

# **ARTNeT: The Political Economy of Regional Integration in the Greater Mekong Sub-region – A Stakeholder Analysis**

Case Study of Viet Nam<sup>1</sup>

Final Draft Report by

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<sup>1</sup> The opinions, figures and estimates presented in this report are solely those of the authors and do not necessarily reflect the opinions of the Central Institute for Economic Management (CIEM), Viet Nam.

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## **Abbreviations**

ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
ABTC	APEC Business Travel Card
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AICO	ASEAN Industrial Cooperation
AMBDC	ASEAN Mekong Basin Development Cooperation
AMEICC	ASEAN-Japan Ministry of Trade and Industry Economic and Industrial Cooperation Committee
APEC	Asia Pacific Economic Corporation
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meetings
CBTA	GMS Cross Border Transportation Agreement
CLMV	Cambodia, Laos, Myanmar, Viet Nam
EWEC	East West Economic Corridors
FERD	Foreign Economics Relations Department
GDP	Gross Domestic Products
GMS	Greater Mekong Sub-region
GMS BF	GMS Business Forum
GMS NCC	The GMS National Coordinating Committee
HPA	Ha Noi Plan of Action
JBIC	Japan Bank for International Cooperation
MARD	Ministry of Agriculture and Rural Development
MIC	Ministry of Information and Communication
MOET	Ministry of Education and Training
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOH	Ministry of Health
MOIT	Ministry of Industry and Trade
MOLISA	Ministry of Labor Invalids and Society Affairs
MONRE	Ministry of Natural Resources and Environment
MOU	Memorandum of Understanding
MPI	Ministry of Planning and Investment
MRC	Mekong River Commission
MT	Ministry of Transport
NCIEC	The National Committee for International Economic Cooperation
NSEC	North South Economic Corridors
RETA	Regional Technical Assistance
RCNS	Regional Cooperation National Secretariat
SEC	Southern Economic Corridors
SME	Small and Medium Enterprise
SOM	Senior Officials' Meeting
TA	Technical Assistance
TTF	Trade and Transport Facilitation
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
VATA	Viet Nam Automobile Transport Association
VCCI	Viet Nam Chamber of Commerce and Industry

VIFFAS	Viet Nam Freight Forwarders Association
VNMC	The Viet Nam National Mekong Committee
WB	World Bank
WEC	West East Corridor
WTO	World Trade Organization

## Executive Summary

Over the past twenty years, regional and subregional economic integration has been a significant part of Vietnamese policy. Its success is evidenced in Viet Nam's high growth rates which reached an annual average of 7.43% from the period between 1990 and 2008. Currently, the country is focused on increasing its international trade regionally through Association of Southeast Asian Nations (ASEAN) and Greater Mekong Sub-region (GMS) initiatives, such as the GMS Cross Border Transportation Agreement (CBTA), to achieve further growth. Although these initiatives have played a strong role in opening Viet Nam's economy for enhanced growth, there remains many weaknesses and limitations in their implementation that deserve great attention.

This study has been conducted to examine the drivers of Viet Nam's integration into the GMS and the ways the cooperation and integration processes of Viet Nam could be improved. The stakeholder analysis methodology has been used in interviewing relevant stakeholders in the GMS initiatives. The study has found that the mechanisms used to coordinate regional and sub-regional activities on the national level suffer many weaknesses, including: the lack of a legal basis for coordinating the GMS program, overlapping functions of important ministries, overlapping programs among the GMS and ASEAN initiatives, insufficient coordination between central ministries and provincial authorities, and the low level of participation from the private sector and civil-society organizations, to name a few. Therefore, it has been recommended that Viet Nam needs to improve the coordination between stakeholders involved in GMS and ASEAN initiatives, clearly define the functions of these stakeholders, establish a database to keep stakeholders constantly updated on new initiatives, and encourage more inclusive participation.

## Introduction

After the renovation policy (Doi Moi) adopted at the Sixth Party Congress in 1986, Viet Nam's economy has been transformed from one that was centrally planned to one that is market-oriented. International economic integration has been a significant part of the "Doi Moi" process. Such policies have been prioritized at the regional and sub-regional level to achieve rapid development.

Thanks to international economic integration policies, Viet Nam was able to develop with relatively high growth rates with an average of 7.43% during the period between 1990 and 2008. One of the main driving forces of this growth in gross domestic products (GDP) is exportation. With deeper integration, the Vietnamese economy now is very open with international trade value at 160 percent of GDP. It should also be noted that Vietnamese trade with the GMS countries<sup>2</sup> has increased over years. During the period 1998-2008, Viet Nam's combined exports to other countries in the Mekong Region, i.e., Cambodia, China, Laos, Myanmar and Thailand, grew by 25.87% per year on average, and its share to the total export of Viet Nam expanded from 9.4% to 11.9%. Meanwhile, Viet Nam's combined import from GMS countries grew by 32.75% per year on average, and its share to the total import of Viet Nam expanded from 11.8% to 26.3%<sup>3</sup>.

However, there are still critics, skeptics, and 'non-enthusiasts', both within GMS stakeholders and externally, who question the value that such a sub-regional focus adds to the region and broader regional integration to ASEAN and ASEAN + 3 or 'East Asia'. At the same time, both the ASEAN Charter and ASEAN + 3 policy statements now put strong emphasis on utilizing the processes of regional integration to 'bridge the development gap', citing the CMLV countries, as members of both the GMS and ASEAN, as a priority for development assistance, trade and investment, and private sector development support to achieve stronger poverty reduction and socio-economic development outcomes (CDRI and ADB, 2008).

The overall purpose of the study is to examine the drivers of Viet Nam's integration into the GMS and ways the cooperation and integration processes of Viet Nam could be enhanced to achieve greater national and sub-regional development.

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<sup>2</sup> GMS countries are Cambodia, Laos, Myanmar, Thailand and Viet Nam that belong to ASEAN and the People's Republic of China (the Yunnan and Guangxi Provinces).

<sup>3</sup> Authors' calculation from General Statistic Office



In this study, the stakeholder analysis methodology adopted by the World Bank (WB, 2004) will be utilized to explore major stakeholder interests in GMS integration, especially in the area of Trade and Transport Facilitation (TTF). It involves (1) reviewing/evaluating the institutional and consultation mechanisms in Viet Nam (or lack thereof) to participate/influence the regional integration processes and to take into account the needs of relevant stakeholder groups (government, private sector, civil society/labour unions and so on) and (2) identifying the characteristics, including needs and priorities, of the main stakeholders involved in/affected by the regional cooperation and integration processes in GMS. The study has been undertaken through a brief literature review and interviews with stakeholders. The study identifies the main stakeholders in Viet Nam's regional economic integration into the GMS as well as the needs, interest, influence, importance and impact of each stakeholder.

The study proceeds as follows: Section 2 reviews Viet Nam's regional integration. Section 3 presents involvement of stakeholders in GMS regional economic integration. Section 4 provides information on stakeholders in TTF (CBTA and economic corridors). Section 5 considers factors accounting for influence and involvement in the genesis and implantation of both CBTA and economic corridors. The final section, Section 6, gives some concluding remarks and recommendations.

## **2. Viet Nam and Regional Integration**

Viet Nam recognizes that as a small country, economic cooperation and integration with other economies is a key factor for attaining its full social and economic development potential. By enlarging markets and taking part in regional production chains, Viet Nam can develop and enhance its competitiveness for faster growth. Viet Nam currently actively participates in regional economic cooperation and integration programs such as ASEAN and GMS (Table 1). The Ministry of Planning and Investment (MPI) and Ministry of Foreign Affairs (MOFA) are the two key agencies that serve as national focal points for these programs.

### **2.1 Viet Nam and APEC**

The Asia Pacific Economic Cooperation (APEC) was established in 1989 as a forum for facilitating economic growth, cooperation, trade and investment in the Asia – Pacific region. APEC is the only inter-governmental group in the world operating on a basis of non-

binding commitments, open dialogue and equal respect for the views of all participants. It has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis. APEC aims to enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community. APEC's vision is referred as the 'Bogor Goals' *of free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and 2020 for developing economies*. Known as APEC's three pillars, APEC focuses on three key areas: (i) trade and investment liberalization; (ii) business facilitation; and (iii) economic and technical cooperation as to meet 'Bogor Goals'. Since its inception, APEC has worked to reduce tariffs and other trade barriers across the Asia-Pacific region, creating efficient domestic economies and dramatically increasing exports. APEC also works to create an environment for the safe and efficient movement of goods, services and people across borders in the region through policy alignment and economic and technical cooperation.

Viet Nam became a full member of APEC in 1998 and since then has participated actively in its many activities. APEC membership has brought many political and economic benefits to Viet Nam. Since becoming an APEC member, Viet Nam has gained a stronger voice in the international arena and has had increased access to funding, modern technology, and managerial knowledge through trade and investment with other APEC members. Viet Nam has also made efforts in many areas to contribute to the realization of APEC goals. For example, it has initiated the APEC Supporting Fund for Micro Enterprises and intra-APEC Investment Promotion in 2003. In addition, the "APEC Week" was organized in Hanoi in 2003 to facilitate broader understanding and involvement of all Vietnamese social strata in APEC. In 2005, Viet Nam co-sponsored the initiative on the Enhancement of APEC Work on Response and Preparedness for the Avian and Pandemic Influenza. To facilitate regional business travels of both Vietnamese and other APEC representatives, Viet Nam joined the APEC Business Travel Card (ABTC) scheme in 2005, which allowed multiple entries to different ABTC members within 3-6 months with only one visa issued by one of the ABTC members. Furthermore, Viet Nam successfully hosted the APEC Summit in 2006, marking another milestone to make APEC a Dynamic Community for Sustainable Development and Prosperity (MPI, 2008).

The MOFA in Viet Nam, through its Multilateral Economic Cooperation Department, is assigned by the government as an institution for coordinating all APEC cooperation activities in the country, therefore MOFA can be considered as the national focal point for APEC, but it is the Multilateral Trade Policy Department in the Ministry of Industry and

Trade (MOIT) that bears the substantive responsibilities for dealing with APEC issues. The two departments/ministries play a key role in coordinating various aspects of Viet Nam's participation in APEC. However, in the process of implementing specific cooperation programs, other ministries and research institutions are also invited to participate. These include the Ministry of Finance (MOF), the MPI, the Ministry of Labor Invalids and Society Affairs (MOLISA), and the Ministry of Agriculture and Rural Development (MARD), among others. MOFA and MOIT also work in close cooperation with the Office of The National Committee for International Economic Cooperation based at MOIT.

## **2.2 Viet Nam and ASEAN**

The ASEAN was established in 1967 in Bangkok by the five original member countries, namely, Indonesia, Malaysia, Philippines, Singapore, and Thailand. Brunei Darussalam joined in 1984, Viet Nam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. The aims and purposes of the Association are to (i) accelerate economic growth, social progress and cultural development in the region; and (ii) promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter. ASEAN cooperation consists of three broad areas, namely political and security cooperation, economic cooperation, and functional cooperation.

Motivation of Viet Nam's membership is to promote amicable relationship with regional states, to attract foreign investment and secure the most favorable conditions for implementing economic renovation.

Since being a full member of ASEAN in 1995, Viet Nam has committed to implement economic cooperation programs such as the ASEAN Free Trade Area (AFTA), the ASEAN Framework Agreement on Services (AFAS), the Framework Agreement on ASEAN Investment Area (AIA), the Framework Agreement on ASEAN Industrial Cooperation (AICO), and the Initiative on ASEAN Integration (IAI).

It is noted that Viet Nam has worked together with other ASEAN member countries to introduce new initiatives to reinforce regional cooperation. At the sixth ASEAN Summit held in Ha Noi in December 1998, Viet Nam introduced the Ha Noi Plan of Action (HPA) to provide both plans and solutions to translate the Vision 2020 - an ideological groundwork to establish an ASEAN Community - into deeds. Also contained in the HPA were Viet Nam's

ideas and proposals to narrow the development gap in the sub-region and increase coordination in the group itself.

The country has joined other member countries in proposing an idea to build an ASEAN community based on three pillars<sup>4</sup>, in which the ASEAN Socio-Cultural Community was initiated by Viet Nam. In particular, the ASEAN Economic Community was envisaged to establish an ASEAN single market and production base with free flow of goods, services, investments, capital and skilled labour by the year 2015. Viet Nam has also joined hands with ASEAN countries to expand economic cooperation with East Asian countries under the ASEAN+3<sup>5</sup> or ASEAN+1<sup>6</sup> mechanism, with European Union countries under the Asia-Europe Meetings (ASEM) framework with the aim of improving the environment for further regional integration.

The MOFA in Viet Nam is the lead agency for coordinating Viet Nam's participation in ASEAN. It cooperates closely with relevant ministries and line agencies for ASEAN activities in various fields.

## ***2.3 Viet Nam and GMS cooperation and integration***

The GMS incorporates six countries - Cambodia, the People's Republic of China (Yunnan and Guangxi), Lao People's Democratic Republic (Laos), Myanmar, Thailand and Viet Nam. Viet Nam actively participates in several sub-regional cooperation programs, which vary in terms of their framework, scope and operating modalities. Currently, there are 9 major cooperation programs that Viet Nam is involved in.

### **2.3.1 Viet Nam and GMS economic cooperation programs**

In 1992, with the assistance of the Asian Development Bank (ADB), the GMS countries met together for the first time and agreed to launch a program of subregional economic cooperation designed to enhance economic linkages across their borders. The GMS vision of a subregion that is prosperous, integrated and harmonious is being pursued through the strategy of the three "Cs" - connectivity, competitiveness and community. The GMS economic cooperation programs cover nine sectors and areas of cooperation, namely:

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<sup>4</sup> Namely, ASEAN Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community

<sup>5</sup> ASEAN plus China, Korea, Japan

<sup>6</sup> ASEAN plus China or Korea or Japan

agriculture, energy, environment, human resource development, telecommunications, transport, tourism, trade and investment. The GMS economic cooperation programs have no formal treaties or rigid institutional arrangements. The ADB served as a catalyst in the initial stages of GMS cooperation by hosting the Program's secretariat at the ADB Headquarters in Manila.

Since 2002, GMS priority projects have been grouped into eleven flagship programs to follow a multisectoral approach to managing the GMS program. These eleven flagship programs are as follows:

- North South Economic Corridors (NSEC);
- East West Economic Corridors (EWEC);
- Southern Economic Corridors (SEC);
- Telecommunication Backbone;
- Regional Power Interconnection and Trading Arrangements;
- Facilitating Cross-Border Trade and Investment;
- Enhancing Private Sector Participation and Competitiveness;
- Developing Human Resources and Skills Competencies;
- Strategic Environment Framework;
- Flood Control and Water Resource Management;
- GMS Tourism Development.

Among all the regional cooperation programs, the GMS economic cooperation programs are favored the most by the Vietnamese government as it is expected to bring economic benefits to Viet Nam in terms of rice production, irrigation, fishing, hydro-electric power and tourism. Also, it is hoped to solve ecological problems of deforestation, erosion, salt intrusion in Viet Nam due to declining water resources, pollution and a loss of biodiversity. Floods also are increasingly affecting agricultural development in Viet Nam. To tackle the issue, therefore Viet Nam needs the cooperation of the upper Mekong countries, especially China. Moreover, it is hoped that subregional cooperation will diminish the differences in levels of economic development among ASEAN member states. With ASEAN facing financial constraints, other resources from donors other than ASEAN shall be mobilized. It is expected that sub-regional cooperation will fulfill this task to even out economic difference and promote sustainable growth. The multi-sectoral cooperation of the GMS program will surely help Viet Nam to improve and develop its infrastructure system, to expand trade and investment, promote tourism, and develop networks. Moreover, the GMS program includes

economic corridors, which should provide transport links, a ‘transport corridor’, between the economic centers through the mostly inland areas of the Mekong region where the geographical structure is still undeveloped. in order to promote the economic development of relatively poor provinces in each country, by encouraging the border-cross flow of cargos and people, and inviting private investments.

In Viet Nam, the MPI is is the lead agency/the national focal point for coordinating Viet Nam’s participation in the GMS economic cooperation programs. However, in the case of the EWEC initiative (under GMS economic cooperation programs), MOFA is the national focal point.

### 2.3.2 Viet Nam and ACMECS

Ayeyawady-Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS) was launched in 2003 by Thailand’s Prime Minister. Initially participating countries were Cambodia, Laos, Myanmar, and Thailand. The objectives of ACMECS are to: (i) increase the competitiveness of Cambodia, Laos, Myanmar, Thailand and Viet Nam; (ii) generate growth along the borders; (iii) facilitate relocation of agricultural and manufacturing industries to areas of comparative advantage; (iv) create employment opportunities; (v) reduce income disparity among the countries; and (vi) enhance peace, stability and among neighbors in a sustainable manner. The areas of cooperation under ACMECS include trade and investment facilitation, agriculture, industry, energy, transport, tourism, human resources development, and public health.

Viet Nam joined ACMECS in 2004, at the invitation of Thailand and with the support of other member countries. It saw ACMECS as an opportunity to engage with its less developed country neighbors, including Myanmar and as a platform to complement its participation in the GMS programs. MOFA is the national focal point of ACMECS.

### 2.3.3 Viet Nam and CLMV

The CLMV (Cambodia, Laos, Myanmar, and Viet Nam) cooperation program was initiated in 2004 by the Lao Prime Minister during a meeting with the heads of the CMV countries on the occasion of the ASEAN Summit. The objective of the program is to promote cooperation among the four countries through infrastructure linkages and trade and investment. Although, there were initial concerns about the potential overlap between this initiative and other cooperation programs such as the Development Triangle and the

ACMECS, it was subsequently agreed that CLMV cooperation would remain an independent program.

The areas of cooperation under the CLMV initiative are: (i) agriculture; (ii) trade and investment; (iii) transport; (iv) information and communications technology; (v) tourism; (vi) human resources development; (vi) health care; and (vii) regional economic integration. Although several projects in these sectors have been identified, only a few have begun implementation since resources still need to be mobilized. The CLMV Action Plan was agreed during the ASEAN Summit in Cebu, Philippines in early 2007 and was translated into concrete projects for implementation in August 2007.

Viet Nam has been assigned to take the lead role in two sectors: human resources development and trade and investment. In the human resources development sector, Viet Nam has proposed the setting up of CLMV scholarship fund, and has offered to package projects in English for the benefit of the four countries. It is also formulating projects for training in project formulation, management of higher education and information and communications technology. In the field of trade and investment, Viet Nam has proposed a project that would seek to address the trade deficit of the CLMV countries in the ASEAN-6. It has also organized investment promotion events for Vietnamese business people to invest in the CLM countries. MPI is the national focal point of the CLMV.

#### 2.3.4. Viet Nam and Development Triangle

The Development Triangle program was initiated in 2001 at the meeting of the Prime Ministers of Cambodia, Laos and Viet Nam. The program covers the border areas in the North East of Cambodia, South of Laos and the Central Highlands of Viet Nam. The initiative aims to bring into full play the comparative advantages of the countries and provinces in relation to each other and the economy of the entire region. At a subsequent Meeting in Ho Chi Minh City in January 2002, the establishment of the Development Triangle in the border areas of the three countries was confirmed. Viet Nam was took lead in the formulation of a Socio-economic Development Master Plan for the Cambodia-Laos-Viet Nam Border Area (also called the Cambodia-Laos-Viet Nam Development Triangle or the Development Triangle for short). Part of this strategy requires Viet Nam to assist its less-developed neighboring countries - Cambodia and Laos - to accelerate their economic development so that all three countries can align their development agenda under a well-coordinated and mutually beneficial arrangement. This would be carried out for the provinces covered by the Development Triangle through cooperative activities in such areas as cash

crop development, forestry exploitation and processing, tourism, and social development projects that would raise incomes, reduce poverty and create dynamic centers of economic activity in strategic locations.

At the national level, each country has a Working Group on the Development Triangle, consisting of specialists from the relevant ministries and line agencies. In Viet Nam, the MPI is the lead agency of the Development Triangle program.

### 2.3.5 Viet Nam and MRC

The Mekong River Commission (MRC)<sup>7</sup> is an inter-governmental organization established through *The Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin* signed in April 1995 by the Governments of Cambodia, Laos, Thailand and Viet Nam to provide a mechanism for the joint management of their shared water resources of the Mekong River for economic development. The two upper states of the Mekong River Basin, the People's Republic of China and the Union of Myanmar, are dialogue partners to the MRC in 1996. The midterm goals of the MRC are to: (i) promote and support coordinated, sustainable, and pro-poor development; (ii) enhance effective regional cooperation; (iii) strengthen basin-wide environmental monitoring and impact assessment; and (iv) strengthen the Integrated Water Resources Management capacity and knowledge base of the MRC bodies.

Viet Nam's participation as a member of MRC is coordinated by the Ministry of National Resources and Environment (MONRE) as the national focal point.

### 2.3.6. Viet Nam and ASEAN-MBDC or AMBDC

The ASEAN Mekong Basin Development Cooperation (ASEAN-MBDC or AMBDC) program was launched in 1996 by ASEAN 6<sup>8</sup> and China with the aim to engage more fully in the development of the new members: Cambodia, Laos, Myanmar and Viet Nam. The specific objectives of AMBDC are to: (i) enhance economically sound and sustainable development of the Mekong Basin; (ii) encourage a process of dialogue and common project identification which can result in firm economic partnerships for mutual benefit; and (iii) strengthen the interconnections and economic linkages between the ASEAN member countries and the Mekong riparian countries. AMBDC's flagship project is the Singapore-Kunming Rail Link (SKRL), which would connect Singapore up to Kunming, China via

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<sup>7</sup> <http://www.mrcmekong.org/>

<sup>8</sup> Brunei Darussalam, Indonesia, Malaysia, the Philippines, Thailand and Singapore.



Peninsular Malaysia, Thailand and other Mekong Basin countries. The MPI is assigned as the national focal point for AMBDC.

### 2.3.7 Viet Nam and AMEICC

The Economic and Industrial Cooperation Committee of the ASEAN Economic Ministers and the Minister of Trade and Industry of Japan (AMEICC) was established in 1998 as a result of the Working Group on Economic Cooperation in Indochina (Viet Nam, Cambodia, Laos) and Myanmar, which was established in 1994 to improve ASEAN competitiveness, enhance industrial cooperation, and support Viet Nam, Cambodia, and Laos as new member countries of ASEAN. There are nine working groups under AMEICC in the following areas:

- Human Resource Development;
- Small and Medium Enterprises, Supporting industries, Rural Industries (SME/SI/RI);
- West-East Corridor Development;
- Statistics;
- Automobile Industry;
- Chemical Industry;
- Information Technology;
- Consumer Electronic Industry;
- Textile and Garment Industry.

The West East Corridor (WEC) initiative was proposed by Viet Nam at the ASEAN Senior Economic Officials Meeting in 1999. Viet Nam's proposal was to establish a WEC Working Group under the framework of AMEICC. Japan supported the establishment of the AMEICC Working Group on WEC. It was agreed that the AMEICC Working Group on WEC should focus on soft infrastructure<sup>9</sup> cooperation to avoid duplication with other regional cooperation programs and also work closely with international organizations.

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<sup>9</sup> Infrastructure can be categorized into hard infrastructure and soft infrastructure. The former refers to physical structures or facilities that support the society and economy, such as transport (e.g., ports, roads, railways); energy (e.g., electricity generation electrical grids, gas and oil pipelines); telecommunications (e.g., telephone and internet); and basic utilities (e.g., drinking water supply, hospitals and health clinics, schools, irrigation, etc.). The latter refers to non-tangibles supporting the development and operation of hard infrastructure, such as policy, regulatory, and institutional frameworks; governance mechanisms; systems and procedures; social networks; and transparency and accountability of financing and procurement systems (Bhattacharyay 2008).

The WEC Region covers the areas located in the west-to-east middle part of the Indochina Peninsula within Cambodia, Laos, Myanmar, Thailand and Viet Nam. Initial activities were implemented along the road linking Da Nang (Viet Nam), Savannakhet (Laos), Mukdahan, Mae Sot (Thailand), and Mawlamyine (Myanmar). The WEC framework is open to include other areas that will have positive socio-economic impact on the four countries.

MPI plays a role as the national focal point for the WEC initiative.

### **2.3.8. Viet Nam and Mekong-Ganga Cooperation**

The initiative of Mekong-Ganga cooperation (MGC) among Cambodia, India, Laos, Myanmar, Thailand and Viet Nam was established in 2000 and emphasizes 4 areas of cooperation: tourism, culture, education, and transportation linkages for future trade and investment cooperation in the region. MGC has five working groups as follows:

- Working group on Tourism;
- Working group on Education;
- Working group on Culture;
- Working group on Communication and Transportation;
- Working group on Action Plan.

Viet Nam is the lead country in the Working group on Action Plan.

### **2.3.9. Viet Nam and Two corridors, one Belt**

Two corridors, one Belt is an initiative Viet Nam proposed during the Prime Minister's visit to China in May 2004. The proposal was for the two countries to establish a program of economic cooperation to develop the Kunming –Lao Cai – Hanoi – Hai Phong – Quang Ninh economic corridor, the Nanning–Lang Son–Hanoi–Hai Phong –Quang Ninh economic corridor, and the Bac Bo (Tonkin) Gulf economic belt. The objectives of the program are to (i) build and develop the “two economic corridors and one economic belt” to become a major economic center, playing an important driving force in the development of Viet Nam–China economic relations; (ii) develop the potentials and strengths of individual provinces along the corridors and the belt; and (iii) promote peace and friendships among the border regions of the two countries and the Bac Bo Gulf region.

The MPI is assigned as the national focal point for the program “two economic corridors and one economic belt”.

**Table 1: Viet Nam's National Focal Ministries and Departments for Regional Cooperation Programs**

<b>Regional Cooperation Program</b>	<b>Year of establishment and founder</b>	<b>Members</b>	<b>Purpose</b>	<b>National Focal Point (Ministry) and National Coordinator (Dep't)</b>
Asia Pacific Economic Cooperation (APEC)	1998	Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Republic of the Philippines, The Russian Federation, Singapore, Chinese Taipei, Thailand, United States of America, Viet Nam.	Enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community	MOFA- Multilateral Economic Cooperation Department
Association of Southeast Asian Nations (ASEAN)	1995	Brunei Darussalam, Cambodia, Indonesia, Laos , Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	(i) accelerate economic growth, social progress and cultural development in the region; and (ii) promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter	MOFA - ASEAN Economic Cooperation Department
ASEAN plus China, Korea, Japan (ASEAN+3)/ASEAN plus China, Korea, or Japan ASEAN+1	1997 (ASEAN + 3)	ASEAN+3=ASEAN plus China, Japan and the Republic of Korea (as a group) ASEAN+1=ASEAN plus	(i) to build the East Asian Free Trade Area; (ii) to deepen the process of integration of financial markets in the region; (iii) to harmonize the different economic cooperation structures in the	MOFA - ASEAN Economic Cooperation Department

<b>Regional Cooperation Program</b>	<b>Year of establishment and founder</b>	<b>Members</b>	<b>Purpose</b>	<b>National Focal Point (Ministry) and National Coordinator (Dep't)</b>
		People's Republic of China, Japan and the Republic of Korea, as individual countries	region for developing industrial cooperation and creating favorable conditions for the movement of production factors, facilitating the efficient distribution of human resource and production factors; and (iv) to bridge the gap in the development among the member countries.	
GMS Economic Cooperation Program	1992 ADB (Japan)	Viet Nam, Cambodia, China, Thailand, Laos, and Myanmar	To promote the socio-economic development of the six countries by strengthening economic linkages among them. The GMS vision of a subregion that is prosperous, integrated and harmonious is being pursued through the strategy of the 3 “Cs” - connectivity, competitiveness and community.	MPI- Foreign Economics Relations Dept (FERD)- International Financial Institutions Division (IFI); Note: the responsibilities for EWEC is located in the Economic Department of MOFA
Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)	2003 (Thailand)	Viet Nam, Cambodia, Laos, Myanmar and Thailand	(i) increase the competitiveness of Cambodia, Laos, Myanmar, Thailand and Viet Nam; (ii) generate growth along the borders; (iii) facilitate relocation of agricultural and manufacturing industries to areas of comparative advantage; (iv) create employment opportunities; (v) reduce income disparity among the countries;	MOFA - Economic Department

<b>Regional Cooperation Program</b>	<b>Year of establishment and founder</b>	<b>Members</b>	<b>Purpose</b>	<b>National Focal Point (Ministry) and National Coordinator (Dep't)</b>
			and (vi) enhance peace, stability and among neighbors in a sustainable manner.	
Cambodia, Laos, Myanmar, Viet Nam (CLMV)	2004 (CMV)	Viet Nam, Cambodia, Laos, Myanmar	To promote cooperation among the four countries through infrastructure linkages and trade and investment	MPI - FERD - Laos-Cambodia Division and
Development Triangle	2001 (CLV)	Viet Nam, Cambodia and Laos	To bring into full play the comparative advantages of the countries and provinces in relation to each other and the economy of the entire region	MPI- FERD – Laos, Cambodia Division,
Mekong River Commission (MRC)	1995	Viet Nam, Cambodia, Laos, and Thailand	(i) Promote and support coordinated, sustainable, and pro-poor development; (ii) enhance effective regional cooperation; (iii) strengthen basin-wide environmental monitoring and impact assessment; and (iv) strengthen the Integrated Water Resources Management capacity and knowledge base of the MRC bodies.	MONRE -International Cooperation Department
ASEAN Mekong Basin Development Cooperation (AMBDC)	1996 (ASEAN 6)	Viet Nam, Cambodia, Laos, Myanmar	(i) enhance economically sound and sustainable development of the Mekong Basin; (ii) encourage a process of dialogue and common project identification which can result in firm economic partnerships for mutual benefit; and (iii) strengthen the interconnections and economic linkages	MPI - FERD

<b>Regional Cooperation Program</b>	<b>Year of establishment and founder</b>	<b>Members</b>	<b>Purpose</b>	<b>National Focal Point (Ministry) and National Coordinator (Dep't)</b>
			between the ASEAN member countries and the Mekong riparian countries.	
ASEAN-Japan Ministry of Trade and Industry Economic and Industrial Cooperation Committee (AMEICC)	1998 (ASEAN and Japan)	Viet Nam, Cambodia, Laos, Myanmar	Support to be members of ASEAN	MOFA - Economic Department
Mekong-Ganga cooperation ECC	2000	Viet Nam, Cambodia, India, Laos, Myanmar, Thailand	Improve and enhance the cooperation in the region, especially in trade and investment sector.	MOFA - Economic Department
Two corridors, one Belt	2005 (Viet Nam & China)	Viet Nam and China	(i) build and develop the “two economic corridors and one economic belt” to become a major economic center, playing an important driving force in the development of Viet Nam–PRC economic relations; (ii) develop the potentials and strengths of individual provinces along the corridors and the belt; and (iii) promote peace and friendships among the border regions of the two countries and the Bac Bo Gulf region.	MPI FERD – Asia, Americas and International Economic Integration

Source: Compilation by Authors

### **3. Stakeholders in GMS regional economic integration**

Based on findings from literature reviews and interviews, the case study identifies that the key stakeholders of Viet Nam in the GMS regional economic integration are the central government, line ministries, local people and governmental authorities of provinces bordering other GMS countries, Viet Nam Chamber of Commerce and Industry (VCCI), and the private sector, as shown in Diagram 1. The case study also considers how state bodies make decisions on regional integration initiatives and the mechanism they use to consult stakeholders about regional integration.

#### ***3.1. The definition and characteristics of stakeholders***

##### **3.1.1. Central government**

###### ***3.1.1.1. National committees***

**The National Committee for International Economic Cooperation (NCIEC)** was established in 1998 by Prime Minister's Decision No: 31/1998/QĐ-TTĐ. NCIEC's main functions are to assist the Prime Minister in directing the government's participation in economic and trade activities, in particular, ASEAN, and the ASEM; the negotiations for joining the World Trade Organization (WTO), APEC and other regional and international economic and trade organizations. The Committee is also mandated to establish, at the concerned ministries and branches, specialized divisions to deal with activities pertaining to Viet Nam's membership in regional and international economic and trade organizations. To support the Committee, the Decree mandates the establishment of an Office of the NCIEC within MOIT. In 2003, the Decision on the Working Regulation of the NCIEC was issued. Among others, it defined the functions of the Chairman, Vice Chairman, the Secretary General and the Standing Committee. It also defined the committee's work coordination regimes, including the reporting and sharing of information. With the functions mentioned above, NCIEC is considered as the most important national focal point of Viet Nam in terms of international cooperation coordinator.

**The Viet Nam National Mekong Committee (VNMC)** was established in September 1978 by the Decision 237-CP of the Prime Minister and the Decision of Prime Minister No: 860/1995/QĐ-TTĐ. The main functions of VNMC are assisting the Prime Minister in guiding and managing all cooperation activities with the MRC as well as in submitting to the Prime Minister policy recommendations for cooperation with the MRC for the development,

utilization and protection of water-related resources in the Mekong basin as a whole and, in particular, the Mekong Delta and Central Highlands. Currently, the Minister of MONRE is the chairman of VNMC. There are 25 members of the VNMC, of which 10 representatives are from 8 member ministries/sectors, and 15 representatives from provinces in the Mekong Delta and the Central Highlands.

**The GMS National Coordinating Committee (GMS NCC)** was established in 1995 by the Prime Minister's Decision No: 2926/VPCP-QHQT with the aim of coordinating all activities in the GMS economic cooperation programs headed by the State Planning Committee (SPC, the former institution of MPI and composed of 7 member institutions, that are the Office of the Government; the Ministry of Transport (MT); The Ministry of Energy; the Ministry of Education and Training (MOET); The Ministry of Science, Technology and Environment (the former of Ministry of Science and Technology and MONRE); the Ministry of Trade<sup>10</sup>; the Ministry of Post and Telecommunications (the former of Ministry of Information and Communication (MIC)); and Viet Nam National Tourism Administration.

The GMS NCC is supported by the Regional Cooperation National Secretariat (RCNS) in MPI. The RCNS is the national focal point for coordinating all non-political regional cooperation activities in the country. The RCNS liaises with the government ministries and/or agencies involved in implementing the various regional cooperation activities, including those in agriculture, environment, energy, foreign affairs, health, industry, tourism, trade and transport. However, due to MPI's limited capacity, some line ministries/agencies have been required to take the lead in coordinating a number of regional cooperation activities.

*According to MPI (2008) RCNS as a national focal point* has the following roles and responsibilities:

- Overall coordination of the regional cooperation program for which it has been assigned as the national focal point;
- Communicates with all participating countries and the secretariat of the regional cooperation program, and directs them to the concerned ministry or agency for appropriate action;
- Organizes inter-agency meetings on a national or prepare for a region-wide meeting or event on regional level;
- Facilitates the negotiation, approval, signing, ratification, and implementation of agreements within the framework of the regional cooperation program;

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<sup>10</sup> MOI and MOT have been merged into MOIT



- Facilitates the resolution of problems, issues or bottlenecks encountered in program and project implementation;
- Accompanies the Head of Government at Summit level meetings, and the ministers at ministerial level meetings;
- Serves as a custodian of all records of meetings, agreements, Memorandum of Understandings (MOU), and all other documents generated within the framework of the regional cooperation program;
- Reports to the Prime Minister on important issues, developments and progress of the regional cooperation program.

### *3.1.1.2. Line ministries of the Government*

Apart from the mentioned committees, the majority of the GMS economic programs in Viet Nam are also organized and implemented by line ministries. Based on existing arrangements, the following ministries perform the role of national focal points:

- MPI serves as the national leading/focal agency for the forming of regional cooperation programs: GMS economic cooperation programs; CLMV programs and programs of Development Triangle, AMBDC, and AMEICC/ WEC;
- MOFA serves as the national focal agency for the balancing of regional cooperation programs: ACMECS, and EWEK (under GSM economic cooperation program);
- Other line ministries such as MOIT; MT; MIC; MARD; MOET; MOLISA; MONRE and Ministry of Culture, Sports and Tourism handle specific regional cooperation programs depending on their functions and tasks assigned by the Prime Minister.

Line ministries officially designated as sectoral leading agencies/sectoral focal points have the following tasks:

- Oversee Viet Nam's participation in sectoral programs and projects of the regional cooperation program to which government officials have been assigned;
- Formulate, design and/or implement programs and projects in the sector consistent with the key directions for regional cooperation;
- Attend region-wide meetings in the sector;
- Organize region-wide meetings in the sector hosted by Viet Nam;

- Coordinate with national focal points of the regional cooperation program to which the government official is assigned.

### 3.1.2. Local governments and provincial authorities

Where provinces or districts border with GMS countries, local governments and the provincial authorities/departments of line ministries are responsible for participating in the implementation of GMS economic initiatives as assigned from the central government and line ministries.

### 3.1.3. Viet Nam Chamber of Commerce and Industry (VCCI)

Founded in 1963 in Hanoi, the VCCI, originally named Chamber of Commerce of the Democratic Republic of Viet Nam, promotes trade between Viet Nam and the rest of the world. In 1982, the Chamber renamed itself the Chamber of Commerce and Industry of the Socialist Republic of Viet Nam so as to expand its scope of operation to the manufacturing sector. The Chamber is an independent, non-governmental organization that enjoys the status of a juridical person and operates on financial autonomy. It represents the Vietnamese business community for the promotion and protection of its interests in domestic and international relations; to promote and offer assistance in trade and investment, economic and technological co-operation and other business activities of enterprises in Viet Nam and abroad.

From interview at VCCI, it is noted that VCCI plays a critical role in supporting the ministries, agencies, local industries and domestic enterprises with the aim of expanding trade and investment. It contacts the GMS NCC directly and participates in all activities related to trade and investment in the GMS region. Furthermore, VCCI acts as a representative of Viet Nam and is a member of the GMS Business Forum (GMS-BF), an independent inter-nongovernmental organization which was established in 2000 to promote investment and private sector development in the region. As such, it is considered an important coordinator that brings together the domestic and regional private sector firms to the economic programs.

### 3.1.4. Enterprises including Small and Medium Enterprises (SMEs)

There are many enterprises including SMEs located at the border and other GMS countries that can be affected by the different GMS programs. Improving infrastructure and the establishment of industrial zones usually create the most impact upon these enterprises, which include producers of industrial products, and service providers such as hotels, restaurants, tourist travel agencies, and logistics providers.

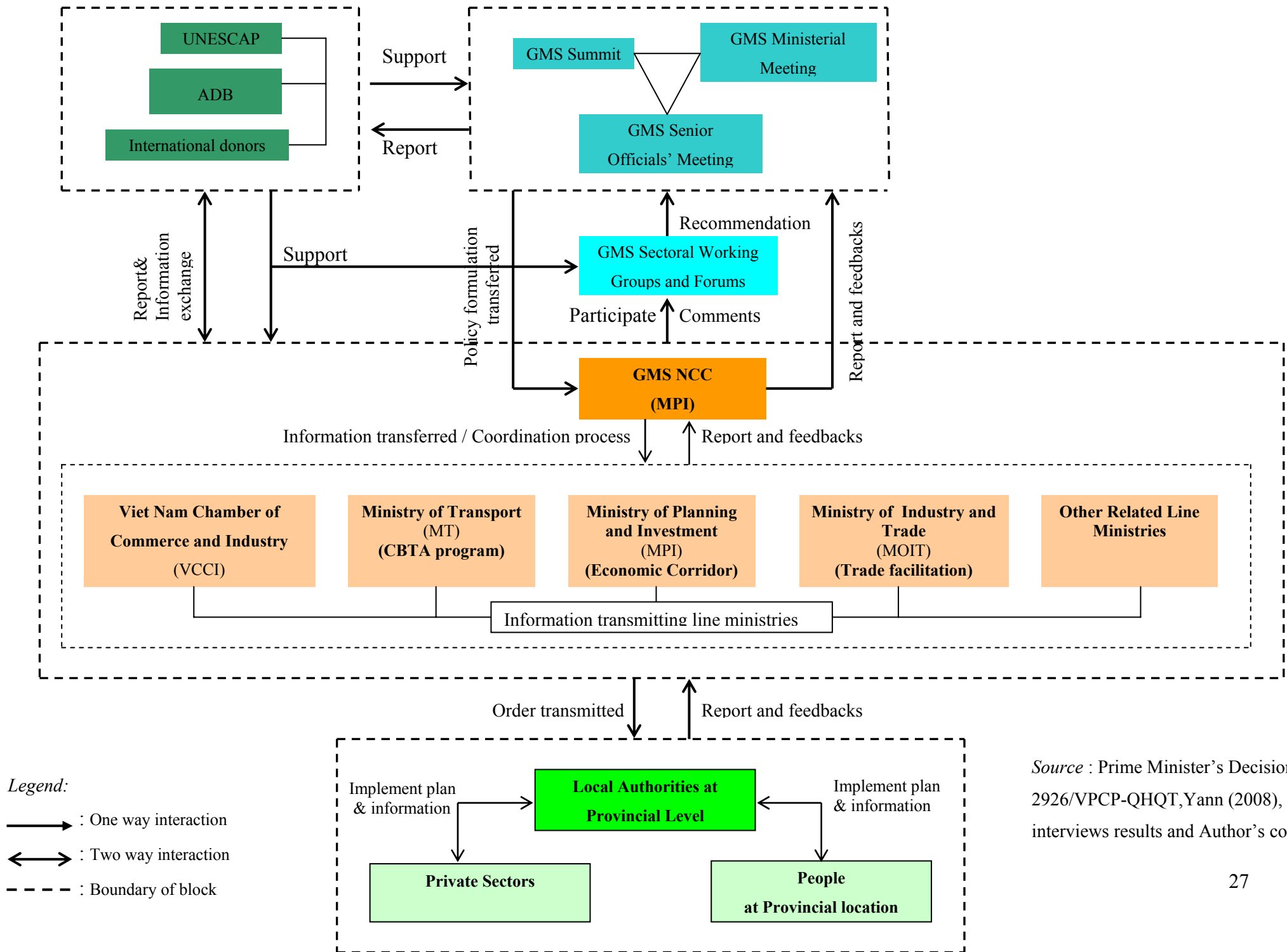
### 3.1.5. People at border location and civil – society organizations

Local people living in areas that border other GMS countries are also stakeholders that can be positively or negatively affected by the different GMS economic cooperation programs. The improvement of infrastructure, tourist development, and the establishment of industrial zones create the most impact on these people.

### 3.1.6. Donor and development partners

The GMS economic cooperation program was established in 1992, mainly under the support of the ADB. Additional contributions were made by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and other international and inter-governmental organizations (for example: WB, Japan Bank for International Cooperation (JBIC)...), as well as bilateral donors. These donors and development partners provide financial, technical, or knowledge support for the GMS programs.

**Diagram 1: The relationship among stakeholders of the GMS program in Viet Nam.**



Source : Prime Minister's Decision No: 2926/VPCP-QHQT, Yann (2008), interviews results and Author's compilation

## **3.2 Coordination among different stakeholders**

Diagram 1 presents the relationship among stakeholders in the GMS economic cooperation programs in Viet Nam.

### **3.2.1. Coordination among GMS NCC and the lines ministries**

The national and sectoral focal points have the responsibility to coordinate with one another in the conduct of their work. When it is needed, the national focal points take the lead in organizing meetings of concerned agencies or as may be required to prepare for region-wide meetings. It also invites relevant ministries to participate in projects, scholarship, training, or study tours undertaken within the framework of the regional cooperation programs. The sectoral focal points have responsibilities to provide information related their integration cooperation for the national focal points or prepare documentation for and attend in regional meetings.

Both national and sectoral focal points may initiate program or project proposals within a regional cooperation program. In principle, they should coordinate closely on the content and design of the program or project before submission to the appropriate regional forum/meeting or body, and share information in a transparent manner.

In principle, the GMS NCC is designated by the Prime Minister's Decision as the national focal point, and is under control of the MPI. The coordination mechanism can be explained as following: after participation in every Senior Officials' Meeting (SOM), with the lead of ADB, the GMS NCC assigns the appropriate national ministry or organizations participating to formulate and implement GMS-related tasks according to their functions and responsibilities; These ministries then contact and coordinate with the ADB in carrying out the assigned tasks and report back to the GMS NCC.

In reality, the MPI is not the only focal point usually the process involves other ministries to play the role of a sectoral coordinator in terms of their functions and responsibilities. That is, other ministries are sometimes involved in the implementation of GMS activities without MPI involvement. For example, the Government designated MOFA as a coordinator for some GMS cooperation programs such as the initiative of "Promote EWEC" (finding from interviews at MOFA). In order to have a "full picture" of GMS economic cooperation, it should collect the information from various ministries and organizations. However, there is insufficient information on some programs. This is because the GMS regional cooperation programs cover a wide range of activities and sectors with

many ministries involved as sectoral focal points, making it is difficult to obtain full information. Furthermore, information and activities are not widely disseminated under the present mechanism. Moreover, there is a lack of qualified staff to handle the requirements of regional cooperation coordination. In some cases, the overseas partners directly deal with the specific ministry or organization, not through the national focal point designated by the government. In addition, there is lack of a unified system for the efficient coordination of GMS regional cooperation programs. Rather, these programs are highly fragmented. One of the reasons of the non-unified system is that Viet Nam seems to be passive in the establishment of national coordinators for the regional cooperation programs. For example, the NCIEC was established in the period of Viet Nam's negotiation into WTO and after the establishment of the GMS NCC. However, some of the functions of the NCIEC overlap with those of the GMS NCC.

### 3.2.2. Coordination among GMS NCC, line ministries and the provincial governments

Line ministries coordinate activities between the GMS NCC and provincial governments. These ministries also directly deal with local authorities as they can provide regional economic integration information on specific areas and therefore, give instructions of implementation. All related information from provincial authorities should be reported to correspondent line ministries. Given that a lot of GMS initiatives have been included in five year plans and one- year plans at the provincial level, it is recognized that the level of coordination between line ministries and the provincial governments is very low in terms of information sharing, qualified staff, administration procedures, interest conflict and not on time.

### 3.2.3. Coordination among the private-sector elements

The VCCI transmits information on GMS cooperation and integration to its many enterprise members. The activities of the GMS-BF in Viet Nam have been quite limited, except for meetings and short training courses, and even then, such activities are infrequent. Almost all the programs, activities, and decisions are made by international donors such as the ADB and UNESCAP, and the people who work for GMS-BF in the subregion are mostly volunteers. Many enterprises are informed about the GMS-BF by the VCCI and are willing to participate in GMS activities with the hopes of expanding their business in the region. Almost all of these enterprises are large-sized companies or corporations. There remain many smaller

enterprises that are not informed about GMS-BF activities since they are not VCCI members. Because of this, the potential benefits from GMS-BF activities are still limited.

#### 3.2.4. Coordination among the government and the private sector

The central/local government and the private sector coordinate activities through meetings. Sometimes, representatives from the private sector are invited to participate in the GMS Summit or GMS Ministerial meetings organized by the GMS-BF and Viet Nam Business Forum. Still, GMS regional cooperation and integration from the private sector is lacking.

#### 3.2.5. Coordination among the government and people at border location and civil – society organizations

Coordination among the government, local people, and civil – society organizations at border locations are limited in terms of information sharing, and government consultation. In consequence, those affected negatively from GMS projects do not know how to claim damages.

### **3.3 Degree of influence, importance, interest, and impact of stakeholders**

**Table 2: Indication of the influence, importance, interest and impact of stakeholders in GMS Regional Integration**

STAKE-HOLDERS	INFLUENCE <sup>1</sup>	IMPORTANCE <sup>2</sup>	INTEREST <sup>3</sup>	IMPACT <sup>4</sup>
Central Government/ GMS NCCC]	Highest	Highest	Highest	Highest
Line ministries/ Concerned Departments	High	Highest	Highest	Highest
Local Government authorities at provincial level	Moderate	High	Moderate	High
ADB and other international donors	Highest	Highest	Highest	Low
VCCI-GMS BF	Moderate	Moderate	Moderate	Low
Private Sectors / Firms	Low	Low	Moderate	Moderate
People at border location	Low	Low	Low	Highest

### **Meaning of each category**

- 1. Influence: the power a stakeholder has to facilitate or impede policy-reform design and implementation.*
- 2. Importance: the priority given to satisfying the needs and interests of each stakeholder.*
- 3. Interest: the perceived level of interest / eagerness (i.e., ranging from a commitment to the status quo to an openness to change).*
- 4. Impact: the degree to which the projects/ initiatives will impact each stakeholder.*

Table 2 presents the degree of “influence”, “importance”, “interest”, and “impact” of stakeholders. In terms of the power of a stakeholder has to facilitate or impede policy-reform design and implementation (what is defined by “influence”), the central government, GMS NCC, ADB and other international donors are the most influential stakeholders. GMS NCC develops GMS initiatives together with ADB and other donors and proposes these initiatives for approval by the central government. Meanwhile, line ministries have high “influence” in policy formulation as well as policy implementation. This is because they can propose GMS initiatives at the sectoral level, but cannot implement them before governmental approval. Local Government authorities at the provincial level and VCCI-GMS BF have moderate “influence” in policy formulation because they only provide feedback when problems occur during implementation. Finally, private sector firms and people living at border locations are the least influential stakeholders in policy formulation and implementation in the GMS cooperation, they only exercise the impact of GMS policy implementation.

In terms of priority given by decision makers in satisfying the needs and interests of each stakeholder (what is defined by “importance”), the GMS NCC, line ministries, ADB and other donors present highest importance. This is because GMS NCC and line ministries develop GMS initiatives based on needs of other stakeholders for approval by the central government, and the ADB and other donors provide financial and Technical Assistance (TA) support to implement the initiatives. Local government authorities at the provincial level are next in level of “importance”; they are implementing agencies that provide support for private firms and people at border locations at the provincial level. The VCCI-GMS BF has moderate “importance” because they provide support for private firms only through forums, meetings, and training courses. Lastly, private firms and people at border locations have low “importance.”



With regards to the perceived level of interest/eagerness (what is defined by “interest”) in GMS initiatives, the GMS NCC, line ministries, ADB, and other donors have the highest “interest.” This is because the GMS NCC and line ministries are directly involved in the development of GMS initiatives, while the ADB and other donors monitor the progress in implementing these initiatives in the case that they provide funding or TA. Local government authorities at the provincial level, private sector and VCCI-GMS BF exhibit moderate “interest” for the following reasons: 1) local governments do not establish GMS initiatives, they are only implementing agencies, 2) GMS initiatives account for a small part of the activities of the VCCI-GMS BF and, 3) private firms have many other opportunities apart from GMS initiatives.

In terms of the degree to which the projects/initiatives will impact each stakeholder (what is defined by “impact”), the GMS programs seem to have the highest “impact” on the government, GMS NCC, line ministries as well as people at border locations, high “impact” on local government authorities, moderate on the private sector, and low “impact” on the ADB and other donors. It should be noted that there may be two kinds of impacts resulting from GMS programs: negative and positive. From the point of view of line ministries and government authorities, the “impacts” are mostly positive ones. However, for the private sector and people at border locations, the impacts are considered both positive and negative. An example of a negative impact is that many local people must move from their homes or leave their agricultural land because of the building of new infrastructure. They are, thus, forced to change their way of life where their standard of living is sometimes not better than before. When adopting new policies/regulations, such impacts must be considered.

## **4. Stakeholders in trade and transport facilitation (CBTA and Economic Corridors)**

### ***4.1. History/Background of the CBTA***

The transport sector has been at the forefront of the GMS program and is the driving force behind the program’s three Cs—enhanced connectivity, increased competitiveness, and improved sense of community. The GMS program had initially targeted developing transport corridors. Subsequently, in 1998, the need for broadening the scope of transport corridors generated plans for three economic corridors—the SEC (connecting Cambodia–Viet Nam with Thailand), the EWEC (connecting Laos–Viet Nam with Thailand and the NSEC (connecting

Yunnan with Laos and Thailand). That is, economic corridors have been established with supplementary interventions of transport corridors, such as the setting up of special economic zones, roadside service facilities, and other complementary infrastructure—telecommunications and electricity—in ensuring that economic activities grow along the corridor (ADB, 2008b). Such economic corridors will then provide the mechanism to link production, trade and infrastructure within a specified geographic region. The mentioned economic corridors have been considered as the most important TTF initiatives. The current GMS Transport Strategy has increased the number of economic corridors to nine as follows: (i) North–South Corridor: Kunming–Bangkok; (ii) Eastern Corridor: Kunming–HCMC; (iii) East–West Corridor: Mawlamyaing–Da Nang; (iv) Southern Corridor: Dawei–Quy Nhon/Vung Tau; (v) Southern Coastal Corridor: Bangkok–Nam Can; (vi) Central Corridor: Kunming–Sihanoukville/Sattahip; (vii) Northern Corridor: Fangcheng–Tamu; (viii) Western Corridor: Tamu–Mawlamyaing; and (ix) Northeastern Corridor: Nanning–Bangkok/Laem Chabang. They are illustrated in the figure 1.

**Figure 1: Economic Corridors**



*Source: ADB*

To support trade facilitation, the GMS program incorporated the GMS Framework Agreement on Facilitating Cross-Border Transport of Goods and People. The GMS Transport Strategy focuses on physical connectivity, while the CBTA focuses on nonphysical factors

such procedural and regulatory requirements affecting the movement of goods along the transport corridor

## ***4.2. Implementation status of the CBTA***

The provision of subregional infrastructure in the GMS region has been prioritized since the establishment of GMS economic cooperation programs to enhance economic linkages among the six GMS countries. Although infrastructure is important, only improving infrastructure is not sufficient for economic development. The findings of the TA by the ADB in 1996 showed substantial nonphysical barriers to trade and the free movement of people, goods, and vehicles between GMS countries. Therefore, the GMS CBTA was introduced to abolish all nonphysical barriers.

Laos, Thailand and Viet Nam are the first three countries in the GMS who signed the CBTA in 1999. Cambodia and China acceded to the CBTA in 2001 and Myanmar in 2003.

The CBTA is a multilateral instrument designed to be adopted by all GMS members in order to facilitate cross-border transport of goods and people between and among the contracting parties, to simplify and harmonize legislations, regulations, procedures and requirements relating to the cross-border transport of goods and people and to promote multimodal transport. The CBTA is equally binding and covers all the relevant aspects of cross-border transport facilitation, including single-stop/single-window inspection; cross border movement of persons; transit traffic regimes including exemptions from physical customs inspection, bond deposit, escort, and agriculture and veterinary inspection; requirements for vehicles making cross-border trips; exchange of commercial traffic rights; and infrastructure issues related to road and bridge design standards, road signs and signals.

The agreement includes a preamble and ten parts, and has 20 annexes and protocols. The annex is an attachment to the agreement that contains technical details and the protocol is contains time- or site-specific variable elements.

Although the CBTA has been ratified by all six GMS member countries in December 2003, implementation of the annexes and protocols are still at various stages among the countries. In the case of Viet Nam, because it has taken time to revise domestic laws and regulations, the latest ratification of Viet Nam on the last three annexes including annex 6 – transit and inland clearance customs regime, annex 8 – temporary importation of motor vehicles and annex 14 - container customs regime was ratified on 10th of April 2009 as known

under the Prime Minister Decision No 53/2009/QĐ-TTg, (Table 3). As of 10th April 2009, Viet Nam has ratified all 17 annexes and 3 protocols<sup>11</sup>.

**Table 3: Viet Nam's Implementation Status of CBTA as of 10<sup>th</sup> April 2009**

Date	Annexes																Protocols			
	1	2	3	4	5	6	7	8	9	10	11	12	13a	13b	14	15	16	1	2	3
Signed																				
30 April 2004		✓		✓			✓				✓	✓	✓			✓		✓		
16 Dec.2004	✓								✓					✓			✓			
05 July 2005			✓		✓					✓									✓	
20 March 2007						✓		✓							✓					✓
Ratified																				
137/2004/QĐ-TTg 03 August 2004		✓		✓			✓					✓	✓			✓		✓		
Date ?	✓								✓					✓			✓			✓
38/2008/QĐ-TTg 13 March 2008			✓		✓					✓									✓	
53/2009/QĐ-TTg 10 April 2009						✓		✓							✓					✓

*Source:* Compilation by Authors

With regards to the status of the implementation of CBTA, during the Eighth Meeting of the GMS Transport Forum held in Phnom Penh in 2004, the GMS countries agreed to undertake the initial implementation of the GMS Agreement, on a pilot basis at five of the 16 border crossing points defined in Protocol 1 of the GMS Agreement: (i) Hekou (China)-Lao Cai (Viet Nam); (ii) Bavet (Cambodia)-Moc Bai (Viet Nam); (iii) Dansavanh (Laos)-Lao Bao (Viet Nam); (iv) Poipet (Cambodia)- Aranyaprathet (Thailand); and (v) Mukdahan (Thailand)-Savannakhet (Laos).

At the Viet Nam-Laos border, the MOU on initial implementation of the CBTA at the border crossing of Lao Bao-Dansavanh between Viet Nam and Laos was signed on 25 March 2005 and was effective on 30 June 2005. At the Viet Nam – Cambodia border, the MOU on initial implementation of the CBTA between Viet Nam and Cambodia was signed in March 2006 at the second pilot site - at Bavet (Cambodia)-Moc Bai (Viet Nam) crossing along the Ho Chi Minh City – Phnom Penh Highway in the SEC. Cambodia and Viet Nam will soon

<sup>11</sup> At present, together with Viet Nam, China, Cambodia, Laos signed and ratified all 20 Annexes and Protocols of CBTA.

implement single-window inspection at the Bavet-Moc Bai border crossing<sup>12</sup>. At the Viet Nam-China border, Viet Nam and China signed the MOU on the initial implementation of the CBTA at Lao Cai-Hekou Border Crossings and inclusion of the Youyigan – Huu nghi Border crossing into the GMS CBTA in March 2007<sup>13</sup>.

In addition to its bilateral arrangements with neighbouring countries to implement the CBTA, Viet Nam has also joined multilateral efforts to speed up the implementation process. In 2007, Viet Nam, Laos and Thailand held the Tripartite Transport Ministers Meeting on the One-Stop Services in transport along the EWEC. At this meeting, the MOU on the Initial Implementation of the CBTA on the facilitation of cross-border transport of goods and people at Lao Bao-Dansavanh and Savannakhet-Mukdahan was concluded. The most important content of the MOU include traffic rights, allowing vehicles to travel from Thailand through Laos to Viet Nam and vice versa along the EWEC. Soon after the Transport Ministers' Meeting, a Viet Nam-Laos-Thailand Tripartite Trade Ministers' Meeting was also convened in December 2007 at the proposal of Viet Nam. At this meeting, the three Ministers noted the necessity to timely carry out cooperation programs on trade, investment and tourism to maximize the utilization of the infrastructure along the EWEC, and minimize transport time and cost. Furthermore, Viet Nam proposed and received support from Laos and Thailand to establish a joint cooperation program to call for investment in trade logistics infrastructure along the Corridor such as warehouses, container yards, loading and unloading facilities, fuel stations and other supporting infrastructure. Concluding the meeting, the three Ministers signed the MOU on cooperation to maximize the utilization of the second Friendship Bridge (Mukdahan-Savannakhet) and the transport infrastructure along the EWEC. The main cooperation programs include trade facilitation, trade promotion, investment facilitation, tourism cooperation, information sharing and the building up of a mechanism to monitor the implementation of the agreement. Recently, on the 26th of February 2009, at Dalat-Viet Nam, at the meeting between Laos, Viet Nam and Thailand on the implementation of the CBTA, there was also agreement to exchange 400 GMS transportation licenses (goods and passengers) and to establish a third party to implement and monitor that the MOU on the East West Corridor is carried out as agreed. In fact, the ceremony "car/truck passing clearance" has been carried out on 11 June 2009. The passenger car and truck can now go directly from Viet

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<sup>12</sup> The joint statement issued after the 15th Ministerial Meeting of the GMS Economic Cooperation Program on June, 19 2009 in Cha-Am, Petchburi Province, Thailand

<sup>13</sup> At the second Meeting of the Joint Committee on the Implementation of the CBTA, held in Beijing, China

Nam to its final destination in Thailand. It will surely help to save time and transportation cost and, thus, to promote the trading business within the region. However, the licenses are still limited at 400, i.e. there are only 400 enterprises that have the license to go directly to Thailand. In order to obtain the license, enterprises must deposit money to the issuer organization and fulfill the conditions required by the Viet Nam Automobile Transport Association (VATA).

The table below indicates the status of Viet Nam's implementation of the CBTA in terms of the changes in the level of trade at the border in USD.

**Table 4: Trade at border gates**

				2004	2005	2006	2007	2008
				USD				
1	Huu Nghi (Lang Son)	Export to	Guangxi, China	416,088	7,317,077	29,700,780	47,229,300	59,784,267
	Huu Nghi (Lang Son)	Import from	Guangxi, China	197,629,124	250,748,971	340,628,117	576,173,176	835,413,313
2	Lao Cai (Lao Cai)	Export to	Guangxi, China	34,194,325	48,435,760	128,282,764	117,061,482	66,853,855
	Lao Cai (Lao Cai)	Import from	Guangxi, China	103,007,692	97,655,951	130,860,957	388,934,653	190,074,395
3	Lao Bao (Quang Tri)	Export to	Laos	23,810,092	26,433,349	34,139,804	37,071,561	42,756,900
	Lao Bao (Quang Tri)	Import from	Laos	34,158,018	53,385,106	124,452,991	118,629,627	147,870,663
4	Moc Bai (Tay Ninh)	Export to	Cambodia	35,117,266	33,632,979	55,128,804	63,663,722	86,060,795
	Moc Bai (Tay Ninh)	Import from	Cambodia	615,708	11,185,768	9,694,664	37,303,377	15,229,787

*Source: Combination by Authors, data from Information Centre, Viet Nam's General Department for Customs*

### **4.3 Genesis and implementation status of Economic Corridors**

The GMS program had initially targeted developing transport corridors. Subsequently, in 1998, the need for broadening the scope of transport corridors generated plans for three economic corridors, the NSEC, the EWEC, and the SEC. To serve as a mechanism for unifying and focusing all initiatives and undertakings that aim to transform the GMS transport corridors into true economic corridors, the GMS countries set up an Economic Corridors Forum (ECF). The Forum also provides a venue to build close relationships between the public and the private sector, between the central and local governments, and among the

various agencies and ministries in the six GMS countries. The NSEC includes three routes along the axis of north – south: the Kunming - Chiang Rai - Bangkok, Kunming - Hanoi - Hai Phong, and Nanning- Hanoi. The NSEC corridor is expected to be completed by 2010. The EWEC is a 1,450-km long road connecting Da Nang sea port in Viet Nam with Mawlamyine port in Myanmar, cutting across central Laos and north and northeastern Thailand. In early 2007, with the completion of the second international bridge over the Mekong River, the road transport of the EWEC was improved and EWEC became the first corridor to go into operation in the Mekong Sub-region. The SEC is planned for complete implementation from 2010 – 2012. It includes three road routes linking southern Thailand, Cambodia, and Viet Nam. Viet Nam is a major proponent of the transformation of the GMS transport corridors into full-fledged economic corridors, which would greatly improve the subregion's competitiveness. Apart from Thailand, Viet Nam is the only GMS member that is involved in all three major economic corridors.

#### ***4.4 Stakeholders of CBTA and Economic Corridors***

##### **4.4.1. Government and line ministries**

With regard to economic corridors MPI is a lead agency/ national focal point of this initiative, except EWEC. MOFA is responsible for EWEC related issues. MPI is responsible for establishing master plan and national strategic framework on GMS activities including economic corridors projects

The Working Group on negotiation and implementation of GMS CBTA and ASEAN framework for goods transit system was established in 2001 under Decision of Prime Minister's No: 142/2001/QĐ-TTĐ. Under this decision, the MT is designated as the national sectoral focal coordinator for the GMS CBTA. The MT is also in charge of the negotiation and implementation process of CBTA as well as for the twelve annexes and protocols. Meanwhile, the MOF is in charge for six annexes and protocols, the Ministry of Public Security for one annex, and the MARD for one annex.

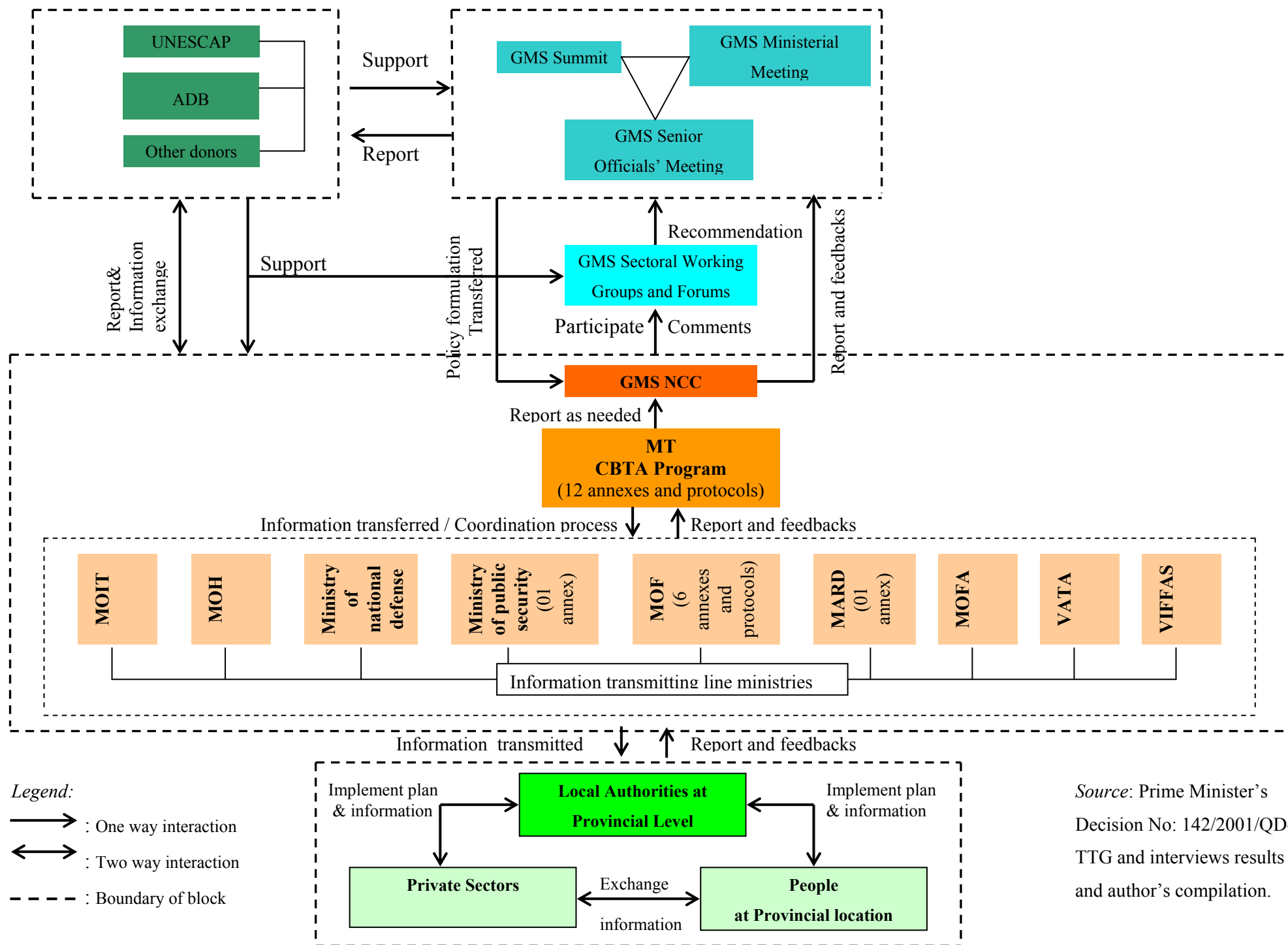
Diagram 2 represents the detailed line ministries involved in the CBTA initiative. The line ministries that are members of the Working Group on the implementation of the GMS CBTA and ASEAN framework for the goods transit system are: MT – International Cooperation Department is in charge; MARD; Ministry of National defense - Military of country's border Department is in charge; Ministry of Public Security; MOFA; MOIT; MOF-

General Department of Viet Nam Customs - International Cooperation Department is in charge; Ministry of Health (MOH); Viet Nam Freight Forwarders Association (VIFFAS) and VATA.

According to the interview at International Cooperation Department of MT, the International Cooperation Department of MT coordinates all CBTA-related issues such as domestic/regional meetings and invites Working Group members (i.e. the related line ministries) to participate in the negotiation process. The department must report all GMS-related activities to GMS NCC and MPI as well as submit negotiation results to the Government/Prime Minister to get approval



**Diagram 2: The relationship among GMS CBTA related stakeholders in Viet Nam**



Source: Prime Minister's Decision No: 142/2001/QĐ-TTg and interviews results and author's compilation.

#### 4.4.2. Local governments and provincial authorities

At locations bordering other GMS countries, the local governmental authorities from line ministries are responsible for directly participating in the implementation of CBTA and economic corridor-related activities as well as the provision of information and support for the private sector and local people. However, it is found that actual local government involvement in such domestic matters is still low. On the other hand, Viet Nam's local governments co-organize fairs with local governments of its neighboring countries to promote trade, investment, and tourism. For example, there was the Thai-Laos-Vietnamese Fair in Hue from 1 to 3 April 2005 to promote trade, investment and tourism between Thailand, Laos and Viet Nam. Furthermore, in Lao Cai province, various initiatives such as the China-Viet Nam Trade Facilitation has been carried out through promoting the use of information technology with e-commerce, information exchange, exhibitions, cross-border trade, and policies to attract investment across-borders from China to Lao Cai.

#### 4.4.3 Private sector and Domestic Associations

Private sector and domestic associations include exporters, importers, logistic firms and household enterprises involved in the implementation of CBTA and the development of economic corridors.

The Vietnamese government promotes the establishment of commercial zones in provinces at the border zone. For example, the Lao Bao special economic commercial area was established in 1997. All firms installed in this zone benefit from preferential policies (tax preferences, land rent preferences, and land preferences). There are both local and foreign (e.g. China, Thailand) companies in this area. The Lao Bao special economic commercial area may become the intermediary warehouse, linking Viet Nam to the other GMS countries (mainly Laos and Thailand) through the Lao Bao-Dansavanh border gate.

With regard to the EWEC, the road which comes from Lao Bao to Da Nang's sea port passes is still narrow and of poor quality. Therefore, vehicles can only drive through slowly and face high risk of accidents. Worse yet, issues of accident frequency and insurance remains unclear. Furthermore, vehicles from Thailand and Laos are meant for driving on the opposite side of the road from vehicles in Viet Nam.

As of the end of 2008, the "one stop inspection" has not been put into effect. Goods from Thailand to Viet Nam must be inspected twice, once at the Thailand-Laos border and once at the Laos-Viet Nam border. The cost is, therefore, more than necessary. For these

reasons, it is difficult to attract companies from Thailand and Laos to take advantage of the transport corridor or Danang's seaport services. In addition to the storage fee, all foreign companies with goods in transit in Viet Nam must also pay a storage tax. The amount of payment is still under negotiation. This policy may deter many GMS countries from taking advantage of the corridor to do business in Viet Nam.

From the interview at Danang Port, it is found that the Danang seaport is not deep and therefore, cannot be used as a port for container ships. The frequency of shipping to this port is, thus, low. Furthermore, the warehouse located near the port does not have much storage capacity. Apart from these disadvantages, the Danang seaport does not offer logistics services. Such services are still provided by other forwarding companies; hence, the intermediary cost still remains high.

#### **4.4.4. People at border area/ border traders**

People living at the bordering areas with other GMS countries are also important stakeholders in CBTA implementation, as they will be affected during the building of new infrastructure and industrial zones. For example, many local people may be forced to move from their homes to make way for the construction process. On the other hand, some may take this as an opportunity to leave their traditional agricultural life to set up small businesses. Thus, the impact of building new infrastructure and industrial zones may be positive or negative, depending on specific cases.

Research on "Reviewing the poverty impact of regional economic integration in the GMS" funded by ADB- RETA 6171, (CIEM, 2008) showed that since the establishment of the Lao Bao border gate, the local livelihood of cross border traders have improved. On the other hand, ethnic minorities, less educated people, farmers, and families, in remote areas have no funds for production, and especially restricted exchange with the outside world. It is considered that these people have not gained much benefit from the integration process, in particular, the GMS CBTA. The economic integration programs that have been implemented seem to be advantageous only for traders and small businesses.

#### **4.4.5. Donor and development partners**

As mentioned above, the GMS economic cooperation programs was established in 1992 with support mainly from the ADB, and additional contributions from UNESCAP and other international and intergovernmental organizations (e.g. WB, JBIC), as well as bilateral donors. These donors and development partners provide financial, technical, or knowledge

support for the GMS programs including CBTA (TA, formulation of initiatives and so on) and the development of economic corridors (road improvement, construction projects).

#### 4.5 Stakeholder analysis in CBTA and Economic Corridors

**Error! Reference source not found.**Below indicates the influence, importance, interest and impact of each stakeholder on CBTA and EWEC.

**Table 5: Stakeholder Analysis in CBTA and ECs: Genesis and Implementation**

Stakeholders		Influence Power to facilitate or impede	Importance Actual priority given to stakeholder needs	Interest Actual commitment to change	Impact Actual effects of initiatives
Government /MT / Line ministries / Concerned Departments	Genesis	Highest	Highest	Highest	Highest
	Implementation	Highest	Highest	Highest	Highest
Local government/ authorities/local departments	Genesis	Moderate	Moderate	Moderate	Moderate
	Implementation	Moderate	Moderate	Moderate	Highest
Private Sectors / Domestic Associations	Genesis	Low	Moderate	Moderate	Moderate
	Implementation	Low	Moderate	High	High
Local people at border's area	Genesis	Low	Low	Moderate	Moderate
	Implementation	Low	Low	High	Highest
ADB and other international donors	Genesis	Highest	Highest	Highest	low
	Implementation	Moderate	Highest	Highest	low

*Source:* Compilation by authors

With regards to “Power to facilitate or impede/ influence” for policy formulation, the government, MT/line ministries, and the ADB as well as other donors scored the highest. This is because the government, MT/line ministries, and the ADB as well as other donors organize task forces and meetings to set up a strategic framework for cooperation. The government and MT/line ministries then design national plans for its implementation. However, the CBTA and EWEC cannot be implemented without governmental approval and support from the ADB and other donors.

According to interview at trade and investment promotion center for small and medium enterprises association in Hanoi city domestic associations, such as VIFFAS and VATA, were invited to participate in the negotiation process of the CBTA (as shown in Diagram 2) in the position of observers. They do not have any influence in the decision-making process. On the other hand, private firms do not receive any information on the CBTA and EWEC and thus,

have never participated in the negotiation process. In consequence, the private sector has low influence on the program's initiatives and implementation. The same goes for domestic associations and local people at border locations.

In terms of the priority given by decision makers in satisfying the needs and interests of each stakeholder ("importance"), the government, MT/line ministries and donors also scored the highest since they formulate and implement the programs' initiatives. On the other hand, local people scored the lowest since they have less involvement in initiative formulation and implementation. Meanwhile, local governmental authorities, the private sectors, and domestic associations have moderate importance. Local governmental authorities can provide support for initiative formulation and implementation, the private sectors, and domestic associations can give feedback to local governmental authorities and then to central government.

Again in the category of "interest" (actual commitment to change), the government/MT/line ministries and donors scored the highest in terms of initiative formulation as well as implementation since they hold meetings and create task forces to strengthen the formulation process. The private sector, domestic associations, and local people at the border show moderate interest in terms of policy formulation, but – high in terms of implementation. This is probably because they consider if they gain some benefits or they loss something from the program. Meanwhile, local government authorities exhibit moderate interest both in terms of initiative formulation and implementation.

For the "Impact" (actual effects of initiatives), central government, MT and line ministries have highest impact in terms of policy formulation, while other stakeholders have moderate impact. When MT and concerned line ministries involve in process of formulating CBTA and economic corridors related initiatives, they may have to set up working groups, adjust or increase their responsibilities. With respect of implementation of CBTA and economic corridors, most stakeholders have highest or high impact except ADB and other international donors. The implementation of CBTA and economic corridors makes central government including MT and line ministries, local government authorities adjust domestic regulation, increase their functions/responsibilities. Private sector/domestic association may benefit from improvement of infrastructure and better business sentiment. The impact on local people at border's area is the highest because they experience changes related to their houses, working place and jobs due to implementation of CBTA and economic corridors. The impact

on ADB and other international donors is low because they are not directly involved in implementation of CBTA and economic corridors.

Table 6 and 7 summarize the influence and importance of each stakeholder in the process of initiating genesis and implementation of CBTA and EWEC. With regards to Table 6 of to the genesis of CBTA and EWEC, central government, line ministries, ADB and international donors scored high importance and influence, while local governments at borders –high importance but low influence. At the same time, private sectors / local firms and local people at borders have low importance and influence.

**Table 6: Importance and Influence Matrix in the Genesis of CBTA and EWEC**

High importance/ High influence	High importance/ Low influence
A Central Government/ Line ministries ADB, international donors	B Local governments at borders
C	D Private sectors / local firms Local people at borders
Low importance/ High influence	Low importance/ Low influence

The importance and influence Matrix in the Implementation of CBTA and EWEC in Table 7 shows central Government and line ministries have high importance and influence; ADB and international donors – high importance, but low influence; local governments at borders – low importance, but high influence; and private sectors / local firms and local people at borders - low importance and low influence.

**Table 7: Importance and Influence Matrix in the Implementation of CBTA and EWEC**

High importance/ High influence	.....	High importance/ Low influence
A Central Government Line ministries	B ADB, international donors/	
C Local governments at borders	D Private sectors / local firms/ Local people at borders	
Low importance/ High influence		Low importance/ Low influence

## 5. Factors accounting for influence and involvement in the genesis and the implementation of both the CBTA and the Economic Corridor

Factors accounting for influence and involvement in the genesis and the implementation of both the CBTA and the Economic Corridor are as follows:

- Political will of the Viet Nam government to pro-active economic integration in the region including GMS with the aim to narrow gap with other ASEAN member countries;
- Political will and commitment to genesis and effective implementation of GMS CBTA and economic corridors among GMS members – countries;
- Increased speed of revision and adjustment of domestic regulation;
- Stronger and more inclusive relationships among stakeholders at the country level;
- A shortage of skilled staff and lack of qualified staff working in the field of CBTA and economic corridors at all levels of the country;
- Infrastructure including equipment, facilities and information technology infrastructure required for CBTA and economic corridors.
- Harmonization on information sharing and procedures of providing TA and on among international donors and partners;
- A lack of knowledge and well understanding of CBTA and economic corridors by local authorities, private sector and border communities.

## 6. Conclusion and recommendations

Based on the assessment of characteristics and analysis of stakeholders with respect to regional and sub-regional cooperation in general and GMS cooperation on issues related to CBTA and economic corridors in particular, it is possible to draw some recommendations. They can be divided into three groups as follows:

### ***6.1. On the existence and effectiveness of national-level coordination between various sub-regional and regional activities (GMS, ASEAN, others)***

#### 6.1.1.Overall

**Finding 1:** Viet Nam has become more integrated in the global economy over the past 20 years. However, regulations needed to coordinate regional and sub-regional cooperation programs are still not harmonized. The basis for coordinating ASEAN activities at MOFA is more detailed in its provisions than the actual legal basis for coordinating the GMS program itself. The delay in formulating a complete legal basis for coordination is the result of the overlapping functions of the MPI and MOFA. Additionally, because the regional cooperation programs cover a wide range of activities and sectors; many ministers and organizations are involved in the programs in the position of sectoral focal points, which makes it difficult to disseminate information to everyone. To make matters worse, the separate functions of the GMS and ASEAN initiatives are often unclear because there exist many overlapping programs between the two initiatives. The absence of a unified system can be traced to existing legal mandates for the coordination of regional cooperation programs, which is highly fragmented and in some cases, missing. Moreover, there is a lack of qualified staff to handle the requirements of regional cooperation coordination;

**Recommendation 1.1:** The mechanism in which to coordinate regional and sub-regional activities should be improved. The functions of ministries should be clearly defined in terms of regional cooperation and integration (e.g. MOFA - only in charge of ASEAN cooperation and integration, MPI – in charge of GMS cooperation and integration). Additionally, capacity building amongst experts from national focal ministries involved in regional and sub-regional cooperation and integration should be strengthened.

**Recommendation 1.2:** A database on regional and sub-regional cooperation and integration should be built and updated constantly by stakeholders to reflect initiatives and



the latest status of projects and developments in the various regional cooperation programs as well as to reduce further overlaps between the GMS and ASEAN development programs. The database may be a set of documentations or electronic one. Moreover, if it is possible, it should have a web site for regional and sub-regional cooperation at country level. One ministry should pay a focal point of the web site.

#### 6.1.2. For trade and transit facilitation in particular

**Finding 2:** In terms of trade and transit facilitation coordination between various sub-regional and regional activities (ASEAN, GMS and others) is still weak; many ministers and organizations involve in the programs in the position of sectoral focal points, which makes it difficult to disseminate information (including initiatives as well as implementation status of trade and transit facilitation program) to everyone.

**Recommendation 2:** The mechanism in which to coordinate regional and sub-regional activities should be improved and database on the trade and transit facilitation program should be built for stakeholders.

### ***6.2 On the existence and effectiveness of national-level inter agency coordination (i.e., coordination between government actors) of GMS activities***

#### 6.2.1. Overall

**Finding 3:** Sub-regional cooperation of GMS activities among government stakeholders is fragmented. Oftentimes, legal documents are missing or regulations are unclear. Even though a lot of GMS initiatives have been included in five-year plans and/or one-year plans at the national and provincial level, it is recognized that the coordination mechanism among the GMS NCC, line ministries, and provincial governmental authorities is very weak in terms of information sharing, timeliness, qualified staff and administration procedures. Therefore, it is difficult to assess implementation of GMS related goals in five-year plans and/or one-year plans at the national and provincial level.

**Recommendation 3:** There needs to be increased coordination among relevant stakeholders. In order to achieve this, perhaps it is necessary to set up legal regulations to establish a unified cooperation mechanism for GMS cooperation activities.

**Finding 4:** The current system that enables governmental agreements and frameworks is one of a top-down approach. In particular, there is insufficient coordination between central ministries and provincial authorities.

**Recommendation 4:** More inclusive participation should be encouraged through meetings and consultations organized by central ministries for provincial authorities. A better coordination mechanism between central ministries and provincial authorities should be established

#### 6.2.2. For trade and transit facilitation in particular

**Finding 5:** Information on CBTA and economic corridors is fragmented and is not easy to access, it is due to that no government agency at country level stores all CBTA and economic related documentations. .

**Recommendation 5:** MT would be requested to play a critical role in terms of building, updating, managing the database on CBTA. Moreover, it needs to exist a web site for GMS cooperation on CBTA at country level at MT. Database on CBTA should be linked with database on GMS program. Other line ministries should provide MT all CBTA related information and documentation in terms of policy formulation and implementation status

### ***6.3. On the existence and effectiveness of national-level consultation mechanism and coordination between government and other stakeholder groups for GMS activities / On whether particular stakeholder groups are adequately represented and/or consulted at national- sub regional- regional levels***

#### 6.3.1. Overall

**Finding 6:** GMS coordination and consultation mechanism at province level seems does not exist. It is because in Viet Nam the approach of providing information of regional cooperation status and consulting stakeholders is top-down under vertical management of line ministries. This leads to the fact that many initiatives and programs are not recognized in the process of negotiation by stakeholders at province level or these initiatives and programs are implemented with delay.

**Recommendation 6:** GMS coordination and consultation mechanism should be set up at the provincial level.

**Finding 7:** There is low participation of the private sector and civil-society organizations in GMS economic cooperation activities to some extent. In other words, information sharing and consultation with the local government on GMS-related issues is very limited.

**Recommendation 7:** There should be greater communication between the GMS NCC, line ministries, and local authorities at the border. The private sector as well as local people at the border should also be incorporated and informed of all relevant GMS-related activities. A special association should be established for private firms to set up a network of information sharing to keep updated on GMS issues. Through the association, the private sector can then actively propose their participation in seminars, working groups, and forums concerning regional cooperation programs to the government.

#### 6.3.2. For trade and transit facilitation in particular

**Finding 8:** The success of implementation of CBTA and economic corridors depends on a number of factors, the most important factors are good infrastructure and adequate qualified staff. In reality, infrastructure is still underdeveloped and qualified staff implementing CBTA and economic corridors is in shortage.

**Recommendation 8.1:** Viet Nam should properly develop infrastructure, improve skill for staff in order to implement CBTA successfully.

**Recommendation 8.2:** ADB and other international donors should invest more in infrastructure development and provide training course for people involving in genesis and implementation of CBTA and economic corridors./.

## Appendix 1 : List of Interview

No	Organization
1	Ministry of Foreign Affairs - Economics Department
2	Ministry of Transport – International Corporation Department
3	Ministry of Planning and Investment - Foreign Economics Relations Department.
4	Ministry of Industry and Trade – Department for Asian - Pacific Trade
5	Viet Nam Chamber of Commerce and Industry- International Corporation Department
6	Da Nang city People's Committee
7	Department of planning and investment of Da Nang city
8	Da Nang port
9	Trade and investment promotion center for small and medium enterprises association
10	Enterprise located at Lao Bao Economic Zone

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