regional capacity and skills. Country knowledge support will draw on and supplement regional programs of advisory and capacity development support provided to ASEAN, the GMS, and IMT-GT. The regional cooperation partnership will also support the government’s goal to foster Thailand’s role as an economic and
knowledge hub in the region. Secondly, ADB will deepen collaboration with the Thai government’s own development cooperation program and team up to promote the sharing of Thailand’s development experience and knowledge, building economic linkages with and financing investments in neighboring countries for expanded south–south cooperation.

14. **Implementation.** The Thailand and ADB partnership on subregional economic cooperation programs will involve (i) promoting regional transport connectivity and transport and trade facilitation, including support for the completion of the road extension of the East–West Economic Corridor into Myanmar, development of the ASEAN rail network, transport agreements with neighboring countries, and implementation of single-stop custom inspection at key border check points under the GMS cross-border trade agreement; (ii) supporting regional power trading through the GMS and ASEAN mechanism and interconnection with neighboring countries; (iii) developing corridor towns, border towns, green cities, and special economic zones along the border and corridors under the GMS and IMT-GT; (iv) enhancing ASEAN capital market integration through capacity building (including with support of the Thailand Securities and Exchange Commission for neighboring countries) in the areas of corporate governance, cross-border dispute resolution, and harmonization of standards; (v) supporting environmentally sustainable development; (vi) continuing ongoing capacity building (through programs such as Phnom Penh Plan for Development Management), as well as promoting regional standardization and accreditation of skills; (vii) promoting regional tourism including the development of multicountry GMS tourism circuits and tourism infrastructure; (viii) promoting investment in regional agrifood infrastructure, technology and knowledge transfer, harmonization of food standards, and facilitation of cross-border trade and value chain connectivity for agrifood products; and (ix) preventing communicable diseases and mitigating the impact of labor migration under the GMS. Under track two of the RCI partnership, ADB and relevant government agencies, including NEDA and TICA, will jointly identify areas of mutual interest in extending development cooperation to neighboring countries, focusing on knowledge support and sharing, capacity building, and finance; and develop effective delivery mechanisms for joint activities.