Research Articles

Thailand-Cambodia Economic Cooperation under ACMECS*

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Abstract

The Ayeyawady - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS) is a political, economic and cultural organization among Thailand, Laos PDR, Vietnam, Cambodia and Myanmar. The objectives of this initiative are to bridge the economic gap among the members and to promote sustainable development with negotiation mechanism in several aspects such as trade and investment facilitation. In general, ACMECS is intended to act as a catalyst to build upon existing regional cooperation programs and complement bilateral frameworks with a view to transform the border areas of five member countries into zones of economic growth, social progress and prosperity. They aim to blend local, national and regional interests to be common interests and common benefits and to create regional peace, stability and good neighborliness. ACMECS emphasis on the concept of self-reliance and be complement with other related cooperation frameworks such as Greater Mekong Sub-region Economic Cooperation (GMS) and Bay of Bengal Initiative Multi-Sector Technical and Economic Cooperation (BIMSTEC). As members of ACMECS, Thailand and Cambodia have several bilateral projects. So far there are at least 72 bilateral projects between these two countries. There are 27 projects on agricultural and Industrial Cooperation, 18 projects are on tourism and travelling facilitation; such as the implementation of ACMECS single visa. It may say that Thailand and Cambodia are the country members with having the highest number of bilateral projects among ACMECS members.

The objective of this paper is to investigate the development of economic cooperation between Thailand and Cambodia under the Ayeyawady - Chao Phraya - Mekong Economic Cooperation

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Strategy (ACMECS.) Then the article explains whether ACMECS programs have provided the positive environment for Thai investors investing in Cambodia. Finally, the policy recommendations to utilize the ACMECS for investing in Cambodia are explained.

Thailand's investment in Cambodia is likely to make a profit for Thailand entrepreneurs as well as to achieve Cambodia's economic growth. More importantly, economic cooperation agreement between Thailand and Cambodia should ease Thai investors determining to relocate their manufactures in Cambodia; such as lower the relocating costs. However, it is found that the ACMECS mechanism has failed to provide this benefit. Seemingly there are several bilateral projects under the ACMECS that have been cancelled or pending, while, most of completed projects are "not so significant" and could not create "big push" for foreign direct investment from Thailand to Cambodia.

When the ACMECS should be able to provide a good opportunity for Thailand's private sector to invest in Cambodia, the reality is different. Therefore there are plenty of rooms for improvement in order to utilize the benefit of ACMECS fully. The active policy concerning the ACMECS should be one of the priorities that both countries should consider seriously.

Keywords: Cooperation Development, Trade and Investment, ACMECS

1. Introduction

ACMECS is a political, economic, and cultural organization among Thailand, Laos PDR, Vietnam, Cambodia, and Myanmar. At the special ASEAN Summit on SARS, held in Bangkok on 29 April 2003, Thailand Prime Minister, Mr. Thaksin Shinawatra raised the idea of establishing what was then called the "Economic Cooperation Strategy", with leaders of Cambodia, Laos PDR, and Myanmar. The objectives of ACMECS are to bridge the economic gap among the four countries and to promote prosperity in the sub-region in a sustainable manner. It is hoped that when these four countries are getting stronger, ASEAN as a whole would be better off, on the basis of self-reliance and shared prosperity. In November 2003 at Began, Myanmar, the leaders of these four countries adopted the Began Declaration, affirming their commitment to cooperate in five priority areas of cooperation. They endorsed the Economic cooperation Strategy Plan of Action which 46 common projects and 224 bilateral projects were listed for implementation over the next ten years. At that meeting, they agreed to call this cooperation framework the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy or ACMECS. In May 2004, Vietnam agreed to join the group of ACMECS and ACMECS has increased its members to 5 member countries.

In general, ACMECS is intended to act as a catalyst to build upon existing regional cooperation programs and complement bilateral frameworks with a view to transform the border areas of five member countries into zones of economic growth, social progress and prosperity. They aim to blend local, national and regional interests to be common interests and common benefits and to create regional peace, stability and good neighborliness. ACMECS emphasis on the concept of self reliance and be complement with other related cooperation frameworks such as Greater Mekong Sub-region Economic Cooperation (GMS) and Bay of Bengal Initiative Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

In the fifth ACMECS Summit held in Vientiane, Laos PDR, on March 2013, the leaders of the five member countries launched the Vientiane Declaration as follows:

(1) Trade and Investment Facilitation Cooperation

The ACMECS countries agree to strengthen close coordination in trade and investment promotion through the organization of joint trade and investment events, exhibitions and missions in order to increase trade and investment within the region. They agree to reiterate the commitment to facilitate and promote foreign direct investment through the provision of investment incentives under the respective domestic laws and regulations of the ACMECS countries. ACMECS Trade Cooperation would be established and promoted.

(2) Agriculture Cooperation

The countries would implement the ACMECS Rice Cooperation mechanism to promote the cooperation of rice production among ACMECS countries. They agree to strengthen cooperation on technology transfer and information sharing in the field of agriculture, forestry, fisheries, livestock and veterinarian and aquaculture to ensure food security in ACMECS countries.

(3) Industrial and Energy Cooperation

The ACMECS countries agree to encourage experience and information sharing as well as technology transfer on the production, energy efficiency technologies, application and production of bio-energy and renewable energy such as biomass, bio-fuel, solar, wind, mini-hydro and other locally available energy and promote best practices and appropriate standards in the ACMECS countries. They agree to promote the development of power transmission lines and network across the ACMECS countries. The establishment of industrial zones along the ACMECS countries' borders and other potential areas along the EAST-WEST Economic Corridor (EWEC), North-South Economic Corridor (NSEC), the Southern Economic Corridor (SEC) and the inter-corridor linkages would be encourage to be established. They as well agree to enhance the competitiveness of SMEs in ACMECS countries.

(4) Transport Linkages

They agree to strengthen close coordination to complete multi modal transport connectivity and make full use of existing road and transportation networks and economic corridors under the Greater Mekong Sub-region (GMS) cooperation program to promote trade, investment services and tourism among the ACMECS countries.

(5) Tourism Cooperation

They agree to promote cross border travel within the ACMECS countries and conduct a joint tourism marketing and promotion, joint program activities in tourism in order to realize the "Five Countries, One Destination" concept including new "Tourism Corridors" (Began-Chiang Mai-Luangprabang-Vientiane-Siam Reap-Hue). They would promote travelling facilitation, especially visa and transport facilitation within ACMECS countries.

(6) Human Resource Development

They agree to provide the number of scholarship and fellowship as well as vocational training and skills development programs, to promote partnership and linkage among academic, institutions, particularly higher education, vocational training and skill development. They would enhance the role of industrial sector to promote and support vocational education and labor skills training by collaboration among relevant partners and stakeholders and establish an international network among ACMECS countries to facilitate in cooperation and collaboration in vocational education and labor skills training.

(7) Public and Social Welfare Development

The ACMECS countries agree to strengthen cooperation and facilitate information sharing on infectious disease surveillance and response, particularly to emerging and re-emerging infectious diseases at cross borders and at the animal-human environment interface through multi-sectoral actions, prevention and control of diseases through collaborative activities and dissemination of best practices.

(8) Environmental Cooperation

They agree to continue the implementation on concrete projects and programs under the Action Plan of Environment Cooperation. They would further strengthen cooperation between ACMECS countries on environment conservation and sustainable use of natural resources in this region and to promote green development and address climate change and global warming.

2. Trade and Foreign Investment: Thailand and Cambodia

With a size as nearly half of Germany, Cambodia is bordered by Thailand to the northwest, Laos PDR to the northeast, Vietnam to the east and the gulf of Thailand to the southwest. With the population of over 14.8 million, it is the 68th most populous country in the world. Cambodia is a fast-growing regional economy based on agriculture and agro-industries, manufacturing and tourism-related industries. Garment and shoe exports accounted for approximately 84% of Cambodia's total exports.

When bilateral trade between these two countries is under consideration, it is found that trade value between these two countries has been increasing continuously over time. In 2010, the trade vale was 2,535 million US dollars and was increased to 3,897 million US dollars in 2012. This figure is the official record only, excluding the imports crossing border that is out of record. According to the data provided by Ministry of Commerce, the import value from Thailand to Cambodia has been increasing every year Import items mainly are consumer products such as gasoline, sugar, soft drinks, cosmetic products, and soap. Meanwhile, Thailand imports fruits and vegetables, mining products and scrap metal from Cambodia.

There are three provinces that show the importance in border trade; Sa Kaeo, Trad, and Chantaburi. Under ACMECS projects, there are projects providing trade facilities by setting one-stop service border posts at Chong Sa, Ngam-Anlong Veng, Chong Chom-O Smach Pass, Poipet-Aranyaprathet, Kamrieng-Ban Laem, Pailin-Ban Pakkard, Cham Yeam-Ban Hat Lek.

Sa Kaeo is the province that is on focus. Sa Kaeo is located in the eastern border of Thailand, facing Cambodia at Aranya Prathet district. Sa Kaeo borders Nakhon Ratchasima which is the agro-industrial production base, Chantaburi which is the agricultural base on tropical fruits and fishery products, and Chachoengsao which is the production base on electronic products and automobile and parts. At Aranya Prathet district, there is a Rong Kluea market located at the border. The market is the hub for both wholesale and retails. Therefore when infrastructure in Cambodia gets improvement, the logistic costs to do business between these two countries will go down dramatically and increases the opportunity to expand trade and invest between these two countries.

To achieve cooperation among ACMECS countries, the connections through multi-modal transportation systems should be developed. The improvement in infrastructure would help to reduce logistic costs and stimulate trade along the border. So far there are several "corridors" which has been in plans such as, East West Economic Corridor (EWEC), North-South Economic Corridor (NSEC) The EWEC connects Myanmar to Laos PDR and ends up at Danang in Vietnam. Another route that connects Thailand to Cambodia is the Southern Economic Corridor (R1), starts from Bangkok in Thailand crossing Cambodian border at Aranya Prathet, passing through

Cambodia and then ends at South Vietnam.

There are three routes to connect Thailand and Cambodia at Sa Kaeo Province by roads. The first road is Route No. 1 from Bangkok to Saraburi and then turn to Route No. 33 to Sa Kaeo. The second road is Route No. 3 from Bangkok to Nakhonnayok and then turn to Route No. 33 to Sa Kaeo. The third road is Route No. 304 to Phanomsarakham and then turn to Route No. 33 to Sa Kaeo. All roads are paved and in good condition. Therefore it is logistically reasonable and cost effective to create production network between production bases in Thailand connecting to production bases in Cambodia. However the road conditions in Cambodia are poor and much-needed to improve. Therefore ACMECS projects can provide much-needed projects to improve infrastructure in Cambodia, paving way to make ASEAN production network become possible.

Table 1 Trade Value between Thailand and Cambodia ($ million dollars)

Items	2009	2010	2011	2012
1. Trade Value	1,768	2,535	2,706	3,897
2. Border Trade Value	1,418	1,731	1,999	2,565

Source: Ministry of Commerce

3. ACMECS Bilateral Projects between Cambodia and Thailand

As members of ACMECS, Thailand and Cambodia have several bilateral projects. So far there are at least 72 bilateral projects between these two countries. There are 27 projects on agricultural and Industrial Cooperation, 18 projects are on tourism and travelling facilitation; such as the implementation of ACMECS single visa. It may say that Thailand and Cambodia are the country members with having the highest number of bilateral projects among ACMECS members.

Table 2 Examples of Bilateral Projects: Cambodia-Thailand

Areas	Program/Project
Transport	Road 67 from Anlong Veng to Thailand border
Trade	One stop service center at Aranyaprathet border check point
Industrial	Exploration of mineral resources in Cambodia
Agricultural	Study of environmental impact from inland fishery promotion
Human Res.	Human resource development programs for training in various projects
Health	Strengthen National Pandemic Preparedness Plan

Currently, Cambodia and Thailand have successfully launched the project on ACMECS Single Visa Application. The program allows nationals of 35 countries to enter both Thailand and Cambodia for the purpose of tourism under the same visa with single validity for each country. ACMECS single visa can be applied at Thai or Cambodia consulates/embassies, subject to pre-clearance from both sides. ACMECS Single Visa allows tourists to save time for visa application process for both countries. Lists of 35 countries are, for example, Australia, Canada, China, France, Germany Hong Kong, Japan, Korea, Norway, Sweden, UK, and USA.

There is a further need to rehabilitate and develop roads, airports, ports and other infrastructure including water supply, electricity distribution and telecommunication networks; and to strengthen the legal framework, institutional capacity, investment and business facilitation.

Cambodia government priority is to increase access to international markets by integrating the Cambodian economy into the regional and world economy. In 1994, Cambodia started the open-market policy to welcome foreign investment. Cambodian Investment Board (CIB) is the charge to promote foreign direct investment. In 2012, CIB provided investment privileges to 157 projects with the value of $334 million. The most important investors were Chinese (41 projects). Thailand investors were ranked number 7 with 8 projects.

Table 3 Foreign Direct Investment to Cambodia

Foreign Direct Investment	**2008**	**2009**	**2010**	**2011**	**2012**
Investment Value ($ millions)	259.9	149.0s	172.8	507.3	334.1
Number of Projects	101	100	102	148	157

Source: Cambodia Investment Board

Most of the investment projects were the projects on garment industry, followed by shoes industry. However, most of the money went to agro-industry projects, such as rubber industry. Garment industry is the most popular among foreign investors. Garment industry in Cambodia is an exporting industry that employs cheap unskilled labor locally. Moreover, Cambodia enjoys the benefits of low tariff rates under Generalized System of Preferences (GSP) from the US, EU, and Japan.

Table 4 Foreign Direct Investment in Cambodia by Sectors (in $millions) in 2012

Sectors	Value
Garments	165.3
Department Stores	39.5
Rice Milling	38.3
Shoes	18.5
Para Rubber	9.0
Total of 5	270.6
Total	334.1

Source: Cambodia Investment Board

The Council for Development of Cambodia (CDC) has approved 21 special economic zones (SEZs) across the country, with total investment capital in excess of $1 billion. Eight of these are now operational; Sihanoukville SEZ, Phnom Penh SEZ, Manhattan SEZ, Tai Seng Bavet SEZ, Poipet SEZ, Goldfame Pak Shun SEZ, Koh Kong SEZ and Sihanoukville Port SEZ.

Cambodia offers potential investment opportunities to several sectors; such as construction and engineering services, household products and appliances, agribusiness and food processing, automobile parts, tourism infrastructure and resorts, pharmaceuticals and medical supplies, and banking. Cambodian foreign investment law provides similar treatment to foreign and domestic investors alike, with exception of the issue of land ownership. Foreign investors are able to lease land for a period of up to 70 years, with the possibility of renewal thereafter.

Cambodia has become one destination for Thai investors to relocate their manufacturing sites from Thailand to Cambodia. Recently the minimum daily wages in Thailand has been increased to THB 300, while the rates for Cambodia amount equal to THB 50. Normal overtime is 150% and overtime during public holidays is 200%. Thai labor-intensive manufacturing processes will benefit from this dramatically lower wage costs. Even under consideration of a weaker and worse infrastructure than Thailand. The corporate income tax rate in Cambodia is low. The standard rate of profit tax rate for companies in Cambodia is 20%. Oil and gas, and a number of mineral exploitation activities are subject to a 30% tax rate.

Since 1994, Thailand investment projects that were approved by CIB have been 82 projects at the value of $363 millions. In 2012, there were 8 approved projects; such as integrated project on rice milling, seaport and integrated transport system, and shoe manufacturing owned by Aerosoft Summit Footwear. Most of Thai projects are hotel business. Since 1994, there have been 9 projects investing in hotel business, with the investment value of $138 million. The examples of these projects are De La Prix Hotel at Siamreap, Poi Pet

International Club at Tienmianjai. The projects investing in agro-industry came for second with the value of $76 million. The CP Group and Mitrphon Group are the main investors in this group. The third most important investment projects are the projects investing in wood processing with the capital value of $27 million.

Table 5 Thailand Foreign Direct Investment in Cambodia (1994-2011)

Rank	Businesses	Number of Projects	Value of Capital ($millions)	Shares of Thai Investors ($millions)
1	Hotel	9	138.4	63.1
2	Agro-Industry	11	75.7	40.4
3	Wood Processing	2	27.5	23.6
4	Food Processing	9	20.5	17.5
5	Manufacturing	14	18.7	13.6
6	Others	37	82.5	69.3
	Total	82	363.3	227.5

Source: www.depthai.go.th

According to World Economic Forum Report (2013), there are many problems faced by Thai investors investing in Cambodia. It is found that corruption is the main problem for investing in Cambodia. The government transparency index for Cambodia is 3.6 which are at the rank of 119 from 148 countries. The second main problem is the inefficiency in government bureaucracy. It takes 85 days in order to get business permission in Cambodia. That is ranked number 138 from 148 countries around the world. The other problems are workers do not have enough skills or education, inadequate supply of infrastructure networks, and instability of government policies.

Table 6 Problems of Doing Businesses in Cambodia

Problems	Percentages of Response
Corruption	19.0
Inefficiency government bureaucracy	13.3
Inadequate supply of infrastructure	12.2
Policy instability	11.3
Access to financing	7.5
Tax regulations	7.2
Insufficient capacity to innovate	4.8
Poor work ethic	4.7
Poor public health	4.3
Inflation	4.1

Source: World Economic Forum Report 2013.

4. Policy Recommendation

Cambodia can be one of the main destinations for Thai investors. Since 1994, Cambodia has begun to open their markets and started to promote foreign direct investment by imposing several incentives. Low labor costs and abundance of unskilled workers can be the strong incentives for Thai investors to relocate their manufacturing. However there are some areas that Cambodia needs to improve to promote foreign direct investment; such as, government transparency, supply of infrastructure, and human resource development. ACMECS program can help Cambodia to improve these inadequacies. So far, ACMECS program has not been fully utilized. Most of projects or programs that are bilateral projects or programs between these two countries were pending or cancelled, such as, the project on agricultural cooperation on eucalyptus plantation, pilot project on biomass utilization, and the pilot projecton solar energy use. The reasons for this may be on the uncertainty in Cambodia policy on energy and the in-sufficiency budget. While the completed programs were small could not create "big push". These "small impacts" projects mostly are the projects on setting seminars that there was no action plan after the event.

Areas that are needs to take immediate actionsare the areas on human resource development for Cambodian government officers. Since Cambodian public sector is facing the problem of lacking skilled of skill government officers, the projects on human resources development are the "must" at this time. The projects on for Cambodia infrastructure improvement as well are the projects that are needed to be considered seriously.

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