The Political Economy of Regional Integration in the Greater Mekong Sub-region: Thailand Case Studies

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Introduction

- General Chatichai Choonhavan, Thailand’s former prime minister, initiated the policy called “Transform the field of battle into the field of commerce” in 1987.
- Thailand and other GMS countries could exploit the complementarity of each country’s strengths.
- Since the creation of the GMS program in 1992, regional trade among Thailand and other GMS countries has increased substantially.
## Introduction

Table 1: Thailand’s trade with GMS countries (millions of US dollars)

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</thead>
<tbody>
<tr>
<td>Total Import from GMS</td>
<td>6,941.02</td>
<td>8,179.47</td>
<td>9,423.33</td>
<td>12,049.73</td>
<td>16,083.16</td>
<td>19,436.27</td>
<td>23,838.11</td>
</tr>
<tr>
<td>Total Import of Thailand</td>
<td>61,951.84</td>
<td>64,613.58</td>
<td>75,679.26</td>
<td>95,197.15</td>
<td>118,112.38</td>
<td>128,652.34</td>
<td>151,703.02</td>
</tr>
<tr>
<td>GMS/Total Import (%)</td>
<td>11.20</td>
<td>12.66</td>
<td>12.45</td>
<td>12.66</td>
<td>13.62</td>
<td>15.11</td>
<td>15.71</td>
</tr>
<tr>
<td>Total Export to GMS</td>
<td>4,870.59</td>
<td>5,717.65</td>
<td>8,532.64</td>
<td>10,849.64</td>
<td>13,823.45</td>
<td>17,918.79</td>
<td>23,880.35</td>
</tr>
<tr>
<td>Total Export to ASEAN 10</td>
<td>12,545.9</td>
<td>14,165.0</td>
<td>16,530.6</td>
<td>21,092.6</td>
<td>23,892.0</td>
<td>27,209.7</td>
<td>34,842.5</td>
</tr>
<tr>
<td>Total Export of Thailand</td>
<td>64,908.67</td>
<td>68,593.50</td>
<td>80,252.57</td>
<td>97,098.13</td>
<td>109,848.41</td>
<td>130,621.07</td>
<td>163,118.87</td>
</tr>
<tr>
<td>GMS Trade/ Total Export to Asean</td>
<td>78.20</td>
<td>83.98</td>
<td>96.51</td>
<td>99.07</td>
<td>116.78</td>
<td>129.91</td>
<td>131.19</td>
</tr>
<tr>
<td>GMS/Total Export (%)</td>
<td>7.50</td>
<td>8.34</td>
<td>10.63</td>
<td>11.17</td>
<td>12.58</td>
<td>13.72</td>
<td>14.64</td>
</tr>
<tr>
<td>Total Trade in GMS group</td>
<td>9,810.61</td>
<td>11,895.12</td>
<td>15,952.97</td>
<td>20,895.37</td>
<td>27,901.62</td>
<td>35,349.06</td>
<td>45,711.46</td>
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<tr>
<td>Total International Trade</td>
<td>126,860.51</td>
<td>133,207.09</td>
<td>155,931.83</td>
<td>192,295.27</td>
<td>227,960.79</td>
<td>259,273.41</td>
<td>314,821.89</td>
</tr>
<tr>
<td>GMS Trade /Total Trade(%)</td>
<td>7.73</td>
<td>8.93</td>
<td>10.23</td>
<td>10.87</td>
<td>12.24</td>
<td>13.63</td>
<td>14.52</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas
Table 2: Thailand’s cross-border trade with GMS

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand -Lao (Northeast)</td>
<td>496.89</td>
<td>562.18</td>
<td>637.17</td>
<td>1,287.06</td>
<td>1,758.94</td>
</tr>
<tr>
<td>Thailand -Lao (North)</td>
<td>20.57</td>
<td>33.50</td>
<td>55.37</td>
<td>58.80</td>
<td>64.80</td>
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<tr>
<td>Thailand -Lao Total</td>
<td>517.46</td>
<td>595.68</td>
<td>692.54</td>
<td>1,345.87</td>
<td>1,823.75</td>
</tr>
<tr>
<td>Thailand-Cambodia</td>
<td>429.69</td>
<td>585.24</td>
<td>763.61</td>
<td>951.28</td>
<td>1,080.62</td>
</tr>
<tr>
<td>Thailand-Myanmar</td>
<td>204.62</td>
<td>398.73</td>
<td>450.63</td>
<td>447.01</td>
<td>527.96</td>
</tr>
<tr>
<td>Thailand-South China</td>
<td>100.34</td>
<td>83.34</td>
<td>128.78</td>
<td>137.21</td>
<td>190.83</td>
</tr>
<tr>
<td>Total (Lao combodia Mynma &amp; South China)</td>
<td>1,252.11</td>
<td>1,662.99</td>
<td>2,035.55</td>
<td>2,881.37</td>
<td>3,623.16</td>
</tr>
<tr>
<td>The share of cross border trade (laos)</td>
<td>0.93</td>
<td>0.86</td>
<td>0.70</td>
<td>0.88</td>
<td>0.95</td>
</tr>
<tr>
<td>The share of cross border trade (Cambodia)</td>
<td>0.62</td>
<td>0.78</td>
<td>0.81</td>
<td>0.74</td>
<td>0.72</td>
</tr>
<tr>
<td>The share of cross border trade (Myanmar)</td>
<td>0.15</td>
<td>0.21</td>
<td>0.18</td>
<td>0.14</td>
<td>0.15</td>
</tr>
</tbody>
</table>

Source: Bank of Thailand and World Trade Atlas
Introduction

- Various Stakeholders are skeptical about the benefits and the real success of the GMS program for Thailand.
- The concerns lead to a lack of involvement from the stakeholders.
- It is crucial for the success of the GMS program to give more priority to non-governmental stakeholders.
Thailand and the GMS program

- Economic perspectives
  - The development of economic cooperation in the areas of trade facilitation, investment and logistics.
  - The improvement of infrastructure and logistic connectivity.
  - The harmonization and improvement in rules and regulation.
  - The development of capacity building.
Thailand and the GMS program

- Social Perspectives
  - Sustainable environment
  - The improvement of well-being of people in the border areas
  - The reduction in economic gaps
  - The prevention of human trafficking
  - The prevention of contagious diseases

- Security and Stability Perspectives
### Stakeholders in GMS Regional Integration

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Role and Responsibility</th>
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</table>
| NESDB, NCCDC, and other line departments | - Set the national GMS policies  
- Relay order to the related line department  
- Follow up the progress  
- Report the progress and implementation status to ADB and ministerial meetings. |
| Provincial government officers     | - Implement GMS initiatives at the border locations                                                                                                                                                                      |
| BOT and TCC                        | - Be a part of NCCDC, NTTCC and other GMS committees to set up the national GMS policies.  
- Receive information from member companies and provide recommendation to the government                                                                                                                     |
| FTI                                | - Be a part of NTTCC and other GMS committees to set up the national GMS policies.  
- Receive information from member companies and provide recommendation to the government                                                                                                                                 |
| MNEs and SMEs                      | - Perform their business with the complement of/ under GMS initiatives and provide their needs, interest and suggestions to the government via BOT, TCC and FTI                                                                                      |
| People at the border locations     | - Experience the impact of GMS initiatives such as a change in occupation, an improvement in infrastructure and so on.                                                                                                   |
| Donors and development partners    | - Provide funding  
- Provide technical assistance                                                                                                                                                                                        |
| Civil Society Organizations        | - Examine GMS initiatives and their impact                                                                                                                                                                                 |
Economic Corridors

- The improvement of existing alignments and the establishment of road links and an international bridge in the North-South, East-West and Southern Economic Corridors. (Almost Complete).
- The improvement of roads inside countries to support Economic Corridors. (In progress)
- Special Economic Zones along Economic Corridors
  - Chiang Kong (feasibility study)
  - Mae Sot (feasibility study)
  - Mukdahan (Distribution center, done)
Economic Corridors

Problems:
- Inconsistency in government’s policy regarding special economic zones.
- The resistance from people in the areas
- The Special Economic Zone in Chiang Rai
<table>
<thead>
<tr>
<th>Annex</th>
<th>Description/Title</th>
<th>Status</th>
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<tbody>
<tr>
<td>ANNEX 1</td>
<td>Carriage of Dangerous Goods</td>
<td>In a process of enactment for ratification</td>
</tr>
<tr>
<td>ANNEX 2</td>
<td>Registration of Vehicles in International Traffic</td>
<td>Ratified</td>
</tr>
<tr>
<td>ANNEX 3</td>
<td>Carriage of Perishable Goods</td>
<td>Ratified</td>
</tr>
<tr>
<td>ANNEX 4</td>
<td>Facilitation of Frontier-crossing Formalities</td>
<td>In a process of enactment for ratification</td>
</tr>
<tr>
<td>ANNEX 5</td>
<td>Cross-border Movement of People</td>
<td>Parts 1-4: ratified</td>
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<td></td>
<td></td>
<td>Part 5: In a process of enactment for ratification</td>
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<tr>
<td>ANNEX 6</td>
<td>Transit and Inland Clearance Customs Regime</td>
<td>In the process of the establishment of guarantee organization</td>
</tr>
<tr>
<td>ANNEX 7</td>
<td>Road Traffic Regulation and Signage</td>
<td>Pending ratification</td>
</tr>
<tr>
<td>ANNEX 8</td>
<td>Temporary Importation of Motor Vehicles</td>
<td>In the process of the establishment of guarantee organization</td>
</tr>
<tr>
<td>ANNEX 9</td>
<td>Criteria for Licensing of Transport Operators</td>
<td>In a process of enactment for ratification</td>
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<tr>
<td>ANNEX 10</td>
<td>Conditions of Transport</td>
<td>Pending enactment of the domestic law</td>
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<tr>
<td>ANNEX 11</td>
<td>Road and Bridge Design and Construction Standards and Specifications</td>
<td>Ratified</td>
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<tr>
<td>ANNEX 12</td>
<td>Border Crossing and Transit Facilities and Services</td>
<td>Ratified</td>
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<tr>
<td>ANNEX 13a</td>
<td>Multimodal Carrier Liability Regime</td>
<td>Ratified</td>
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<tr>
<td>ANNEX 13b</td>
<td>Criteria for Licensing of Multimodal Transport Operators for Cross-border Transport Operations</td>
<td>Ratified</td>
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<td>ANNEX 14</td>
<td>Container Customs Regime</td>
<td>In the process of incorporation relative to a guarantor</td>
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<td>ANNEX 15</td>
<td>Commodity Classifications Systems</td>
<td>Ratified</td>
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<td>ANNEX 16</td>
<td>Criteria for Driving Licenses</td>
<td>Ratified</td>
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<tr>
<td>Protocol 1</td>
<td>Designation of Corridors, Routes, and Points of Entry and Exit Border Crossings</td>
<td>Ratified</td>
</tr>
<tr>
<td>Protocol 2</td>
<td>Charges Concerning Transit Traffic</td>
<td>Ratified</td>
</tr>
<tr>
<td>Protocol 3</td>
<td>Frequency and Capacity of Services and Issuance of Quotas and Permits</td>
<td>Pending enactment of the domestic law</td>
</tr>
</tbody>
</table>
CBTA

Problems:
- Conflict between domestic law and CBTA provisions or domestic law’s absence of support for the provisions
- Dualism of Thai legal system
- Section 190 of the 2007 constitution of the Kingdom of Thailand
  - The approval from the National Assembly
  - Public Consultation
- Political Instability
The normal process for the enforcement of domestic law is:

1. The responsible departments/ministries draft new law/regulations.
2. The responsible departments/ministries send the law/regulations to the Council of Ministers.
3. The Council of Ministers passes the law/regulations to the royal decree for approval.
4. The royal decree review and decide whether to approve the proposed law/regulations.
5. Once the royal decree approves, the proposed law/regulations will be sent back to the Council of Ministers.
6. The Council of Ministers sends it to the parliament for approval.
Stakeholders of Economic Corridors and CBTA in Thailand

Government

- NCCDC is the state body that makes the ultimate decision.
- NTTCC is the national coordinator.
- The line departments are Ministry of Transport, Ministry of Agriculture, Department of Customs, Ministry of Commerce, provincial governors and ICQ units.
Stakeholders of Economic Corridors and CBTA in Thailand

Government’s concerns

- The coordination among line departments
- Discontinuity among departments’ responsible agents
- Political instability
- Lack of communication mechanisms between the central government and the provincial government
- Lack of personnel in the government sector
- Lack of cooperation from other stakeholders
Stakeholders of Economic Corridors and CBTA in Thailand

Private Sector’s needs and interest
- An acceleration of the CBTA implementation
- Higher capacity building at the border locations
- Clearer commodity base from the government
- Facilities and lower freight fees at the Danang Port
- The harmonization of rules and regulations among GMS countries
- More coordination with the private sector regarding policy formulation
- Better information distribution
Stakeholders of Economic Corridors and CBTA in Thailand

The people at the border locations
- Most are adversely affected (land expropriation, change in job characteristics, environmental changes, epidemics).
- Their needs are better job opportunities and infrastructure with preservation of jobs and cultural heritage.

ADB and other development partners
- Provide funding and technical assistance.
Stakeholders of Economic Corridors and CBTA in Thailand

Civil-society Organizations

- Important organizations are TERRA and TLSC.
- Investigate the impact of GMS initiatives on environment and people’s well-being.
- TERRA together with the conservation groups of villagers can abolish/deter some GMS projects:
  - The establishment of the special economic zone at Chiang Saen
  - The improvement of the Great Mekong River’s watercourse
  - The construction of the road connection Mae Sot-Pitsanulok
Factors Accounting for Influence and Involvement from stakeholders

- The speed of the implementation of initiatives
- The continuity of the Thai government’s policies and the political instability
- A clear commodity base
- Earnest efforts
- Proper communication of information
- Permanent and specific staff and working group responsible for the GMS program in Thailand
Constructive Suggestions about Stakeholder Involvement in GMS integration

- Suggestions for short-run improvement
  - The GMS program as a national agenda
  - Continuity in government officers at the border locations with appropriate GMS training
  - Border Clusters consisting of provincial transport officers, provincial governors, ICQ-unit representatives, and other related officers
Constructive Suggestions about Stakeholder Involvement in GMS integration

- Suggestions for short-run improvement (cont’)
  - Two-way communication channel between the government and other stakeholders
  - Informing economic and social impacts of GMS initiatives before their implementation
  - The GMS Joint Committee among government representatives and private-sector representatives
Constructive Suggestions about Stakeholder Involvement in GMS integration

Suggestions for short-run improvement (cont’)

- Providing complete and synthesized information to stakeholders
- Genuinely listening to, considering, and addressing the private sector’s needs and interests
Constructive Suggestions about Stakeholder Involvement in GMS integration

- Suggestions for long-run improvement
  - Permanent body responsible for the GMS program
  - The promotion of combined-resources tourism
  - Employing civil-society organizations, local universities or research centers to study the effects of GMS activities on border communities