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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

By

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Contents

Executive Summary	iii
Introduction	2
I. Thailand and regional integration	4
A. Thailand and ASEAN	4
B. Thailand and APEC	4
C. Thailand and BIMST-EC	5
D. Thailand and IMT-GT	5
E. Thailand and GMS	6
II. Stakeholders in Greater Mekong Subregion regional integration	13
A. Methodology	13
B. Definition of stakeholders	13
C. Coordination among different stakeholders	17
D. Degree of influence, importance, interest and impact of stakeholders	23
III. Stakeholders in transport and trade facilitation (Economic Corridors and the Greater Mekong Subregion Cross-Border Transport Agreement)	24
A. Genesis and implementation status of Economic Corridors	25
B. Genesis and implementation status of CBTA	27
C. Stakeholders in Economic Corridors and CBTA in Thailand.....	28
D. Analysis of stakeholders in the Economic Corridor Project and CBTA	36
IV. Factors accounting for influence and involvement in the genesis and implementation of the Economic Corridor Project and Cross-Border Transport Agreement	39
A. Speed of implementation of initiatives.....	39
B. Continuity of Government of Thailand policies and political instability.....	39
C. A clear commodity base.....	39
D. Earnest effort.s.....	39
E. Proper communication of information.....	40
F. Permanent and specific staff, and working group responsible for the ADB GMS programme in Thailand.....	40
V. Suggestions for promoting stakeholder involvement in Greater Mekong Subregion integration	40
Annex	
Annex table 1. Thailand's trade with other Greater Mekong Subregion countries.....	43
Annex table 2. Thailand's cross-border trade.....	44
Annex table 3. GMS meetings arranged by NESDB for policy formulation in 2008...44	
Annex table 4. GMS meetings arranged by NESDB for discussions/exchange of opinions in 2008.....	44
Annex table 5. GMS meetings arranged by BOT in 2008.....	45
Annex table 6. Progress of Economic Corridors in Thailand.....	46
Annex table 7. Ratification status of annexes and protocols in CBTA.....	47
Annex table 8. List of organizations giving in-depth and telephone interviews.....	48
References	48

List of tables

1. Thailand's trade with other GMS countries.....	3
2. Thailand and regional integration	5
3. Thailand and GMS regional integration.....	11
4. Role and responsibility of GMS stakeholders in Thailand	17
5. Analysis of stakeholders in GMS integration	233
6. Analysis of stakeholders in Economic Corridors and CBTA: Genesis and implementation.....	36
7. Influence and importance in the genesis of Economic Corridors and CBTA.....	39
8. Influence and importance in implementing of Economic Corridors and CBTA ...	39

Box

The special economic zone in Chiang Rai province, Thailand.....	24
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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.¹ 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.

¹ 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).² 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)

² www.aseansec.org.

increase the interdependence of member countries.³ 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.⁴ 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.

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