



Asia-Pacific Research and Training Network on Trade
Working Paper Series, No 77, September 2009

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

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Executive summary

To bring about mutual benefits and development in the Greater Mekong Subregion (GMS), China has actively participated in the GMS Economic Cooperation Programme (GMS Programme) to promote social and economic development, which is supported by the Asian Development Bank. Achievements have been made in the areas of infrastructure improvement, mutual trade expansion, and increased flow of goods and experts. However, various problems and obstacles have appeared following the implementation of some of the regional initiatives. While there has been extensive discussion regarding obstacles to the implementation of the initiatives in China, very little attention has been given to the implications from the perspectives of political economics and stakeholder analysis. This paper is a first attempt to fill this gap.

The main contribution of this paper is the identification of obstacles at the different levels of coordination, and constructive recommendations for (a) improving the effectiveness of existing coordination and (b) forging linkages where necessary between the various stakeholders i.e., central and provincial governments, state-owned enterprises, the private sector – including industrial associations, and small and medium-sized enterprises (SMEs) – border communities, donors and development partners, and civil organizations are the main stakeholders. Primary data were collected through in-depth interviews and surveys in order to analyse the different degrees of influence, importance, interest and impact of each stakeholder. It was found that inter-agency coordination at the central and provincial levels needed further enhancement. Second, participation by the national internal coordinator, the National Lancang-Mekong Coordination Group of the National Development and Reform Commission and the provincial coordinator, the Yunnan Lancang-Mekong Office is insufficient. Third, coordination between the central and provincial governments is actually undertaken by the line ministries and their corresponding line departments, based on actual job requirements.

Apart from the general analysis, further focus is placed on trade and transport facilitation initiatives such as the Cross-Border Transport of People and Goods Agreement (CBTA) and Economic Corridor projects. The related main stakeholders are identified and the analysis is made based on the processes of the initiatives' formulation and implementation. It finds that in formulating the initiatives, the central Government takes the lead and is therefore of great importance, indicating that the GMS cooperative initiatives are government-driven. However, for the initiatives' implementation, coordination and communication between the Government and other stakeholders including state-owned enterprises (SOEs), the private sector, border communities and civil organizations are insufficient or ineffective. In addition, special attention needs to be given to those important stakeholders who will be directly affected by the implementation of the initiatives but who actually have a low level of influence, both in the formulation and the implementation of the initiatives (i.e., the industrial associations, SOEs, the private sector and border communities).

Recommendations are made on the existence and effectiveness of inter-agency coordination as well as the coordination between the Government and other stakeholder groups. Greater efforts to strengthen the authority of the coordinators at the national, provincial and prefectural levels are proposed. Organizing training courses and workshops are recommended with the objectives of enhancing understanding of the initiatives and creating better communication between the Government and other stakeholders. In addition, measures aimed at ensuring better involvement and enhanced representation of the private sector, border communities and civil organizations are suggested.

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List of abbreviations and acronyms

ADB	Asian Development Bank
AEM	Asia-Europe Meeting
AFTA	ASEAN Free Trade Area
AMBDC	ASEAN-Mekong Basin Development Cooperation
APEC	Asia-Pacific Economic Cooperation
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
CAFTA	China-ASEAN Free Trade Area
CBTA	Cross-Border Transportation Agreement of People and Goods
DOIA	Department of International Affairs
DORE	Department of Regional Economy
DRC	Development and Reform Commission
ESCAP	Economic and Social Commission for Asia and the Pacific
FDA	French Development Agency
GACC	General Administration of China Customs
GMS	Greater Mekong Subregion
GMS-BF	Greater Mekong Subregion Business Forum
IFAD	International Fund for Agricultural Development
JBIC	Japanese Bank for International Cooperation
MOF	Ministry of Finance
MOT	Ministry of Transportation
MoU	Memorandum of Understanding
MRC	Mekong River Commission
NDRC	National Development and Reform Commission
NTFC	National Transport Facilitation Committee
SEZ	Special Economic Zone
SFA-TFI	Strategic Framework for Action on Trade Facilitation and Investment
SMEs	Small and medium-sized enterprises
SOE	State-owned enterprise
SOM	GMS Senior Officials' Meeting
STEA	Science Technology Environment Agency
TFWG	Trade Facilitation Working Group
TOR	Terms of Reference
UNDP	United Nations Development Programme
WTO	World Trade Organization
Yunnan DRC	Yunnan Provincial Development and Reform Commission
Yunnan LM Office	Yunnan Lancang-Mekong Office
YPCC	Yunnan Provincial Chamber of Commerce
Yunnan TFC	Yunnan Transport Facilitation Committee

Introduction

At the start of the twenty-first century, the Government of China made timely readjustments in diplomatic strategy and began to push for better relations with its neighbouring countries through mutual political trust and economic co-prosperity. These readjustments emphasized a different approach to the traditional diplomatic strategy of attaching more importance to political equality between China and its neighbouring countries.

The strengthening of cooperation within the Greater Mekong Subregion (GMS) and the establishment of the China–Association of Southeast Asian Nations Free Trade Area (CAFTA) in recent years has provided good examples for the implementation of this strategy. In addition, mutual benefits will be realized since this regional and subregional integration allows the Association of Southeast Asian Nations (ASEAN)/GMS countries greater access to the large Chinese market of 1.3 billion people, while at the same time increasing China's access to the rest of mainland South-East Asia.

In 1992, the Asian Development Bank (ADB) initiated the GMS Programme by providing financial and technical support to promote social and economic development in the subregion. The GMS includes the six countries along the Mekong River (called the Lancang River in China), i.e., Cambodia, China (Yunnan province), Myanmar, the Lao People's Democratic Republic, Thailand and Viet Nam. Since 1992, China has been, and continues to be, an active participant in the GMS Programme through the implementation of priority subregional projects in Yunnan province and the Guangxi Zhuang Autonomous Region (Guangxi).

In 2002, CAFTA was initiated and is expected to be fully functional in 2010. China strengthened its participation in the GMS Programme to support the establishment of CAFTA because four GMS member countries are also the four new ASEAN members – Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam – who have been allowed an additional transitional period of five years and are slated to complete the building of the free trade area by 2015.

As Chinese Premier Wen Jiabao pointed out at the third GMS Summit in 2008, fruitful progress has been made towards GMS cooperation. The past 16 years have witnessed a significant increase in trade and foreign direct investment in the GMS, a significant improvement in the self-development capability of each GMS country, and a closer and more harmonious relationship among those countries.

Specifically, bilateral trade between China and the GMS countries from 1998 to 2007 increased 9.5 times, from less than US\$ 5.58 billion to US\$ 53.01 billion. This represents an annual average growth rate of 30 per cent, which is higher than the growth rate of trade with ASEAN (see annex table 1). In addition, from 2002 to 2007, the average growth rate of imports by China from GMS countries reached 29 per cent, while the average growth rate of exports by China to GMS countries reached 44 per cent. This was made possible, in part, by infrastructure improvements in Yunnan province, e.g., the completion of the 401-km inner province highway and the Kunming–Bangkok highway.

Notwithstanding the significant progress achieved, expectations from GMS cooperation are not always met. For example, at the opening ceremony of the Kunming–Bangkok Highway in March 2008, the media forecast that 2,000 trucks with an average weight of 20 metric tons (mt) would use the highway daily. However, in 2008, an average of only 250 vehicles per day were

found to be going in and out of the Mohan border port, of which less than 40 had an average weight of 20 mt. This “Golden Channel” turned out to be less busy than people had expected.

The gap between results and expectations may, in part, be attributed to coordination and stakeholder consultation issues. Indeed, when most initiatives in the GMS Programme enter the implementation process more governmental and non-governmental stakeholders become involved, in addition to the main government agencies in charge. This paper is therefore aimed at increasing understanding of the various stakeholders involved in GMS regional integration as well as their interactions with China, in order to develop constructive suggestions for improving stakeholder consultation and coordination. Specifically, the objectives are:

- (a) To identify the characteristics, including needs and priorities, of the main stakeholders involved in the GMS Programme, especially in the area of transport and trade facilitation;
- (b) To evaluate the institutional and consultation mechanisms related to GMS regional integration at the national level.

The study was primarily based on a review of existing literature plus the collection of primary data through in-depth discussions and phone interviews with key persons from various stakeholder groups at the central and provincial levels in Beijing, Kunming and Xishuangbanna. The interviewees included government officers, executives of trade and logistics companies, associations etc. The names of the interviewees’ organizations are listed in annex table 7..

Section A of this paper reviews China’s regional integration with GMS and non-GMS countries. Section B identifies and analyses the main stakeholders in GMS regional integration. Section C focuses on the main stakeholders in transport and trade facilitation initiatives, specifically the GMS Economic Corridors and the Cross-Border Transport of People and Goods Agreement (CBTA). The needs and problems of the various stakeholders are also identified. Finally, section D provides constructive suggestions on stakeholder involvement in regional integration.

Since the research team was based in Yunnan province, the stakeholder analysis was conducted from the perspective of Yunnan province only. In addition, “local government” in this paper refers to the Yunnan provincial government.

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