“The Challenges of the CLMV Countries and the Role of Development Partner”

Pou Sovachana
Professor Paññāsāstra University of Cambodia

After the cold war ended in the late 1980s, ASEAN tried to strengthen itself by expanding its members on the hope that an increased in population would translate into economic growth, and strength. Vietnam joined ASEAN in July 1995, Laos and Myanmar in July 1997, and Cambodia in April 1999. The admission of the four new members noticeably widened the political, economical, and cultural diversity of ASEAN. The ten members states have agreed that political stability and long term economic growth could only be attained if they all cooperate (ASEAN Charter). However, with the expansion of Cambodia, Laos, Myanmar, and Vietnam (CLMV), political and economical disparities have ensued between the old and the new member states. Moreover, the development gap among the member states in the region has also persisted. The challenges of the CLMV countries and the role of development partner will be discussed and examined.

Present Situation of the CLMV Countries

Despite serious attempts for economic development throughout the South East Asian region, there remains a large gap between the CLMV countries and other nations within ASEAN. To achieve the ambitious goal of having an ASEAN Economic Community (AEC) by 2015, it is essential to reduce this development gap, which in turn necessitates further reforms in the CLMV countries.

I begin by describing the present economic condition of each of the four CLMV countries and discuss broadly their economic challenges as follows:

Cambodia: Since peace and national reconciliation had returned after the 1991 Paris Accord, Cambodia has enjoyed a broad degree of macroeconomic stability and development. Starting from a very low base, Cambodia is now considered as one of the fastest-growing economies in the region, enjoying double-digit growth rates before the global economic down turn. Growth in 2013 has been estimated by the Ministry of Finance and Economy at 7.6 percent this year, driven by garment exports, agriculture, tourism and construction. The ministry said that the GDP volume would be around 15.19 billion U.S. dollars and GDP per capital would be 1,036 U.S. dollars in 2013. The industry sector is expected to go up by 9 percent this year, agriculture by 4 percent, service sector by 9 percent, hotel and restaurant sector by 14 percent, financial sector by 12 percent, and real estate by 11 percent. However, the International Monetary Fund (IMF) had predicted in April 2013 that Cambodia's GDP growth would be at 6.7 percent, while the Asian Development Bank (ADB) and the World Bank (WB) put the country's growth at 7.2 percent and 7 percent, respectively. Despite steady economic growth, the UN Economic
and Social Commission for Asia and the Pacific (ESCAP) said in its annual report that Cambodia remains one of the least-developed countries in the Asia-Pacific region and face challenge of diversifying its economy and moving up the production value chain. There are still widening income inequalities and depleting natural resources. Government should tackle economic policies that are more inclusive and sustainable to stamp out high poverty rate, large income gap and low production base, and inadequate human resources. Cambodia still experiences difficulty with its neighbors in terms of exports.

Lao PDR: Lao PDR is aiming to remove itself from the list of least developed countries (LDC) by 2020 and eradicate mass poverty by 2010. However, to achieve those goals, it must first deal with a number of constraints such as a low production base, lack of highly skilled human resources, poor infrastructure, and an unfavorable geographical position as a landlocked country. The government hopes that infrastructure development, tourism development, and promotion of natural resource-based industries will change the country from being a landlocked one to a land-linked one. It is also hoped that this will provide Lao PDR full access to the seaports of neighboring countries and other regional networks of roads and railways. These priority sectors are expected to significantly enhance the process of economic development and poverty reduction.

Myanmar: Myanmar’s huge and untapped potential for future economic development lies in its large local market, abundant natural resources, and young labor force. Although the country is dealing with a number of challenging domestic and international problems, it is committed to regional economic integration. Myanmar’s four economic objectives (Basic Economic Guidelines towards Democratic State) are the following: 1) to develop agriculture as the base of the economy along with the other sectors; 2) to allow the a market-oriented system to evolve properly; 3) to spur economic development with the technical assistance and investment of local and foreign partners; and 4) to maintain the initiative to shape the national economy in the hands of the state and the people of Myanmar. Myanmar’s economic development will also be boosted by accelerating economic reforms, especially financial reforms, and realigning exchange rates; promoting small and medium enterprises (SMEs) and special economic zones (SEZs); and taking advantage of Myanmar’s geographical location between China, India, and the ASEAN.

Vietnam: Vietnam began its economic reform process in 1986 with a view to proactively engaging in international economic integration. Due to its early head-start, it is now in a relatively good place in its reform process. It has, in fact, achieved important socioeconomic gains and laid a more concrete foundation for future economic development. Since joining ASEAN, the country has attracted more investment; multinationals such as Intel and Nike invested heavily. Its share of trade in 1995 within ASEAN was at 2.8 percent; by 2010 that share had moved up to 17 percent. However, it still faces many reform challenges, which makes realizing its development goals a difficult task.

The Challenges of CLMV Economic Integration

At this time, I would like to discuss the ASEAN
economic integration and highlight some thoughts on policy measures that are required to integrate the CLMV’s economy amidst serious concerns that ASEAN economic integration can be hampered by the development gap that exist between the older ASEAN-six and the four-newer members and offer some recommendation measures to widen the scope of the work plan in order to improve.

On 8th August 1967, five Southeast Asian countries comprising of Indonesia, Malaysia, the Philippines, Singapore, and Thailand formed the Association of Southeast Asian Nations (ASEAN) to try to response to the then fragile regional political situation and its function was aimed at for economic, social, and cultural cooperation.

The “Bangkok Declaration”, the document upon which association was founded, displayed ASEAN solidarity against communist expansionism and insurgencies, which described as the common problems among countries of Southeast Asia, as well as to also emphasize the grouping’s determination to ensure their stability and security from external interference in any form or manifestation.

In 1976, the ASEAN Secretariat was established to improve coordination among ASEAN members. In the same year, the grouping’s first formal agreement, the Treaty of Amity and Cooperation (TAC) was signed to enshrine one of ASEAN’s fundamental principles: the non-interference.

Brunei joined ASEAN immediately upon achieving its independence from the United Kingdom in 1984. Vietnam was admitted in 1995, even though it was still under a communist system. Laos and Myanmar followed in 1997, and Cambodia in 1999.

Although in the early day ASEAN sought to stabilize the region politically, the grouping has started out as a geo-political organization, set up in response to the fluid regional political situation at that time, but its dynamic has shifted the direction towards economic cooperation during the 1970s, and later towards economic integration, especially from the 1990s onwards.

In February 1976 during the First ASEAN Summit in Bali, economic cooperation, not economic integration, moved onto the ASEAN agenda. The Declaration of ASEAN Concord called for economic cooperative action by member states, aiming at the promotion of their national and regional development programs, by utilizing as far as possible the resources available in the ASEAN region to broaden the complementarity of their respective economies, while hoping that regional cooperation in large-scale industries in critical sectors could spur economic development via industrialization.

It was globalization and growing economic regionalism that forced ASEAN to make an economic turnaround toward enlarging their market, attracting investments, cutting costs, increasing efficiency, improving productivity, and thus generating jobs and raising people’s incomes.

At the Fourth ASEAN Summit in 1992, member countries agreed to create the ASEAN Free Trade Area (AFTA), a step toward regional economic integration, in which tariff and non-tariff barriers to trade among the members would be reduced and eventually abolished. However, ASEAN regional free trade alone was (and is) seen as inadequate for the regional grouping to be able to tap effectively into unprecedented opportunities as well as cope with
challenges being unleashed by globalization, especially with the rise of China and India.

In December 1997, ASEAN leaders resolved to build an economic community to increase the region’s economic potential. This resolution was followed through when the ASEAN leaders agreed during the Ninth ASEAN Summit in October 2003 in Bali to establish an ASEAN Economic Community by 2020, the end-goal of regional economic integration.

Now let me point and discuss how ASEAN ought to bridge the development gap, which exists within the CLMV.

When the CLMV countries became members of ASEAN from the mid-1990s, there had already existed economic disparities within and between the six older members. Economic disparity, perceived to be a hindrance to economic integration, grew larger within the enlarged grouping with the admission of the CLMV countries, raising concerns about difficulties arising out of and now transitioning from a two-tiered to three-tier regional structure that includes high, middle, and low incomes countries.

Because of regional economic divide and the effect of unevenly distributed the benefits of globalization, ASEAN may not be able to effectively forge forward successfully its economic integration and fear looms large that the grouping may become irrelevant in the global economy.

The CLMV countries have also realized that they must progressively and steadily integrate their economies with those of the older members if they do not want to be left behind. If the development divide persist and widen, ASEAN member states are certain to face more difficulty to advance together.

As such, ASEAN has resolved to assist its less developed newer members to achieve their economic potential, with a view to ensuring effective economic integration. This will in turn better equip ASEAN to face the increasingly stiff economic headwinds of global competition. In the process, the less developed members will also be able to reap the benefits of ASEAN’s economic integration process more equally as compared to the more developed members, and therefore ensure that prosperity is shared among the grouping’s more than 600 million inhabitants.

Notwithstanding the existence of much international development assistance programs since the early 1990s, including ASEAN initiatives, to assist the Mekong Delta countries, the CLMV face grim prospect in catching up with the six more developed ones. To improve the situation and effectively assist the CLMV countries, various international forums and cooperative efforts, using a variety of approaches to promote wider economic development in the region should be deployed. Some of these development assistance initiatives should be placed in the following ways:

Attentions toward the CLMV countries should focus on development projects include programs to promote transport, energy, telecommunications, environment, human resource development, tourism, trade, and agriculture. To this end, the Asian Development Bank (ADB) sponsored Economic Cooperation Program within the Greater Mekong Sub-region (GMS) should be vigorously pursued in facilitating greater private sector involvement in the GMS program.

Emphasis should also be gearing toward the promotion economic growth of the Southeast Asian
region as a whole by strengthening the economic linkages between CLMV countries with other ASEAN countries. The strategy here is to pursue the enhancement of the competitiveness among the CLMV countries, the redirection of agriculture and manufacturing growth centers to the place where relative economic exist, and the reduction of the income disparity and create employment. It would be much beneficial if the model of this type of economic integration which has been well documented in the “Ayeyawady – Chao Phraya – Mekong Economic Cooperation Strategy” (ACMECS) could be vigorously pursued. As such, ACMECS focuses on six areas of cooperation namely, trade and investment facilitation, agricultural and industrial cooperation, transport linkages, tourism cooperation, human resource development, and public health.

It would help the CLMV countries tremendously if other suitable approaches could be targeted. Efforts should be concentrated to enhance economically sound and sustainable development of the Mekong Basin, encourage a process of dialogue and common project identification which can result in firm economic partnerships for mutual benefit, and to strengthen the interconnections and economic linkages between the ASEAN member countries and the Mekong riparian countries. This method of development can also be found in the ASEAN Mekong Basin Development Cooperation (AMBDC), established between ASEAN and China since 1996 to tackle development issues and challenges in the Mekong regions.

**THE ROLE OF DEVELOPMENT PARTNER**

Before my conclusion, I would like to give my assessment on the initiatives as described in the Greater Mekong Sub-region Economic Cooperation Program (GMS-ECP) as part of the ‘development partners’ approaches to mitigate the development gap within the CLMV.

Effort to reduce regional gaps have been at the forefront of the Greater Mekong Sub-region Economic Cooperation Program (GMS-ECP) which was inaugurated in 1992 by six countries, namely, Cambodia, Laos, Myanmar, Vietnam, Thailand, and Yunnan (and in 2005, Guangxi Zhuang autonomous region of China also became a member of the GMS-ECP) Province of China through the initiative of Asian Development Bank (ADB).

The GMS-ECP is expected to play an important role in narrowing existing gap and reducing poverty while expanding and deepening the regional integration. It started with six development sectors, and now it is now composed of nine sectors, namely: 1) Transportation; 2) Telecommunication; 3) Energy; 4) Human Resource; 5) Environment; 6) Trade; 7) Investment; 8) Tourism; and 9) Agriculture.

The key feature of the GMS-ECP has been the focus in the development of transport infrastructure to effectively allow goods that have been produced by remote villages among the CLMV countries to reach major markets in the region as well as overseas. This effort include the improvement of the functional of the transportation networks, lowering of cross-border barriers through an effective Cross Border Trade Agreement (CBTA), improving exports capability, creating marketing demands for the remote areas, and developing special economic regions at the borders between relatively developed countries, like Thailand.
and underdeveloped countries.

**CONCLUSION: THE ROLE OF TAIWAN**

ASEAN has done much to contribute to peace, stability and prosperity in the CLMV countries by promoting initiatives to improve the development gaps and reducing poverty in the lesser-developed countries. However, the effect of the Asia financial crisis coupling with the global slowdown has left many nations in Asia lag behind in their national economic development. In Southeast Asian region, the CLMV is still witness profound disparity between the ‘haves’ and the ‘have-nots’. Well-off country needs to help lesser one from breakdown so as to promote prosperity for the region as a whole. To achieve greater stride in this endeavor, ASEAN and other development partners should continue to work together to achieve even more positive outcomes.

While I am sure countries such as the China, Japan, Korean and the international organization such as the ADB continue to have important role to play in assisting the CLMV countries, Taiwan can also join in these development partners in thinking creatively how to contribute to the alleviation of poverty and lessening the burden of development gap in Cambodia, Laos, Myanmar and Vietnam by bringing the level of the economic development in those countries to be at par with the other six nations within ASEAN in the foreseeable future.

Well-off country needs to help lesser one from breakdown so as to promote prosperity for the region as whole. There is a common responsibility to create a community of peace, prosperity and progress with equitable development among nations, which can make peace and prosperity more enduring and ensure that livelihoods of the people in the region are better-off.

Being the 12th most competitive nation (Global Competitive Report 2013-2014 by the World Economic Forum) among 148 nations and rank 4th behind only Singapore, Hong Kong and Japan, Taiwan could use its soft power to lift CLMV nations through its strength in technological advancement, financial market development, macro economic environment, business sophistication, health and primary education, higher education and training, and innovation to stimulate and boost the economic development and limit the staggering disparity that still exist within and among the CLMV countries. The followings are my thoughts and perspectives on how Taiwan can contribute to equitable and sustainable development in CLMV countries.

First and foremost, understanding the region's diversity is key for Taiwan to play a constructive role in promoting the economic development and engaging in ASEAN economic community building. ASEAN looks powerful because it is able to unite 10 politically, economically, and culturally diverse Members States towards common development goals. After all, ASEAN, among the leaders and elite group, is about personal relationship and trust.

Taiwan must help reduce the development gap by addressing the root cause of development disparity and removing the stumbling block to economic growth in the CLMV countries, otherwise inequality among nations could jeopardize the integrity of the regional integration as a whole. One of the most effective ways is to extend assistance in human resource development to up-grade the capacity of
CLMV officials in good governance and other related training programs as well as assisting on improving investment climate.

Taiwan, with its buying power, can be a propelling force to break economic stagnation in the CLMV countries. Taiwan should identify consumable products, especially agricultural goods, which are abundantly produced in the CLMV countries, such as rice and other cash crop and consider importing them at large quantities. This would allow goods produced in CLMV to have greater market access, which can potentially expand trade and commerce between the two sides.

Taiwan can help improve less-developed CLMV countries to improve their technological capabilities in agricultural and manufacturing industries, by providing technical assistance to upgrade the best practice and transferring the managerial know how. This effort will promote concrete measure to institutionalize regional economic cooperation between the two sides.

Taiwan could come up with possible measure to enhance the free movement of tourists by removing the restrictive immigration regulations and provide freer opportunities to visit each other country, to learn about the history, culture and society of the CLMV countries. This people-to-people through cultural exchange is key to develop and build relationship.

Taiwan could also strengthen educational cooperation with the CLMV countries through the creation of appropriate study programs that focus on increasing the knowledge on regional’s history, languages, politics, economic, culture, and society as these curricular would deepen mutual understanding and build a stronger bond between Taiwan and CLMV.

I believe that Taiwan has a vital role to play by using its soft power in supporting and promoting a durable peace, prosperity and progress across the region and especially among the CLMV countries. This economic partnership will yield extensive benefits in term of jobs creation and long-term growth for Taiwan and ASEAN. A shared commitment to economic prosperity is the key to this viable endeavor. While the CLMV are on the road to economic growth and sustainability in term of more training, better education, and practice, I am sure that we (at least from the Cambodian perspective) would like to walk that road together with Taiwan.

Lastly, since the current government of Cambodia has close ties with China (PRC) and has adopted the One China policy, the political link with Taiwan is not presently possible. However, Taiwan investments are welcome and both countries can jointly explore possibilities through which relationship can be developed in the areas of humanitarian and technical assistance, education, agriculture and science & technology.

References:


