The Political Economy of Regional Integration in the Greater Mekong Subregion

A Stakeholder Analysis of a GMS Trade Facilitation Initiative and its Context

Mr. Larry Strange, Executive Director, CDRI
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An ARTNeT Project Overview
by
Larry Strange
Executive Director
CDRI, Cambodia
1. The Research Project and Case Study

In August 2008, the Asia Pacific Research and Training Network on Trade (ARTNeT), under its Greater Mekong Subregion (GMS) programme, initiated a collaborative research project on The Political Economy of Regional Integration in the GMS: A Stakeholder Analysis, involving research institutes from Cambodia, Lao PDR, Thailand, Vietnam and Yunnan province of China.

Aim: To understand the drivers of regional integration in GMS countries and the characteristics and interactions of the various stakeholders influencing the integration process, particularly on trade and trade facilitation issues, using a stakeholder analysis and case study methodology.

Case Study: Early in the project design process it was agreed that the GMS Cross Border Transport Agreement (CBTA), as a key element of transport and trade facilitation in regional integration in the GMS, would be an instructive case study to analyse stakeholders, stakeholder involvement, consultative mechanisms and their role in design and implementation.
2. The Project Team

- Cambodia Development Resource Institute (CDRI)
- Economic Research Institute on Trade (ERIT), Ministry of Commerce, Lao PDR
- Faculty of Economics, Chulalongkorn University, Thailand
- Central Institute for Economic Management (CIEM), Vietnam
- Faculty of Management and Economics, Kunming University of Science and Technology, Yunnan province of China.
3. Context: Economic Cooperation and Regional Integration in the GMS and ASEAN

‘Although all GMS countries have experienced rapid growth over the past 15 years, no evidence is found that participation of CLMV in subregional cooperation and integration initiatives has led to a narrowing of the gap between the least and most developed GMS and ASEAN countries. While significant progress has been made in reducing poverty, within country inequality also increased during that period. In addition, while intra-GMS and intra-ASEAN trade both increased, trade of Cambodia and Lao PDER with other GHMS or ASEAN countries remains small.

If the various subregional and regional cooperation frameworks are to significantly reduce the development gap among members, activities more directly aimed at this objective may need to be emphasised. Re-thinking institutional arrangements for regional cooperation at both national and subregional/regional levels may be considered in order to facilitate participation of a more representative set of stakeholders in the prioritisation of activities and to ensure synergies between the various initiatives can be captured’. Yann Duvall’s 2008 ARTNeT paper: *Economic Cooperation and Regional Integration in the Greater Mekong Subregion (GMS)*

‘ASEAN’s current support for these arrangements could be expanded to include assistance in mobilising resources and providing expertise, and integration with wider economic cooperation. The benefits are twofold. First, the performance of these subregional initiatives would be improved. Second, ASEAN would be able to better align its goals with these arrangements, creating a more consistent and effective network of trade and investment cooperation in the region’. Professor Hank Lim 2008 paper: *Regional Integration and Inclusive Development Lessons from the ASEAN Experience*
4. Rationale: Exploring the Role of Stakeholders and the ‘Missing Links’ in Effective Initiatives for Regional and Subregional Economic Cooperation

Dr Surin Pitsuwan (ASEAN Secretary General) - a need for radical and innovative ways to make ASEAN regional integration more effective; a stock take of ASEAN integration measures; a lack of coordination within ASEAN and with GMS initiatives, and low GMS stakeholder interest and ownership; elements of the Initiative for ASEAN Integration (IAI) framework are the same as those for the GMS programme, with the GMS countries a sub-set of IAI. ‘Something is missing!’ in effectively linking and integrating these policy initiatives as they become operational.

The central or ultimate stakeholders in GMS and regional integration are the affected peoples themselves, and their interest groups – public and private sectors, local communities and civil society. In the GMS integration context, the ADB as ‘a donor agency’, is a significant stakeholder, but one of many, with an important ‘donor’ role but not necessarily the role of ‘driver’ if sub-regional integration is to be effective.

The ARTNeT project was designed to: identify barriers, and plus and minus factors affecting integration, including consideration of why the CLMVs are moving relatively slowly; explore the role of political economy in regional integration, the impediments, and the determinants of more effective integration; USE stakeholder analysis TO contribute policy recommendations that might promote coordination between initiatives, at regional, sub-regional level, and national levels by better analysing who is driving cooperation, identifying priorities, and developing action plans, and whether these processes are demand or supply driven; identify whether effective stakeholder consultation mechanisms are in place, and how existing mechanisms might be enhanced, particularly for key stakeholder groups such as the private sector, civil society, citizens and consumers.
5. Case Study: Sectoral Focus on Transport and Trade Facilitation (CBTA)

Following a literature review, both general and GMS country specific, the project team agreed that, given the time and resource constraints, and the stakeholder analysis methodology to be used, the project would focus on transport and trade facilitation, meaning trade facilitation as a fundamental factor in GMS economic integration but specifically examining the Cross Border Trade Agreement (CBTA), and the related role of economic corridors and infrastructure.

This sectoral approach to stakeholder analysis would be located in the broader context of trade and trade facilitation in the GMS, ASEAN IAI, and bilateral initiatives. Each country case study would map the institutions involved in these various transport and trade initiatives where this has not already been done as the basis for identification of senior representatives of key stakeholders for interview.
6. Methodology

The project used a slightly adapted version of stakeholder analysis methodology developed by the World Bank and the UK’s Department for International Development (DFID). Following a preliminary literature review of key stakeholders in regional integration in the GMS, and more specifically in trade facilitation and the Cross Border Transport Agreement (CBTA) initiative, key stakeholders in each country were identified.

A series of standardised semi-structured interviews was then administered with senior representatives of key stakeholders – government agencies, peak coordination bodies, and private sector companies and peak bodies. The interviews in each country case study, administered with some flexibility depending on stakeholder interests and differences in local circumstances, explored the following broad questions:

- **Stakeholders in regional integration:**
  
  . What state bodies ultimately make decisions on regional integration initiatives and how do state bodies coordinate these initiatives?
  
  . 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 (broadly conceived):**

  - What trade and transport facilitation needs/priorities have been identified by the private sector and how?
  - What other trade and transport facilitation needs/priorities have been identified by other stakeholders (non-private sector)?
  - To what extent have official regional integration initiatives been relevant to private sector trade and transport facilitation concerns?

- **Stakeholder analysis of Cross Border Transport Agreement (CBTA):**

  - Describe the genesis and implementation status of the CBTA and, if available, evidence of gains and losses of various stakeholders.
  - In the case of CBTA, what was the relative influence of each stakeholder in its genesis and implementation?
  - What factors account for each stakeholder’s influence and involvement in the genesis of the CBTA initiative?

Two summary matrices were developed, with associated commentary:

(i) A Matrix of Degree of Influence, Importance, Interests and Impacts by each Stakeholder in CBTA
(ii) An Influence and Importance Matrix for Stakeholders in CBTA Implementation.

Based on the interviews, analysis and matrices, each case study then concluded with a summary of any obstacles to effective stakeholder consultation and involvement in regional integration initiatives, and specifically CBTA, and constructive recommendations for more effective stakeholder involvement.
7. Overview of Findings of Country Case Studies: Some Major Points

- Significance of Regional Integration and the Role of TTF in Economic Development

All case studies reflect a strong endorsement by policy makers and other stakeholders in the GMS countries of the benefits of subregional and regional integration for economic and social development, peace and stability, and the role of trade, trade facilitation, transport, and ‘hard’ and ‘soft’ infrastructure, as key elements of this integration. However they also point out that detailed knowledge of these benefits and the mechanisms to achieve them, is very uneven amongst those stakeholders, especially in parts of the private sector, even where there is healthy entrepreneurial activity.
8. GMS-ASEAN-East Asian Integration

The case studies provide a ‘mapping’ of the complex set of relevant institutional arrangements or mechanisms for regional and subregional cooperation in which most of the GMS countries are involved, with varying degrees of significance and potential for regional cooperation and economic integration broadly, and trade and trade facilitation specifically. These include, in descending order of ‘regional reach’:

- Asia Pacific Economic Cooperation (APEC)
- Asia-Europe Meeting (ASEM)
- The East Asian Summit (ASEAN + 6)
- East Asia – ASEAN + 3 (China, Japan, South Korea)
- ASEAN (10 including more recent members - CLMVs) and associated ASEAN Fee Trade Area (AFTA), Initiative for ASEAN Integration (IAI), ASEAN-China FTA
- The Greater Mekong Subregion and associated ADB Programme and GMS Business Forum
- Mekong River Commission (MRC)
- Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)
- Emerald Triangle Cooperation Framework (Cambodia, Lao PDR, Thailand)
9. Another ‘Noodle Bowl’? A Challenge for National Coordination in the GMS

The 5 Country Case Studies show different national coordination mechanisms and models for GMS, ASEAN and broader regional cooperation and economic integration initiatives in each GMS country, with responsibility for policy making, coordination, negotiation, and implementation lying across different ministries and agencies.

This reflects the different governance, political, and economic systems in the GMS countries, and their different stages of socio-economic development and institution building.

Is there a common model of national coordination for regional and sub-regional economic development emerging in the GMS countries? Should there be? Is this diversity more acceptable in the GMS environment? What are the key elements?

What does this mean for effective stakeholder consultation and involvement for key stakeholders such as the private sector?
9. The Challenge of the ‘Noodle Bowl’

The complexity of this set of institutional arrangements, their overlap, and in some cases duplication, of regional economic integration strategies, priorities and initiatives, has serious implications for the pace and effectiveness of regional integration, and on the ‘absorptive’ capacity of the GMS stakeholders - political leaders, government officials and policy makers, and the private sector - to respond and participate effectively, especially in the CLMV GMS countries where many relevant institutions are still working to build institutional capacity and expertise.

This complexity also has serious implications for the effectiveness of related development assistance programmes and initiatives, particularly major programmes such as the ADB’s GMS programme, how they are designed, time-planned and implemented, and the institutional capacity and degree of involvement, commitment and ownership of key government agencies in the GMS countries, especially where complex regulatory reform and cross-border, national and sub-national implementation is involved.
10. Stakeholders in Regional and Subregional Integration

- The national or central governments of the GMS member countries, their political leaders, government ministries, agencies and officials, and associated consultative, research and policy making mechanisms, which varied from GMS country to country given the different systems of governance;

- Provincial, prefectural or sub-national government institutions and officials;

- Private sector and state-owned enterprises and their peak bodies or associations such as chambers of commerce, and associated government-private sector consultative mechanisms;

- International development partners providing development assistance in support of regional and subregional integration initiatives, particularly the ADB and its GMS programme, but also other multilateral and bilateral agencies providing support for related infrastructure, transport, trade and trade facilitation initiatives, and their international consultants;

- To a lesser degree, and more significant in some GMS country systems than others, civil society organisations and policy research institutions working on regional and subregional integration issues.

- While the initial project concept note and case studies also mentioned national populations themselves, or the ‘peoples of the GMS countries’ and in particular local border communities affected by cross-border movement of people and goods, as key stakeholders, it was found that there were currently few formal mechanisms involving them as stakeholders, and very uneven or low public awareness of the benefits and issues associated with regional and subregional cooperation and integration.

- The case studies also demonstrate that arrangements for government coordination, policy making, stakeholder consultation, and implementation on regional and subregional integration issues and initiatives, and associated stakeholder consultation and participation mechanisms, are not always centralised and well coordinated in the different GMS systems, and can be located under different ministerial portfolios depending on whether they relate to APEC, WTO, ASEAN, or the GMS with different responsible institutions, ministries or agencies.
11. Major Stakeholders in TTF and CBTA

The case studies identified the following three groups of key stakeholders on the specific issues of cross border transport and trade facilitation, and the Cross Border Transport Agreement brokered by the ADB:

- Government: In each GMS country in the study a national coordinating mechanism brings together the major relevant government agencies and other key stakeholders to assist with CBTA policy making, associated reforms and implementation as follows:
  - Cambodia: National Transit Transport Coordinating Committee (NTCC)
  - Lao PDR: GMS Trade Facilitation Working Group (TFWG)
  - Thailand: National Transit Transport Coordination Committee (NTCC)
  - Vietnam: GMS CBTA Working Group
  - Yunnan, China: National Transport Facilitation Committee (NTFC)

These mechanisms involve the following government agencies, interests and stakeholders, whose names vary between the different systems - ministries or departments of commerce or trade, finance, interior, public works, transport, customs and border inspection, health, agriculture, GMS coordination, and private sector interests in transport, logistics, banking and insurance.

- Trade and transport service providers: Transporters of goods and passengers, and related logistics companies, banking and insurance service providers.

- Users of trade and transport services: Traders and investors, tourists and other cross border travellers.
12. The Case Studies – Some Major Issues

- While considerable progress has been made nationally and bilaterally in CBTA implementation, there appeared to be very problematic issues or ‘bottlenecks’ to CBTA implementation and associated TTF/subregional integration including:

  • A lack of awareness and uneven access to information of CBTA and related TTF issues and initiatives among stakeholders, especially at lower levels of government, provincial and local, enforcement officials and the private sector;
  
  • Competing vested interests, both formal and ‘informal’, among some stakeholders in government and the private sector, and between significant stakeholders in different GMS countries;
  
  • A lack of prior consultation with key nation and subregional private sector stakeholders to identify implementation issues, with poor and often uneven participation in consultative meetings;
  
  • Poor participation and very limited resources to support the private sector and its associations’ preparation for and participation in GMS processes such as the GMS business Forum;
  
  • Poor planning and resourcing of capacity building for key government agencies involved in TTF and CBTA processes and implementation;
  
  • Complex issues in relation to the ADB’s role as both development partner or ‘donor’ and driver of the GMS programme and TTF/CBTA initiatives with ineffective coordination and involvement of major stakeholders. As one interviewee commented: ‘The ADB’s approach to project implementation is too centralised; it depends mainly on its own consultants while involving fewer than necessary stakeholders.'
- The need for a stronger shared GMS political will, national coordination and institutional capacity, and stakeholder engagement in regional integration and TTF and subregional integration initiatives;

- The need to strengthen and resource of national coordination mechanisms and linkages/integration with ASEAN agenda/initiatives, and for still developing GMS countries, associated development assistance/donor coordination, by the ADB and others;

- The need to improve planning, quality, advance notice and involvement of key stakeholders, especially private sector in ADB and other development agencies’ consultant visits programmes; and more effective use of local knowledge and expertise, public and private sector and research institutes;

- The need to significantly strengthen and resource effective private sector consultation and participation, including key sectoral associations and chambers of commerce, in regional and subregional integration mechanisms, including the GMS Business Forum;

- The limited relationship to and integration of GMS/subregional integration and TTF initiatives with the ASEAN Economic Community agenda, initiatives and timeframe;

- A Major Challenge – ‘The Sign Now and Work It Out Later Syndrome’: A fundamental and very problematic issue emerging from the analysis in the case studies was referred to by one team member in a project meeting as the problem of the ‘sign now and work it out later syndrome’. This refers to a situation, such as CBTA, where there is strong political and/or bureaucratic pressure, coming from either within or outside the GMS countries themselves, to prematurely sign a very significant and very complex agreement before essential groundwork has been done, over an appropriate lead-in period, to analyse its potential implications for the different GMS countries and their systems, the complex range of national and bilateral regulatory reform and negotiation that will be required, the often fundamental practical challenges to implementation, especially given the ‘least developed country’ status of some GMS members, and the fundamental local institutional and professional capacity building and strengthening of key stakeholders that will need to be done in advance if there are to be prospects of effective implementation to an agreed timeframe. This appears to be a fundamental and unresolved challenge for the ADB and its GMS programme, and other major stakeholders, and has significant implications for future GMS and ASEAN integration initiatives and their prospects for success.

- A broader lack of awareness of the benefits and mechanisms for subregional and regional integration in GMS and ASEAN among key stakeholders especially in the private sector;

- Limited involvement, coordination, resourcing of national GMS research and policy institutes in systematic research and policy support for regional integration initiatives in GMS and ASEAN including TTF.
13. Some Preliminary Recommendations for Discussion

Each of the draft case studies includes recommendations for further consultation with stakeholder representatives, some generic in their regional and subregional application, and some specific to each country or system. Some preliminary recommendations based on common themes from the case studies include the following:

- To integrate the GMS programme, including its TTF/CBTA initiatives into a more coordinated and well resourced ASEAN and ASEAN+3 initiative that contributes to the establishment of the ASEAN Economic Community and ‘bridging the development gap’ in ASEAN and East Asia;

- To design and implement an ASEAN-GMS awareness raising and ‘community-building’ initiatives that promotes awareness and understanding of the benefits and mechanisms for subregional and regional integration in the GMS and ASEAN among key stakeholders, especially in the private sector, and local communities significantly affected by the cross border movement of goods, services and people;

- To rethink ‘The Sign Now and Work It Out Later Syndrome’ so that, for any significant ASEAN-GMS initiative, significant prior groundwork is done to analyse its potential implications for the different GMS countries and their systems, the complex range of national and bilateral regulatory reform and negotiation that might be required, the often fundamental practical challenges to implementation, especially given the ‘least developed country’ status of some GMS members, and the fundamental local institutional and professional capacity building and strengthening of key stakeholders that will need to be done in advance if there are to be prospects of effective implementation to an agreed timeframe, and strengthen the institutional capacity of national agencies in the CLMVs to respond effectively;

- To design and resource a consultation and capacity building programme to promote effective ASEAN-GMS private sector participation, including the strengthening of chambers of commerce and industry in the GMS countries, in ASEAN-GMS economic integration initiatives, especially on trade, trade facilitation and investment, and to ensure that the private sector’s entrepreneurial knowledge and experience is factored into design and implementation;

- To explore the feasibility of redesigning or reorienting the ADB’s GMS ‘Phnom Penh Plan’ for capacity building to constitute a long term collaborative research, policy making and institutional capacity building programme for the GMS countries, that utilises GMS and broader ASEAN +3 expertise, on key issues and challenges for the GMS countries’ effective participation in building the ASEAN Economic Community and regional economic integration in ASEAN and East Asia.
Thank You!