

SECOND GLOBAL REVIEW OF AID FOR TRADE
AID FOR TRADE: REGIONAL IMPLEMENTATION EXPERIENCE
GREATER MEKONG SUB-REGION (GMS)

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Excellencies, distinguished delegates, ladies and gentlemen,

It is a great pleasure and honor for me to be invited to address to this important conference for the Global Review of Aid for Trade in this marvelous city of Geneva. First of all I would like to thank the World Trade Organization for inviting the Greater Mekong Sub-region Business Forum to present and exchange its practical experience in Aid for Trade.

The Third GMS Summit held in Vientiane, Lao PDR on November 2008 under theme “Enhancing Competitiveness through Greater Connectivity”, provided the opportunity to GMS Leaders to discuss ways to deepen economic cooperation for their countries’ shared prosperity. They discussed how connectivity improvements could help expand markets, improve access to social services and protect the environment. The GMS Leaders issued a Joint Summit Declaration and agreed on a comprehensive five-year Plan of Action for Development called the “Vientiane Action Plan” that aims to spur growth, reduce poverty, promote social development and enhance environmental protection in the sub-region. The GMS countries have worked together to build basic cross-border infrastructures especially, roads, bridges, and ports to transport goods and people for integrating GMS’s domestic markets and linking the region with the rest of the world. Trade and transport facilitation, harmonization and modernization of customs and administrative procedures, promotion of the private sector by enhancing Small and Medium Enterprises trade and finance, and the support to trade and investment promotion were high in the agenda. The GMS-BF recognizes that trade is an engine of growth in the GMS Region and strives to ensure that the benefit of trade incurs to all GMS member countries. The GMS-BF is playing an important role in enhancing the efficiency of related trade and investment projects of the GMS Region.

The GMS Business Forum a Private Sector Organization to Facilitate the Implementation of the GMS Economic Cooperation Program.

Private sector participation in the GMS Program was initiated in 1995 by the 5th GMS Ministerial Conference in Manila and it was only in October 2000 that the GMS-BF was established with the support from the UNESCAP and the ADB. It is a private sector organization formed by national chambers of commerce and industry of the six GMS countries within the framework of the GMS Economic Cooperation Program. Today GMS-BF organization has evolved in relation to the fast economic growth of the GMS region. In addition to the six core members under national chambers, GMS-BF has actually a large number of corporate members¹ who are representative of multinational and national enterprises operating in the region.

The role of the GMS-BF is to provide private sector’s related products and services to facilitate the implementation of the GMS Economic Cooperation Program and related initiatives, and more generally, to support sub-regional development through activities and resources of the private sector. The strategy includes four keys components that aim at; (i) Facilitating business related information flows by the organization of business forums; the dissemination of information through the GMS-BF website www.gmsbizforum; and the studies on selected sub-regional business issues; (ii) Marketing

¹ The GMS-BF’s corporate members include TNT Express Worldwide N.V. and Schenker Asia Pacific Pte. Ltd two world leading transport and courier companies; RTE International, France; BlueScope Lysaght Thailand Ltd; OZ Lanexang Mineral Ltd; and Japan Chamber of Commerce, Thailand headed by ITOCHU.

GMS business opportunities by organizing GMS business project-focused meetings bringing together private investors, GMS governments, and key international financial institutions; (ii) Capacity building through training to strengthen the capacity of private sector institutions; and (iv) Corporate membership services by developing GMS investment map and country toolkits with information in doing business in the GMS Region.

Since its establishment in 2000, it was only from 2005 that GMS-BF has been really pro-active in its role as a regional private sector organization to fulfill its mandate. Actually, GMS-BF plays an important part in promoting awareness of trade and investment opportunities in the GMS Region.

GMS Conferences – A Platform for Public and Private Dialogue

The major achievements made by the GMS-BF has been the organization of a series of GMS conferences and working groups with the support of GMS governments, private investors, ADB, UNESCAP and other development partners to address the key concerns and issues related to trade and investment in the region. The GMS conference is a platform for public and private dialogue that focuses issues related to specific economic sectors and to issues related to the development of the GMS Economic Corridors. The most important GMS conferences organized were: the East West Economic Corridor (EWEC) Conferences, held in Bangkok, Thailand on 23-24 June, 2005 and in Ho Chi Minh on 26-27 March, 2006; the Conference on SME Finance, in Bangkok, Thailand, 16-17 February, 2006; The Conference on Adding Value to Agricultural Products in the GMS, held in Bangkok, Thailand, 8 March 2007; the Conference on Mining, in Vientiane Lao PDR, 16-17 June 2007. The Conference on International Accounting Standards and Reporting Methods, in Bangkok, Thailand, 28 November 2007; and the GMS-High Level Symposium on GMS Logistic Cooperation, held in Kunming Yunnan, China 6-7 June 2009.

GMS-Business and Investment Dialogue and Reporting to the GMS Leaders

Another achievement is the GMS-Business and Investment Dialogue (GMS-BID) organized as a side event of the Third GMS Summit held in Vientiane, Lao PDR on 29-30 November 2008. The BID involved discussions of key challenges to trade and investment in the GMS and of possible ways by which to address some of these challenges. The resolution from the BID was reported to GMS Head of States and Governments on 30 November 2008. The challenges addressed and reported to the GMS Governments were; (i) Challenges to intra-GMS trade and improvements in the GMS investment climate; (ii) Challenges to the implementation of the GMS Cross-Border Transport Agreement (CBTA) and possible roles for the private sector; (ii) Challenges of enhancing the involvement of Small and Medium-Sized Enterprises in the export market.

GMS Business Forum - Challenges and Proposed Private Sector Regional Projects

The GMS countries hold tremendous trade and investment potential that still remains to be unleashed – with considerable positive impact on economic growth and poverty reduction. The GMS-BF is committed to work in partnership with the GMS governments towards realizing the sub-region's economic potential to the highest, towards the vision of a stable, prosperous and equitable Mekong Sub-region.

Along with the recent improvements in the trade and investment regimes, impediments are likely to persist. There are impediments inherent in individual countries' geography, location and market size; there are impediments brought about by market forces, and there are impediments borne out of institutional and regulatory bottlenecks. The GMS countries have large economic disparities, the Least Developed Countries (LDCs) such as Cambodia and Laos remain in transition to market economies and have difficulties to market their goods due to limited resource base. They can only produce a narrow and limited range of goods and services, which is difficult to achieve the economy of scale.

In relation to these constraints, there is a tremendous need for the public and private sectors in the GMS to focus their collaborative efforts on a number of pressing concerns where tangible and immediate results can be achieved. In recent years, the series of global crisis such as the energy security crisis, the food crisis, the financial crisis and the latest global economic recession have further

affected all GMS economies and livelihoods. The manufacturing sector, which has link to the global markets in the US, Europe and other economies is the most affected by the present crisis. This global situation entails GMS countries to fasten their economic integration.

The GMS countries are presently engaged in the implementation the GMS Customs Transit System on a pilot basis along the East-West Economic Corridor (EWEC). This system can speed up the cross-border movement of goods along the GMS corridors and bring about considerable benefits to trade in the GMS. The GMS Transit System is expected to eliminate existing costly and delay-causing regulations and requirements on cross-border freight transport. The GMS business community has actively discussed ways by which it can help address the constraints to cross-border movement of goods in transit across the GMS. Specifically, GMS-BF has proposed the creation of a GMS freight transporters' association at the regional level. Such freight transport association would perform the role of harmonizing and coordinating the accreditation and/or licensing of transport operators plying the GMS corridors based on uniform and strictly enforced region-wide standards. This would facilitate the operation of GMS based transport companies across the region and their access to regional or international insurance and customs guarantee schemes that will in turn help enhance cross-border trade and transport flows.

GMS-BF also proposed to develop a practical strategy for SMEs to participate in global value chains. In this, SMEs can specialize in supplying specific product components, acquire better technology and skills, and over the time, build their competitive advantage in the international market. The lack of access by SMEs to credit for financing their exports is a major constraint to their ability to participate in the export market. The GMS-BF sees the need to help them address this problem by bringing up the idea of a scheme to encourage banks to lend to SME exporters and export suppliers for working capital purposes. The scheme involves the setting up of a SME Regional Development Fund that will provide technical assistance to and equity investments in country-based or local guarantee institutions that will in turn underwrite export financing for SMEs. Such a regional fund may be established with equity investment to be sought from GMS governments, banks, and large corporations doing business in the GMS, as well as regional and international development finance institutions.

GMS Business Forum – Regional Aid for Trade Program

The GMS-BF is supporting the initiative from the WTO to review global Aid for Trade development. Moving toward a regional approach for Aid for Trade is definitely an efficient option to address the economic and social development challenges faced by the different peoples and organizations in the GMS. However, from practical experiences of the GMS-BF there a number of issues that need to be further addressed to enhance the efficiency of regional Aid for Trade Program.

One of the main challenges in regional integration is to close the gap between least developed and developed countries within the GMS Region. The initiative to leverage the gap of LDCs is in the agenda of Aid for Trade with a large number of infrastructure investment projects planned and implemented in Laos, Cambodia and other countries in transitional economy. However, those investments would not be efficient if they are not benefiting local economies and especially the private sector in those economies. Hence, closing the gap is also an important issue within the private sector context. GMS-BF proposes to develop a regional framework for private sector participation at regional level that would enhance the capacity and competitiveness of private sector in the LDCs for them to operate in regional and global value chains.

Public and Private Partnership is necessary for enhancing economic integration, but private sector organizations are not always consulted or involved in the conceptualization, planning and implementation of national and regional Aid for Trade projects. The GMS-BF with its regional network through the GMS countries' national chambers of commerce and industry and through its network of multinational corporations started to develop such public and private partnership through the GMS conferences and working groups. However, its operation is still very limited and cannot cover all issues. One of the reasons is due to the limited absorption capacity of the GMS Business Forum, and of the GMS countries' national chambers capacities to provide required private sector's products and services. Strengthening the capacities of regional and national Business Managed

Organizations (BMOs) such as the GMS-BF, regional BMOs and national chambers and business associations should be set as one priority of the Aid for Trade program.

Finally, I wish that this conference will be able to draw conclusions on how to achieve the goal quoted by Mr. Pascal Lamy to get a more and better Aid for Trade program that will be helping all developing countries to take advantage of trade opening and of the global trading system.

I wish you well in your deliberations, and look forward to the coming panel discussions.

Thank you.