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Towards a better understanding of the political economy of regional integration in the GMS: Stakeholder coordination and consultation for subregional trade facilitation in Thailand

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## **Towards a better understanding of the political economy of regional integration in the GMS: Stakeholder coordination and consultation for subregional trade facilitation in Thailand**

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## **Executive Summary**

Thailand has been actively involved in the GMS programme since its creation. While intraregional trade has increased substantially, there are concerns about how the programme fits with the ASEAN, ASEAN-China and other triangular initiatives, as well as the slow implementation of some of the main initiatives. This paper therefore examines the importance, involvement, influence, impact and interest of various group of Thai stakeholders in GMS regional integration, focusing in particular on trade facilitation initiatives, i.e., the GMS Economic Corridors and the Cross-Border Transport Agreement (CBTA).

Coordination problems exist among the various stakeholders. The main problems come from ineffective communication between the central and provincial government agencies as well as a lack of two-way communication channels between government and border communities. Other problems impeding the implementation of Economic Corridors and CBTA are inconsistency in government policies, political instability, and resistance among people in the affected areas and civil society organizations.

The stakeholder analysis shows that the Government of Thailand and the Board of Trade (BOT) are the most influential and important actors in both the genesis and implementation of Economic Corridors and the GMS CBTA. Provincial government plays an important role in the process of implementation. The private sector is important when the Government formulates the GMS policy but it is not influential in the genesis and implementation of initiatives. Finally, border communities are not influential and considered important, yet they experience a high impact from GMS initiatives.

In addition to promoting political stability and the continuity of its policies, the Government should improve mechanisms to disseminate information and consult provincial government agents, the private sector, border communities and other stakeholders concerned, as effective and timely implementation of trade and transport facilitation initiative may not be possible.

## Introduction

The Greater Mekong Subregion (GMS) is the region linking six countries sharing the Mekong River, i.e., Cambodia, the Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam and southern China (Yunnan and Guangxi provinces). Thailand is geographically important to the subregion since it has a land border with every GMS country except Viet Nam. This situation is advantageous to Thailand, which functions as the economic and logistic hub of the subregion. In the past, the GMS countries were important to Thailand in terms of national security since all but Thailand had adopted communism/socialism, creating a pronounced threat of communist subversion, especially in the north-eastern region of the country.

At the start of the 1990s, the fall of the socialism in the Indochina area marked an important step towards economic development in the subregion. A former Thai prime minister, General Chatichai Choonhavan, initiated the policy called "Transform the field of battle into the field of commerce" in 1987. The idea was to create peaceful coexistence via economic cooperation. In addition, Thailand and other GMS countries would be able to exploit the complementarity of each country's strengths. Thailand could benefit from its abundant resources, labour and raw materials. The country could also gain the opportunity to expand its market base of approximately 300 million people in the subregion. On the other hand, other GMS countries could obtain investment, trade, technology and knowledge from Thailand.

The initiation of the Asian Development Bank (ADB) GMS programme in 1992, with technical assistance and general guidance from the ADB, has largely met the need of Thailand to develop subregional economic cooperation. As a result, Thailand has been actively involved in plans and activities of the ADB GMS.

Since the creation of the ADB GMS programme, regional trade between Thailand and other GMS countries has increased substantially. Table 1 shows that the share of GMS trade increased dramatically from 5.70 per cent in 1998 to 14.52 per cent in 2007. In 2007, China and Viet Nam were ranked the third and ninth biggest export destinations for Thai exports, respectively.<sup>1</sup> In addition, the growth rate of Thailand's GMS exports was higher than the growth rate of its Association of Southeast Asian Nations (ASEAN) exports. The statistics show that trade between Thailand and other GMS countries is becoming increasingly important. With the complementarity of many projects from the ADB GMS programme assisting in improving connectivity and trade facilitation among GMS countries, enormous regional trade can be expected in the near future. Annex table 1 illustrates in detail Thailand's trade with other GMS countries.

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<sup>1</sup> Calculated from the *World Trade Atlas*.

**Table 1. Thailand's trade with other GMS countries**

(Unit: US\$ million)

Total imports from GMS	6 941.02	8 179.47	9 423.33	12 049.73	16 083.16	19 436.27	23 838.11
Total imports by Thailand	61 951.84	64 613.58	75 679.26	95 197.15	118 112.38	12 8652.34	151 703.02
GMS/total imports (%)	11.20	12.66	12.45	12.66	13.62	15.11	15.71
Total exports to GMS	4 870.59	5 717.65	8 532.64	10 849.64	13 823.45	17 918.797	23 880.35
Total exports to ASEAN 10	1 2545.90	14 165.00	16 530.63	21 092.57	23 892.00	27 209.75	34 842.53
Total exports by Thailand	64 908.67	68 593.50	80 252.57	97 098.13	109 848.41	130 621.07	163 118.87
GMS trade/total exports to ASEAN	78.20	83.98	96.51	99.07	116.78	129.91	131.19
GMS/total exports (%)	7.50	8.34	10.63	11.17	12.58	13.72	14.64
Total trade in GMS group	9 810.61	11 895.12	15 952.97	20 895.37	27 901.62	35 349.06	45 711.46
Total international trade	126 860.51	133 207.09	155 931.83	192 295.27	227,960.79	259 273.41	314 821.89
GMS trade/total trade (%)	7.73	8.93	10.23	10.87	12.24	13.63	14.52

Source: World Trade Atlas.

Annex table 2 shows the dominant role of cross-border trade with GMS countries, especially Cambodia and the Lao People's Democratic Republic which accounted for 72 per cent and 95 per cent, respectively, of the total trade in 2007.

The significance of cross-border trade emphasizes the importance of the ADB GMS programme's strategic framework in strengthening various infrastructure linkages among GMS countries and in promoting both cross-border trade and transport via improvements in trade facilitation.

However, apart from the success of the hardware projects, various stakeholders are still sceptical about the benefits and the real success of the ADB GMS programme for Thailand. The problems that these stakeholders encounter range from the proper execution of the ADB GMS programme agreements, the environmental effects of the projects, national security and the well-being of people in border communities, to possible market share losses to China and Thailand's far-reaching goal of being the logistic hub of the subregion. These concerns have led to a lack of involvement by the stakeholders despite active participation by the Governments concerned. On some occasions, these concerns even trigger resistance among the stakeholders to GMS-related projects.

With regard to the above-mentioned problems, giving greater priority to non-governmental stakeholders is crucial to the success of the ADB GMS programme. To do so, the needs, problems, influence, importance and impact of various stakeholders involved in, and affected by the ADB GMS programme need to be understood. Therefore, a stakeholder analysis was undertaken in order to identify the characteristics of the main stakeholders, especially, in the areas of transport and trade facilitation. In addition, the institutional and consultation mechanisms regarding GMS regional integration in Thailand were evaluated. Finally, this paper proposes constructive suggestions for stakeholder involvement.

Chapter I of this paper reviews the situation of Thailand and its regional integration with other GMS countries. Chapter II broadly observes the main

stakeholders in GMS regional integration. Chapter III reviews stakeholders in two initiatives of transport and trade facilitation, i.e., economic corridors and the Cross-Border Transport Agreement (CBTA) and makes a stakeholder analysis of these initiatives. Chapter IV considers the factors accounting for the influence and involvement in the genesis and implementation of the two initiatives. Chapter V provides constructive suggestions on stakeholder involvement.

## **I. Thailand and regional integration**

The economy of Thailand is more open than the economies of the rest of the GMS countries. Insofar as Thailand is an export-oriented country, bilateral economic integration and multilateral economic integration constitute key factors in Thailand's successful promotion of economic development and prosperity. In the past decade, Thailand has experienced a rapid increase in economic integration with many countries around the world. This paper concentrates on regional integration related to ASEAN and GMS countries.

### **A. Thailand and ASEAN**

Since the formation of ASEAN in 1967, Thailand has constantly been an active member. The organization's purpose has been to promote regional peace and stability and to accelerate economic growth in the region. All GMS countries except China are now members of ASEAN. The first significant progress of ASEAN economic cooperation was the establishment of the ASEAN Free Trade Area (AFTA). Its function has been to lower intraregional tariffs through the Common Effective Preferential Tariff (CEPT).<sup>2</sup> Almost all products among the ASEAN 6 have been lowered to the 0-5 per cent tariff band, with Viet Nam, the Lao People's Democratic Republic, Myanmar and Cambodia reducing their tariffs within the band in 2006, 2008, 2008 and 2010 respectively.

ASEAN has set for itself the long-term goal of becoming the ASEAN Economic Community in 2020, which will bring about a free flow of goods, services, investment and capital. To date, ASEAN has experienced continuous development of economic cooperation, while trade volumes among ASEAN members rapidly increased during recent decades.

In 2001, ASEAN deepened economic cooperation with its three main trading partners, China, Japan and the Republic of Korea. The level of integration is still preliminary with regard to the Early Harvest Programme undertaken with China in 2003, whose function has been to eliminate tariffs in all agricultural products (Chapter 01-08).

### **B. Thailand and APEC**

Thailand is one of the founding members of the Asia-Pacific Economic Cooperation (APEC) grouping, which was established in 1989. Currently, APEC has 21 members, including China. The APEC objectives are to: (a) promote sustainable economic growth and prosperity; (b) strengthen a multilateral trading system; and (c)

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<sup>2</sup> [www.aseansec.org](http://www.aseansec.org).



increase the interdependence of member countries.<sup>3</sup> APEC's end goal is the "Bogor goal" of free trade and investment among developed countries in the Asia-Pacific region between 2010 and 2020.

The role of APEC is to provide an economic cooperation forum rather than a negotiation roundtable. Therefore, the progress of liberalization in APEC has been slower and more inconsistent than has been the case with other multilateral/regional integration stages. However, APEC members are important trading partners for Thailand. In 2007, the volume of trade between Thailand and APEC members accounted for 68.93 per cent of total Thai trade. As a result, APEC remains an important strategic partnership.

### C. Thailand and BIMSTEC

Another example of subregional integration is the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which was established on 22 December 1997, replacing the earlier BISTEC grouping. BIMSTEC membership initially comprised Bangladesh, India, Myanmar, Sri Lanka, and Thailand, Bhutan and Nepal being granted full membership status in 2003. The aim of the economic cooperation group is to promote increased opportunities for trade, investment and tourism among regions in South and South-East Asia. It also provides assistance in terms of training, research and development in order to promote equality among BIMSTEC members.

### D. Thailand and IMT-GT

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) was formed in 1993. Thailand's National Economic and Social Development Board (NESDB) is the focal point for the country's establishment of the strategic framework, under the Neighbouring Country Cooperation Development Committee (NCCDC). As stated in 2002, the strategic plan of IMT-GT is to establish a "Seamless Songkhla-Penang-Medan Economic Corridor." To achieve this goal, a technical group established cooperation in six subject areas: infrastructure and transportation; trade and investment; tourism; *halal* products and services; human resource development and agriculture; and agro-industry and the environment.<sup>4</sup> However, the implementation of initiatives has been very slow owing to a lack of funding. Table 2 summarizes the situation of Thailand and regional integration.

**Table 2. Thailand and regional integration**

Name	Members	Purpose	National coordinators
ASEAN	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam	To promote regional peace and stability, and accelerate economic growth in the region.	Department of ASEAN, Ministry of Foreign Affairs
APEC	Twenty-one countries,	Promote sustainable	Department of

<sup>3</sup> [www.apecthai.org](http://www.apecthai.org).

<sup>4</sup> <http://www.mfa.go.th/web/1706.php>.

	including China, Thailand and Viet Nam	economic growth and prosperity, strengthen a multilateral trading system, and increase the interdependence of member countries.	International Economic Affairs, Ministry of Foreign Affairs
BIMSTEC	Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand	Promote an increase in opportunities for trade, investment and tourism among regions in South and South-East Asia.	Division of Economic Relations and Cooperation, Department of International Economic Affairs, Ministry of Foreign Affairs
IMT-GT	Indonesia, Malaysia and Thailand	Accelerate the subregion's economic transformation in six areas: infrastructure and transportation; trade and investment; tourism; <i>halal</i> products and services; human resource development; and agro-industry and the environment.	National Economic and Social Development Board

## E. Thailand and GMS

Since the fall of socialism in the 1990s, Thailand has been actively involved in subregional integration with the other GMS countries. According to Duval (2008), there are currently six subregional cooperation frameworks among Thailand and other GMS countries: (a) the Mekong River Commission (MRC); (b) the ASEAN-Mekong Basin Development Cooperation (AMBDC); (c) Mekong-Ganga Cooperation (MGC); (d) the Emerald Triangle Cooperation Framework; (e) the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS); and (f) the ADB GMS Economic Cooperation Programme.

### 1. Thailand and MRC

MRC was founded in 1995 between Cambodia, the Lao People's Democratic Republic, Thailand and Viet Nam. China and Myanmar became dialogue partners in 1996 and they now work together within the cooperation framework.<sup>5</sup> MRC aims at both the joint management of the shared water resources of the Mekong River basin and the joint development of the economic potential of the river. The focal point of MRC in Thailand is the Department of Water Resources, Ministry of Natural Resources and Environment, under the Thai National Mekong Committee. The committee consists of 22 officials from the Ministry of Natural Resources and Environment, the Ministry of Foreign Affairs, the Ministry of Interior, the Ministry of Public Health, the Ministry of Agriculture and Cooperatives, plus experts from outside these ministries.

<sup>5</sup> <http://www.mrcmekong.org/>.

## **2. Thailand and AMBDC**

AMBDC was established during the fifth ASEAN summit in 1995 to enhance cooperation among ASEAN and Mekong Basin countries. AMBDC has initiated the strategic framework for **eight** subject areas: (a) basic infrastructure; (b) trade and investment; (c) agriculture (d) forestry and mineral resources; (e) small and medium-sized enterprises (SMEs); (f) tourism; (g) human resources; and (h) science and technology.<sup>6</sup> Some of the important projects under AMBDC are the Singapore-Kunming Rail Link Project (SKRL), groundwater resource development for CLMV, and the establishment of public border warehouses for economic development in the Mekong River basin. The national focal point in Thailand is the Department of ASEAN affairs, Ministry of Foreign Affairs in cooperation with NESDB, the Ministry of Commerce, the Ministry of Transport and the Ministry of Finance.

## **3. Thailand and MGC**

Founded in 2000, MGC is the cooperation framework among its six member countries – Cambodia, India, the Lao People’s Democratic Republic, Myanmar, Thailand and Viet Nam. It emphasizes four subject areas of cooperation – tourism, education, culture and transportation linkages – in order to create a solid foundation for future trade and investment cooperation in the subregion.<sup>7</sup> The strategic framework for transportation includes trilateral road linkages between India, Myanmar and Thailand, and rail linkages from New Delhi to Hanoi. The Thai Ministry of Foreign Affairs is the national focal point, and the related departments comprise the Ministry of Tourism and Sports, and the Ministry of Culture. The Ministry of Foreign Affairs and the Ministry of Transport are responsible for helping to link MGC transportation-related cooperation with such cooperation in programmes such as the ADB GMS programme, ACMECS and BIMSTEC.

## **4. Thailand and the Emerald Triangle Cooperation Framework**

The Emerald Triangle Cooperation Framework, which was formed in 2000 under the proposal by Cambodia, comprises Cambodia, the Lao People’s Democratic Republic and Thailand. It serves to promote sustainable development in socio-economic and political cooperation in the subregion. So far, cooperation has concentrated on the promotion of combined tourism resources and the coordination of tourism industries in the subregion.<sup>8</sup> The national focal point for the framework in Thailand is the Department of International Economic Affairs, Ministry of Foreign Affairs, in coordination with the Ministry of Tourism and Sports.

## **5. Thailand and ACMECS**

ACMECS is the cooperation framework between Cambodia, the Lao People’s Democratic Republic, Myanmar, Thailand and Viet Nam. Initiated in 2003, the ACMECS objectives are to bridge the economic gap among the member countries, and to promote prosperity in the subregion in a sustainable manner. The areas of cooperation include trade and investment facilitation, agriculture and industry,

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<sup>6</sup> Office of East Asia, Department of Trade Negotiation, Ministry of Commerce, Bangkok, May 1996.

<sup>7</sup> <http://www.mfa.go.th/web/882.php>.

<sup>8</sup> <http://www.mfa.go.th/web/1486.php>.

transportation linkages, tourism, human resource development, and public health. ACMECS activities are complementary to, and enhance existing bilateral and regional economic cooperation, especially the ADB GMS programme.<sup>9</sup>

Some of the important projects under ACMECS include the rehabilitation of existing roads and the construction of road links between Viet Nam, the Lao People's Democratic Republic and Myanmar, the establishment of wholesale and distribution centres, the facilitation of contract farming, the productive transfer of knowledge, the establishment of training centres and the promotion of eco-tourism in the subregion.

The national coordinator for ACMECS is NESDB under NCCDC. NESDB is responsible for the design of strategic frameworks, and cooperates with the related internal departments, while the Ministry of Foreign Affairs is responsible for coordination with the member countries.

## **6. Thailand and the ADB GMS programme**

Since the implementation of the ADB GMS programme, Thailand has actively pushed for substantial progress of the programme. Thailand has been heavily involved with several GMS infrastructure projects, including loan assistance to the member countries. It has also provided numerous training courses on human resource development for GMS personnel and ratified several intergovernmental agreements under the ADB GMS programme.

The national coordinator of the ADB GMS programme in Thailand is NESDB. The strategic planning of the ADB GMS programme is performed under NCCDC. Similar to ACMECS, NESDB is responsible for creating master plans, coordinating with related departments, and coordinating and contacting ADB as well as other member countries. NESDB and the Ministry of Foreign Affairs are the co-secretaries of the committee.

The objectives of Thailand's participation in the ADB GMS programme and strategic plans for the programme are listed below.<sup>10</sup>

(a) Economic perspectives:

- (i) Development of economic cooperation in the subregion, especially in the areas of trade facilitation, investment and logistics;
- (ii) Establishment and improvement of infrastructure and logistic connectivity to reduce production and transportation costs;
- (iii) Harmonization and improvement of rules and regulations, especially regarding cross-border transportation, trade facilitation and product safety;
- (iv) Cooperation in agriculture and agricultural processing industries, tourism and combined tourism resources, and research and development;
- (v) Exchanges in resources such as power trade;

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<sup>9</sup> <http://www.acmecs.org/?id=9>.

<sup>10</sup> Information is summarized from the interview with NESDB.

- (vi) The development of capacity-building.
- (b) Social perspectives:
  - (i) Cooperation in sustainable environmental conservation;
  - (ii) Improvement of the well-being of people in the border communities;
  - (iii) Reduction of economic gaps between the border areas and urban areas;
  - (iv) Prevention of human trafficking via the facilitation of migration;
  - (v) Preservation of cultural heritage;
  - (vi) Prevention of contagious diseases and epidemics.
- (c) Security and stability perspectives:
  - (i) Promotion of security and stability in the subregion;
  - (ii) A reduction in the factors causing disturbance in the border areas.

The ADB GMS-related activities are summarized below.

- (a) A reduction of the economic gap between Thailand and other member countries through:
  - (i) The transfer of know-how to member countries via the Thailand Incentive and Convention Association (TICA);
  - (ii) Provision of financial assistance for infrastructure-improvement projects via both the Ministry of Transport and the Neighbouring Countries Economic Development Cooperation Agency (NEDA);
  - (iii) Implementation of contract farming to promote connectivity with other member countries while exploiting the complementarity of each country's strength. The investment plan was completed in 2007. The Ministry of Commerce is responsible for its implementation.
- (b) Preparation of a master plan and operation plans for cooperation between Thailand and other countries on a bilateral level. The plans for Thailand-Cambodia, Thailand-Viet Nam, and Thailand-Lao People's Democratic Republic are complete and ready to be implemented.
- (c) Economic Corridor Forum (ECF):
  - (i) Prepare field operations in accordance with Economic Corridors at the border locations to (a) facilitate exchanges of ideas in the private sector and among people in the border communities and (b) disseminate information regarding current events;
  - (ii) Encourage local government officials to establish the support mechanism for activities that might occur in Economic Corridors.
- (d) CBTA<sup>11</sup>
  - (i) Bring CBTA into practice at the Thailand-Myanmar border (Mae Sot and Mae Sai), the Thailand-Cambodia border (Aranyaprathet-Phoi Pet), and on Route R9 between Thailand, the Lao People's Democratic Republic and Viet Nam;
  - (ii) Amend domestic law so that it incorporates CBTA provisions;

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<sup>11</sup> The detailed status of CBTA and Economic Corridor implementation will be presented in Section 4.

- (iii) Ratify the rest of the annexes and protocols of the CBTA (pending until (ii) is completed).
- (e) Economic corridors:
  - (i) Develop strategic and operation plans for economic development according to the North-South Economic Corridors (completed);
  - (ii) Review strategic and operation plans for the economic development according to the East-West Economic Corridors (in progress);
  - (iii) Develop a master plan for the railroad system of the subregion (in progress).
- (f) Government Officer Training under the Phnom Penh Plan (in progress).
- (g) The ADB GMS Youth Programme (in progress).

Table 3 summarizes Thailand's regional integration related to GMS and its relationship with the ADB GMS programme.

**Table 3. Thailand and GMS regional integration**

<b>Name</b>	<b>Members</b>	<b>Purpose</b>	<b>National coordinator</b>	<b>Relationship with the ADB GMS programme</b>
MRC	Permanent members: Cambodia, Lao People's Democratic Republic, Thailand and Viet Nam Dialogue partners: China and Myanmar	The joint management of the shared water resources of the Mekong River basin and the economic potential of the river.	Thai National Mekong Committee	Provide the environmental impact of the ADB GMS projects in the Mekong River basin via feasibility studies and environmental impact assessments (EIA).
AMBDC	ASEAN and Mekong basin countries	Enhancement of the cooperation among ASEAN and Mekong basin countries via basic infrastructure, trade and investment, agriculture, forestry and minerals, SMEs, tourism, human resources, and science and technology	Department of ASEAN Affairs, Ministry of Foreign Affairs	This integration is the expansion of the ADB GMS programme to coordination among ASEAN and GMS member countries. The progress of this project is limited.
MGC	Cambodia, India, Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam	Enhancement of trade and investment cooperation in the subregion.	Ministry of Foreign Affairs	The programme extends the integration to India. It concentrates on tourism, cultural promotion, transportation and education. In 2007, Thailand aimed at linking MGC to support other cooperation such as ACMECS, the ADB GMS programme and BIMSTEC. Most of the projects are at the stage of conducting feasibility studies.
<b>Name</b>	<b>Members</b>	<b>Purpose</b>	<b>National</b>	<b>Relationship with the ADB GMS programme</b>

			<b>coordinator</b>	
Emerald Triangle	Cambodia, Lao People's Democratic Republic and Thailand	The promotion of sustainable development in socio-economic and political cooperation in the subregion.	Department of International Economic Affairs, Ministry of Foreign Affairs	The Emerald Triangle concentrates mainly on tourism. Tourism cooperation in the Emerald Triangle is considered to be a showcase project for ACMECS.
ACMECS	Cambodia, Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam	The promotion of the prosperity in the subregion in a sustainable manner, and reduction of the economic gap.	NESDB	ACMECS can be regarded as a subset of the ADB GMS programme in Thailand. However, ACMECS concentrates more on the creation of a co-production base in the subregion, and the distribution of income and job creation at the border locations and in Cambodia, the Lao People's Democratic Republic, Malaysia and Viet Nam; the ADB GMS programme concentrates on the improvement of infrastructure and transport, and trade facilitation. In 2006, the Government of Thailand realized the repetition in ACMECS and the ADB GMS programme and it tried to promote the different projects. The important initiatives under ACMECS are contract farming, sister cities, * and the promotion of tourism such as an ACMECS single visa. Also, ACMECS extends the scope of the programme to health aspects. The main objective of ACMECS is to (a) promote the distribution of income among ACMECS member countries in order to decrease illegal labour migration, the drug problem, and (b) promote sustainable subregional economic growth via the utilization of the comparative advantages in the subregion (via the co-production plan).



## **II. Stakeholders in Greater Mekong Subregion regional integration**

In this chapter, the main stakeholders of the GMS regional integration in Thailand are defined. The characteristics of each stakeholder and how the stakeholders coordinate with one another are then identified. Finally, the state bodies that make decisions on regional integration initiatives, and the mechanisms they use to consult stakeholders about regional integration, are considered.

### **A. Methodology**

The stakeholder analysis was the methodology used. It defines all the main stakeholders of the ADB GMS programme. The needs, interest, influence, importance and impact of each stakeholder are then identified in order to understand their roles in GMS regional integration. Chapter III also considers the stakeholder analysis in selected ADB GMS initiatives, i.e., Economic Corridors and CBTA. The analysis concludes with the stakeholder analysis table and the importance/influence matrix.

Primary data were collected using the following methods:

- (a) In-depth interviews – after identifying the stakeholders in the ADB GMS programme, in-depth interviews were conducted with the important stakeholders in Bangkok;
- (b) Telephone interviews – this method was used to gather information from important stakeholders who were in the GMS member countries or at the border locations;
- (c) Questionnaire – a questionnaire was given to 30 individuals, SMEs and provincial governors in Nong Khai and Udon Thani provinces.

The names of organizations interviewed are listed in annex table 8.

### **B. Definition of stakeholders**

#### **1 Government**

The Neighbouring Country Cooperation Development Committee (NCCDC) is the state body that makes the ultimate decisions regarding the ADB GMS, ACMECS, IMT-GT, and BIMSTEC regional integration initiatives. As mentioned in chapter I, the committee comprises ministers or senior officers from various ministries and departments (i.e., NESDB, the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Transport, the Bureau of the Budget, the National Security Council, the Ministry of Agriculture and Cooperatives, the Ministry of Natural Resources and Environment, the Ministry of Commerce, the Ministry of Interior, the Ministry of Industry, the Ministry of Energy, the Ministry of Information and Communication Technology, and the Board of Investment. The prime minister chairs the committee. In addition, three private sector representatives are included in the NCCDC, i.e., the leaders of GMS-BF, the ACMECS Business Council and the IMT-GT Joint Business Council.<sup>12</sup>

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<sup>12</sup> Prime Minister's Office Order, No. 135/2008.

The committee is responsible for setting direction, formulating strategic frameworks, formulating operational plans and projects, and making decisions regarding the neighbouring countries' social and economic concerns, especially under the framework of the ADB GMS programme, ACMECS, IMT-GT and BIMSTEC.

While NCCDC is the state body that ultimately makes decisions on the ADB GMS initiatives, NESDB is the national coordinator for ADB GMS policies and activities, and is responsible for the preliminary development of the master plan and strategic frameworks, the execution of feasibility studies of national-level ADB GMS projects, and coordination with related departments, ADB and ADB GMS meetings among senior officials. NESDB and the Ministry of Foreign Affairs are co-secretaries of NCCDC with the Ministry of Foreign Affairs, responsible for coordinating and contacting the member countries. The related departments are assigned to implement the framework established by the ADB GMS programme and the committee. The responsible departments are:

- (a) Ministry of Transport (transportation sector);
- (b) Ministry of Information and Communications Technology (telecommunications sector);
- (c) Energy Policy and Planning Office (energy sector);
- (d) Ministry of Tourism and Sports (tourism sector);
- (e) Thailand Incentive and Convention Association (human resource development sector);
- (f) Ministry of Natural Resources and Environment (environment sector);
- (h) Department of Foreign Trade (trade facilitation sector);
- (i) Board of Investment of Thailand (investment sector);
- (j) Ministry of Agriculture and Cooperatives (agricultural sector).

The departments then set up special committees to develop and implement the operational plans for each ADB GMS sectoral activity.

## **2. Provincial government officers**

Three levels of provincial government offices are involved in ADB GMS activities, i.e., provincial governors, provincial NESDB offices, and Immigration and Custom Quarantine (ICQ) units at the borders. NESDB relays GMS policies and operational plans to the provincial NESDB offices, and the Department of Local Administration transmits information to provincial governors at the border locations. The governors are responsible for contacting border communities, facilitating the operation of the central Government, and undertaking other tasks that might be assigned by NCCDC, the central Government or the prime minister.

## **3. Private sector**

- (a) *Board of Trade and Thai Chamber of Commerce*

Both BOT and the Thai Chamber of Commerce (TCC) are non-governmental, non-profit organizations. BOT is the centre for the Thai Chamber of Commerce, which is located in every region in Thailand. It is funded by membership fees from

member companies. BOT is responsible for being the centre of economic and trade cooperation between the private sector and the Government. BOT collects companies' related opinions in order to provide policy recommendations to the Government, and provides economic, trade and market information and statistics to the Government and its members. Finally, BOT disseminates publications and research papers regarding economics, trade and investment to members and related governmental departments.

Regarding the ADB GMS, BOT is the private sector's representative in the GMS-related conference. It also has representatives on the governmental ADB GMS committees such as NCCDC and the National Transit Transport Coordination Committee (NTTCC). Therefore, BOT is the middleman between the Government and the private sector. It passes on the private sector's views and needs regarding the ADB GMS programme to the Government. Also, it holds meetings with multinational enterprises (MNEs) and SMEs to gather their opinions and suggestions regarding policy recommendation, which it then passes on to the Government. In addition, the GMS-BF office is located inside BOT and is an active member of GMS-BF.

Finally, the local TCCs at the border locations act as the centre of information for investors, SMES and border communities, so that they might more easily understand ADB GMS activities and more easily seek investment or trade opportunities. These local TCCs also facilitate the implementation of provincial governors by facilitating the better understanding among local people of ADB GMS activities. GMS-related meetings take place occasionally to gather members' opinions and to prepare the private sector for ADB GMS activities.

*(b) Federation of Thai Industries*

The Federation of Thai Industries (FTI) is a non-profit organization. It is under the supervision of the Ministry of Industry but has independence from the corresponding bureaucratic system. Its status is a juristic person. Several of the FTI objectives are to represent private industrial entrepreneurs while harmonizing their policies and operations with those of the Government, in order to provide suggestions and recommendations to the Government for industrial development, and to function as a centre where industrial entrepreneurs can brainstorm and exchange opinions.

FTI also participates in the ADB GMS conference as the representative of industrial entrepreneurs and logistic providers. The logistic line of FTI is actively involved in ADB GMS activities and provides several strategic recommendations for Thailand regarding its efforts to be the logistic hub of ADB GMS. The provincial chapters of FTI also provide information regarding ADB GMS activities and plans to FTI members as well as to people living in border communities. "Brainstorming" sessions and other types of meetings take place from time to time.

*(c) Multinational enterprises*

The current analysis defines MNEs as enterprises that manage production and deliver their outputs in more than one country, including GMS countries. Most of them are producers of agriculture and agricultural processing products, telecommunications, electricity, energy and logistics providers.

(d) *Small and medium-sized enterprises*

Small and medium-sized enterprises are defined as companies whose operations affect GMS countries. Most of them are located in border areas. Some of them operate in the GMS countries. The most famous businesses in this category are hotels, restaurants, tourist agencies, transportation and logistics providers, and agricultural and O-TOP producers.

### **3. Border communities**

Border communities connected with the GMS countries are also among the stakeholders. They will be affected by the improvement of infrastructure and road linkages, the influx of foreign labour, job creation, the establishment of special economic zones, changes in the environment and livelihood, and land expropriation in some areas.

### **4. Donors and development partners**

Donors and development partners are defined as those international organizations that provide financial, technical or knowledge support for GMS regional integration. The important development partners are ADB, ESCAP, UNDP and the Japan Bank for International Co-operation.<sup>13</sup> The present analysis reviewed in this paper focused only on ADB as the most influential development partner.

### **5. Civil society organizations**

(a) *Environmental non-governmental organizations*

Environmental concerns have become more and more important along with development projects in the context of the ADB GMS programme. The active environmental organizations concerning the Mekong River in Thailand are the Foundation for Ecological Recovery, the Toward Ecological Recovery and Regional Alliance (TERRA) and FTA Watch. Some projects have been delayed or abolished because they pose too great a threat to the environment. Therefore, environmental non-governmental organizations (NGOs) are one of the stakeholders in the analysis covered by this paper.

(b) *Thai Labour Solidarity Committee*

The Thai Labour Solidarity Committee (TLSC) is a non-governmental, non-profit organization. It is the integration of various labour unions together with labour-development organizations. One of its concerns is the well-being of foreign labourers and the impact of the foreign labour influx on Thai labourers. Therefore, TLSC is inevitably one of the stakeholders.

Table 4 summarizes the role of each stakeholder in the ADB GMS programme.

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<sup>13</sup> The Japan International Co-operation Agency took over concessionary loans administered by the Japan Bank of International Co-operation, including those made to the East-West Economic Corridor Project, in October 2008

**Table 4. Role and responsibility of GMS stakeholders in Thailand**

<b>Stakeholder</b>	<b>Role and responsibility</b>
NESDB and NCCDC	<ul style="list-style-type: none"> <li>- Set the national ADB GMS policies</li> <li>- Relay orders to the related line departments</li> <li>- Follow up progress</li> <li>- Report progress and implementation status to ADB and ministerial meetings</li> </ul>
Provincial government officers	<ul style="list-style-type: none"> <li>- Implement ADB GMS initiatives at the border locations</li> </ul>
BOT and TCC	<ul style="list-style-type: none"> <li>- Be a part of NCCDC, NTTCC and other ADB GMS committees to set up the national ADB GMS polices</li> <li>- Receive information from member companies and provide recommendation to the Government</li> </ul>
FTI	<ul style="list-style-type: none"> <li>- Be a part of NTTCC and other ADB GMS committees to set up the national ADB GMS polices</li> <li>- Receive information from member companies and provide recommendations to the Government</li> </ul>
Border communities	<ul style="list-style-type: none"> <li>- Experience the impact of ADB GMS initiatives such as a change in occupation, an improvement in infrastructure etc.</li> </ul>
Donors and development partners	<ul style="list-style-type: none"> <li>- Provide funding</li> <li>- Provide technical assistance</li> </ul>
Civil society organizations	<ul style="list-style-type: none"> <li>- Examine ADB GMS initiatives and their impact</li> </ul>

### **C. Coordination among different stakeholders**

#### **1. Coordination between line ministries and Neighbouring Country Cooperation Development Committee**

At the national level, NCCDC is the internal consultation mechanism among the related ministries and departments. It arranges regular meetings among its committee members on the progress of related projects and activities under the ADB GMS programme and other related cooperation projects such as ACMECS. The committee also informs all related departments about agreements from the ADB GMS Senior Officials' Meetings. Each department reports the results of the meeting in the sectoral committee. Then the line department brings the strategic plan into practice. Finally, the International Economics Strategy Unit of NESDB gathers information on the progress of activities from all line departments and distributes a quarterly progress report to all related departments and provincial government officers.

In conclusion, there are appropriate consultation mechanisms among the state bodies that make final decisions and the related government departments. All related government agents regularly exchange information with one another regarding, in particular, the progress of ADB GMS activities even though there is a coordination problem among the line departments, since each department places a different priority on the ADB GMS programme.<sup>14</sup> NESDB can gather all necessary information before developing strategic plans and making crucial decisions regarding ADB GMS activities. NCCDC acts as an internal consultation mechanism in which all related

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<sup>14</sup> This problem will be more clarified in Section 4.

departments can meet and exchange their opinions, offer suggestions and report the progress of their ADB GMS activities.

## **2. Coordination between Neighbouring Country Cooperation Development Committee and provincial governments**

The ADB GMS implementation plans for provincial governors and government agents are transferred from the related line departments to the Ministry of Interior. Then, the Department of Local Administration relays the orders to provincial governors, and the Ministry of Foreign Affairs gives the orders to the ICQ units at the borders. In practice, there is a communication problem between the central and provincial governments. The lack of an effective information transmission mechanism as well as bureaucracy are the main causes of this problem. For example, timely implementation of an agreement that the Government of Thailand might sign and approve, could subsequently fail because of delayed dissemination of the central order. At times, an order issued by the central Government and one received by local government differ from each other owing to an omission of information during the transmission procedure by the bureaucracy. Also, the orders or operation plans might be neglected until the provincial governments receive external prompts.

To date, the communication between the central and provincial governments is of a top-down type. The central government transmits orders and operational plans to the provincial governments without asking for their opinion. However, NESDB realizes the importance of coordination among the central and local governments. It plans meetings with provincial governors at the border areas to clarify the governors' understanding of ADB GMS plans and activities. The progress reports of GMS activities have been distributed quarterly to the local governments at the border locations. NESDB hopes to promote both better coordination in the near future with the local NESDB offices and a situation in which provincial governors act as a bridge between the central government and people or SMEs in the areas.

In conclusion, the cooperation among the central and provincial governments is still problematic. However, NESDB realizes the importance of this linkage. According to an interview with NESDB officers, the cooperation from the local governments is one of the key success factors for ADB GMS activities. Therefore, we can expect to see a better level of cooperation in the near future.

## **3. Coordination among the private sector elements**

There is strong cooperation among elements in the private sector, especially among big companies. Both BOT and FTI are the private sector representatives. Most MNEs and some SMEs belong to at least one of the organizations. Either BOT or FTI, or both participate in ADB GMS or GMS-BF conferences after discussions or consulting with their committees composed of private companies (mostly MNEs). For policy formulation, the meetings are dominated by MNEs since they have better, relatively easy-to-access information. However, the provincial BOT elements at the border locations undergo regular GMS training, and organize meetings and seminars with border area SME members; in that way, the SMEs are not only able to transmit their opinions to BOT headquarters but to also exchange information with local businesses and bigger entrepreneurs in Bangkok. Most individual companies do not

apply for GMS-BF membership as they have a powerful representative in the form of BOT; therefore, they feel that there is no need to pay the application fee for, and waste their time on participation in the GMS-BF meetings.

However, some private companies still complained about information transmission of BOT. In most cases, BOT consults with small groups of companies, mainly MNEs, seated on the BOT's GMS committee. Also, relevant information and data disseminated to [non-committee members](#) are often incomplete and ineffective.

Table 3 summarizes the GMS-related meetings held by BOT in 2008. There were a total of five meetings at which most of the participants were MNEs or large-scale companies that were BOT and FTI members.

The coordination within the private sector is appropriate. However, there is still insufficient SME participation, especially at policy-level meetings. Some of the companies complained that the GMS-related meeting invitations were not sent to the appropriate firms or sections. Therefore, the results from the meetings still lacked the views attributable to actors with deep involvement in ADB GMS activities.

#### **4. Coordination between the Government and private sector**

As mentioned above, BOT has representatives in NCCDC and other GMS-related committees. Therefore, it has some influence on ADB GMS policy formulation. Also, according to one interview, the government officers at the implementation level usually consult with private sector representatives such as BOT and FTI before developing operational plans.

On the other hand, coordination with MNEs and SMEs is in the form of either transferred information or activities that have been agreed upon or implemented, rather than in the form of opinion exchange. The government agents try to promote coordination and opinion exchange with the private sector by holding workshops with MNEs and SMEs and by integrating them into GMS surveys. Also, some departments hire research centres or universities to conduct research the effects of ADB GMS initiatives on the private sector. This is one of the communication channels with the private sector, especially SMEs. However, according to an interview with private companies, even though the Government arranges meetings with private companies, the latter rarely hear feedback from the Government regarding the results of the topics discussed.

Annex tables 4 and 5 concern the number of meetings arranged by NESDB in 2008 and reveal the composition of participants. The meetings are categorized into (a) policy formulation and (b) discussions/opinion exchange. Most of participants in the meetings were government officers, and a small percentage was from BOT and FTI.

The interviews revealed that the main coordination problem centred on the interactions between the "politicians" (or the high-level government representatives) and the private sector representatives. Both the lack of continuity of policy formulation in the different Minister Councils and the political instability in Thailand blurred the policy direction for the private sector. Thailand had four prime ministers and five ministers of commerce in 2008. Therefore, some opinions were raised and

some policies initiated without continuity in implementation. Some of the issues that were raised might have been neglected owing to the lack of continuity and the political instability. In addition, some of the private sector representatives felt that the Government did not truly listen to their concerns, needs and problems. Hence, the ADB GMS policies until now have functioned on the basis of government concerns and not private sector concerns.

It was concluded that there is strong cooperation among the government implementation-related staff and the private sector, and especially the cooperation involving BOT, FTI and large companies. However, there remain problems in coordination between the private sector and higher-level government policy makers. Finally, small companies have only participated in one-way communication with the Government, but have received little, if any, feedback from the Government.

### **5. Coordination between the Government and border communities**

Coordination between the Government and the border communities takes place on a very limited basis. The current flow of information follows a specific path: NESDB relays information regarding ADB GMS operational plans and activities to the provincial NESDB and governors; these agents then disseminate the information to border communities. Websites are a communication channel that serves government agents but which have limited success owing to the lack of Internet access in the border areas. So far, most ADB GMS information has not been transmitted to people who could benefit from it. Most of those people have no knowledge about ADB GMS activities and projects. They are unfamiliar with the effects that these activities have on border community well-being and jobs (Chulalongkorn University, 2007).

On some occasions, local people misunderstand the ADB GMS projects. For example, in Chiang Rai province, some people believed that recent floods stemmed from improvements both in water transportation on the Mekong River and in water transmission from a Chinese dam. However, although an MRC study disproved these suspicions, the local people did not have access to the study; consequently, the misperception and the misunderstanding created local resistance to some ADB GMS activities.

NESDB recognizes the importance of the lack of communication between border communities and government policy makers. The organization plans to hold more workshops and meetings with border communities by ordering the local NESDB to become more involved in related projects.

### **6. Coordination between the Government and development partners**

There have been several meetings among development partners and government policymakers, especially with ADB. There are working groups, GMS senior officials' meetings, the annual GMS ministerial meeting, and the GMS summit (held triennially). The agreements or strategic frameworks formulated in these meetings are sent to NCCDC for development of a national strategic plan. The conclusion of these meetings is circulated to related agencies via the summary report



on the progress of ADB GMS activities, prepared quarterly by the International Economic Strategy Unit, NESDB.

## **7. Coordination between civil society organizations**

In the past, there was limited communication between the Government in Thailand and civil society organizations. Some of the GMS-related projects were delayed or abolished because of their opposition to the creation of hardware projects. One example is the Nam Theun 2 dam in the Lao People's Democratic Republic and the power grid from the dam to Thailand via Udon Thani province in the north-east of the country.

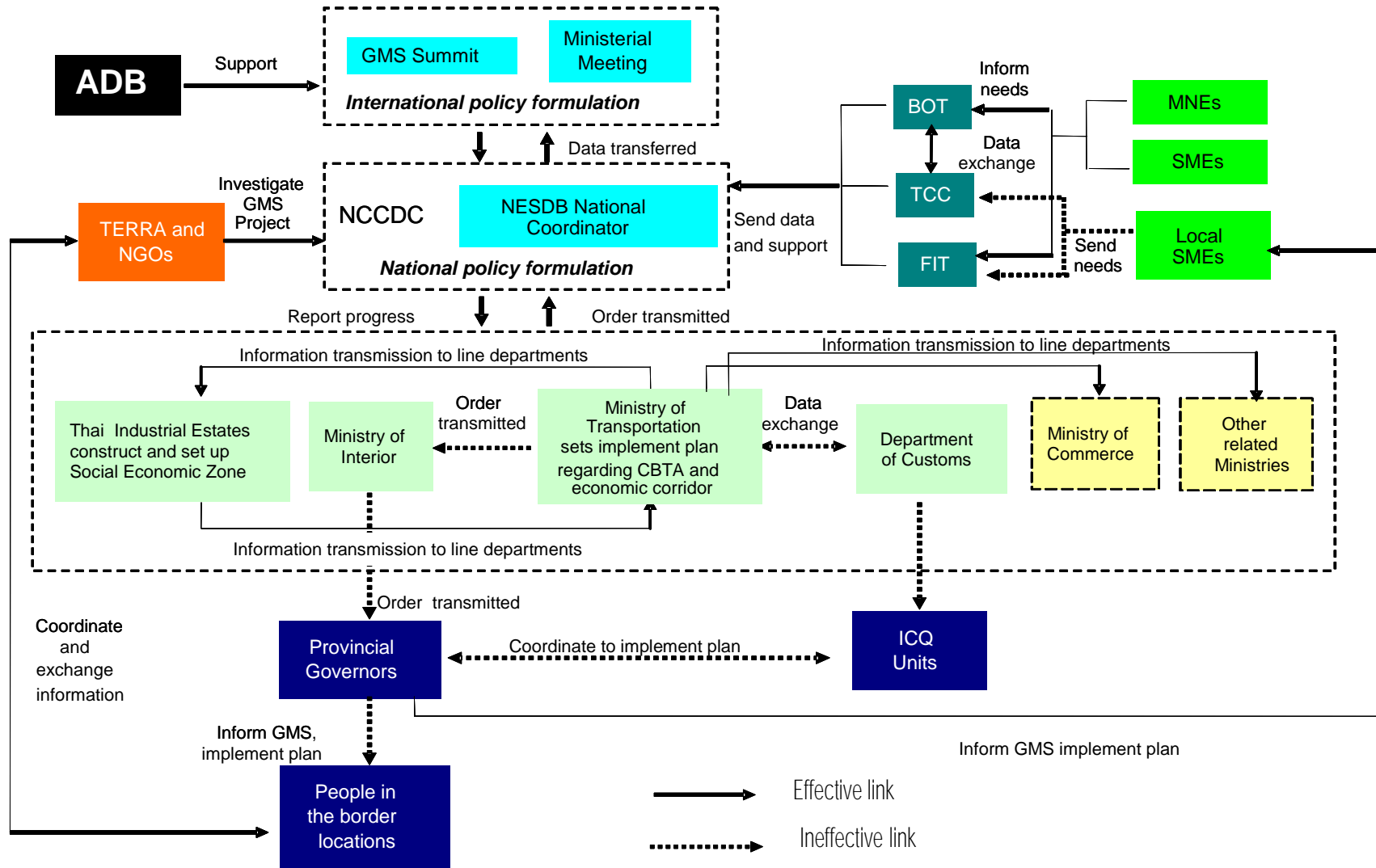
According to the interview with TERRA, most problems related to environmental and social aspects stem from the fact that the projects are initiated without consulting all stakeholders. Border communities and civil society organizations only come to know later that the projects will have a negative impact in their areas. This leads to confrontation between the Government and the population and organizations instead of compromising to find the best solution for both groups. As a result, the projects are either delayed or abolished.

However, recently the Government has been cooperating more effectively with these organizations in order to reduce their opposition. For example, NESDB hired the Local Development Institute, an NGO, to discuss issues affecting border communities in the north-eastern region in preparation for the formulation of strategic Thailand-Cambodia plans.

For labour unions, there is the Mekong Migration Network (MMN), which is the coordinator between the Government and labour. MMN collects labour unions' opinions and labour-movement information, and reports to the government sector. MMN also coordinates with labour organizations in other GMS countries.

The following figure illustrates the relationship between stakeholders in the ADB GMS programme in Thailand.

## Relationship between stakeholders in the Asian Development Bank GSM programme in Thailand



#### D. Degree of influence, importance, interest and impact of stakeholders

Table 5 presents an analysis of stakeholders in GMS regional integration in Thailand. We construct the stakeholder analysis table based on interviews with various stakeholders.

**Table 5. Analysis of stakeholders in GMS regional integration**

Stakeholders	INFLUENCE Power to facilitate or impede <sup>a</sup>	IMPORTANCE Actual priority given to stakeholder needs <sup>b</sup>	INTEREST Actual Commitment to change <sup>c</sup>	IMPACT Actual Effect of initiatives <sup>d</sup>
Government policy makers	Highest	Highest	Highest	Highest
Provincial government agents	Medium for policy formulation Highest for implementation	Medium	Medium	Highest
BOT	High	High	High	High
FTI	Medium	High	High	High
MNEs	Medium	High	Medium	Highest
SMEs	Low	Highest	High	Highest
Border communities	Low	Medium	Low to Medium	Highest
ADB	Highest for policy formulation; low for implementation	Highest	Highest	Low
Civil society organizations	Medium	Low	High	Low

<sup>a</sup> Influence – the power that a stakeholder has to facilitate or impede policy-reform design and implementation.

<sup>b</sup> Importance – the priority given to satisfying the needs and interests of each stakeholder.

<sup>c</sup> Interest – the perceived level of interest/eagerness (i.e., ranging from a commitment to the status quo to an openness to change).

<sup>d</sup> Impact – the degree to which the projects/initiatives will have an impact on each stakeholder.

Table 5 indicates that government policy makers (i.e., NCCDC and ADB) are the most influential stakeholders in policy formulation. They are the agents who develop the strategic plans among GMS countries as well as at the international and national levels. BOT is the next in line, since its members are also part of NCCDC. The provincial governors exercise the highest influence in terms of policy implementation as they are the implementing agents, while exercising moderate influence on policy formulation. The FTI and MNEs have medium influence from their consultation mechanism with BOT, so their views come to the attention of policy makers from time to time. Civil society organizations also have moderate influence, since their resistance can annul some ADB GMS activities. Finally, border communities and SMEs have low influence on both policy formulation and implementation.

As for importance, according to an interview with NESDB, ADB GMS activities are developed on behalf principally of the private sector's needs, with special priority assigned to SMEs. The needs of donors are also highly important, as

they provide financial resources to ADB GMS projects. The strategic framework is also developed to serve the central Government's social and security goals. Because policy formation involves income distribution to border communities, ADB GMS activities are important to those people.

Both the central Government and ADB have the highest interest in ADB GMS policies and activities. Almost the entire private sector exhibits high interest in ADB GMS projects since they create business opportunities. According to one interview, MNEs have lower related interest than other types of companies since the former have their own channels for conducting business with, or in the GMS countries, even in the absence of GMS programme activities or agreements. The civil society organizations exhibit high interest in GMS-related projects, especially those concerning the environment. Border communities have low interest in the ADB GMS programme, mainly because there is a lack of information distribution by central and provincial government agencies.

In terms of impact, the ADB GMS programme appears to have a high impact on the Government, the private sector and border communities. ADB and civil society organizations appear to experience relatively low impact stemming from the programme, in contrast with other stakeholders.

#### **The special economic zone in Chiang Rai province, Thailand**

The special economic zone in Chiang Rai province was approved by the Council of Ministers in 2002. It was to be set up in Chiang Saen, which has a Mekong River port. In 2003, an agreement was reached between NESDB and the Yunnan Planning and Development Commission to establish economic cooperation between Thailand and Yunnan province. IEAT also coordinated with the Kunming High Tech Industrial Zone in developing trade and investment in the special economic zone in Chiang Rai province.

However, after constructing parts of the necessary infrastructure in Chiang Saen, the Council of Ministers decided to preserve Chiang Saen as a cultural heritage site and moved the establishment of the special economic zone to Chiang Kong. The investors in China cancelled their investment plans and decided to invest in the Lao People's Democratic Republic instead due to inconsistency in Thailand's policy. The project has been scaled down to a distribution centre and is currently in the feasibility study stage.

### **III. Stakeholders in transport and trade facilitation (Economic Corridors and Cross-Border Transport Agreement)**

The analysis reviewed in this paper concentrated on two initiatives for transport and trade facilitation – Economic Corridors and CBTA. These two programmes have shown the highest progress and are expected to be the key success factor in GMS integration for Thailand.

## A. Genesis and implementation status of Economic Corridors

As one of the 11 flagship programmes, the Economic Corridors were derived from the strategic framework, have a 10-year horizon, and were introduced at the tenth ministerial conference in 2001. A given Economic Corridor is a geographically defined area where infrastructure investments are linked directly with trade, investment and production opportunities.<sup>15</sup> The projects under Economic Corridors prioritize the improvement of existing alignments together with the establishment of road links and an international bridge within the three following Transport Corridors:

- (a) The North-South Economic Corridor (NSEC)
  - (i) Route R3A: Chiang Rai-Kunming via the Lao People's Democratic Republic;
  - (ii) Route R3B: Chiang Rai-Kunming via Myanmar;
  - (iii) Kunming-Hanoi-Haiphong Multimodal Transport Corridor project.
- (b) The East-West Economic Corridor (EWEC)
  - (i) Mawlamyine-Mae Sot (West);
  - (ii) Mukdahan-Savannakhet-Dong Ha-Da Nang (East).
- (c) Southern Economic Corridor (SEC)
  - Bangkok-Phnom Penh-Ho Chi Minh City-Vung Tau road improvement project.

As of today, the construction and improvement of road links are almost complete, with some exceptions such as the fourth Mekong Bridge at Chiang Kong-Huay Sai. The third GMS summit formulated a plan to transform Transport Corridors into Economic Corridors. Annex table 6 summarizes the progress of the Economic Corridor projects in Thailand.

The Economic Corridors are important to Thailand's efforts to accomplish the goal of becoming the logistical hub and the market centre of the subregion. Therefore, Thailand has formulated the following plans for supporting the establishment of Economic Corridors:

- (a) Realignment and expansion of roads and highways connected to Economic Corridors in order to support higher use in the future;
- (b) The establishment of central markets near the Economic Corridors and road improvement from the production sources to the markets;
- (c) The construction of new sea ports and distribution centres;
- (d) The improvement of basic infrastructure around the border locations, including water supply systems, flood prevention systems and waste disposal systems;
- (e) The initiation of several mega-projects at the border locations connected to Economic Corridors. Three mega-projects are of particular note:
  - (i) Northern region – the special economic zones in Chiang Rai and Mae Sot;
  - (ii) North-eastern region – the industrial estate in Mukdahan;
  - (iii) Eastern region – the linkages with special economic zones in Koh Kong and Poi Phet.

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<sup>15</sup> Medhi Krongkaew, 2004.

The establishment of special economic zones and industrial estates is one of the important projects aimed at supporting the proposed Economic Corridors in Thailand. Both the zones and the estates promote economic expansion and stability in the border locations. They also reduce the economic gap between border areas and urban areas with regard to job creation and infrastructural improvements. Therefore, the Council of Ministers approved the establishment of special economic zones and industrial estates in 13 areas in 1999. The plans of operation were developed in 2002 and set to begin with the Mae Sot and Chiang Rai areas. In 2008, the projects were developed in four areas, as mentioned above, with the remainder at the feasibility study stage.

The strategic plan for the development of special economic zones categorizes the projects into five types and ranks them according to five levels of importance:

- (a) The development of physical infrastructure including city planning, the construction of road linkages, international bridges and road networks between cities, and the establishment of ports and transport stations;
- (b) The improvement of water-delivery systems, disposal systems, “waste-water treatment” systems, and flood prevention systems;
- (c) The involvement of border communities;
- (d) The support of cross-border trade and tourism including the construction of customs points and immigration-control points, the establishment of markets at the border locations, and the improvement and preservation of tourist attractions;
- (e) Human resource development including Thai-language training support, the establishment of labour skills development centres, and the improvement of foreign worker administration and registration.

However, the process and success of the special economic zones are limited. Chiang Rai was selected for the first project and the special economic zone was to be in Chiang Saen. After completing the feasibility study and negotiations with Chinese investors in Kunming province of China, the project faced resistance from villagers in Chiang Saen, who wanted to preserve the city as cultural heritage and were afraid of dirty industries and intervention by the politicians.<sup>16</sup> The project was moved to Chiang Kong. Right now, it is in the feasibility study process. According to the interview with IEAT, the distribution centre is now expected to be set up in Chiang Kong instead of the special economic zone, because the Chinese investors lost confidence in Thailand and the Government has been unable to find substitute investors.

The feasibility study for the project in Mae Sot is being carried out by the University of Chiang Mai. The establishment of the distribution centre in Mukdahan was undertaken by a private company. However, usage of the facility is limited without the implementation of CBTA. Therefore, the full utilization of Economic Corridors requires the implementation of CBTA.

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<sup>16</sup> According to interviews with government departments concerned, the main reason given was concern over possible intervention by politicians. However, they declined to give specific details of the problems.

## **B. Genesis and implementation status of CBTA**

Initiated in 1999, CBTA was aimed at reducing obstructions in cross-border transportation through improvements in transportation facilitation, including single-window/single-stop customs inspection, a one-stop service, cross-border movement of persons, transit traffic regimes, road vehicle requirements for cross-border traffic eligibility, exchange of commercial traffic rights, and infrastructure creation and infrastructure upgrades including road and bridge design standards, road signs, and road signals.<sup>17</sup> CBTA was finally implemented in 2006. Each country had to develop a plan of action by 2007, and each government was to ratify all annexes and protocols by 2008. The third GMS summit in 2008 urged all countries to expedite the implementation of CBTA.

As of today, the Government of Thailand has yet to ratify some of the annexes and protocols. The main problem concerns either conflict between domestic law and these provisions, or the absence of support in domestic law for the provisions. For example, according to domestic law, government officers are not authorized to work outside the Thailand. In addition, Section 190 of the 2007 Constitution of the Kingdom of Thailand states that before it can be implemented, the National Assembly must approve any Treaty that requires the enactment of an Act, and which will have substantial effects on the economic or civil security of the country, or will result in significant limitations on the country's trade or budget.

In addition, before the conclusion of any Treaty with another country, the Council of Ministers must provide inform the public of the details, conduct a public consultation and provide pertinent information to the National Assembly.<sup>18</sup> Therefore, both the enactment of an Act and the legal amendment to incorporate domestic law in a CBTA provision require approval by the National Assembly according to the constitution. With the political instability in Thailand since the beginning of 2008, the above-mentioned problems have not yet been resolved and ratification has been delayed. Thailand still needs to incorporate domestic law into the annexes and protocols of CBTA. At present, eight annexes and two protocols have been ratified. Another nine annexes and one protocol are pending the enactment of the Acts and the revision of domestic law for incorporation into CBTA. All these actions require approval by the National Assembly. Annex table 7 summarizes the current status of the ratification of annexes and protocols in CBTA.

The main delay in ratification is the result of the dualism in the Thai legal system. Because of this dualism, any international Treaty to which Thailand is a party is binding on all Thai people and courts. In effect, the provisions of such an international Treaty are as binding as any State law when the National Assembly has incorporated it into national legislation. According to an interview with the director of the International Transport Division, Ministry of Transport, the process of enacting an Act takes approximately three years in normal circumstances. However, the political instability that has gripped Thailand since 2008 has prevented the Government and the National Assembly from functioning normally. Therefore, the process may be

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<sup>17</sup> [www.adb.org/GMS/Cross-Border/default.asp](http://www.adb.org/GMS/Cross-Border/default.asp)

<sup>18</sup> Section 190 of the 2007 Constitution of the Kingdom of Thailand.

delayed further while the instability continues. It should be noted, however, that the related government departments have prepared draft versions of the necessary Acts.

The process of establishing the guarantee organization has also delayed ratification of the CBTA annexes. BOT is accountable for the guarantee organization with the support of the Thai International Freight Forwarders Association (TIFFA). The private sector supports the establishment of the guarantee organization but Section 190 of the 2007 Constitution of the Kingdom of Thailand prohibits the Government from becoming a signatory right away.

In the meantime, NTTCC and ADB hope to implement CBTA in relation to Route R9 (affecting Thailand, the Lao People's Democratic Republic and Viet Nam) to the extent allowed by Thai domestic law.<sup>19</sup> Since Thailand's standards relative to ICQ Units are higher than the standards attributable to other GMS countries, Thailand should be able to partially implement CBTA even though some annexes have not been ratified. The International Transport Division expects to partially implement CBTA in 2010.

However, a problem remains with implementing the pilot CBTA on Route R9. There is still no Common Control Area (CCA) allowing Thai and Lao officers to perform their duties. The Department of Highways plans to build the CCA but it will take 18 months to complete the construction work. Together with the limitation posed by domestic law, Thai government officers still have no idea of how to implement CBTA on this route even though ADB has been attempting to expedite the implementation of the pilot project.

### **C. Stakeholders in Economic Corridors and CBTA in Thailand**

#### **1. Government**

As mentioned in chapter II, NESDB is responsible for establishing the master plans and the national strategic framework with regard to ADB GMS activities, including the Economic Corridor Projects and CBTA. NCCDC is the state body that makes the ultimate decision regarding these initiatives. The related line departments are assigned to formulate and implement the operational plans for those activities. For the Economic Corridor Projects, the Department of Highways develops and implements the plans for road construction, improvement and realignment. The Marine Department deals with the improvement of the Mekong River watercourse and marine transport. IEAT is responsible for the establishment of special economic zones and industrial estates in 13 border areas. The related line departments are the support units.

In the case of CBTA, the main coordinator is NTTCC, which prepares the proposal submitted to the Government regarding the enactment of Acts and the revision of domestic laws necessary for incorporation into the CBTA provisions. NTTCC is also Thailand's representative on the Regional Transit Transport Coordinating Board and the National Transport Facilitation Committee (NTFC),

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<sup>19</sup> All annexes and protocols have been ratified by the Lao People's Democratic Republic and most have been ratified by Viet Nam.



where it determines Thailand's standpoint on negotiating and making agreements concerning trade facilitation and the transit system in the ADB GMS programme and ASEAN. The International Transport Division is responsible for the implementation of CBTA, and pursues and executes the process of ratification of CBTA annexes and protocols. It also coordinates with internal divisions to adjust their regulations according to CBTA provisions about such matters as vehicle standards, the issuance of driver's licences, and the criteria by which entrepreneurs receive licences to be logistic providers on EWEC and NSEC. The Department of Highways governs vehicle weights and routes. The Customs Department is accountable for single-stop inspections, single-window inspections and other border-crossing formalities. The Department of Agriculture, Livestock and Fisheries, under the auspices of the Ministry of Agriculture and Cooperatives, is concerned with phytosanitary and veterinary inspection. In addition, the related line departments support the implementation of CBTA.

The objectives of the Government with regard to the Economic Corridor Project and CBTA are:

- (a) Improvement of transport and trade facilitation at the border locations in order to access GMS markets totalling approximately 300 million people as well as natural resources, unskilled labour and other raw materials;
- (b) Transformation of Thailand into a logistics hub in the subregion;
- (c) Reduction of the economic gap between urban and border populations and the development of the well-being of border communities via the creation of special economic zones along Economic Corridors;
- (d) Promoting the establishment of green industries in the special economic zones along Economic Corridors.

The problems concerning the implementation of the Economic Corridor Project and CBTA can be summarized as follows:

- (a) The coordination between line departments is inadequate in some cases. The ADB GMS initiatives are neither directly related to some departments nor their main duty. However, the implementation of these initiatives requires the departments' support or revision of their rules and regulations. Therefore, their lack of attention and understanding has contributed to the delay in implementation;
- (b) Discontinuity exists among responsible agents of some departments, such as officers at ICQ units and provincial governors. Frequently, officers who have received training regarding ADB GMS are moved to other locations. The new officers have to start the ADB GMS training again which delays the implementation of ADB GMS initiatives. In addition, there has been a change in the responsible agents for the trade and investment sector; the agencies responsible for this sector were changed from the Department of Trade Negotiations to the Department of Foreign Trade;
- (c) The legal system and political instability and discontinuity in Thailand have also contributed to the delay in CBTA implementation, as mentioned in section B of this chapter. According to interviews with the Department of Customs and the International Transport Division, the ratification of some annexes in CBTA (such as Annex 4) requires the revision of domestic laws. The responsible departments have drafted revised laws and

regulations and are waiting for the Council of Ministers to propose it for signature as a Royal Decree. The normal process for the enforcement of domestic law is:

- (i) The responsible departments/ministries draft the new law/regulations;
  - (ii) The responsible departments/ministries send the law/regulations to the Council of Ministers;
  - (iii) The Council of Ministers passes the law/regulations for review and approval as a Royal Decree;
  - (iv) Once the Royal Decree approval is given, the proposed law/regulations will be sent back to the Council of Ministers;
  - (v) The Council of Ministers sends it to Parliament for approval. According to the Department of Customs, the draft version of the revised laws and regulations was completed a long time ago, and has been sent twice to the Council of Ministers. However, every time there is a new Prime Minister and a new Council of Ministers, the process has to be restarted. With the current political instability in Thailand, the CBTA ratification has been delayed and no-one knows when the process will be completed.
- (d) There is a lack of both communication mechanisms and data-transferring mechanisms characterizing the relationship between the central government and provincial government agencies. For example, in order to transfer CBTA information from the International Transport Division to ICQ units at the border locations, the information has first to be sent to the Ministry of Foreign Affairs. Most of the time, direct communication among the government's implementation-related agencies takes place via informal channels;
- (e) There is a lack of understanding about ADB GMS initiatives among provincial governors and ICQ officers, who are responsible for initiative implementation, especially CBTA. However, most of the time, they do not understand the agreements made by the central Government with other GMS member countries;
- (f) The lack of cooperation among other stakeholders is also a problem. For example, the Department of Customs needs to construct the ICQ unit at Mae Sai to incorporate CBTA. However, the department has no right to expropriate land, according to the domestic law, and the land owners have refused to sell. As a result, the construction plan has had to be revised, creating further delay of the project;
- (g) Land expropriation has created conflicts over compensation with some villagers;
- (h) Technology gaps among GMS countries. One good example is that Thailand ICQ units use a paperless system while the Customs units in the Lao People's Democratic Republic still lack a sufficient number of computers to enable them to give up their paper-based system;
- (i) The lack of personnel continues to create problems. For example, the International Economic Strategy Unit of NESDB, which is responsible for the ADB GMS programme, IMT-GT, AMCECS and BIMT-EC, only has 4 to 5 implementing officers.

## 2. Private sector

As mentioned in chapter II, BOT has a representative in NCCDC, which is the state body that makes final decisions concerning the Economic Corridor project and CBTA. It also has a representative in NTTCC, which is the responsible agency and coordinator for CBTA. BOT has a consultation mechanism with other MNEs via meetings, including discussion sessions that are held before BOT attendance at any meeting with the Government. SMEs at the border locations can receive information and share their opinions via TCC in their region, and the TCC relays this information to the BOT.

The needs of the private sector regarding the Economic Corridors and CBTA can be divided into MNEs' needs and SMEs' needs. MNEs and bigger firms prefer the policies that prioritize the following:

- (a) An acceleration of the CBTA–implementation process;
- (b) Enhanced continuity of the Government policies. Some private-sector needs have been brought to the attention of the Government but have not been transformed into policies because of changes in the lineup of government agencies;
- (c) More coordination with the private sector regarding policy formulation. Currently, the Government frequently signs agreements without consulting with firms, and informs the private sector of events following the completion of negotiations. For example, the private sector raises concern regarding the fee collection for using roads. In other GMS countries, such as Lao People's Democratic Republic, they collect fees for using domestic roads. However, Thailand does not do so unless drivers use toll ways. If CBTA is implemented, there will be more vehicles from GMS countries using domestic roads, which will result in higher maintenance costs;
- (d) Higher capacity-building at the border locations after the implementation of CBTA;
- (e) The harmonization of rules and regulations regarding trade, investment, transport and trade facilitation among GMS countries, and between the central and provincial governments;
- (f) The concerns about the influx of Chinese products and transportation vehicles to Thailand via NSEC after the implementation of CBTA.

Apart from the above needs, SMEs would like to add the following points to government policy:

- (a) Information about GMS country rules and regulations related to trade, transport, trade facilitation and investment. Most SMEs know nothing about Economic Corridors and CBTA;
- (b) Financial support and an SME development fund to provide loans to SMEs for business start-up or operational needs, in order to gain benefit from Economic Corridors and CBTA implementations;
- (c) A shift from temporary checkpoints to permanent crossing points/international checkpoints at some border locations such as Nan and Uttaradit provinces.

The logistic providers requested the following practices and policies:

- (a) A clearer policy concerning the commodities that the government would like to promote for trade with GMS countries;
- (b) Facilities and lower freight fees at Da Nang port. The current facilities and fees discourage Thai companies from using this port and encourage them to seek the services of the Laem Chabang port instead;
- (c) Common transport regulations in all GMS countries.

### **3. Border communities**

The border communities experience, to an immense degree, the effects of the ADB GMS programme, i.e., Economic Corridors and CBTA, which mean substantial changes in ways of life, job characteristics, social structure, the environment and economic structure. Some of these people lose their homes due to land expropriation for the construction of Economic Corridors. Some have to change occupation after the improvement of transportation and trade facilitation.

Unfortunately, the Government rarely takes their concerns into account when formulating GMS-related policies. These people are recipients of ineffective one-way communication from the Government, and thus lack the opportunity to express their opinions regarding GMS policy formulation. Mostly, the policies are formulated without consulting them, even though they are affected negatively. For example, many fishermen in Chiang Rai province are now unable to catch fish and algae following the improvement of the Mekong River's watercourse.

Recently, the Government recognized the importance of participation by border communities and it has hired, as a consequence, universities and research centres to conduct research surveys, and to obtain these people's opinions regarding such GMS project matters as special economic zones.

The border communities' needs and concerns relative to the ADB GMS programme are:

- (a) Better job opportunities with higher income and greater economic activity in the areas after the establishment of Economic Corridors;
- (b) Greater prevention of infectious diseases and epidemics from foreign labourers who come to work in the special economic zones;
- (c) Better infrastructure from Economic Corridors and related projects in areas such as special economic zones;
- (d) Road construction and other improvements for local farms to enable better transportation;
- (e) Preservation of jobs and cultural heritage;
- (f) Green industries in the special economic zones.

The problems encountered by the people at the border locations fall into at least five categories:

- (a) The detrimental effects of environmental changes on ways of life. For example, people in Chiang Rai province believe that improvements in the Mekong River's watercourse and the release of water from China's dams

has caused flooding in the area, despite a Mekong River Commission study that stated otherwise;

- (b) The stated beneficiaries of government actions (border communities) involuntarily cede the benefits to encroaching commercial enterprises. In a typical scenario, the Government expropriates land from some people in the border communities to construct roads or special economic zones, with the expectation that these people will move to the nearby locations and benefit from the projects. However, the outcome is that commercial enterprises from other areas move in and reap the advantages stemming from the ADB GMS projects instead;
- (c) The detrimental effects of special economic zones on local traditions. In one case (discussed above), the special economic zone in Chiang Rai province was first assigned to Chiang Saen, which is an important historical heritage. However, the border communities opposed its establishment, and it was finally moved to Chiang Kong while ports were constructed in Chiang Saen;
- (d) The improvement in transportation as well as trade facilitation between Thailand and China has adversely affected some people in Chiang Rai province such as garlic and red onion farmers, since Chinese products are being sold in the markets more cheaply instead;
- (e) The improvements in the Mekong River's watercourse have adversely affected the river ecology, which in turn is reducing the amount of fish and algae that fishermen can catch.

#### **4. ADB and other development partners**

ADB and other development partners are important stakeholders in the Economic Corridors and CBTA. ADB provides technical and financial assistance to GMS member countries. For this reason, certain GMS programme projects can be processed much faster than similar cooperative projects such as IMT-GT. ADB provides funding for road improvement and construction projects according to the Economic Corridors, and acts as the main coordinator of the ADB GMS programme. Also, ADB drafts CBTA policies for GMS member countries. According to the director of the International Transport Division, ADB stimulates the implementation of the important ADB GMS activities. For example, an ADB officer visits the directors of related departments to accelerate the implementation of CBTA in Thailand.

Another development partner of the Economic Corridors is the Japan International Co-operation Agency,<sup>20</sup> which provides partial funding for EWEC and SEC.

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<sup>20</sup> See footnote 14.

## 5. Civil society organizations

### (a) *Environmental civil society organizations*

The most active environmental civil society organization is TERRA, in cooperation with provincial groups such as Chiang Saen Conservation and Chiang Kong Conservation. In general, these groups oppose the ADB GMS initiatives such as the establishment of the second port at Chiang Saen and improvement of the Mekong River's watercourse. The groups are concerned about aquatic habitats, fish diversity, terrestrial biodiversity, flooding, and erosion and sedimentation. According to TERRA, the amount of fish caught from the Mekong River has decreased by 70 per cent in the past 15 years, together with not only the destruction of the Mekong River's banks but also an increase in new sandbars and watercourses. The groups claim that these changes adversely affect the livelihoods of border communities.

TERRA, together with conservation groups of villagers, can deter or abolish some of the ADB GMS projects related to transportation and trade facilitation that might adversely affect them. Examples include:

- (a) The establishment of the special economic zone at Chiang Saen. As mentioned above, special economic zones are one of the important projects aimed at complementing the Economic Corridors. Chiang Saen is the first location where the Government of Thailand planned to establish a special economic zone. However, TERRA and Chiang Saen Conservation opposed construction since they were afraid of "dirty" industries being established in the zone. Finally, the project was moved to Chiang Kong. However, Chiang Saen is the better location with its port for water transportation. Therefore, most Chinese investors cancelled their plans to invest in Chiang Rai and moved to Lao People's Democratic Republic instead;
- (b) The improvement of the Mekong River's watercourse from the Golden Triangle to Thailand. TERRA and provincial groups have opposed the project since they believe that the improvement of the Mekong River's watercourse is causing the destruction of aquatic habitats and a decrease in fish diversity. The project remains on hold while environmental impact assessments (EIA) are conducted;
- (c) The construction of the road connecting Mae Sot and Phitsanulok. This road was part of the NSEC project. However, the route passed through conservation area forests. Therefore, TERRA brought this issue to the public's attention and the Government decided to change the route.

The mechanism that civil society organizations use in order to delay or abolish problematic projects is:

- (a) Inform the media. The media then visits the problematic areas and reports the problems of the villagers to the public;
- (b) Inform senators and international organizations in order for them to investigate the problems caused by the projects. In this case, the projects are temporarily suspended due to the enforcement of the law. For example, the improvement of the Mekong River watercourse in Thai territory has been delayed because of the problem regarding the demarcation of a

boundary between Thailand and the Lao People's Democratic Republic. The project has to be suspended until the problem is resolved in accordance with the Constitution of Thailand;

- (c) Establish a platform for discussing environmental problems arising from the GMS-related projects at the time that important GMS events are held, such as the GMS summit, in order to draw attention from Thai and international representatives.

(b) *Thai Labour Solidarity Committee*

TLSC is the organization responsible for integrating Thailand's labour unions. The main concern of TLSC is the welfare of migrant workers. Today, Thailand is the biggest host of migrants in the GMS, with the migrants numbering between approximately 2 million and 2.5 million. Although the issue regarding labour is not directly involved with Economic Corridors and CBTA, the implementation of these two initiatives will inevitably cause increasing migration from other GMS member countries to Thailand. Most of the migrants are illegal and unregistered, lacking official documents.

In contrast, employers hire such migrants for underpaid jobs without social welfare and refuse to register them with the Ministry of Labour, since registration would require the employer to provide the employed migrant with higher pay and basic welfare. Consequently, the migrants receive neither health inspections nor health insurance, the absence of which breeds epidemics and infectious diseases as well as crime and drug addiction.

The purpose of TLSC is to address the welfare of migrants. TLSC wants the Government to implement an effective system of foreign worker registration. The Ministry of Labour will have to force the employers to register their migrant workers and to provide them with sufficient social welfare. Members of TLSC think that the ministry still favours employers' profits over migrant workers' conditions. Therefore, the ministry needs to realize the depths of the problem from the perspective of unregistered migrants. TLSC recommends the establishment of an international joint committee whose day-to-day task would be to deal with cross-border workers and whose long-term goal would be to solve this problem. Also, the Government should communicate more with TLSC and the labour unions.

Normally, migrant workers from other GMS countries such as Cambodia, the Lao People's Democratic Republic and Myanmar work in jobs that differ from those of Thai workers. Therefore, there is no apparent labour market conflict between migrant and Thai workers. The only problem is in the service sector, as some Lao entrepreneurs have opened restaurants or cabarets in Mukdahan, north-eastern Thailand. Therefore, TLSC has recommended that the Government specify in the Labor Act of 2008 the types of work that foreign workers can perform legally. The Act will be implemented in 2010.

Another problem is the period during which foreign workers can register. The Ministry of Labour specifies that migrants can register in March only. However, some businesses such as those in the fishing industry require migrant workers before March

of a given year but fail to amass workers before March of the previous year. As a result, most labourers manning fishing boats are illegal.

#### D. Analysis of stakeholders in the Economic Corridor Project and CBTA

##### 1. Degree of influence, importance, interest and impact of stakeholders relative to the genesis and the implementation of the Economic Corridor Project and CBTA

Table 6 summarizes the analysis of stakeholders in the genesis and implementation of the Economic Corridors and CBTA. The table is constructed based on information gaining from interviews with various stakeholders. With regard to policy formulation, table 6 indicates that the Government, related line ministries and ADB have the highest influence. ADB and the Government have ministerial meetings, task forces and GMS summits for setting up the strategic framework for the programme. The Government then designs the national plan to implement the framework. BOT has representatives in NCCDC and sectoral committees; as a result, it has high influence in policy formulation. MNEs and FTI have medium influence since they are not involved in policy formulation directly; however, BOT consults with them before making suggestions to the Government. Civil society organizations have medium influence since they are not involved in the process of formulation, but they can impede some initiatives such as the establishment of the special economic zone at Chiang Saen. Finally, border communities and SMEs have low influence in the process of initiative formulation and are only informed of the policies after their establishment.

**Table 6. Analysis of stakeholders in Economic Corridors and CBTA: Genesis and implementation**

Stakeholders		INFLUENCE Power to facilitate or impede <sup>a</sup>	IMPORTANCE Actual Priority given to stakeholder needs <sup>b</sup>	INTEREST Actual Commitment to change <sup>c</sup>	IMPACT Actual Effect of initiatives <sup>d</sup>
Government/ NESDB/line ministries and departments	Genesis Implementation	Highest Highest	Highest Highest	Highest High	Highest Highest
Provincial government agencies	Genesis Implementation	Medium Highest	Medium Medium	Medium Medium	Highest Highest
BOT	Genesis Implementation	High High	High High	Highest Highest	High High
FTI	Genesis Implementation	Medium Medium	High High	High High	Medium Medium
MNEs	Genesis Implementation	Medium Medium	High High	Medium High	High High
SMEs	Genesis Implementation	Low Low	High High	Medium High	High Highest
Border communities	Genesis Implementation	Low Low	Medium Low	Low Low to medium	High Highest
ADB	Genesis Implementation	Highest Medium	Highest Medium	Highest Highest	Low Low



Civil society organizations	Genesis Implementation	Medium Medium	Low Low	Medium High	High Low
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<sup>a</sup> Influence: The power a stakeholder has to facilitate or impede policy-reform design and implementation.

<sup>b</sup> Importance: The priority given to satisfying the needs and interests of each stakeholder.

<sup>c</sup> Interest: The perceived level of interest/eagerness (i.e., ranging from a commitment to the status quo to an openness to change).

<sup>d</sup> Impact: The degree to which the projects/initiatives will have an impact on each stakeholder.

In the process of implementation, it is the Government, line departments and the provincial government agencies that have the highest influence. The coordination and the cooperation between them are the key factors underlying the successful implementation of ADB GMS activities. BOT has high influence since it is responsible for some activities, such as the establishment of the guarantee organization for CBTA. As the FTI and MNEs are consultation partners for BOT, they have medium influence. ADB has no direct influence on the implementation of either CBTA or the Economic Corridors; however, ADB tries to accelerate the process by making morale-boosting visits to the directors of related departments. Again, SMEs and border communities have low influence on initiative implementation. The civil society organizations have medium influence since they can impede the implementation of some projects – consider, for example, the delay in the improvement of the Mekong River’s watercourse.

As for importance, the Government and ADB are still the most important stakeholders since they determine policy formulation. All stakeholders in the private sector have high importance in the initiation of formulation because they are the main beneficiaries of the Government’s ADB GMS activities. Hence, the government formulates the policies for the sake of the private sector.

With regard to the implementation of initiatives, the Government is the most important stakeholder. It is the agency that formulates implementation plans. All private sector agencies are equally and highly important since they are direct beneficiaries of CBTA and Economic Corridors. The Government’s implementation plans prioritize the needs and the interests of the private sector. Provincial government agencies and development partners have medium importance relative to the implementation of Economic Corridors and CBTA. These agencies act as the support units by providing necessary information and guidance. Finally, the needs and the interests of border communities and of civil society organizations currently have low importance relative to the implementation of initiatives. However, the Government expects this level of importance to rise in the future. In this regard, it is worthwhile noting that the importance of the border communities is increasing via the promotion of joint tourism among GMS countries.

In the case of policy formulation, the highest interest corresponds to three institutions: the Government, BOT and ADB. The Government and ADB hold frequent meetings and create task forces to strengthen the formulation process. BOT has meetings with the private sector and makes survey trips in order to provide necessary information to the Government and the GMS-BF. FTI has high interest in the formulation of Economic Corridors and CBTA, even though the level of eagerness is lower than that of BOT since FTI functions as a participant in BOT meetings and as a consultation partner. Both MNEs and SMEs have medium interest in policy formulation. They have reactive strategies to the Government’s plans and adjust their

strategic framework accordingly. Civil society organizations show interest in some issues such as the environment and labour. People in the border communities have low interest in policy formulation, partly because they lack sufficient information.

With regard to the implementation process, the interest of the Government varies from department to department. For example, NESDB and the International Transport Division invest their highest interest in the implementation of CBTA and Economic Corridors. However, political instability and discontinuity have diverted the attention, both of departments and politicians, from ADB GMS implementation. The lack of interest among provincial agencies, such as provincial governors or ICQ units at the borders, also accounts for the delay in CBTA implementation. The private sector is highly interested in the implementation of Economic Corridors and CBTA, as this is the key success factor for their business dealings with, and in the GMS countries. BOT exhibits the highest interest due to its several contributions to the implementation of both the Economic Corridor project and CBTA, including its offer to be the guarantor for CBTA. Civil society organizations are highly interested in the implementation of Economic Corridors and CBTA, and they watch closely how implementation affects society, the environment and labour's well-being. Finally, border communities show low interest in the initiation of such implementation, partly because of the lack of information, except in those areas that might affect their well-being such as an increase in job opportunities arising from the creation of special economic zones or the promotion of tourism after the establishment of an Economic Corridor.

Considering the impact of GMS initiatives, the central and provincial governments face the highest impact from GMS policy formulation since they are agencies with direct responsible. BOT, MNEs, SMEs, border communities and civil society organizations share a high impact from policy formulation of GMS initiatives. Both BOT and civil society organizations have direct responsibility for the impact of GMS initiatives. The former acts as a guarantee organization in order to implement CBTA while the latter has to investigate the impact of GMS initiatives. MNEs, SMES and border communities experience high impact from GMS initiatives since they are direct beneficiaries of the projects. FTI experiences a moderate impact since it is a consultation unit for NESDB only. Finally, ADB experiences low impact from GMS policy formulation since it only provides technical assistance and funding but does not get involved directly with the projects.

Finally, the impact of GMS initiative implementation affects the central and provincial governments the most as they are responsible for the implementation of Economic Corridors and CBTA. SMEs and border communities also receive the highest impact from implementation since GMS projects will affect their occupations, way of life and communities directly, either in a positive or adverse way. MNEs experience a slightly lower impact than SMEs since they rely mainly on their personal connections to operate their businesses with GMS countries. BOT still faces a high impact from GMS implementation as it takes charge as a guarantee organization while FTI experiences only moderate and indirect impact. Finally, ADB and civil society organizations only experience low impact from GMS implementation.

Tables 7 and 8 summarize the influence and importance of each stakeholder in the process of initiating the genesis and the implementation of relevant projects.

**Table 7. Influence and importance in the genesis of Economic Corridors and CBTA**

	<b>High influence</b>	<b>Low influence</b>
<b>High importance</b>	Central Government/NESDB/line ministries and departments, and BOT/FTI/ADB	MNEs/SMEs
<b>Low importance</b>	Civil society organizations	Provincial government agencies/border communities

**Table 8. Influence and importance in implementing Economic Corridors and CBTA**

	<b>High influence</b>	<b>Low influence</b>
<b>High importance</b>	Central Government/NESDB/line ministries and departments /provincial government agencies/BOT	FTI/MNEs/SMEs
<b>Low importance</b>	ADB/civil society organizations	Border communities

#### **IV. Factors accounting for influence and involvement in the genesis and implementation of the Economic Corridor Project and Cross-Border Transport Agreement**

##### **A. Speed of implementation of initiatives**

Most companies commented on the excessive slowness characterizing the implementation of the various ADB GMS projects, such as CBTA. Therefore, these companies sometimes expand business in the GMS countries by using their personal connections with local business partners. Since the business of these companies is beyond the level of GMS integration, they feel no need to get involved in either the genesis or the implementation of ADB GMS activities.

##### **B. Continuity of Government of Thailand policies and political instability**

The private sector feels that the discontinuity and instability of the Government have delayed and disrupted efforts to implement CBTA. For example, due to changes in government personnel, relevant government agencies have neglected considering and addressing important requests or opinions from the private sector. Therefore, the private sector has to start the consultation process over again. The necessity of this extra effort induces some private sector representatives to refrain from involvement in the above-mentioned projects.

### **C. A clear commodity base**

There are no clear commodities that the government wants to promote for trade with GMS countries. This aimless policy discourages some companies from paying attention to ADB GMS initiatives and causing lack of involvement from the private sector.

### **D. Earnest efforts**

It is important that the central government be sincere when listening to and addressing the private sector's opinions and when trying to solve the related problems.

### **E. Proper communication of information**

There should be a widespread distribution of information regarding gains from ADB GMS activities to each stakeholder

The interviews held during the analysis and survey data revealed that many SMEs and border communities were unfamiliar with both the effects of ADB GMS initiatives on their status and how they might gain from the initiatives. This problem highlights the lack of involvement from stakeholders.

### **F. Permanent and specific staff, and working group responsible for the ADB GMS programme in Thailand**

One of the problems most stakeholders are encountering is inconsistency and tardiness of policy formulation and implementation process. Therefore, if a permanent and specific body, with enough staff, is made responsible for the ADB GMS programme, policy formulation will be more consistent and the implementation will be faster. Currently, NESDB is understaffed despite being responsible for many other works apart from ADB GMS. Therefore, implementation can only be fast and productive when the Government puts high priority on the ADB GMS programme. Hence, the inconsistency and lateness discourage stakeholders' involvement.

## **V. Conclusion and Suggestions for promoting stakeholder involvement in Greater Mekong Subregion integration**

This chapter provides conclusions and suggestions aimed at promoting stakeholder involvement in GMS regional integration, based on the factors mentioned in chapter IV.

### **A. Suggestions on the existence and effectiveness of national-level inter-agency coordination**

The following suggestions are aimed at improving effectiveness of national-level agency and coordination between government actors regarding GMS activities.

Conclusion 1: There is a communication problem between the central and provincial governments. The communication is of a top-down type. Also, there is delay in the process of relaying order to provincial governments.

Recommendation 1.a: Thailand should introduce border clusters consisting of provincial transport officers, provincial governors, ICQ unit representatives and other officers whose task it is to (i) promptly deal with issues that arise and (ii) transmit necessary information to the Government.

Conclusion 2: Discontinuity among responsible agents, especially at the border location causes the delay in the implementation of ADB GMS activities.

Recommendation 2.a: The Government should create continuity of implementation at the border locations. Provincial officers, both governors and ICQ officers, should be given appropriate knowledge and training regarding ADB GMS initiatives. Also, they should be made responsible for the area for a longer period to promote the consistency of initiative implementation and to increase the better understanding about the impact, gains and losses from the initiatives. In this way, provincial officers can be more involved in ADB GMS policy formulation. In addition, they can provide important information regarding the locations to the Government so that it can formulate better policies in the future.

Conclusion 3: The legal system and political instability and discontinuity have contributed to the delay in CBTA implementation.

Recommendation 3.a: Promotional efforts that characterize the ADB GMS programme as a national agenda should be made, so that every related line department gives high priority to ADB GMS activities and implementation.

Conclusion 4: There is a lack of personnel who is responsible for GMS implementation in Thailand.

Recommendation 4.a: Thailand should establish a permanent body responsible for the ADB GMS programme in order to promote effective implementation of initiatives.

### **B. Suggestions on the existence and effectiveness of national-level consultation mechanisms and coordination between government and other stakeholder groups for GMS activities**

The following suggestions are aimed at improving effectiveness of consultation mechanisms and coordination between government and other stakeholder groups for GMS activities.

Conclusion 1: There is a coordination problem between the private sector and higher-level government policy makers.

Recommendation 1.a: The ADB GMS programme should establish a joint committee among government representatives and private sector representatives from all GMS member countries to formulate a strategic framework and equally strategic policies.

Recommendation 1.b: Private companies should have access to complete and synthesized information regarding ADB GMS initiatives. For example, apart from information about ADB GMS initiatives and their implementation, the Government should inform the companies of related regulations, the initiatives' expected benefits and possible obstacles. Also, only companies that are members of the ADB GMS board in BOT have been receiving information regarding the ADB GMS programme. They have suggested that the information should be transmitted to all related companies, or at least to all BOT members. Currently, even companies that will be affected directly by the ADB GMS programme have little knowledge about the programme. For example, even the Logistics Department of Mithphol, which has a major sugar business in the Lao People's Democratic Republic, does not know about CBTA.

Recommendation 1.c: The Government needs to genuinely listen to, consider and address the private sector's needs and interests. The private sector interview data suggest strongly that the Government, despite exchanging information and opinions with representatives from BOT, FTI and private companies, sometimes either dismisses comments from the private sector or ineffectively addresses the problems mentioned by the private sector.

Conclusion 2: There is insufficient SME participation in GMS policy formulation, especially at policy-level meeting.

Recommendation 2.a: The promotion of combined resources tourism could, in turn, promote the involvement of stakeholders, since it improves the economic well-being of border communities as well as SMEs without deterring their ways of life or practices.

Conclusion 3: There is a lack of communication between border communities and government policy makers which causes misunderstanding regarding the ADB GMS projects, and creates local resistance to some ADB GMS activities.

Recommendation 3.a: Most line ministries communicate with border communities by means of one-way communication such as website and radio announcements. These channels are not effective. The ministries should promote interactive channels such as workshops that border communities can attend.

Recommendation 3.b: The central government should inform people in the border communities regarding the economic and social impact of ADB GMS initiatives before their implementation so that the people can express their opinion toward the initiatives and adjust themselves and their businesses or occupations in accordance with the ADB GMS projects.

Recommendation 3.c: Similar to the case of SMEs, the promotion of combined resources tourism could, in turn, promote the involvement border communities. According to the analysis interviews and survey, border communities believe that the expansion of tourism will benefit them the most;

Recommendation 3.d: By employing civil society organizations, local universities or research centres to study the effects of GMS activities on society, the Government can create a highly effective interactive channel between itself and stakeholders.

## Annex

**Annex table 1. Thailand's trade with other Greater Mekong Subregion countries**

(Unit: US\$ million)

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Import</b>										
Cambodia	24.72	14.74	7.86	12.31	11.17	12.37	27.51	31.40	34.93	53.09
China	1,822.11	2,485.40	3,367.91	3,704.56	4,920.06	6,056.41	8,172.50	11,147.58	13,642.11	17,589.51
Lao People's Dem. Rep.	31.71	56.61	75.58	88.97	93.36	103.61	114.52	224.71	500.32	511.36
Myanmar	64.16	112.65	255.59	807.73	912.83	913.43	1,293.27	1,784.01	2,348.48	2,471.64
Vietnam	234.59	229.13	330.42	326.46	240.04	334.51	437.93	890.46	904.44	1,205.50
Total Import from GMS	4,175.28	4,897.53	6,037.36	6,941.02	8,179.47	9,423.33	12,049.73	16,083.16	19,436.27	23,838.11
Total Import of Thailand	42,985.69	50,213.95	61,754.13	61,951.84	64,613.58	75,679.26	95,197.15	118,112.38	128,652.34	151,703.02
GMS/Total Import (%)	9.71	9.75	9.78	11.20	12.66	12.45	12.66	13.62	15.11	15.71
<b>Export</b>										
Cambodia	300.13	352.97	345.19	464.99	512.24	684.72	718.85	909.40	1,247.56	1,449.87
China	1,765.77	1,769.67	2,794.89	2,850.34	3,544.12	5,692.84	7,085.44	9,104.39	11,797.11	15,917.51
Lao People's Dem. Rep.	373.28	409.54	379.64	409.43	401.78	454.28	578.17	764.97	1,022.70	1,405.87
Myanmar	344.82	392.84	501.83	352.14	315.14	437.37	601.75	696.68	758.40	1,024.71
Vietnam	590.58	568.39	833.61	793.69	944.36	1,263.43	1,865.43	2,348.02	3,093.03	4,082.39
Total Export to GMS	3,374.58	3,493.40	4,855.16	4,870.59	5,717.65	8,532.64	10,849.64	13,823.45	17,918.79	23,880.35
Total Export to ASEAN 10	9,846.0	10,679.0	13,249.3	12,545.9	14,165.0	16,530.6	21,092.6	23,892.0	27,209.7	34,842.5
Total Export of Thailand	54,344.47	57,843.43	68,527.59	64,908.67	68,593.50	80,252.57	97,098.13	109,848.41	130,621.07	163,118.87
GMS Trade/ Total Export to Asean	34.27	32.71	36.64	38.82	40.36	51.62	51.44	57.86	65.85	68.54
GMS/Total Export (%)	6.21	6.04	7.08	7.50	8.34	10.63	11.17	12.58	13.72	14.64
<b>Total Trade</b>										
Cambodia	324.85	367.71	353.05	477.30	523.42	697.09	746.36	940.80	1,282.48	1,502.96
China	3,587.87	4,255.07	6,162.79	6,554.90	8,464.18	11,749.25	15,257.94	20,251.97	25,439.22	33,507.02
Lao People's Dem. Rep.	404.99	466.15	455.22	498.40	495.14	557.89	692.69	989.68	1,523.02	1,917.23
Myanmar	408.98	505.48	757.43	1,159.87	1,227.98	1,350.80	1,895.02	2,480.69	3,106.87	3,496.35
Vietnam	825.17	797.52	1,164.03	1,120.15	1,184.40	1,597.95	2,303.36	3,238.48	3,997.47	5,287.90
Total Trade in GMS group	5,551.86	6,391.93	8,892.52	9,810.61	11,895.12	15,952.97	20,895.37	27,901.62	35,349.06	45,711.46
Total International Trade	97,330.16	108,057.38	130,281.72	126,860.51	133,207.09	155,931.83	192,295.27	227,960.79	259,273.41	314,821.89
GMS Trade /Total Trade(%)	5.70	5.92	6.83	7.73	8.93	10.23	10.87	12.24	13.63	14.52

Source: World Trade Atlas.



**Annex table 2. Thailand's cross-border trade**

(Unit: US\$ million)

Countries	2003	2004	2005	2006	2007
Thailand - Lao PDR (north-east)	496.89	562.18	637.17	1287.06	1758.94
Thailand - Lao PDR (north)	20.57	33.5	55.37	58.8	64.8
Thailand - Lao PDR (total)	517.46	595.68	692.54	1345.87	1823.75
Thailand - Cambodia	429.69	585.24	736.61	951.28	1080.62
Thailand - Myanmar	204.62	398.73	450.63	447.01	527.96
Thailand - southern China	100.34	83.34	128.78	137.21	190.83
Total (Lao PDR, Cambodia, Myanmar, southern China)	1252.11	1662.99	2008.56	2881.37	3623.16
Share of cross-border trade (Lao PDR)	0.93	0.86	0.7	0.88	0.95
Share of cross-border trade (Cambodia)	0.62	0.78	0.81	0.74	0.72
Share of cross-border trade (Myanmar)	0.15	0.21	0.18	0.14	0.15

Sources: Bank of Thailand and World Trade Atlas.

**Annex table 3. GMS meetings arranged by NESDB for policy formulation in 2008**

Numbers of participation						
Government agencies	BOT/FTI agencies	MNEs/large-scale companies	SMEs	Border communities	NGOs/ other independent organizations	Total
69	11	-	-	-	-	80
79	10	-	-	-	-	89
6	4	-	-	-	-	10
14		-	-	-	-	14

Source: Survey with NESDB.

**Annex table 4. GMS meetings arranged by NESDB for discussions/exchange of opinions in 2008**

Numbers of participation						
Government agencies	BOT/FTI agencies	MNEs/large-scale companies	SMEs	Border communities	NGOs/ other independent organizations	Total
31	4	-	-	-	-	35
18	10	-	-	-	-	28
12	4	-	-	-	-	16
7		-	-	-	-	7
23						23
20						20

Source: Survey with NESDB.

**Annex table 5. GMS meetings arranged by BOT in 2008**

Invitations sent							Number of participants						
Government agents	BOT/FTI agents	MNEs/large-scale companies	SMEs	Border communities	NGOs/other independent organizations	Total	Government agents	BOT/FTI agents	MNEs/large-scale companies	SMEs	Border communities	NGOs/other independent organizations	Total
4	14	-	-	-	2	20	7	12	-	-	-	2	21
-	3	2	-	-	2	7	-	5	3	-	-	5	13
-	12	3	-	-	15	30	-	12	3	-	-	-	15
-	8	2	1	-	-	11	-	8	2	1	-	-	11
-	3	2	-	-	1	6	-	4	1	-	-	1	6

*Source:* Survey with BOT and the GMS Business Forum.

**Annex table 6. Progress of Economic Corridors in Thailand**

<b>Economic Corridor</b>	<b>Specific project</b>	<b>Status</b>
NSEC	HW1020 and HW1152, Chiang Khong-Chiang Rai	The 2009 budget covers expansion of the roads into four lanes for a distance of 45 kms. The project is scheduled to be completed in 2011.
	NSEC International Mekong Bridge	A detailed design is complete with a budget of US\$ 60.73 million. It is in the midst of financial agreement formulation between Thailand and China. The project is expected to start at the end of 2009 and to be completed in 2012.
	HW1016, Mae Chan-Chiang Saen including Chiang San Bypass	The 2009 budget covers road expansion into four lanes for a distance of 37 kms. The project is set to be completed in 2011.
	HW1290, Mae Sai-Chiang Saen	The 2009 budget covers road expansion into four lanes for a distance of 36 kms. The project is set to be completed in 2011.
	Chiang Saen second port	The budget provides a total of Baht 1,546.4 million. Construction has started and is scheduled to be completed in 2011.
EWEC	Thingannyinaung-Kawkariek (Myanmar)	The survey process and a detailed design are complete. Thailand will grant Myanmar fiscal support totalling Baht 827 million.
	GMS highway expansion project	The expansion of HW12 (Phisanulok-Lom Suk), HW2042 (Baan Na Krai-Khamchae) and HW 33 (Prachinburi-Kabinburi) into four-lane roads. The projects are scheduled to be completed in 2011.
	Thanaleng-Nong Khai railway extension to Vientiane	Construction is complete. The trial period is underway and a legal agreement between Thailand and the Lao PDR is awaited. The extension was expected to open in March 2009.

*Source:* GMS progress report, October-December 2008, International Economic Strategy Unit, NESDB.

**Annex table 7. Ratification status of annexes and protocols in CBTA**

<b>Annex/Protocol</b>	<b>Description/title</b>	<b>Status</b>
Annex 1	Carriage of Dangerous Goods	In a process of enactment for ratification
Annex 2	Registration of Vehicles in International Traffic	Ratified
Annex 3	Carriage of Perishable Goods	Ratified
Annex 4	Facilitation of Frontier-crossing Formalities	In a process of enactment for ratification
Annex 5	Cross-border Movement of People	Parts 1-4: ratified Part 5: In a process of enactment for ratification
Annex 6	Transit and Inland Clearance Customs Regime	In the process of the establishment of guarantee organization
Annex 7	Road Traffic Regulation and Signage	Pending ratification
Annex 8	Temporary Importation of Motor Vehicles	In the process of the establishment of guarantee organization
Annex 9	Criteria for Licensing of Transport Operators	In a process of enactment for ratification and for selection of transport operators (that shall receive the quota licenses)
Annex 10	Conditions of Transport	Pending enactment of the domestic law
Annex 11	Road and Bridge Design and Construction Standards and Specifications	Ratified
Annex 12	Border Crossing and Transit Facilities and Services	Ratified
Annex 13a	Multimodal Carrier Liability Regime	Ratified
Annex 13b	Criteria for Licensing of Multimodal Transport Operators for Cross-border Transport Operations	Ratified
Annex 14	Container Customs Regime	In the process of incorporation relative to a guarantor
Annex 15	Commodity Classifications Systems	Ratified
Annex 16	Criteria for Driving Licenses	Ratified
Protocol 1	Designation of Corridors, Routes, and Points of Entry and Exit Border Crossings	Ratified
Protocol 2	Charges Concerning Transit Traffic	Ratified
Protocol 3	Frequency and Capacity of Services and Issuance of Quotas and Permits	Pending enactment of the domestic law

*Sources:* GMS progress report, October-December 2008, International Economic Strategy Unit, NESDB and ADB.

**Annex table 8. List of organizations giving in-depth and telephone interviews**

<b>Organization</b>	<b>Position</b>
Bureau of ASEAN Affairs, Department of Trade negotiations, Ministry of Commerce	Trade Officer
Office of the National Economic and Social Development Board	- Deputy Secretary-General - Policy and Plan Analyst
Department of Foreign Trade, Ministry of Commerce	Senior Commercial Officer
Thai Labour Solidarity Committee	Chairman
Mekong Migration Network	Committee
The Federation of Thai Industries	Vice-President
Department of International Economic Affairs, Ministry of Foreign Affairs	- Director-General - Secretary
Ministry of Transport	- Director, International Affairs Division - Director, International Transport Division - Transport Technical Officer
Mitr Phol Sugar Corp., Ltd.	Sugar Export Manager
Board of Trade and Thai Chamber of Commerce	- Director, Executive Board. - Chairman, Committee on Neighbouring Country Trade Promotion - Advisor of the TCC – Tak province
GMS Business Forum	Chairman
C.P. Group	- Vice-President - Employee in China
TERRA	- TERRA scholar
Department of Customs, Ministry of Foreign Affairs	- Director, Customs Clearance Division - Lawyer
Industrial Estate Authority of Thailand	Director, Strategic Planning Division

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