



Asia-Pacific Research and Training Network on Trade  
Working Paper Series, No. 75, September 2009

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

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## Acronyms and Abbreviations

ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
ADB	Asian Development Bank
ABC	Association of Banks in Cambodia
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
ARTNeT	Asia Pacific Research and Training Network on Trade
ASEAN	Association of South East Asian Nations
ASEAN+6	Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand
ASEAN+4	(See CLMV)
ASEM	Asia-Europe Meeting
ASYCUDA	Automated System for Customs Data
CAMCONTROL	Cambodia Import Export Inspection and Fraud Repression Department
CAMFFA	Cambodia Freight Forwarders Association
CAMTA	Cambodia Trucking Association
CBTA	Cross-Border Transport Agreement
CCA	Common Control Area
CCC	Cambodia Chamber of Commerce
CEPT	Common Effective Preferential Tariff
CLMV	Cambodia, Lao PDR, Myanmar and Vietnam
GIAC	General Insurance Association of Cambodia
GMS	Greater Mekong Subregion
GMS-BF	Greater Mekong Sub-region Business Forum
G-PSF	Government Private Sector Forum
GRDP	Gross Regional Domestic Product
IAI	Initiative for ASEAN Integration
IFC	International Finance Corporation
LDCs	Least Developing Countries
MAF	Ministry of Agriculture and Forestry
MEF	Ministry of Economy and Finance
MFAIC	Ministry of Foreign Affairs and International Cooperation
MOC	Ministry of Commerce
MOU	Memorandum of Understanding
MPWF	Ministry of Public Works and Transport
MPDF	Mekong Private Sector Development Facility (of IFC)
MRC	Mekong River Commission
NGOs	Non-Government Organizations
NTFC	National Transport Facilitation Committee
NTTCC	National Transit Transport Coordinating Committee
PRC	People's Republic of China
RETA	Regional Technical Assistance
RGC	Royal Government of Cambodia
SEZ	Special Economic Zone
SFA-TFI	Strategic Framework for Action on Trade Facilitation and Investment
SMEs	Small and Medium Enterprises
SOMs	GMS Senior Officials' Meeting
SPS	Sanitary and Phyto-Sanitary
SSI	Single Stop Inspection
SSW	Single Stop Window

TFWG	GMS Trade Facilitation Working Group
TTF	Trade and Transport Facilitation
UNESCAP	United Nations Economics and Social Commission for Asia Pacific
WTO	World Trade Organization

## **Executive Summary**

Experiences from the current and past financial crises, the imperatives of more broadly based and equitable social and economic development, and other regional priorities like counter-terrorism, drugs and disease control, and environmental protection, support the value of regional cooperation and integration, both sub-regionally in the Greater Mekong Subregion, and regionally in ASEAN and the broader ASEAN +3 or East Asian region. Particular value is attached to the benefits that increased regional trade, trade facilitation and transport and essential infrastructure both ‘hard’ and ‘soft’, can bring to economic and social development and to ‘bridging the development gap’ in ASEAN and East Asia.

This Cambodia case study aims at understanding the driving force behind regional integration in the GMS countries and the characteristics and interactions of the various stakeholders influencing the integration process, particularly on issues of trade, trade facilitation and related transport issues (Cross-Border Transport Agreement or “CBTA”). The methodology of the study, involving the development of a stakeholder analysis matrix and importance/influence matrix, emphasises the collection of facts and evidence, the conduct of systematic key informant interviews using semi-structured questionnaires with key representatives from related government agencies and the private sector. A brief literature review was also done to clearly identify stakeholder interests, including a textual review of the three GMS summit statements and associated political leaders statements, and the degree of ownership and participation by the three sets of stakeholders in GMS processes to date, and their past, current and anticipated contribution to GMS integration processes and issues.

The research findings have identified many challenges and constraints to effective stakeholder consultation, in regional and sub-regional integration initiatives in general, and in the smooth implementation of CBTA. This study reveals a lack of consistent high level coordination among many key stakeholders in the government agencies such as Ministry of Transport, Customs, and CAMCONTROL authorities. Similarly, there is a lack of clear mechanism for effective stakeholder consultation, including the lack of coordination among government agencies for subregional and regional integration initiatives. In addition, the lack of information and public awareness, vested interest and low capacity level amongst different stakeholders, missing representatives from key stakeholder groups, and roles of ADB and related donors are some of the main concerns that some of our interviewees have expressed over the way forward for the implementation of CBTA.

Thirteen recommendations are drawn on the basis of these findings.

## 1. Introduction

The Royal Government of Cambodia, its development partners, the Cambodian private sector and Cambodian research and policy institutes all acknowledge the benefits of regional and sub-regional integration, for reasons of economic and social development, and regional peace and stability. Experiences from the current and past financial crises, and other regional priorities like counter-terrorism, drugs and disease control, and environmental protection, support the value of regional cooperation and integration, both sub-regionally in the Greater Mekong Subregion, and regionally in ASEAN and the broader ASEAN +3 or East Asian region. This is particularly true for less developed countries like Cambodia, Lao PDR and Myanmar, which are more vulnerable due to their poor infrastructure, still developing political systems, weak governance, poverty levels and uneven coping strategies for external crises and shocks. Particular value is attached to the benefits that increased regional trade, trade facilitation and transport and essential infrastructure both ‘hard’ and ‘soft’, can bring to economic and social development and to ‘bridging the development gap’ in ASEAN and East Asia. As a consequence, there have been various efforts, in which trade and trade facilitation are central, to bring countries of the region and its subregions closer together and towards cooperating more effectively in addressing such issues.

The Cambodia case study presented here,<sup>1</sup> aims at understanding the driving force behind regional integration in the GMS countries and the characteristics and interactions of the various stakeholders influencing the integration process. Given the emphasis given to trade and transport facilitation issues in this process, the analysis focuses particularly on these issues, including stakeholders involvement in the design and implementation of the Cross-Border Transport Agreement “CBTA”.<sup>2</sup> Through this research project we hope to be able to make constructive recommendations for the improvement of stakeholder consultation and engagement in Cambodia and other GMS countries.

The research methodology along with specific research questions are presented in the next Section, followed by an overview of Cambodia’s involvement in various regional integration initiatives, as well as of the key stakeholders in regional integration- in Section 3 and 4, respectively. Section 5 introduces more specifically the stakeholders in trade and trade facilitation and presents the result of the stakeholder analysis. Section 6 summarises key findings from the research study and provides corresponding constructive recommendations on measures to promote better and more effective involvement and consultation of stakeholders in regional integration as well as in the implementation of CBTA.

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<sup>1</sup> The Political Economy of Regional Integration in the Greater Mekong Subregion is a project initiative under the UNESCAP-ARTNeT’s GMS Programme, which involves key stakeholder analysis in five countries (Cambodia, Lao PDR, Thailand, Vietnam, and Yunnan Province of China) located in the GMS region.

<sup>2</sup> The number of stakeholders in trade facilitation related initiatives is generally large, making a stakeholder analysis in this area particularly relevant. For example, The Proceeding from the Senior Official Meeting held November 2008 suggested the need for higher level coordination between and among Transport, Customs, Immigration and Quarantine authorities to advance CBTA implementation.

## 2. Methodology

The stakeholder analysis proposed as the project methodology explores the interest and interactions between the major stakeholders in GMS integration – The GMS member states and its various agencies and institutions, the private sector (local, GMS and external), civil society (again local, GMS, external), the ADB, its members and financial partners, and other multilateral and bilateral ‘donors’. The methodology of the study emphasised the collection of facts and evidence, stepping back from commonly held assumptions.

### 2.1. Literature Review

A brief literature review was done to clearly identify stakeholder interests, including a textual review of the three GMS summit statements and associated political leaders statements, and the degree of ownership and participation by stakeholders in GMS processes to date. As well, various documents, including proceedings and reports from regional summits along with key multilateral agreements, on initiatives for the subregional and regional integration and cooperation that Cambodia has involved were examined.

### 2.2. Survey

Apart from literature review, the case study was conducted mainly through key informant interviews, using semi-structured questionnaires, with 16 key stakeholders from relevant government agencies (such as the Ministry of Commerce, Ministry of Economy and Finance) and the private sector including passenger and goods transport operators, insurance and banking.<sup>3</sup> Specific method of selection interviewees was done through “snowball” sampling technique. Key questions raised during the interviews included the following:

- Stakeholders in regional integration
  1. What state bodies ultimately make decisions on regional integration initiatives and how do state bodies coordinate these initiatives?
  2. At present, what mechanisms are used by the state to consult stakeholders about regional integration initiatives and who are those stakeholders?
- Stakeholders in trade and transport facilitation
  3. What **trade and transport facilitation** needs/priorities have been identified by the

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