MIGRATION IN THE GREATER MEKONG SUBREGION

Resource Book

In-depth Study: Border Economic Zones and Migration

Mekong Migration Network • Asian Migrant Centre

With the support of the Rockefeller Foundation & OXFAM-Hong Kong

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(Fourth edition)

In-depth Study: Border Economic Zones and Migration

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Preface

This is the 4th edition in the series: Migration in the Greater Mekong Subregion: Resource Book (1st edition published in 2002; 2nd edition in 2005; and 3rd edition in 2008). It includes country overviews of respective countries in the Greater Mekong Subregion (GMS) to set the regional context; migration overviews to provide an update on trends, legislations and issues relating to migration; and substantive studies on border economic zones (BEZs) and migration. This edition is the outcome of the Mekong Migration Network's (MMN's) collaborative research between 2009 and 2012.

This book contains the following sections.

*Poster of "Migration in Thailand: Timeline of Facts and Figures"

*Tables of migration and socio-economic data for the six GMS countries

*Part 1: Overview of country situations-providing general country overviews including summaries of political, economic and social issues pertinent to migration. Information relating to trade, foreign direct investment (FDI), and official development aid (ODA) is also included in this edition to set the context for the BEZ sections.

*Part 2: Overview of migration-Providing an update on migration-related policies and issues.

*Part 3: Overview of Border Economic Zones-Based on secondary research, this chapter provides a regional overview of BEZs, including background relating to the establishment of BEZs in respective GMS countries, legal frameworks, and the roles of ODA and FDI in BEZs.

*Part 4: In-depth Study on BEZs and Migration-Based on both secondary and primary research, this chapter summarises detailed information and the impact of BEZs in selected border areas, namely Cambodia-Vietnam BEZs, Thailand-Burma/Myanmar BEZs, Thailand-Cambodia BEZs and Thailand-Laos BEZs. Each chapter describes the background, management structure, relevant agreements and policies, current situation and future plans, impact on migration flows and migrants, working and living conditions in BEZs, and impact on local people.

We hope that readers will find this book a useful reference in understanding migration in the GMS as well as in understanding what is happening in the BEZs. In addition to this resource book, please refer to the MMN webpage (www.mekongmigration.org) including online MMN resource materials to keep updated with constantly shifting policies concerning migration and labour in the region. Please also contact the MMN secretariat at info@mekongmigration.org with any inquiries.

Mekong Migration Network
Asian Migrant Centre
January 2013

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Country Research Teams (CRT):

Most of the CRT members were members of the Mekong Migration Network (MMN) while Laos and Vietnam CRT members included some who were not MMN members but were committed to sharing their expertise particularly in the research on Border Economic Zones (BEZs).

The research and development of the resource book was possible because of the hard work of the following Country research teams:

Cambodia CRT

- Ms. Ly Vichuta, Mr. Mom Sokchar, Mr. Dul Ravy, from Legal Support for Children and Women (LSCW)
- Mr. Chhorn Ann, Ms. Meach Sotheary, Mr. Som Sen, and Mr. Chan Dara, from Cambodian Women for Peace and Development (CWPD)
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China CRT

- Ms. Jialing Han and Ms. Xiaoying Cui, from the Migrant Workers Education and Action Research Centre
- Ms. Wei Tang and Mr. Mingming Xiang, from Society of Strengthening Capability of Women and Community Development in Yunnan

Laos CRT

- Ms. Kabmanivanh Phouxay, Mr. Phouth Simmalavong, Mr. Dexanourath Senedouangdeth, Mr. Boualamthong Onetavong, Mr. Kenchanh Sinsamphanh, Mr. Bounthavy Sosamphansay, Mr Phombouth Sadachith and Ms. Oulavanh Sinsamphanh from the Faculty of Social Sciences, National University of Laos (NUOL)
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- Ms. Chidchanok Samantrakool

Other Contributors:

After the initial drafts were prepared by the CRTs, the following people helped to finalise this publication:

- Ms. Reiko Harima, Regional Coordinator of MMN and Managing Director of Asian Migrant Centre (AMC), who coordinated the overall project.
- Mr. Geoff Thant, Ms Imogen Howells and Mr. James D. Brown, who carried out supplementary secondary research to refine the chapters, and who provided editing assistance and further content.

Additionally, the following people contributed in various ways through providing advice, further research, drafting, editing, and design:

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Mekong Migration Network
Asian Migrant Centre
January 2013

Acronyms

ACMECS ..... Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
ACMW ..... ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers
ACWC ..... ASEAN Commission on the Promotion of and Protection of the Rights of Women and Children
ADB ..... Asian Development Bank
AEC ..... ASEAN Economic Community
AFTA ..... ASEAN Free Trade Agreement
AICHR ..... ASEAN Inter-Governmental Commission on Human Rights
APEC ..... Asia-Pacific Economic Cooperation
APG ..... ASEAN Power Grid
ASEAN ..... Association of South East Asian Nations
ATIGA ..... ASEAN Trade in Goods Agreement
BEZ ..... Border Economic Zone
BGEZ ..... Border Gate Economic Zone
BGF ..... Border Guard Force
BIMSTEC ..... Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOI ..... Board of Investment
BSPP ..... Burma Socialist Programme Party
BTZ ..... Border Trade Zone
CAFTA ..... China-ASEAN Free Trade Area
CBEZ ..... Cross-Border Economic Zone
CBTA ..... Cross-Border Transport Agreement
CCP ..... Chinese Communist Party
CDC ..... Council for the Development of Cambodia
CDCF ..... Cambodia Development Cooperation Forum
CEPT ..... Common Effective Preferential Tariff
CI ..... Certificate of Identity
CICETE ..... China International Centre for Economic and Technical Exchanges
CLV ..... Cambodia, Laos, Vietnam
CNY ..... Chinese Yuan (national currency of China)
COMMIT ..... Coordinated Mekong Ministerial Initiative against Trafficking
CPC ..... Communist Party of China
CPI ..... Consumer Price Index
CPP ..... Cambodia People's Party
CRT ..... Country Research Team
CSR ..... Corporate Social Responsibility
CSEZB ..... Cambodian Special Economic Zone Board
DBT ..... Department of Border Trade
DKBA ..... Democratic Karen Buddhist Army
EC ..... Economic Corridor
EOI ..... Export-Oriented Industrialisation
EPS ..... Employment Permit System
EPZ ..... Export Processing Zone

EU ..... European Union
EWEC ..... East–West Economic Corridor
EXIM ..... Export-Import Bank of Thailand
FDI ..... Foreign Direct Investment
FRC ..... Final Registration Certificate
FTA ..... Free Trade Agreement
FUNCINPEC ..... Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique, et Coopératif
GDP ..... Gross Domestic Product
GSP ..... Generalised System of Preferences
GMS ..... Greater Mekong Subregion
GMS ECF ..... Greater Mekong Sub-region Economic Corridor Forum
HDI ..... Human Development Index
IDA ..... International Development Association
IEAT ..... Industrial Estate Authority of Thailand
IFI ..... International Financial Institution
ILO ..... International Labour Organization
IMF ..... International Monetary Fund
IMTM ..... Inter-Ministerial Taskforce for Migration
ISI ..... Import-Substitution Industrialisation
JBIC ..... Japan Bank for International Cooperation
JICA ..... Japanese International Cooperation Agency
JPY ..... Japanese Yen (national currency of Japan)
JTC ..... Joint Trade Commission
KHR ..... Cambodian Riel (national currency of Cambodia)
KIA ..... Kachin Independence Army
KNPP ..... Karenni National Progressive Party
KNU ..... Karen National Union
KOGAS ..... Korean Gas Corporation
KPC ..... Karen Peace Council
LAK ..... Laotian Kip (national currency of Lao PDR)
LDC ..... Least Developed Countries
LPRP ..... Lao People's Revolutionary Party
MDG ..... Millennium Development Goals
MMK ..... Burmese Kyat (national currency of Burma/Myanmar)
MMP ..... Migrants and Mobile Populations
MNDAA ..... Myanmar National Democratic Alliance Army
MOE ..... Ministry of Education
MOFTEC ..... Ministry of Foreign Trade and Economic Cooperation
MOI ..... Ministry of Interior
MOL ..... Ministry of Labour
MOLISA ..... Ministry of Labour, Invalids and Social Affairs
MOLSW ..... Ministry of Labour and Social Welfare
MOLVT ..... Ministry of Labour and Vocational Training
MOPH ..... Ministry of Public Health
MOU ..... Memorandum of Understanding
MPS ..... Ministry of Public Security of Vietnam
MRC ..... Mekong River Commission

MSSC .....Minimum Standard Service Contract
MTOSB .....Manpower Training and Overseas Sending Abroad
MW.....Megawatts
NCSEZ .....National Committee for Special Economic Zones
NEM .....New Economic Mechanism
NESDB .....National Economic and Social Development Board
NGO .....Non-Governmental Organisation
NLD .....National League for Democracy
NMSP .....New Mon State Party
NPRS .....National Poverty Reduction Strategy
NSEDP .....National Socio-Economic Development Plan
NSEC.....North-South Economic Corridor
NTR.....Normal Trade Relations
NT2.....Nam Theun 2 (dam)
NV.....Nationality Verification
ODA.....Official Development Assistance
OHS .....Occupational Health and Safety
PAD.....People's Alliance for Democracy
PDR .....People's Democratic Republic (Lao PDR)
PPAP.....Phnom Penh Autonomous Port
PPP .....Purchasing Power Parity
QIP .....Qualified Investment Project
SAP .....Structural Adjustment Program
SASEZ.....Savan-Seno Special Economic Zone
SAZ.....Special Administrative Zone
SBEZ .....Special Border Economic Zone
SBZ.....Special Border Zone
SDR.....Special Drawing Rights
SEC.....Southern Economic Corridor
SEZ .....Special Economic Zone
SEZA .....Special Economic Zone Authority
SEZ TSC .....Special Economic Zone Trouble Shooting Committee
SME.....Small and Medium-sized Enterprise
SLORC.....State Law and Order Restoration Council
SOE.....State-Owned Enterprise
SPA .....Sub-regional Plan of Action
SPDC .....State Peace and Development Council
TA .....Temporary Admission
THB .....Thai Baht (national currency of Thailand)
TP .....Temporary Passport
UDD.....United Front for Democracy against Dictatorship
UN.....United Nations
UNCDF.....United Nations Capital Development Fund
UNDP .....United Nations Development Program
UNESCO.....United Nations Organization for Education, Science and Culture
UNIAP.....UN Inter-Agency Project (on Human Trafficking)
USAID .....United States Agency for International Development
US .....United States

USD.....United States Dollar (national currency of United States)
USDA.....Union Solidarity and Development Association
USDP.....Union Solidarity and Development Party
VAT.....Value-Added Tax
VIP.....Vientiane Industrial Park
VITA.....Vientiane Industry and Trade Park
VND.....Vietnamese Dong (national currency of Vietnam)
WB.....World Bank
WHO.....World Health Organisation
WTO.....World Trade Organisation

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Introduction

Introduction to the Research on Border Economic Zones and Migration

1. Background

In July 2008, the Mekong Migration Network (MMN) organised a workshop entitled 'Migrants, Migration and Development in the Greater Mekong Subregion (GMS)'. Members of MMN felt that the issue of migration and development in the GMS had not yet been substantially researched and believed that it would be important for the network to initiate discussion on this theme. Approximately 90 participants attended the workshop, including researchers, policy-makers, representatives of international governmental organisations (IGOs), the Asian Development Bank (ADB), as well as representatives of MMN member organisations.[1]

Through discussions about development projects in the GMS, participants at the workshop learnt that many of the most recent development projects have been planned under the framework of the Ayewaddy-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS). This strategy focuses on improving joint infrastructure such as transport links between ACMECS member states in order to facilitate trade arrangements and to promote regional tourism. The establishment of Border Economic Zones (BEZs) is one strategy that has been employed in an attempt to formalise and expand border trade in ACMECS countries. These countries envisioned that increased investment in these zones would lead to the creation of additional jobs and a subsequent decrease in the number of workers from poorer countries migrating to find work.

At a subsequently held MMN General Conference, members decided to carry out collaborative research on the impact BEZs are having on migration and the lives of migrants. There followed the first research consultation meeting, during which Country Research Teams (CRTs) were formed.

In October 2008, MMN organised a second research consultation meeting during which the respective CRT coordinators shared the outcome of their initial studies on the BEZs in their respective countries. The CRT coordinators collectively discussed the research design, chose priority areas for the study and prepared standard questionnaires for the country research.

The following are the main points agreed at the research design stage.

2. Research Design

2-1. Research Problem/Main Research Question

- What are the impacts of BEZs on migration and/or migrants?

2-2. Specific Questions

- How do BEZs contribute to push and pull factors on migrants?
- What impacts do BEZs have on the rights and welfare of migrants?

2-3. Focus and Scope

- Type of projects:
- Cross-border economic zones
- Geographical focus:

Secondary research to feature the following BEZs:
- *Thailand-Laos:* Savan-Seno;
- *Thailand-Cambodia:* Poipet-Sakeaw; Koh Kong-Tratt;
- *China-Vietnam:* Pinxiangshi (Guang Xi)-Lang Son (Dong Dan); Hekou-Lao Cai;
- *Thailand-Burma:* Mae Sot-Myawaddy; Mae Sai-Tacihlek; Prachuab-Tennarisim; Sangklaburi-Three Pagoda; Kanchanaburi-Tavoy;
- *China-Burma:* Ruili-Muse; Laiza-Myttin;a
- *China-Laos:* Mo Han in Xishuanbanna-Borten;
- *Cambodia-Vietnam:* Bavet-Mocbai; and
- *Vietnam-Laos:* Lao Bao-Xepone, Savvanakkhet.

In terms of primary research (field trip, interviews), the following zones were prioritised:
- Savanseno-Mukkadaharn
- Koh Kong-Tratt
- Mae Sot-Myawaddy
- Bavet-Mocbai

- Sectoral focus:
  - Migrants in vulnerable/undervalued work
  - Both documented and undocumented migrant workers
  - Intra GMS cross-border migrant workers and their families
  - Migrant workers across various work sectors

- The following types of infrastructure projects are discussed only in relation to the BEZs, or as a background, but are not the focus of this research:
  - Roads/Highways
  - Trains
  - Hydropower projects
  - Pipelines

- The research endeavours to examine the following issues in terms of the rights and welfare of migrants:
  - Rights to mobility
  - Discrimination issues
  - Work environment (including fair wages, occupational health and safety, union activities)
  - Housing/sanitation and public services
  - Access to information
  - Impact on culture
  - Access to services

2-4. Objectives of the Research

- To conduct a collaborative study to address the above research questions;
- To jointly analyse and understand issues on BEZs and migration;
- To identify possible partners for future research and related advocacy;
- To strengthen the partnership among the MMN through joint research;
- To share the findings and collectively strategise with other relevant action networks;
- To make recommendations addressed to governments, Inter-Governmental Organisations (IGOs)/ UN bodies, and civil society including international and local NGOs, community based organisations, migrant grassroots organisations, trade unions, academics; and

- To disseminate information and findings of the research:
- As advocacy tools, especially to governments and multi-lateral bodies;
- As information to raise public awareness; and
- As reference material for concerned institutions and networks.

2-5. Research Methodology

Primary research

- The targets for interview were the following:
  - Authorities of both central and provincial levels (for example: Ministry of Commerce/Trade, Ministry of Labour, Ministry of Public Health, Provincial Governors);
  - Migrant workers and their families;
  - Local residents; and
  - Private sector (for example: Chamber of Commerce, business people).
- Interviews were conducted using semi-structured questionnaires designed respectively for migrant workers, authorities, business people and locals.
- In-depth qualitative interviews were used in selected cases.
- Observation during the field visits was undertaken.

Secondary research

- A study of existing secondary information was conducted by way of:
  - Desktop research;
  - Academic literature review; and
  - News monitoring.

2-6. Framework of Analysis

- A rights-based framework was agreed upon to examine the impact of BEZs on the political, social and cultural rights of migrants;
- Gender-based analysis;
- Methodologies on data analysis:
  - Primarily qualitative analysis;
  - Quantitative analysis only used to illustrate sample data;
  - Compare policies or legal standard where available;
  - Compare the objectives/policies of the BEZs regarding what governments have promised the BEZs will bring about and what the actual situation is on the ground; and
  - Ask migrant workers to compare their own situation before and after the establishment of the BEZs.

3. Research Implementation

3-1. Primary Research

Following the second research consultation, the CRT coordinators consulted with other members of the CRT and finalised their respective work plans. All the CRTs had started their country research by January 2009.

After the country research had been completed, a third research consultation was held in March 2009. The CRT coordinators presented initial findings and research gaps were discussed. The areas where follow-up research was necessary were agreed upon.

The following are summaries of the research methodologies used in the respective GMS countries. Each includes a brief demographic profile of those interviewed by the respective CRTs.

Burma

The Burma CRT carried out interviews with a total of 117 Burmese workers in three areas along the Burmese border with both China and Thailand. The interviews were conducted in January 2009, and the number of interviewees in the respective areas were: 86 workers in Muse-Ruili, 28 workers in Myawaddy and three in Laiza. Out of a total of 117 migrant workers, 31 were selected for the in-depth study. Interviews took place in public common gathering areas, such as church compounds, teashops and restaurants.

Most of the interviewed Burmese workers came from other regions of Burma, including Sagaing division, Mandalay division, Bago division, Yangon division, Karen state, Kachin state, Mon state, Shan state and Chin state. Among the 31 workers who were selected for an in-depth interview, 17 were male and 14 were female. Twenty-three workers were under 30 years of age and the oldest worker was 53 years old.

Concerning the educational background of the workers, nine out of 31 workers only had a primary education. A further 13 workers had attained high school or university education. The remaining nine workers held diplomas and had qualifications for their respective jobs.

In Ruili and Jaegau in China, 15 interviewees were engaged in the wood crafting and stone polishing business. In Mae Sot, eight of the workers interviewed were female and worked in cigarette and garment factories. The remaining workers who were interviewed worked in a range of venues including: the circus, massage parlours, farms, hotels, and health care centres.

Cambodia

The Cambodia CRT studied two different BEZs: one in Koh Kong sharing a border with Thailand, and another in Bavet sharing a border with Vietnam. In Bavet, the Cambodia CRT interviewed both Cambodian workers and Vietnamese workers who worked for factories in the Manhattan SEZ and the Taiseng SEZ in Bavet. Other key informants, such as businessmen, the provincial deputy governor, district governor, commune leaders and staff from the administration to the SEZ were selected for interviews.

In Koh Kong, the Cambodia CRT interviewed casino workers and construction workers, as no factories were in operation when the interviews took place in February 2009. A representative from the Provincial Department of Labour, a representative from Department of Commerce, and a representative from Koh Kong Provincial Chamber of Commerce, as well as the provincial deputy governor, district governor, commune governor and village chiefs were all interviewed. Regarding the business sector, the Cambodia CRT interviewed the Deputy General Director of the LYP Group, the biggest company to have invested in the border area.

Lao PDR

The Lao CRT carried out in-depth interviews with 22 workers in Savan-Seno SEZ and 20 local residents in the two villages which were expected to be relocated for establishment of the SEZ. In addition, three businessmen (one Laotian and two Malaysians), two village heads and one local government official from the Savan-Seno Special Economic Zone Authorities were interviewed. Focus group discussions were also held for local residents to discuss their concerns regarding the expected relocation.

Among the 22 interviewed workers, 19 were Laotian and three were Malaysian. Fourteen Laotian interviewees were from Champasack (a province in southern part of Laos), two were originally from Savannakhet, and three were from other provinces in Lao PDR.

Among the 19 Laotian interviewees, 15 male workers were hired as construction workers to clear land for the creation of the SEZ. One male worker was hired as a driver, and two female workers were hired as accountants. Another female worker was hired as a housekeeper. Three Malaysian workers

were hired as supervisors and an operator. All six companies which hired the interviewees, either directly or through contract work, were construction/property development companies.

Thailand

The Thai CRT conducted interviews in Mae Sot, Mukdahan and Trat. In Mukdahan, 30 Laotian workers were interviewed. Among them, 20 interviewees worked in agriculture. Eight workers were employed in the fishing industry and the occupation of the remaining two is unknown. In-depth interviews with five government officers in the provinces concerned were conducted. These business officers included two officers from the Chamber of Commerce, two officers from Federation of Thai Industry, and one officer from the Employment Office in Mukdaharn province. In addition, local authorities from two district officers, a customs officer and two hospital officers also participated in in-depth interviews. Focus group discussions with ten participants - of which five were housewives from Muang district and five were housewives from Don Tal district - were conducted.

In Trat, 22 Cambodians were interviewed. Among them, seven were agricultural workers, three were fishing workers and three were construction workers. Two were unemployed and the occupation of the remaining seven is unknown. Other key informants were interviewed, including a restaurant owner, two shrimp-farm owners, and two fishing boat owners. Secondly, in-depth interviews with ten business people were conducted. In-depth interviews with five governmental authorities consisting of two police officers from Klong Yai District Immigration, an officer from Federation of Thai Industries; an assistant district officer of Klong Yai district and a public health officer at a hospital in Klong Yai district were also conducted. A focus group discussion with ten local people was conducted. Participants in this focus group included: the vice-mayor of Had Lek sub-district; the village headman from Fang Klong Makham sub-district; two village headmen assistants from Fang Klong Makham sub-district; three community Public Health Volunteers from Klong Yai district; a village headman from Fang Klong Son sub-district; the president of a village in Fang Klong Son sub-district; and the president of a village in Fang Klong Makham sub-district.

In Mae Sot, five Burmese workers were interviewed. The workers consisted of a textile factory worker, a manual worker, two street vendors and one with an unknown occupation. In addition, in-depth interviews were conducted with ten key informants from the business sector and government officers. These key informants included: five business owners (including the President of the Chamber of Commerce in Mae Sot and the President of Federation of Thai Industries); Mae Sot District Chapter and officials from Mae Sot Customs House; an official from the Office of Employment Agency, Mae Sot District; the owner of a guesthouse; representatives from Mae Sot District Police Station, Department of Public Welfare and Labour Protection, Mae Sot District, and a hospital in Mae Sot district. A focus group discussion was held with the following: three village headmen from Ta Sai Luad sub-district; three officials from Local Administrative Organization of Ta Sai Luad sub-district; and four villagers from Mae Sot Community Group. In order to further study the impacts of the establishment of BEZs on local residents, additional interviews were conducted with local shop and restaurant owners.

Vietnam

The Vietnam CRT carried out interviews with 32 workers, three business people, four officials from local authorities and eight local residents in Moc Bai, Tay Ninh Province. All of the aforementioned interviewees were Vietnamese. Among the 32 interviewed workers, 14 were male and 18 were female. Seven worked in a garment factory, nine were employed in trade industries, and the remaining 16 were self-employed as food vendors, porters, money exchangers, and motorcycle taxi drivers. An official from the Moc Bai Border-gate Economic Zone was interviewed, as well as three officials from people committees. Among the three interviewed business people, one was from a duty-free supermarket, one from a trading company and one from a garment production company.

The Vietnam CRT also crossed the border into Bavet, Cambodia in order to study the situation of Vietnamese workers there. Five workers in a casino (two male and three female) and seven self-employed workers (three male and four female) were interviewed.

3-2. Secondary Research

Throughout the period of the time when the CRTs conducted their country research, a research team at the MMN Secretariat conducted secondary research to study the background of the BEZs and to collect supplementary information.

4. Joint Analysis and Follow-up Research

From 30 July to 2 August 2009, a third research consultation was held, during which time the CRT coordinators presented their findings and draft country papers. Research gaps were identified in all the country research findings and the CRTs agreed to conduct additional interviews and subsequently revise their draft chapters. The follow-up interviews were conducted in the selected areas and further secondary research was carried out in 2010 and 2011.

This research piece on BEZs has been a challenging task for the research team, partly because a lot of policy documents are not easily accessible and partly because it has often been hard to relate the policies and the situation on the ground. The establishment of many of the BEZs is also at a very initial stage in many countries, slowed down by the change in political situation, as well as by the global economic crisis. This has made it difficult for us to clearly observe the impact of the BEZs on migrants at this stage.

Currently investor interests in many BEZs are again on the rise, following the trend to move towards the 'last frontiers' of Asia-Burma/Myanmar, Lao PDR and Cambodia. MMN plans to further study the impact of establishment of BEZs and rushed investment to countries on migration and labour over the coming years.

Endnotes

[1] For more about the workshop, see Mekong Migration Network (MMN) and Asian Migrant Centre (AMC), *Migrants Migration and Development in the Greater Mekong Subregion,* Proceedings of the Workshop co-organised by the MMN, National University of Laos, Lao Women Union and AMC, 15-16 July 2008, Vientiane, Lao PDR. Available at www.mekongmigration.org/?page_id=73 (accessed 27/10/2012).

Part 1: Country Overview

In this chapter, the highlights of the recent political, economic and social issues in the GMS countries are summarised to give a background picture behind migration and border economic zones.

Photo courtesy of Pattanarak

People cross the Mekong River to their neighbouring countries in search of livelihood.

Regional Context

The Greater Mekong Subregion (GMS) comprises Burma/Myanmar, Cambodia, Lao PDR, Thailand, Vietnam and the Yunnan and Guangxi provinces of China. The subregion is home to a diverse population of approximately 326 million people spread out over an area of 2.6 million square kilometres.[1]

Following an initiative by the Asian Development Bank (ADB) in 1992, the governments of the six GMS countries held a joint ministerial meeting to launch the GMS economic cooperation mechanism. This mechanism aims to enhance economic relations, promote economic and social development, and achieve common prosperity in the region.[2] These goals are to be accomplished through projects in the areas of transport, energy, telecommunications, the environment, human resource development, tourism, trade, private sector investment, and agriculture.[3]

Dialogue on regional economic cooperation has come about at a time when many of the countries in the region have gradually begun to open up their economies and move from centralised economic models to more market oriented systems. Lao PDR adopted the New Economic Mechanism in 1985 and Vietnam initiated the Doi Moi (renovation) policy in 1986. Cambodia officially recognised the private sector as a key component of the country's economy in 1986 and subsequently normalised trade relations with the West after nearly a decade of isolation (1980-1989).[4] Thailand had begun to transform its economy to focus on export-oriented industry in the 1970s. However it was not until the mid-1980s that major inward investment took place, as firms from Japan and other newly industrialised economies (NIEs) in East Asia relocated their plants to Thailand.[5] China meanwhile has undergone

a well-documented transition from a command economy to a market-oriented system under the reforms initiated by Deng Xiaoping, at the end of the 1970s.[6]

All of the GMS countries, with the exception of China, are member states of the Association of South East Asian Nations (ASEAN). Thailand is the only founding member of ASEAN in the GMS. Vietnam joined in 1995, Lao PDR and Burma in 1997, and Cambodia in 1999 (the new ASEAN members are often collectively referred to by their initials as CLMV). By joining ASEAN, they have all committed to the ASEAN Free Trade Area (AFTA) agreement, although the CLMVs have been granted additional time to meet AFTA's tariff reduction obligations.[7]

Levels of economic development within the GMS vary greatly, a fact reflected in the disparities found in the Gross Domestic Products (GDP) for the six Mekong countries. In 2010 Thailand had the highest GDP at USD 4,610, followed by Vietnam (USD 1,191), Lao PDR (USD 1,175.7), Cambodia (USD 821), and Burma (USD 742.4). While the GDP of China reached USD 4,507 in 2010, Yunnan and Guangxi provinces are among the poorest regions of the country and despite rapid recent growth, the GDP of these provinces stands at USD 2,321.4 and USD 3,071.1 respectively.[8] The high levels of poverty experienced by sizeable sections of the populations of Burma, Cambodia, and Lao PDR are to a large extent the consequences of prolonged periods of armed conflict. The United Nations (UN) continues to place these three states on the list of the world's Least Developed Countries (LDCs).[9]

Rich in natural resources and with abundant labour, these three countries are however considered to have the greatest potential for economic growth. Investors predict that improved infrastructure to connect Burma, Lao PDR and Cambodia to strategic regional ports, together with political reforms, make these countries extremely attractive to foreign inward investment.[10] Demographically, these countries are also experiencing an increase in the proportion of their populations that are of a working age (25-54 years). This contrasts to Thailand and China, who have rapidly ageing populations, while the share of the total population of Vietnam that is of a working age is also expected to stop growing after 2015.[11]

With this general regional context in mind, the following country chapters provide an overview of economic development and political and social changes in the respective GMS countries over recent years.

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Photo courtesy of MMN

Mandalay is the second largest city in Burma, and the economic hub of Upper Burma.

Burma / Myanmar Country Overview

1. Overview

Burma/Myanmar borders China to the north and northeast, Lao PDR and Thailand to the east and southeast, and Bangladesh and India to the west. The country's Ministry of Foreign Affairs 2003 estimate put the population at about 52.4 million,[1] although the last official census was conducted in 1983 and accurate statistics are for the most part unavailable.[2]

Burma has abundant natural resources, and is especially rich in gemstones, natural gas, oil and timber. These reserves are still largely controlled by the military and their business associates, who have presided over the country for the best part of five decades. The Burmese economy relies heavily on the export of gas, agricultural products such as rice, marine and forest products, and textiles.

Over the past half century, the rule of the military government has led to the country's isolation from the rest of the world. The regime's brutality and its persistent abuse of human rights have brought international condemnation, as well as economic and political sanctions. Isolation and mismanagement have contributed to the stunted development of the largely agriculture-based economy.

According to estimates, the Burmese labour force comprises around 32.53 million people, 70 per cent of whom are employed in the agricultural sector, 7 per cent in industry, and 23 per cent in the service sector.[3] In both skilled and unskilled sectors of the economy few jobs offer workers a living wage. A labourer in Burma earns on average just MMK (kyat) 1,500 to 2,000 (USD 1.2-1.6) for a day's work. This is insufficient to meet their most basic needs, especially as the price of staple goods has steadily increased over recent years. The lack of employment opportunities, low wages, and the rising cost of living, together with the armed conflicts and human rights violations that have affected many parts of the country, have resulted in many workers choosing to migrate abroad. Families in many rural areas often make a conscious decision to assist one or more of their number to leave Burma. Those with few economic resources tend to migrate to neighbouring countries, most notably to Thailand, while those who are financially better off frequently migrate further afield.

Burma is currently undergoing an important period of social and political transition. A week after a devastating cyclone struck the Irrawaddy Delta on 3 May 2008, killing more than 100,000 people and leaving many more homeless, a planned referendum on the new Constitution went ahead. In what is widely believed to have been a rigged ballot, it was announced that despite the humanitarian catastrophe left in the wake of Cyclone Nargis, there had been a 98.12 per cent turnout and that 92.48 per cent of votes had been cast in favour of the new military-backed constitution. Despite numerous allegations of electoral fraud, the 2008 constitution was approved, thus entrenching a significant role for the military in the future governance of Burma. Twenty-five per cent of all parliamentary seats were reserved for military nominees and the role of independent political parties was limited.[4] This 25% threshold is highly significant as constitutional amendments may only pass if supported by more than 75 per cent of legislators. The military is thus able to veto any proposed amendments and can consequently monopolise government power for the foreseeable future.[5]

Following the constitutional referendum, and in anticipation of so-called multi-party elections, the military embarked on a national election campaign. Its mass civilian organisation, the Union Solidarity and Development Association (USDA), was transformed into a political party, and rebranded the Union Solidarity and Development Party (USDP).[6] Daw[7] Aung San Suu Kyi's National League for Democracy (NLD) attempted to have election laws amended to allow genuine opposition participation, but when this failed, it announced in May 2010 that it would boycott the general election.[8] The elections, which eventually went ahead on 7 November 2010, were widely criticised as being neither free nor fair, and the USDP unsurprisingly won the overwhelming majority of seats (80 per cent).[9]

Since the subsequent formation of the new military-backed civilian government, a number of significant developments have taken place. Daw Aung San Suu Kyi has been freed from two decades of house arrest and several hundred political prisoners have been released. Other positive reforms include new labour laws that provide for the formation of unions, the right to strike, and the right to demonstrate; reduced levels of censorship in the media; and a halt in the construction of the Myitsone dam in the face of public opposition.

These positive developments provide a degree of hope to the people of Burma that substantive change is possible. It has also encouraged Daw Aung San Suu Kyi and the NLD to engage with the government in the hope of achieving lasting reforms. On 1 April 2012, the re-constituted NLD gained a sweeping victory in by-elections, winning 43 out of 45 contested seats.[10] Although a major triumph for the democratic movement, the NLD currently holds just a fraction of the total number of seats in parliament.

Disappointingly, ceasefires within the country have broken down, and longstanding ethnic conflicts have intensified, especially in the Kachin and Shan states. Reports emerging from Kachin state reveal that civilians have been shot dead, women raped and villages burnt.[11] Conflict flared up again in Kachine State in the second half of 2012, with concerns that the government has little control of the army, which is fighting the Kachine Independence Army.[12] In addition, there have been renewed clashes in Rakhine State between Buddhists and Rohingya Muslims.[13]

2. Foreign Relations

Since the suppression of the 1988 student uprising, and the refusal of the military to accede power to the NLD following their 1990 election success, Burma was increasingly isolated from the international community. Western countries, notably the United States (US), Australia, Canada and members of the European Union (EU) have pursued policies of political and economic sanctions against the military regime.[14] This has indirectly led to a strengthening of Burma's relationship with China, as the generals looked to its booming northern neighbour as a source of trade and investment. Unlike Western states, China has not sought to apply any pressure for political reform or condemn Burma for its poor human rights record, and has provided valuable diplomatic support to the military regime.[15]

By 2011 there were, however, signs of a shift in approach. In September 2011 President Thein Sein announced that work on a controversial Chinese-backed hydroelectric dam in Myitsone (also known as Tanghpre) in the country's northern Kachin state, would be suspended. This was interpreted by analysts as a clear signal that Burma would not unquestionably facilitate Chinese plans and that it wished to place limits on Chinese influence in the country.[16]

This change in foreign policy direction springs from a number of factors, some long-standing and others of more recent origin. Despite the close economic cooperation between Burma and China, there has long been an undercurrent of tension between the two countries. Chinese support of rebel groups after Burma's independence, for example, has remained a source of unease.[17] Popular discontent has also risen as Chinese investment inside Burma has grown and Chinese nationals have poured into the country to capitalise on economic opportunities. Burmese trepidation is also spurred by the realisation that the country has strayed from its traditional non-aligned standing, and is now seen as being firmly under China's sphere of influence. Recent events suggest that there may be a desire to return to the traditional non-aligned international outlook.[18]

The re-building of diplomatic relations with the West could also translate into diversified economic opportunities with a broader range of countries, which would entail less reliance on Chinese trade and investment. The 2010 election presented an opportunity to revitalise Burma's foreign relations, putting a new face on the regime and opening possibilities for a new political and economic direction. The new nominally civilian government has thus felt able to take bold steps, such as the suspension of work on the Myitsone dam, which would undoubtedly have proved more difficult under the old governing structure.[19] The new composition of the government has also provided a window of opportunity for the US and other Western nations to re-engage with Burma in the context of a renewed focus on the Asia-Pacific region and a desire to counter Chinese influence.[20]

While Burma has shown an increased willingness to re-engage with the West, China does still retain massive influence over the country. It remains Burma's foremost trading partner and retains huge investments in development projects and natural resource extraction. Burma also occupies a significant economic and strategic position for China, notably in terms of its ability to access the Indian Ocean, and China is regarded as unlikely to relinquish its influence easily.[21]

Numerous events subsequently signalled the thawing of Burma's pariah status on the international stage. In November 2011 the Association of South East Asian Nations (ASEAN) awarded the Chair of the regional association in 2014 to Burma. In addition, the visit of US Secretary of State, followed by other Western foreign ministers towards the end of 2011, signified a partial thawing of relations with the West,[22] which was reinforced in 2012 with a US Presidential visit.[23]

These visits have been followed by the easing of sanctions, although except for Australia, countries have opted for a more cautious easing or temporary suspension of sanctions, as opposed to lifting these entirely. The EU suspended all sanctions (except the arms embargo) against Burma in April 2012 for a period of one year,[24] with Canada suspending sanctions in the same month.[25] In June 2012 the Australian government lifted targeted travel and financial sanctions on Burma,[26] and the US announced in July 2012 that it would also ease sanctions.[27]

This return to the international stage has facilitated an increase of Overseas Development Assistance (ODA). According to the World Bank's most recent statistics, Burma received a total of USD 357.9 million of ODA in 2010.[28] This amount is likely to increase with numerous governments pledging increased support as reforms get under way. Australia has pledged a total of USD 63.8 million towards poverty alleviation, basic healthcare (particularly for HIV patients) and education for the fiscal year 2012-2013.[29] The US, in turn, has reopened a USAID mission in Burma.[30] It is one of the largest bilateral donors in the country and its extended reengagement has been described as an opportunity to also focus on long-term development, as opposed to only focusing on meeting immediate needs.[31] The EU has also announced a two-year, USD200 million aid package for infrastructure and development projects,[32] while the New Zealand government agency, New Zealand Trade and Enterprise, is also reported to have provided technical assistance to businesses inside Burma to develop the country's agriculture sector.[33]

The Asian Development Bank (ADB) has begun exploratory work and is preparing to provide funding for projects in Burma, while in November 2012 the World Bank approved its first aid grant to the country in 25 years, aimed at meeting the needs of rural communities for roads, bridges, irrigation systems, schools, health clinics, or rural markets.[34]

3. Economic Background

Notwithstanding the dearth of accurate data available on the country, it is evident to many observers that Burma suffers from widespread poverty and gross under-development, despite its fertile agricultural land and rich natural resources.[35] A government report estimates that about 37 per cent of people are unemployed and more than a quarter of the population lives in poverty.[36] The United Nations Development Programme's Human Development Index places Burma at 149th place out of 187 countries, below countries like Pakistan, Bangladesh, Timor Leste and Angola. Life expectancy at birth is about 65 years.[37]

Health and education expenditure in the country is extremely low, and is far surpassed by military spending as a proportion of the annual budget.[38] The proposed defence budget decreased to 14.4 per cent of total government spending in the 2012-13 fiscal year, but an increase of 63% in the government's total budget means that military spending increased by nearly 60% in real terms.[39]

Burma's principal trading partners are presently Thailand, China, Singapore and India. Bilateral trade between Burma and China during the 2011-12 fiscal year and through to the end of December reached nearly USD 3.6 billion, while border trade is also growing rapidly.[40] (For more information on Burma-China border trade see 'China Border Economic Zone Overview' chapter).

Burma's Gross Domestic Product (GDP) has been growing steadily, with growth between 2009 and 2011 estimated at between 5 and 5.5 per cent each year.[41] If Burma manages to harness its natural resources, young labour force and strategic location, it has high growth potential and has been described as Asia's next economic frontier. The International Monetary Fund (IMF) has predicted that the Gross Domestic Product (GDP) could grow by 6% in 2012/13, fuelled by commodity exports, credit growth and foreign investment.[42]

3-1. Major Sectors

Burma's economy is largely based on agriculture. This sector accounts for 40 per cent of the country's GDP, one fourth of its total exports, and employs around 70 per cent of its total labour force.[43] Agricultural output fell sharply in 2008 after Cyclone Nargis destroyed 60 per cent of Burma's 3.2 million acres of paddy fields, and economic losses for that year were estimated at about 2.7 per cent of the country's GDP.[44]

Burma's natural wealth includes arable land, diverse forests, minerals, and fishery reserves. The country possesses the tenth largest oil and natural gas reserves in the world.[45] It is also a leading source of jade,[46] and the abundance of precious and semi-precious stones has generated huge revenues, with jade exports earning the country USD 1.75 billion in 2010-2011.[47] In 2007, agriculture, including fishing and forestry, contributed 47 per cent of GDP. Manufacturing accounted for 13 per cent, and services and trade contributed a further 27 per cent.[48]

Sectors of potential future growth which have been identified are energy and mining, as well as agriculture (rice, palm oil, cereals and pulses), manufacturing (especially the garment sector), financial services, power generation, infrastructure construction, tourism and hospitality, information and communications technology.[49] Timber has been a major earner, but in November 2012 it was announced that the government would introduce a total export ban from 2014 for environmental reasons.[50]

3-2. Recent Economic Strategy

As part of its pre-election economic strategy and development policy, the military regime allocated over 60 per cent of its 2009-10 budget to state-owned enterprises, most of which were operating at a deficit. Extractive industries, particularly oil and gas, mining, and timber remain Burma's most productive sectors. The Government of Myanmar is also currently facilitating the building of several special economic zones, notably the Dawei economic zone on Burma's southeast coast, Thilawa to the south of Rangoon, and around the western port town of Kyaukphyu.[51]

The financial system is underdeveloped and the economy is still largely cash-based.[52] The parallel exchange rate, whereby both an official government-set exchange rate and unofficial rate exist alongside each other, has been recognised as a serious constraint on economic growth, and currency reforms are underway with the support of the IMF.[53]

3-3. Foreign Direct Investment

Foreign Direct Investment (FDI) in Burma remains relatively small compared to that received by its Southeast Asian counterparts. By all accounts, FDI has been increasing as the country opens up, although reliable figures are hard to come by and there is little agreement on the amounts involved. Citing World Bank data, the European Institute for Asian Studies reports that FDI to Burma averaged US$240m per annum between 1990 and 2009, but in 2010, trebled to US$750m, with total foreign investment reaching US$ 40.699 billion as of March 2012.[54]

China has been Burma's main source of diplomatic and economic support since the two countries improved their ties in 1988, and continues to be its largest trading partner and investor. By January 2010, China's investment in Burma reached USD 1.8 billion, or 11.5 per cent of Burma's total foreign investment.[55] China has in recent years offered debt relief, economic development grants, and soft loans for the construction of infrastructure and light industry.[56] The military regime actively encouraged more Chinese firms to invest, especially in the energy, telecommunications, and transport sectors.[57] They have also pinned hopes on attracting further Chinese investment through the construction of a new oil pipeline from Burma's Indian Ocean coast into southwest China.[58]

Thailand was the largest foreign investor in Burma in 2009, with an estimated USD 7.41 billion invested between 1988 and 2008.[59] Some 80 per cent of this investment was in the energy sector, while USD 15.25 million went into the hotel and tourism sector in 2009-10.[60] Thailand's status as the largest investor in Burma was surpassed by China during the 2010-11 fiscal year.[61] In December 2011, the Thai Prime Minister Yingluck Shinawatra visited Burma with the intention of strengthening the commercial and trade relationship between the two countries.[62] Thailand is the largest export market for Burmese resources, valued at USD 3.2 billion in fiscal year 2009-10, while imports from Thailand reached more than USD 408 million, a trade surplus of USD 2.8 billion.[63] It has been projected that bilateral trade between Thailand and Burma will increase threefold, to USD 13 billion by 2015.[64] These closer economic ties have been generated under the Joint Trade Commission (JTC) and the ASEAN Economic Community (AEC).

Singapore, the third largest investor in Burma, has close economic ties with the military regime. Singapore was the sixth-largest source of FDI in Burma, with 74 Singaporean companies contributing a total of US$1.8 billion.[65] Much of the revenue from investment projects in Burma is believed to be siphoned off into foreign banks, mainly in Singapore, and therefore does not appear in the government's official figures.[66]

Meanwhile, Burma has also strengthened its bilateral relations with India, its large western neighbour. India had, following the 1988 uprising, initially supported Burma's democracy movement but since the mid-1990s has increasingly engaged with the military regime.[67] India has reiterated its goal to form a long-term partnership with Burma and Indian companies have large exploration operations for oil and gas inside the country. In the fiscal year 2009-10, Burma-India bilateral trade reached USD 1.19 billion, an increase of 26.1 per cent from the previous year. India is Burma's fourth largest trading partner after Thailand, China and Singapore.[68]

In the light of recent political reforms, Japan has also commenced talks with the government to secure an investment agreement for Japanese firms seeking to do business in Burma. Following the floods that affected Thailand in 2011, some Japanese firms have started looking towards Burma as a potential alternative location for their businesses interests in the region.[69]

Since the suspension or temporary lifting of sanctions by various governments in 2012 there has been increased interest in Burma as a new frontier for investment. The government has taken steps to make the country more attractive to investors, passing a new investment law in November 2012 after almost a year of disagreement between protectionists and those favouring a law less restrictive of foreign investors.[70] The Foreign Investment Law in its final form stipulated no cap on foreign investment in joint ventures in unrestricted sectors.[71] Firms are potentially also entitled to a tax holiday for the first five years, while sections on nationalisation were dropped. Land laws now allow foreigners to lease land for longer periods.[72]

However, these incentives may not be enough to attract investors, and many obstacles remain. Investment in Burma is still regarded by many as economically uncertain and politically contentious.[73] The pervasive level of corruption is discouraging, with Transparency International's 2011 index of perceptions of public sector corruption places Burma third last, beating only Somalia and North Korea.[74] The country lacks a robust legal system to enforce the laws it promulgates and foreign businesses are likely to have legitimate concerns about the security of their investments and the stability and durability of the reforms. Moreover, Burma has an underdeveloped energy and transport infrastructure, which will hinder attempts by foreign investors to set up manufacturing enterprises (see the section on Development of Infrastructure below).[75] Burma will need to show sustained progress in terms of governance and the development of infrastructure, if it is to attract and retain high levels of foreign investment from its immediate neighbours.

3-4. Development of Infrastructure

At present, Burma lacks adequate infrastructure. Power shortages are common throughout the country, as functioning power plants have inadequate capacity and transmission lines are of poor quality. Burma has a population similar to that of Thailand, but has a generating capacity of only 2,000 megawatts (MW), compared to Thailand's 26,000 MW.[76]

In June 2010, one of China's biggest state power firms signed an agreement to construct a new coal-fueled and hydroelectric power plant in Burma. Meanwhile, a consortium of four Indian and South Korean companies are involved in the Shwe Gas Project to construct an offshore production platform, an underwater pipeline and an onshore gas terminal off the coast of western Burma's Arakan State. This project is designed to extract underwater natural gas and import oil to southwest China. The construction of a new oil terminal in Kyaukphyu Township began in October 2009, while commencement of natural gas transfer to China is expected to commence in 2013.[77] This mega-project has been widely criticised for its various negative impacts, including infringing the rights of local communities, failing to improve the livelihoods of locals, and for causing widespread environmental degradation.[78]

Chinese companies are key investors in many of the large dams that are currently being constructed on all of Burma's major rivers and tributaries. Several of these dam projects are in border areas such as Dapein 1 and Dapein 2 on the border with China's Yunnan province, and Weigyi across the border from Mae Hong Son province in Thailand. Electricity generated from these dams is due to be sold to China and Thailand respectively. Construction continues amidst claims that the dams are the cause of population displacement, militarisation, human rights abuses and irreversible environmental damage, with projects thus effectively threatening the livelihoods and food security of millions of people.[79]

Along with these major Chinese investments, the building of the controversial China-backed Myitsone dam in a remote area of Kachin state was approved. It is estimated that 90 per cent of the dam's 3,600-6,000 MW anticipated capacity will be exported to China.[80] As discussed above, in September 2011 President Thein Sein suspended the construction project. However, talks are said to be underway to resume work on the project in the near future, which calls into question the government's willingness and ability to resist Chinese influence.[81]

In late 2010, another mega-project to develop a massive industrial estate and sea port in Dawei was approved. The first-phase contract for the 10-year project is worth an estimated USD 8.6 billion, with the Italian-Thai Development Public Company Limited the major contractor (for more details see the In-depth Thailand-Burma BEZ chapter).[82]

Such large-scale infrastructure projects have threatened the local natural resource management systems traditionally used by the ethnic peoples of Burma. As a result, countless people have been displaced without compensation, forced to abandon their livelihoods and consequently left to struggle for survival.[83]

4. Conclusion

Burma is currently at a critical transitional juncture, with both its political and economic circumstances rapidly changing. These changes are giving rise to hope for the future among the Burmese population and international observers, but are also fraught with risk.

The political reforms that have taken place are a step in the right direction and it is encouraging that the NLD have been able to win seats in parliament in the by-elections that took place in April 2012. However, this limited participation does not allow them to mount an effective opposition to the policies of the military-backed USDP. Neither do their limited election victories challenge the constitution that enshrines military power in parliament. A long process of reform is necessary to embed greater democracy and a more open society. Key parts of this process will involve: getting more democratically elected opposition groups into parliament; amending the constitution which gives the military an effective monopoly on power; reducing the military's budget; and re-directing government spending

towards health and education. None of these tasks will be easy to accomplish, as many hard-line elements in the Burmese Army will oppose a relinquishment of power and influence. The 2011-2012 conflict in Kachin State stands as a vivid testament to the dangers of defying the army, and signals that despite the reforms the Government of Myanmar is still willing to resort to force to solve problems.

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The majority of garment workers are internal migrant women from rural areas.

Cambodia Country Overview

1. Background

Cambodia was ravaged by the Indochina War and its own civil conflicts from the 1970s through to the 1990s. Rule under the Khmer Rouge from 1975 to 1979 was particularly brutal and the genocide perpetrated by the regime resulted in the decimation of an estimated 21 per cent of the population, or 1.7 million people.[1] As a result of this lost generation, the Cambodian population today is extremely young.

In 1993 Cambodia enacted a new constitution following a UN-administered election. This constitution established the country as a constitutional monarchy. Cambodia is now a nominally multi-party democracy with a king as the head of state and a prime minister as the head of government. Cambodia is currently under the rule of King Norodom Sihamoni and the governance of Prime Minister Hun Sen. Government power is divided into three branches: the legislature, judiciary and executive. Major political parties include the ruling Cambodia People's Party (CPP), the Sam Rainsy Party, and FUNCINPEC.[2] While internal political strife disrupted much of the country in the late 1990's, the situation in Cambodia was stable for much of the subsequent decade. Recently however, a long-running border dispute with Thailand over the Angkor-era temple, Preah Vihear, has flared up. The listing of the temple as a UNESCO World Heritage site led to the build-up of military forces in the area and resulted in serious border skirmishes in April 2009 and February 2011.[3]

2. Economic Development

Years of turmoil effectively destroyed much of Cambodia's physical, social, and human capital. Depopulation resulting from the horrors of the Khmer Rouge era still affects the economy today. However, since the enactment of the current constitution in 1993, Cambodia has been on the path to economic rehabilitation. It has begun to integrate into the regional and international economies and foreign companies have begun to invest in the country.

Cambodia has since joined several regional and international organisations, including the Association of Southeast Asian Nations (ASEAN) in 1999 and the World Trade Organisation (WTO) in 2004. Cambodia has also joined the Greater Mekong Sub-region (GMS) economic cooperation programme initiated by the Asian Development Bank (ADB) in 1992. These efforts at regional integration and the opening of the country's economy have, in part, helped the economy grow in recent years.

2-1. Cambodia's Socio-economic Development

Cambodia's Gross Domestic Product (GDP) is a significant indicator of steady economic growth. The country's growth rate averaged nearly 9 per cent annually from 2000 to 2007, only dropping to 6.7 per cent in 2008 during the global financial crisis. However, as the indirect effects of the crisis began to reach Cambodia, growth fell dramatically to 0.1 per cent in 2009, before recovering strongly to 5.9 per cent in 2010.[4] The GDP per capita in 2010 was USD 2,159 taking into account Purchasing Power Parity (PPP). In 2009 it was USD 2,003, a slight drop off from USD 2,065 in 2008.[5] IMF projected that the 2011 and 2012 figures would be USD 2,239 and USD 2,398 respectively.[6]

Agriculture remains a crucial part of Cambodia's economy, accounting for 30 per cent of GDP and over 50 per cent of employment.[7] However, other industries have experienced significant growth. Cambodia's exports have been overwhelmingly dominated by the garment and textile industry. The average growth rate in this sector was 28 per cent from 1998 to 2007,[8] with the industry accounting for 16 per cent of GDP in 2009.[9] The financial crisis of 2008 seriously affected the industry resulting in a 15.46 per cent drop in exports.[10] This was followed by a strong rebound in 2010, with a 17 per cent rise in exports during the first nine months of that year,[11] an upward trend that continued in 2011 with a 25 per cent increase.[12] Recently, rubber production has also become a growing export industry, and the government and private investors are seeking to further expand this sector.[13]

Tourism, another important sector, has continued to grow rapidly. According to an International Labour Organization (ILO) report, over 95 per cent of Foreign Direct Investment (FDI) in 2008 was for tourism construction projects.[14] During 2010, Cambodia received around 2.5 million international tourists, an increase of 16 per cent on 2009.[15] However, the benefits of growth in these industries have not been distributed equally throughout the country, as both the garment and tourism sectors are mainly concentrated in Phnom Penh and Siem Reap, while economic links between urban centres and rural areas remain limited.

Cambodia's contemporary history of war and civil strife has had a dramatic impact on gender relations and the labour market. Due to the large, disproportionate number of men killed in the decades of civil war, especially during the Khmer Rouge era, women outnumber men markedly in the older age groups. However, in the younger age groups, men form a greater part of the population than women.[16] In 2004 it was estimated that a quarter of households were headed by women, both war widows and divorces. This gender imbalance has led to greater female participation in the labour market. Economic roles previously restricted to men were opened to women. In addition, high fertility rates and a population boom in the 1980s have given rise to a young population that places greater emphasis on women as providers for their families. In 2009, according to World Bank (WB) research, women comprised 48.3 per cent of the total labour force. Furthermore, 74 per cent of all women aged 15 and older were participating in the workforce.[17] However, Cambodian women and girls generally have

lower levels of education and literacy which affects their entry and positioning in the labour market.[18] The youth literacy rate (for 15 to 24 years old) in 2005-2010 was on average 89 per cent for males and 86 per cent for females, while the rate of secondary school participation between 2007 and 2010 was on average 32 per cent for males and 29 per cent for females.[19] Women with less formal educational attainment are largely restricted in their employment opportunities to traditional women's occupations such as the garment and textile industry. A large number of female workers are also engaged within the informal sector.[20]

A large proportion of Cambodia's labour force are young rural to urban migrants. One study found that in 2004 more than 40 per cent of urban residents aged between 15 and 24 were recent migrants.[21] Push factors include increased pressure on rural livelihoods, reduced access to land, indebtedness, and poverty. The primary pull factor is the availability of work opportunities in the garment, services and construction sectors in urban areas.[22] Cambodian women, especially young women, have begun to break traditional gender roles by leaving their homes and villages to seek employment, resulting in migration to cities both within Cambodia and across international borders.[23] Many young Cambodian women have been drawn to seek employment in the garment factories that have mushroomed since the mid-1990s. It has been estimated that around 250,000 workers are employed in the garment industry, the majority of whom are women.[24]

Despite their significant contribution to the country's economy, garment factory workers continue to face a variety of problems. These include low wages, poor standards of Occupational Health and Safety (OHS), poor living conditions, short term contracts with few benefits, and difficulties in exercising their labour rights, such as the right to collective bargaining. The minimum wage approved by the Labour Advisory Group in 2010 has been set at a mere USD 61 a month, among the lowest in the region. All of the female workers interviewed for one study said that they eat less food to save money, and over half of those interviewed said that the minimum wage was not enough to support their basic food, accommodation, water, electricity and medical expenses. Despite such difficulties, all the workers interviewed stated that they tried to send remittances of USD 20-30 to their families every month.[25]

BOX 1: Strikes in Cambodia

Cambodia labour scenes have seen a number of strikes by garment workers. The majority of garment workers are internal migrant women from rural areas. Many struggled to retain employment in Cambodia following the global financial crisis: more than 60,000 jobs were lost in 2009 and 153 garment or shoe factories were shut down or had work suspended. An ILO study found that one in 10 workers were replaced or had been fired from a garment-factory job two or more times during 2009. Monthly wages were also reduced by about USD 17 per month.[1] Negotiations to almost double the monthly minimum wage for garment workers began in February 2010 between the Garment Manufacturers Association of Cambodia (GMAC), the Ministry of Labour, and the Free Trade Union Workers of the Kingdom of Cambodia.

An agreement was finally reached in July 2010 when the minimum wage for garment workers was set at USD 61 per month; the previous minimum wage established in 2006 was just USD 56 per month. However, the Coalition of Cambodian Apparel Workers Democratic Union which represents around 40,000 workers has called for a minimum wage of USD 93 per month. The Cambodian union said they need USD 100-120 per month to survive.[2]

The announcement sparked large-scale garment-sector work stoppages across Cambodia with more than 50,000 garment workers voting in favour of strike action.[3] Despite the government threatening unauthorised strikes with legal action, tens of thousands of workers held strikes from 13 to 16 September 2010. According to the Cambodian Labour Confederation, more than 800 workers were suspended or fired in Phnom Penh, Kandal and Kompong Speu provinces as a result of the strikes.[4]

More than 200 workers were suspended on 26 September 2010 in two factories in Kandal province for protesting about the suspension of union representatives following the large-scale strike action. Despite calls from the Minister of Social Affairs to reinstate the suspended workers, representatives of the two factories refused saying that they had no jobs for them.[5]

Strikes have also taken place in response to matters other than minimum wage. In July 2010 Morn Chana, a union representative at a factory owned by PCCS Garments Ltd was fired after telling management that a doctor's note was not necessary for workers to apply for sick leave. In response, around 3000 workers from the factory held a 10-day strike; the workers returned to work after Morn Chana was reinstated but a further accusation and subsequent strike action followed. On 27 July, around 50 riot police entered the factory to attempt to force the 3000 workers back to work.[6]

Strikes and industrial unrest continued throughout 2011 and on into 2012. Strikes during this period have again been prompted by both disputes over wages and benefits and also by the efforts of employers to marginalise and remove union leaders advocating on behalf of workers.[7] According to one source 1000 union leaders were dismissed in 2011 after organising strikes for better pay and conditions.[8] The continuing poor conditions and pay and attempts to repress labour organisation have led some unions to question the effectiveness of the International Labour Organization's Better Factories Cambodia Program, an initiative intended to provide reliable monitoring of Cambodia's garment industry and safeguard against labour rights abuses.[9] Concern over low pay and poor conditions resulted in unions and rights groups holding a "people's tribunal" in February 2012 in order to present evidence to an international panel of judges about the difficulties of living on the low wages paid by garment factories.[10]

Another worrying trend is the use of violence at labour protests. Violence against striking workers has been perpetrated the police[11], and also allegedly by factory employees.[12] One of the most serious cases of violence against protestors occurred outside the Kaoway Sports Ltd. factory in Svay Rieng province on 20 February 2012, where workers were protesting over pay and conditions. Three female workers were shot and wounded during the protest.[13] Rights groups have expressed concern that there has been an increasing use of force by security forces and also private armed guards who work for the factories.[14]

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In its 2010 'Local Development Outlook for Cambodia', the United Nations Capital Development Fund (UNCDF) reported that Cambodian migrants remit on average of 1 million Cambodian Rials (KHR), about USD 250 per year, amounting to 27 per cent of their earnings. The UNCDF stated that these remittances had a 'major impact on the overall wellbeing of migrants' families', and that a significant proportion of remittances 'were invested in productive assets (20%) and in educating younger siblings (6%)'.[26]

The Cambodian government has endorsed the 'Rectangular Strategy' as the nation's single development plan for its 2006-2010 economic agenda. This strategy addresses Cambodia's Millennium Development Goals (MDGs) and encompasses the following four priorities for growth: 1) enhancement of the agricultural sector; 2) improvement of physical infrastructure; 3) private-sector development and employment generation; and 4) capacity-building and human resource development.[27]

2-2. Official Development Assistance, Foreign Direct Investment, and Other International Aid

The Cambodian government has worked with donors such as the WB and the International Monetary Fund (IMF), to address the country's crucial needs. The WB has provided loans of USD 93 million over the past three years for projects in agriculture, governance, health, and emergency recovery. It has also engaged in investment projects in numerous other areas including education, rural development, infrastructure, and water and sanitation.[28] The IMF provided loans in the form of Special Drawing Rights (SDR) of 42 million,[29] (approximately USD 61 million) between 1994

and 1997 and SDR 58.50 million (approximately USD 80 million) between 1999 and 2003 under its Enhanced Structural Adjustment Facility and Poverty Reduction and Growth Facility programmes.[30]

The major economic challenge for Cambodia over the next decade is to create sufficient jobs to overcome the country's demographic imbalance. The Cambodian government views it as essential to create an economic environment that will encourage the private sector to create employment. Currently, more than 50 per cent of the population is under 21 years of age.[31] To exacerbate this imbalance, a majority of the population also lacks education and vocational skills. This is particularly problematic in the poverty-ridden countryside, which suffers from an almost total lack of basic infrastructure.

2-2-1. Official Development Assistance

Cambodia has been identified by the United Nations (UN) as a 'Least Developed Country'[32] (LDC) and Official Development Assistance (ODA) has been the most significant source of support for the country's economic revival. In 2008, Cambodia received around USD 861 million in ODA, including grants and loans for building social and physical infrastructures to improve the environment for economic development, poverty reduction and institutional reforms.[33] Four main sectors benefited from projects funded by ODA in 2009. In the health sector, there were 82 projects totaling USD 103,074,442; in the education sector there were 90 projects totaling USD 68,991,108; in the agriculture sector, there were 30 projects amounting to USD 25,486,395; and the rural development sector had 68 projects totaling USD 60,199,503.[34]

Japan and China have both played very important roles in contributing ODA, while the ADB is a major provider of other development assistance.[35] Japan continues to be Cambodia's largest bilateral donor, pledging USD 131.8 million in 2010; followed by China with USD 100.2 million; and the United States (US) with USD 68.5 million.[36] Among international organisations, UN agencies pledged USD 86.8 million; the WB pledged USD 122.7 million; the ADB pledged USD 153.8 million; while the Global Fund to fight AIDS, Tuberculosis and Malaria (The Global Fund) pledged USD 75.8 million.[37]

At the Cambodia Development Cooperation Forum (CDCF) in June 2010, international donors also pledged a record USD 1.1 billion in development assistance for the upcoming 18-month period.[38] The government announced that roads, water, human resources, and electricity were at the forefront of their development agenda.[39]

Accompanying this strong donor support, the governments of donor countries have demanded that the Cambodian government improve aid effectiveness, accountability, and transparency.

2-2-2. Foreign Direct Investment

FDI is another major source of income powering Cambodia's economic development. China has been steadily increasing its investments in Cambodia and was the country's top foreign financier in 2004 with more than USD 80 million flowing into the country through private firms.[40] In 2008, China invested a staggering USD 4.3 billion in Cambodia, far ahead of South Korea, which was the next biggest investor with USD 1.2 billion.[41] In March 2010, China pledged to encourage investors to focus more on Cambodia.[42] Malaysia, the third largest source of investment in 2011, has recently signed six agreements and a Memorandum of Understanding with Cambodia, promising more than USD 1 billion, in order to further promote trade and investment.[43]

Traditionally, Chinese investments have focused on the almost entirely Chinese-owned garment industry. However, more recently, China has begun branching out into other areas, heavily investing in agribusiness, energy projects and mineral and oil exploration.[44] Additionally, the China National Offshore Oil Company and China National Petroleum Corporation have explored off-shore oil reserves, and the China National Chemical Engineering Group Corporation is reportedly planning to build an oil refinery worth USD 400 million in the coastal town of Sihanoukville.[45] China has also invested in numerous rubber plantations in Cambodia which the Cambodian government has welcomed with open

arms. Chinese firms for example have acquired more land than the legal limit of 10,000 hectares.[46] Mining is another industry that has attracted significant foreign investor interest, especially in the northern parts of the country.[47] The government has said opportunities exist for the mining of bauxite, gold, iron and gemstones.

2-3. Trade

Due to rapid globalisation, foreign trade has become a driving force behind Cambodia's economic growth. Major trading partners outside the GMS include Singapore, Japan, Hong Kong, Taiwan, Germany, the United Kingdom, and the US. Major trading partners in the GMS include Thailand, China, and Vietnam. Major import commodities are: petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, and pharmaceutical products.[48] Cambodia's main export commodities include clothing, rubber, rice, machinery and transport equipment, and footwear.[49]

2-4. Development of Infrastructure

Cambodia has planned a series of construction projects including bridges across the Tonle Sap and Mekong rivers, and a number of roads connected to Economic Corridors in the GMS. Cambodia is located in the central part of the Southern Economic Corridor (SEC) that links Thailand and Vietnam along regional highways. Railway links are also planned that will eventually form part of the Singapore-Kunming Rail Link Project.[50] The development of the SEC will improve connectivity between Cambodia and its neighbouring countries. It will also aim to facilitate increased cross-border trade, private investment and promote tourism and agricultural development.

Development of infrastructure has mostly been funded by ODA and FDI. The Cambodian government has selected the Chinese company, Shanghai Co. to develop infrastructure at the Phnom Penh Autonomous Port (PPAP), which will be funded by a USD 30 million Chinese loan.[51] Plans for Chinese-built hydropower plants are a central component of the government's plan to provide the Cambodian people with an affordable and reliable electricity supply.[52] However, this has also raised concerns because the construction of power plants can have harmful effects on Cambodia's rivers, including the Mekong River which flows from, and into neighbouring GMS countries.[53]

2-5. Vulnerability of the Cambodian Economy

Despite significant economic growth over the past decade, the Cambodian economy remains relatively vulnerable. Cambodia is integrated into the regional and global economy in ways that make it susceptible to adverse economic conditions elsewhere, as demonstrated by the effects on Cambodia of the global financial crisis. Disease epidemics, conflict with Thailand, and natural disasters have also impacted negatively on the economy and have the potential to continue to do so in the future.

The economic growth of Cambodia slowed in 2007 due to a fuel and food crisis, and continued to slow due to the global economic crisis in 2008, which resulted in reduced demand for Cambodian exports. The GDP growth rate in 2008 was 6.7 per cent, with the economy growing by a mere 0.1 per cent in 2009. Though, GDP growth bounced back strongly to 5.9 per cent in 2010.[54] Despite this dip, Cambodia was not directly affected by the global financial crisis because it is not integrated into the global financial network and was not exposed to the risks that accumulated in the financial sector. However, it experienced significant indirect effects because the four main sectors driving growth-construction, tourism, garments, and agriculture-are all, with the exception of agriculture, highly dependent on external demand and investment from both private and public sources.[55]

Garment exports dropped by more than 20 per cent in the first half of 2009 compared to the same time the previous year.[56] The total number of workers in the garment and textile industry was reduced from 352,955 working full time in September 2008 to 290,439 in April 2009.[57]

Construction was among the hardest-hit sectors due to its heavy dependence on FDI, especially in projects where the investment was from South Korea.

The tourism sector was also heavily impacted. The end of 2008 and early 2009 saw a slowdown in tourist arrivals along with an associated decrease in hotel room occupancy rates.[58] The agriculture sector also suffered as the price of cassava, rubber, maize, rice and cashew nuts fell during the harvesting season despite soaring food prices. This resulted in a loss of revenue during the harvesting season.

The growth rate of the Consumer Price Index (CPI) increased from 5.9 per cent in 2007 to 19.7 per cent in 2008.[59] Inflation greatly affected the daily expenses of families with small incomes. Many families who base their spending on remittances from family members who work in the garments sector have had to reduce their expenditures on their basic needs, including sanitation, education, healthcare, food, shelter, clothing and other expenses.[60]

Cambodia has also suffered economically from disease outbreaks, such as the spread of avian (H5N1) influenza in 2003-2005. This caused a fall in poultry prices and affected the livelihoods of some farmers as well as being a serious public health issue.[61] The possibility that Cambodia will be affected by a further outbreak remains very real and eight deaths from avian influenza were reported by September 2011.[62]

In addition, the Cambodian economy has also been damaged by natural disasters. With its relatively flat topography the country is prone to flooding, as was the case in the devastating floods that hit in the latter half of 2011. Agricultural production was especially hard hit as paddy fields were inundated and important infrastructure damaged.[63] As a poor country that depends heavily on agriculture and which is still in the early stages of diversifying its production base, Cambodia is not well-placed to deal with natural disasters and the economic hardships that follow.

3. Conclusion

Cambodia has come a long way since the days of the Khmer Rouge and the civil wars of the 1980s and 1990s. Economic growth has been rapid, a certain amount of industrialisation has taken place and many jobs have been created. However, a number of problems remain. Cambodia has a young population and in the coming years more and more young people will be entering the labour market. It will be a huge challenge for the Cambodian government and society to provide secure employment for this expanding population. Furthermore, it will also be a challenge to ensure that economic opportunities are spread evenly throughout the country instead of clustering in a few urban areas.

The growth of the garment industry has been impressive and it has provided work for many Cambodians, mainly women. However, as the decline in garment exports that followed the 2008 financial crisis illustrates, Cambodia must not be overly reliant on this sector, and the government is taking steps to develop other core sectors such as agriculture and tourism. In addition, further measures must be taken to provide Cambodian workers with the education and skills necessary to diversify the economy.

Cambodia's reliance on ODA and FDI as a source of revenue is also a concern. While funds from these sources currently play an important role in social spending and the development of infrastructure, Cambodia will ultimately have to depend less on these sources of external funding and utilise its own resources effectively in improving the lives of its people. Again, as the global economic crisis showed, foreign sources of investment can be withdrawn in times of trouble, thus leaving Cambodia vulnerable to external shocks. Cambodia has come far but still has a long way to go to ensure greater prosperity and economic security for its people.

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Photo courtesy of MWEARC

Some community activities such as workshops on HIV/AIDS are carried out in migrant languages, Ruili, 2011.

China Country Overview

1. National Level

With an area of 9.6 million square kilometres[1] and a coastline of 18,000 kilometres, China is the third largest country in the world after Russia and Canada. Mountains and plateaus in the west of the country occupy nearly two-thirds of the land, with fertile lowlands, foothills and deserts found in the east. Nine provinces and regions are located in China's inland border areas; from the northwest to the south west they are: Liaoning Province, Jilin Province, Heilongjiang Province, Inner Mongolia (Neimongol) Autonomous Region, Gansu Province, Xinjiang Autonomous Region, Tibet (Xizang) Autonomous Region, Yunnan Province and Guangxi Zhuang Autonomous Region.[2] China shares international borders with 14 countries, namely: North Korea, Russia, Mongolia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, India, Nepal, Bhutan, Myanmar, Laos and Vietnam.[3]

1-1. Political and Social Background

The People's Republic of China is a one-party state controlled by the Chinese Communist Party (CCP). The country's highest decision-making body is the Politburo Standing Committee which consists of nine members. The Party retains firm control over society and limits the freedom of press and the activity of civil society organisations.[4]

Economic reforms introduced at the end of the 1970s marked the start of China's transition from a command economy to a market-oriented one. The economy was opened to flows of foreign investment and many state-owned enterprises were privatised.[5] Despite this transition, the government retains a pivotal hand over the economy.[6]

As a consequence of the economic reforms of recent decades, China has experienced massive changes in the structure of its labour force. Employment in agriculture has experienced a decline as migrant labour has moved from the country's rural interior to industrial and service sector jobs in the booming coastal provinces of Eastern and Southern China. Labour migration has fuelled China's economic development by providing a steady stream of cheap labour for the export manufacturing sector, largely centred in provinces such as Guangdong and Fujian. Inter-provincial and intra-provincial rural-urban migration has resulted in expanding urbanisation and a demographic imbalance between regions and between the countryside and cities, with the younger rural population flocking to the cities in search of work.[7]

This demographic imbalance and its effect on the labour market has been further compounded by the Chinese state's policies on family reproduction. The so called "one child policy" was implemented in 1980 in order to control what was then viewed as unsustainable population growth. This controversial policy remains in place and has had significant demographic effects which impact upon the economy and wider society. Most notably, the population of China is now rapidly aging and a dramatic gender imbalance has emerged due to the high preponderance of male births.[8]

Intense industrial development in coastal regions has left provinces in the interior and especially the west of the country trailing in terms of Gross Domestic Product (GDP) and other socio-economic indicators.[9] In response, the Chinese government has implemented regional development policies to spread socio-economic development more evenly across the country.[10] The Western regions have seen advances in poverty reduction over the past decade, but the incidence of poverty nevertheless remains high.[11] In addition to regional differences, there is a significant wealth gap between rural and urban areas.[12]

1-2. Background to Economic Development

China's economy has been through many stages of transformation since the CCP established its rule in 1949, starting from a centrally planned economy and moving into a semi-open market-based system, dominated by the private sector. These free market reforms commenced in 1978 under the leadership of Deng Xiaoping.[13] The main thrust of these reforms concentrated on fiscal decentralisation, increased autonomy for state enterprises, putting an end to collectivised agriculture, diversifying the banking system, allowing the rapid growth of the private sector, and opening up to foreign trade and investment. Development plans were modelled on the CCP doctrine of the 'Four Modernisations', namely: agriculture, industry, science and technology, and defence.[14]

Despite significant advances towards a free-market system, the Chinese state retains a major role in the country's economic system. For instance, some of the largest state-owned companies have only been partially privatised, with the state remaining the majority shareholder and permitting only a small number of shares to be made available to the general public. In addition, local authorities are increasingly providing the financial backing for companies and their business ventures.[15]

1-3. Current Economic Position and Strategy

In terms of Purchasing Power Parity (PPP),[16] China has been the world's third largest economy for many years.[17] In the second quarter of the 2010-2011 fiscal year, China's economy overtook Japan's in terms of GDP, making it officially the world's second largest economy.[18] China has also experienced exponential growth, at an average annual rate of 9.6 per cent between 1979 and 2005.[19] However, of late this phenomenal growth rate has started to slow somewhat, with GDP for the second quarter of 2012 down to 7.6%.[20]

After agreeing numerous undertakings to liberalise its regime to better integrate into the world economy and provide a more conducive environment for foreign investment, China in 2001 was admitted into the World Trade Organization (WTO).[21] In addition to being a major exporter, China is also a huge importer of raw materials-China is the world's biggest consumer of copper and aluminium-and its demand for these commodities is likely to continue.[22]

China's ageing population however remains a serious concern for the government. By 2015, an estimated 19.24 per cent of the population will be over 60 years of age.[23] The realisation of such forecasts will see China lose its demographic advantage of having a young population to provide a source of low-cost labour to fuel industrial growth and attract foreign investment.[24] In an effort to reverse this trend, authorities have allowed some cities, such as Shanghai, to relax the one-child policy.[25] The once abundant sources of cheap labour are already beginning to dry up and businesses are now experiencing labour shortages due to the far fewer children born in the 1980s and 1990s who are now entering the labour market. This scarcity of labour has contributed to increased bargaining power for workers and as a consequence has seen wages begin to rise.[26]

When China opened up to the world economy in 1978, initial regional economic plans focused primarily on the coastal areas of Eastern China.[27] This has resulted in an imbalance in regional development, leaving China's interior and its Western hinterland neglected. In response, the Chinese government has latterly formulated new economic strategies with the aim of stimulating growth in regions previously omitted from intensive development plans. This is intended to ensure the overall stability of the national economy and to coordinate regional economic development to address the current imbalance.

In 2000, the Chinese government initiated its 'Go West' strategy to channel investment and resources to the country's western regions, including the provinces of Yunnan and Guangxi, which are part of the Greater Mekong Subregion (GMS). This policy has been successful in stimulating economic growth and opportunities. However, despite this drive for greater economic balance across China's vast territory, western provinces still lag far behind the east in terms of their share of productive output.[28]

In terms of its current economic strategy, China is currently implementing its 12th Five Year Plan. The guiding principles of the plan are to promote inclusive growth, rebalance the economy, reduce social inequality and preserve the environment.[29] The government is aware that China remains overly reliant on exports, most notably so in light of the 2008 financial crisis and its aftermath. It is therefore seeking to rebalance the economy towards domestic consumption ahead of investment and export.[30] As part of this strategy China is also attempting to move away from labour-intensive manufacturing towards high tech and knowledge-intensive industries. This includes a commitment to increase expenditure on research and development to 2.2 per cent of GDP.[31] The plan emphasises green growth and sets targets for reductions in carbon intensity and increases in the use of renewable energy sources.[32] The government is also seeking to head off potential social unrest by strengthening the social safety net and increasing the minimum wage.[33]

1-4. Impact of Economic Crisis and the Government's Response

The economic downturn caused by the global financial crisis of 2008 reduced foreign demand for Chinese exports for the first time in many years.[34] The export-oriented enterprises and labour-intensive industries based in the eastern coastal areas were hard hit by the dramatic shrinking of the world market.[35] As a result of declining exports and difficulties in factory operations, a large number of jobless migrant workers returned home.[36] In response, the government introduced a CNY 4 trillion (USD 634 billion) stimulus package in November 2008, and coupled this with an expansionary monetary policy in 2009. This injection of spending and credit steadied the economy.[37] The effects of this stimulus proved sufficient over the short-term, however the implementation of the 12th Five Year Plan, described above, intends to stabilise the economy over the long term.[38]

1-5. GDP Growth

In 2009, spurred by the stimulus package, China's GDP grew by 8.7 per cent and totalled an estimated USD 4.9 trillion according to the National Bureau of Statistics.[39] In 2010, GDP displayed a marked improvement and grew by 10.3 per cent with industry contributing 46.8 per cent, services 43.1 per cent and agriculture 10.1 per cent.[40] The third quarter of 2011 saw Chinese GDP growing at an annual rate of 9.1 per cent, a slowdown in growth that has been attributed to government attempts to curb inflation.[41] GDP growth has continued to fall and by the second quarter of 2012 was down to 7.6%.[42]

1-6. Labour Force and Migration

In 2008, China's labour force stood at an estimated 813.5 million workers, of whom 36.7 per cent were employed in the agricultural sector, 28.7 per cent in the industrial sector, and 34.6 per cent in the services sector.[43] As most of China's development is concentrated in coastal areas, inter-provincial labour migration is common, with many migrant workers leaving their hometowns to seek jobs in the cities of the Yangtze and Pearl River Deltas.[44] In 2006, these migrant workers accounted for nearly 40 per cent of all employees in towns and cities.[45] By the end of 2010, estimates put the number of rural migrant workers at 242 million, approximately one third of the rural-registered workforce.[46] As of 2009, unemployment stood at 4.3 per cent.[47] However official unemployment figures in China are considered by economists to be highly unreliable. This is due to the vast size and high mobility of China's labour force, the method of statistical analysis traditionally used, and the fact that until very recently migrant workers were completely excluded from national employment statistics.[48]

In late 2011, China raised the income threshold in which it measures incidences of poverty to CNY 2,300 (USD 365) a year, or around one US dollar a day. This represents a 92 per cent increase on the level set in 2009 and has resulted in more than 100 million people being reclassified as officially poor.[49] Previously only 2.8 per cent of the country's population were officially considered to be living in poverty, a figure commonly accepted as a gross underestimation.[50] The new poverty line means that 254 million Chinese people, or a little under 10 per cent of the country's entire population are officially considered poor.[51] Although poverty is common throughout the entire country, the majority of China's poor are found in rural areas, and there is a higher incidence of poverty in the less-developed western regions. People living in remote, mountainous regions and ethnic minorities are also more likely to experience poverty. Age and gender differences also play an important factor, as children suffer disproportionately from higher rates of poverty, with girls in particular more vulnerable to falling into the poverty trap.[52]

Poverty among China's informal workers[53] is exacerbated by their inability to access social insurance, as well as the general lack of labour protection, low wages and long working hours. The number of informal workers in China is very high and non-formal employment has played a significant role in boosting China's economy. However, it has also highlighted the lack of adequate labour rights protection, among other issues.[54]

The *hukou* household registration system adds to the insecurity experienced by many workers. Under this system a person is only entitled to basic welfare and government services in the area where the individual holds their household registration, usually in the locale where they were born. It is extremely difficult for a person to change their *hukou* registration. Rural people who wish to move to a city must effectively relinquish their rights to basic public services. Rural-to-urban migrants are thus excluded from access to public services and also from all but the most difficult and low-paying jobs. Large numbers of internal migrants in China are as a consequence marginalised by the *hukou* system.[55]

1-7. China-ASEAN

China became a full dialogue partner of the Association of Southeast Asian Nations (ASEAN) in 1996 and since then China-ASEAN relations have been developed at regular regional meetings and summits.[56] A first informal China-ASEAN summit was held in Kuala Lumpur in December 1997 and six years later at the 7th China-ASEAN summit a strategic partnership was agreed upon to enhance cooperation and dialogue. A range of mechanisms, which involve state leaders, ministers and top officials from both China and ASEAN, have been established to foster cooperation. The two sides communicate through fora such as the ASEAN Regional Forum, ASEAN Plus Three (10 + 3) (ASEAN plus China, Japan, and South Korea) and at the East Asia Summit.[57] China-ASEAN relations have expanded to encompass cooperation in politics, security, economics, trade, science and technology, environmental protection, agriculture, culture, education and tourism.[58]

Perhaps the most important development in China-ASEAN relations has been the growing cooperation in economic and trade matters which has led to the creation of a free trade area. On 29 November 2004, the 'Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation' (the Framework Agreement) was signed between the ASEAN and the People's Republic of China.[59] The Framework Agreement confirmed the commitment to establish the China-ASEAN Free Trade Area (CAFTA) for trade in goods between the six original ASEAN members[60] and China by 2010 and by 2015 for the four newest ASEAN members.[61] The CAFTA was officially launched on 1 January 2010 and covers a population of 584 million people in 10 ASEAN countries plus 1.3 billion people in China, accounting for one third of the world's entire population.[62]

1-8. Relations with the Greater Mekong Subregion

In 1992, in response to a recommendation by the Asian Development Bank (ADB), the six countries of the GMS held their first ministerial meeting and jointly initiated the GMS economic cooperation programme. This initiative aims to enhance economic relations among these countries, promote economic and social development in the region, and achieve common prosperity.[63]

Cooperation between China and other GMS members has focused on nine key areas, namely: communication, energy, telecommunications, environmental protection, agriculture, human resource development, tourism, and the facilitation of trade and investment.[64] Since the second GMS summit for economic cooperation in 2005, bilateral trade between China and the other GMS countries has increased and there has been an improvement in the trade structure and growth in the volume of bilateral investment. China has offered labour contracting services and carried out design consultation in the other five GMS countries and has enjoyed increases in contract values and turnover.[65] China has also participated, in the form of joint ventures or wholly Chinese-owned enterprises, in development and construction of economic and trade cooperation zones in Cambodia, Thailand and Vietnam.[66]

China proposed setting up the Greater Mekong Sub-region Economic Corridor Forum (GMS ECF) at the third GMS summit in March 2008. The GMS ECF was formally established in Kunming, Yunnan Province on 6 June 2008 in order to strengthen inter-state collaboration, attract the active participation of businesses, drive trade, investment and industrial development in the corridor, and foster economic growth. A joint ministerial statement was issued, known as the 'Kunming Consensus', which outlined strategies for increased cooperation.[67] Furthermore, China has also begun implementation of the Action Framework for the GMS Strategy of Facilitation for Trade and Investment. Port information platforms have been established, as have trade facilitation measures such as 24-hour customs clearance. Visa procedures have been simplified and visa offices set up at border ports in the provinces of Yunnan and Guangxi.[68]

2. Yunnan

Yunnan Province is located in south western China and is considered to be one of China's more underdeveloped provinces. It has an east-west distance of about 865 km, and from north to south stretches 900 km.[69] The province has a total area of 394,000 square km, and accounts for 4.1 per cent of China's overall territory. The province's geography is notable for its inaccessible mountainous terrain.[70]

Yunnan is bound to the east by Guizhou and Guangxi, to the north by Sichuan, and on its north western border by Tibet. Its geographical position naturally makes it China's gateway to South and Southeast Asia. Yunnan has a 4,061 km-long international border, accounting for one fifth of China's land borders, of which the Sino-Burmese border stretches 1,997 km, the Sino-Laotian border 710 km and the Sino-Vietnamese border 1,353 km. Yunnan also connects to Thailand and Cambodia along the Lancang - Mekong River.[71] It is also relatively close to Malaysia, Singapore, India, Bangladesh and other Southeast and South Asian countries. Yunnan is thus the Chinese border province which is closest to the largest number of foreign countries.

At the end of 2008, Yunnan's total population was 45.4 million. Of the total population, 14,992,000 resided in urban areas, while 30,438,000 lived in rural settlements.[72] There are around 26 officially designated ethnic minority groups in Yunnan. A number of other ethnic groups who have traditionally resided in Yunnan are not officially recognised as their populations number less than 5,000. With around half of the official ethnic groups in the country, Yunnan has the greatest ethnic diversity of any Chinese province.[73] The Yi, the largest ethnic minority group in Yunnan, accounts for 11 per cent of the province's total population.[74]

2-1. Current Economic Situation

Despite strong recent growth, Yunnan lags behind China's east coast in terms of socio-economic development. In 2010, Yunnan's GDP reached CNY 722.4 billion (USD 114 billion), a 12.3 per cent increase on the previous year.[75] This was also 2 percentage points higher than the national average.[76] Per capita GDP stood at CNY 15,752 (USD 2,495). In 2010, the primary sector contributed 15.3 per cent of GDP, the secondary sector contributed 44.6 per cent, of which industry made up 36 per cent, and the tertiary sector accounted for 40 per cent.[77]

Following the establishment of the ASEAN Free Trade Area, the 'Early Harvest' programme was implemented, which involved reducing import and export tariffs to expand the volume of trade in order to establish a cross-border international market. The countries of the GMS have become Yunnan's largest trading partners.

These cross border economic zones entitle members of the community from either country on the border to certain privileges. For instance Vietnamese traders are able to obtain border passes to sell goods at the thriving markets on the Chinese side of the border.[78]

2-2. Growth of Major Industries

Yunnan is a major producer of copper, lead, zinc, tin, and aluminium for China.[79] The Yunnan city of Geijiu has been dubbed the 'Kingdom of Zinc' as its reserves are the most abundant in the entire country. The province also possesses large forested zones, accounting for 24 per cent of the country's total forested areas.[80] Agriculture, tobacco, mining, hydroelectric power, and tourism are Yunnan's main industries. The province is thus heavily dependent on its natural resources. Most of Yunnan's light industries are related to the processing of its agricultural produce, while its heavy industries primarily involve the processing of raw materials.[81]

Other major industrial output in Yunnan includes commodities such as sugar, cigarettes, cloth, steel, hydropower, and coal.[82] In addition to being a region rich in minerals, Yunnan has also been dubbed the 'Kingdom of Tobacco'.[83] Yunnan is the largest source of tobacco in China. The province produces around 800,000 tons of tobacco and 380 billion cigarettes a year.[84] Cigarette production

accounts for 15 per cent of the national total and is one of Yunnan's most significant exports.[85] Two of Yunnan's cigarette manufacturers, Yuxi Cigarette Factory and Kunming Cigarette Factory form the backbone of the national industry.[86]

2-3. Foreign Direct Investment

Foreign Direct Investment (FDI) is another key driver of Yunnan's economic prosperity. The total number of foreign investment contracts rose from 170 in 2007 to 228 in 2008. This represented an increase from USD 0.97 billion to USD 1.69 billion, before falling back to 163 contracts in 2010, bringing the total down to USD 1.5 billion.[87] In 2010, Yunnan's total utilised amount of FDI was about USD 1.33 billion with the bulk of investments in the construction sector, at 22.2 per cent of the total, followed by manufacturing with 19.5 per cent. Hong Kong[88] is Yunnan's largest source of FDI, with total investments of USD 738.5 million in 2010 (55.6 per cent of Yunnan's utilised GDP).[89]

2-4. Labour Force and Unemployment

At the end of 2005, there were approximately 24.5 million people employed in Yunnan, while the registered urban unemployment rate was around 4.2 per cent.[90]

2-5. Relations with GMS Countries

China has been represented geographically in the ADB-initiated GMS economic cooperation programme by Yunnan Province since 1992, with the Guangxi Zhuang Autonomous Region formally added as part of the GMS in December 2004.[91] Yunnan's participation in the GMS has given it trading privileges over other Chinese provinces. The trade volume between Yunnan and the other GMS countries is consequently much higher than trade between those countries and other Chinese provinces.[92]

Given Yunnan's international borders with Burma, Lao PDR, and Vietnam, there are various routes that connect Yunnan with its neighbours. It is primarily connected to Vietnam through river ports. Additionally, international transportation networks such as highways, railways and other waterways have been constructed between China and Vietnam. These include the Dian-Vietnamese Border Railway, Kunhe high road, and the Red River waterway. Besides the river transport links along the Sino-Vietnamese border, there are more than 10 cross-border highways and hundreds of mountain trails.

Mountains and rivers geographically bind Yunnan and the Lao PDR. The Mohan port, located in the southeast of Yunnan Province is only 2 kilometres from Boten in the Lao PDR. In 1993, these two border towns were opened up as the first port between the countries where foreigners from third countries were permitted to cross.[93]

Yunnan's strategic geographical location encourages trade with its neighbours. Nonetheless, reliance on foreign trade is not high in comparison to China's coastal areas. In 2010, Yunnan's exports amounted to USD 7.6 billion while imports totalled USD 5.7 billion.[94] Yunnan's foremost exports are base metals, tobacco, and food produce, while it primarily imports minerals, machinery, and electronic equipment.[95] ASEAN member countries constitute the province's largest trading partners, accounting for about 57 per cent of the province's total exports.[96]

3. Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region lies to the east of Yunnan. Guangxi also borders Vietnam to the southwest, Guangdong province to the southeast, Hunan province to the northeast, and Guizhou province to the northwest. Guangxi has a total land area of 236,700 square km and a coastline of 1,595 km along the Gulf of Tonkin.[97] It also shares a 1,020 km long international border with Vietnam.[98]

The official, permanent population of Guangxi was registered at 46.1 million in 2010.[99] Guangxi is an ethnically diverse region with around 38 per cent of the population from ethnic groups such as the Zhuang, Yao, Miao, and Dong, in addition to the majority Han population. The largest minority

group is the Zhuang, with a population of around 15.38 million.[100] The Zhuang have a long history, use their own language, and follow distinct cultural traditions. Their prominence in the area is the reason for Guangxi's status as an autonomous region.[101]

3-1. Current Economic Situation

Guangxi's total GDP was CNY 957 billion (USD 151.8 billion) in 2010, with per capita GDP at CNY 20,219 (USD 3,200).[102] Guangxi has made significant advances in terms of economic output over the past 15 years, with GDP climbing from CNY 181.7 billion (USD 28.8 billion) in 1997 to CNY 595.6 billion (USD 94.4 billion) in 2007.[103] The 2010 figures represent a more than five-fold increase on the output from 1997. Nevertheless, the Guangxi economy still lags behind the majority of China's provinces in terms of its productive output, especially the prosperous east coast regions. In this respect it is similar to Yunnan, although Guangxi currently leads Yunnan in GDP terms.[104] In 2010, the primary sector accounted for 17.3 per cent of GDP, the secondary sector contributed 47.1 per cent, and the tertiary sector added 35.4 per cent.[105]

Guangxi's foreign trade exports in 2010 amounted to USD 9,602 million. Guangxi's most important export market is Vietnam, followed by Hong Kong. Major exports include mechanical and electrical products, rolled steel, garments, fabrics, and porcelain and pottery. The total value of imports was USD 8,099 million. Imports came primarily from Vietnam, Australia, the USA, and India. Major imports were soybeans, petroleum products, and iron ore.[106]

Guangxi is currently seeking to take advantage of its strategic coastal location, which provides excellent access to the markets of both mainland China and Southeast Asia. The development of infrastructure is taking place at a rapid rate, with road and rail links being built to connect Guangxi with Kunming, the economic powerhouse of Chongqing, and to the border with Vietnam.[107] These networks will link into Guangxi's ports, which are being developed as a matter of priority. The Beibu Gulf Economic Zone which consists of the port cities of Fangchenggang, Beihai, Qinzhou, and the regional capital of Nanning, is expected to receive government investment totalling CNY 2.6 trillion (USD 412 billion) over the duration of China's 12th Five-year Plan (2011-2015).[108] These ports are developing as important hubs for trade between China and Southeast Asia.[109]

The infrastructural development of the ports on Guangxi's Beibu Gulf coast is also indicative of the way the development of Guangxi's economy has been driven by the desire to establish and promote special economic zones. The cities of Nanning and Guilin both have new high-tech industrial development zones where foreign investment in areas such as information technology and biotechnology has been encouraged. Border trade zones have been set up at Pingxiang and Dongxing to encourage and facilitate border trade between Guangxi and Vietnam. In addition, an export processing zone was established in 1991 in Wuzhou for the development of high-tech export goods.[110]

3-2. Major Industries

Guangxi's sub-tropical climate makes it a perfect location for the production of a range of agricultural commodities. For example, sugar cane plantations are a key component of Guangxi's agricultural output. The region is the leading producer of sugar in China, supplying as much as 60 per cent of the country's total production.[111] A downstream sugar processing industry has also been developed, which forms an integral part of the food-processing industry in Guangxi.[112] Guangxi is also a significant producer of fruit, including tropical fruits such as bananas, pineapples and papayas.[113] Other important commercial crops include cotton, peanuts, tobacco, tea, sesame, ramie and indigo.[114]

Guangxi's abundant natural resources form the backbone of the province's economic development. The region has 96 types of mineral deposit including large reserves of tin and manganese, which compose around one third of the country's total. Tungsten, vanadium, antimony and silver are also present.[115] The region is also home to large reserves of timber.[116]

Guangxi has a diversified manufacturing base encompassing both light and heavy industry, and food-processing. Major industries include automobiles, heavy mining machinery, standard parts and components, electrical and electronics, chemicals, pharmaceuticals and production of cement.[117] Metallurgy is also important, with significant amounts of steel produced.[118]

3-3. Foreign Direct Investment

As in Yunnan, FDI plays an important role in the economic development of the region. FDI is mainly concentrated in manufacturing and construction, although Guangxi authorities also encourage foreign investment in primary and high-tech industries and in transferring technology to existing manufacturing operations. In 2010, utilised foreign investments stood at USD 912 million. This represents an 11.2 per cent drop on the previous year. However between January and August 2011, the figure was USD 700 million, which indicated that a recovery in foreign investment was underway. In 2010, Hong Kong[119] was the largest source of FDI with USD 521 million invested in the region-this amounted to 57 per cent of Guangxi's total. Other important sources of FDI came from Singapore, the British Virgin Islands, and Macau.[120] In recent years, investors from the USA and Japan have also directed capital into Guangxi's economy.[121] With the extensive development of infrastructure and its strategic location between China and Southeast Asia, Guangxi is likely to become an increasingly attractive destination for FDI.

3-4. Labour Force

At the end of 2005, the employed population of Guangxi was 27.03 million. The registered urban employment rate stood at 4.15 per cent.[122]

3-5. Guangxi's Relations with GMS Countries

As noted above, the Guangxi Zhuang Autonomous Region was added to the Greater Mekong Sub-regional grouping in December 2004. The Chinese central government and Guangxi regional government have stressed the region's importance in developing relations with ASEAN, which includes all the other GMS countries.[123] Strengthening ties between Guangxi and the rest of the GMS have resulted in accelerating development of infrastructure, trade and tourism.

Guangxi is a key part of the 'Two Corridors, One Circle' development strategy. This strategy aims to connect Southwest China with the countries of the GMS. One of these corridors runs from Kunming in Yunnan to Quang Ninh in Vietnam, while the other connects Nanning in Guangxi with Lang Son, Hanoi and Hai Phong in Vietnam. The circle refers to the rapidly developing Beibu Gulf economic circle.[124] Guangxi has actively promoted the construction of new roads connecting it to GMS countries, and the upgrading of existing roads to the Vietnamese border. Since 2008, air routes from Nanning have opened to Bangkok, Ho Chi Minh City, Phnom Penh, Vientiane and Yangon, thus connecting Guangxi further with all GMS countries.[125]

Trade between Guangxi and GMS countries has burgeoned over the past decade. The value of the total trade between Guangxi and GMS countries soared from USD 327 million in 2001 to USD 4,944 million in 2009. This represented about 20 per cent of Guangxi's total foreign trade.[126] As explored elsewhere in this publication, Guangxi is also developing special border economic zones in cooperation with Vietnam in order to boost trade (see China BEZ overview chapter).[127] Trade volumes between Guangxi and Vietnam stood at USD 5.13 billion in 2010.[128]

Cross-border tourism has also become more common in recent years.[129] Guangxi and the three Vietnamese provinces of Hanoi, Lang Son and Quang Ning have signed a Memorandum of Understanding on Cooperative Administration of the China-Vietnam Border Tourism and have worked together to develop the tourism market between southern Guangxi and northern Vietnam.[130] In March 2011, the application procedure for Chinese citizens' to enter Vietnam was improved, with applications for border passes now processed on the day of filing.[131]

4. Conclusion

Yunnan and Guangxi provinces are rapidly integrating into the GMS, with trade and investment between these provinces and their Southeast Asian neighbours likely to increase over the coming years. As is commonly known, China has experienced rapid economic growth since liberalising reforms commenced in the 1970s. The challenge that China now faces is to harness that growth and make it more equitable and sustainable. The CCP's 12th Five Year Plan aims to reduce inequality between both rich and poor and across geographical regions of the country.

Balancing the levels of development across different regions has indeed been a key focus of government initiatives since the late 1990s and has resulted in the 'Go West' policy, which has channelled massive investment to western regions including Yunnan and Guangxi. These two provinces, on the south-western margins of the country, have made significant strides in economic development measured in GDP growth, but are yet to catch up with the high levels of productive output seen in eastern coastal provinces. As part of the Chinese government's strategy to further develop the economies of these provinces, Yunnan and Guangxi are taking the role as bridgeheads into Southeast Asia. This has seen bilateral and multilateral engagement with other GMS countries increasing. GMS countries are important markets for Yunnan and Guangxi's exports. Border trade and cross-border investment has been increasing, and major infrastructure developments such as the 'Two Corridors, One Circle' project are proceeding. The impact of this increased trade and development on the movement of populations across borders is still emerging and the heightened economic activity in the region warrants close attention to the flows of people between Yunnan, Guangxi and their neighbour countries along the Mekong.

Endnotes

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[86] See Yunnan Province Department of Commerce, above.

[87] See Hong Kong Trade Development Council, 'Yunnan Province' above.

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Photo courtesy of Omsin Boonlert

Vibrant morning market in Vientiane, 2012.

Lao PDR Country Overview

1. Political and Historic Background

The Lao People's Democratic Republic (PDR) was established in 1975 by the Lao People's Revolutionary Party (LPRP), following decades of conflict during the Indochina War and its own civil war. Today the country is a socialist republic with political power centred within the Politburo and Central Committee of the LPRP, which sets policy guidelines for decrees made by the Council of Ministers.[1] Party congresses are held at five year intervals to determine policy direction and the compositions of the Politburo and Central Committee. The last Congress concluded in March 2011, with appointments running until 2016.

Lao PDR is a country that has been rocked by conflict since its independence in 1954. From the 1960s to the beginning of the 1970s during the Indochina War, the United States (US) expanded its military operations extensively throughout Laos. As a result, the country was subject to extensive bombing by the US military, particularly in the northern and eastern provinces. By the end of the Indochina War in 1975, the country's entire infrastructure had been destroyed and the economy crippled. Lao PDR is still dealing with the legacy of this conflict, with an estimated 25 per cent of the country's villages contaminated with unexploded ordnance.[2]

2. Economic Background

2-1. Liberalisation of the Economy

The Lao PDR government pursued a centrally-planned economy upon coming to power in 1975. However due to economic mismanagement, by the mid-1980s the economy was close to collapse. In 1986, the government launched what it termed the New Economic Mechanism (NEM), a programme that officially shifted the country from a centrally planned economy to one governed by market forces.

The NEM abolished price controls, allowed farmers to work on previously collectivised land, unified exchange rates, and removed the government's trade monopoly.[3] This reform resulted in the introduction of foreign and inter-provincial trade, and a decrease in the number of State-Owned Enterprises (SOEs) by 75 per cent.[4]

Reforms have simplified investment procedures and expanded the availability of credit for small entrepreneurs and farmers in order to improve Lao PDR's economic prospects. The government has also stressed the importance of border trade to support the country's regional and global economic integration.

2-2. Economic Strategy

The National Socio-Economic Development Plan (NSEDP) is a five year plan, periodically issued by the Lao PDR government to guide the economy. The sixth NSEDP determined the overall direction of the country's economy between 2006 and 2010, focusing on the fields of agriculture, health, education, and infrastructure.[5] The seventh and most recent NSDEP running from 2011 until 2015 has sought to further strengthen these core areas.[6] In addition to improving trade relations with other countries through organisations such as the Association of South East Asian Nations (ASEAN) and the World Trade Organization (WTO), the Lao PDR government seeks to further develop its human resources by developing the professional skills of its population for the industrial sector.[7]

2-3. Participation in ASEAN and WTO

Lao PDR joined ASEAN in 1997, and applied for accession to the WTO in the same year. Since becoming a member of ASEAN, government policy has focused on economic cooperation, and cross-border economic links with other ASEAN countries. Lao PDR's admission into ASEAN has further accelerated the development of transportation and telecommunication links with neighbouring ASEAN countries. These improved diplomatic and physical connections have facilitated flows of people between Lao PDR and other countries, including migrants seeking employment.

In the hope of being accepted into the WTO, the Lao PDR has implemented economic reforms and established trade deals with WTO member states. However, at the time of writing membership negotiations with the WTO remain on-going.[8] Nevertheless, important bilateral trade agreements were signed with Japan and China in July and September of 2010 respectively. Furthermore, Lao PDR opened its first stock exchange in January 2011 and made available shares for two major state-run enterprises.[9]

While negotiations for Lao PDR's accession into the WTO remain on-going, the country has established trade relations with other countries. Lao PDR joined the ASEAN Free Trade Area in 1998 and trades extensively with its neighbours.[10] Major export products include: agricultural commodities; copper; garments and textiles; hydropower; and timber, with the Lao PDR specialising in rare and exotic wood and timber products.[11] Lao PDR is also further developing trade relations with the US, having gained Normal Trade Relations (NTR) status following congressional ratification of a bilateral trade agreement in 2005.[12]

2-4. Economic Growth

Although it remains one of the poorest countries in Southeast Asia and is on the United Nations Development Programme (UNDP)'s list of least-developed countries (LDCs), Lao PDR has one of Southeast Asia's fastest growing economies.[13] The World Bank predicts that the Lao PDR economy will experience real GDP growth of 8.3 per cent in 2012, largely driven by expansion in the construction, manufacturing, mining and services sectors.[14] This is up from 8 per cent in 2011, though slightly down from the 8.5 per cent experienced in 2010.[15]

According to the Asian Development Bank (ADB), the services sector grew by 7.9% in 2011, a trend linked to the increase in tourist arrivals, which went up by 9% to 2.7 million for the same year.[16] Hydroelectric power generation now also makes a large contribution to the economy, supplementing traditional reliance on the logging and timber industries. The significance of the industrial sectors of the Laotian economy can be traced back to the 1990s boom in foreign-owned garment factories.[17]

2-5. Socio-economic Development

While the economy has grown, Lao PDR has also seen a reduction in its official poverty rates. According to an ASEAN report, Lao PDR has reduced its poverty rate from 46 per cent in 1993, to 26 per cent in 2008.[18] Furthermore, Lao PDR's Gini coefficient, which is commonly used to measure income inequality decreased slightly between 1997 and 2008, implying a move towards greater income equality.[19] According to the World Bank, Lao PDR is on its way to achieving its goal of graduating from LDC status by 2020.[20] However, many challenges lie ahead.

Lao PDR's overall economic development shows stark geographical inequalities. For instance, Vientiane is the country's richest province in terms of its monthly per capita real food consumption, while consumption is considerably lower in the northern regions.[21] Furthermore, there are significant differences between rural and urban secondary school enrolment rates. In 2008, secondary school enrolment in urban areas was around 70 per cent, while it stood at just 40 per cent in rural areas.[22] Even though the service sector accounted for 42 per cent of the economy in 2011, the largest portion of any sector, Lao PDR's poorest 20 per cent rely almost entirely on agriculture as their means of income.[23] In order to ensure that Laotian people in peripheral, remote and rural areas benefit from economic growth, Lao PDR must balance its economy and endeavour to provide and facilitate economic opportunities, including access to education, skills and training, in all regions of the country.

2-6. Global Financial Crisis

According to an ASEAN report, since financial markets in Lao PDR are undeveloped, the global financial crisis does not seem to have made a substantial impact on the domestic economy.[24] However, the Lao PDR economy did experience decreased foreign direct investment (FDI), decreased demand and prices for exports, and a slump in tourism.[25] FDI decreased by as much as 23 per cent from 2008 to 2009,[26] and continued to fall during 2009 and 2010, until it rebounded in 2011.[27] According to the World Bank, 'exports have recovered swiftly and strongly following the global financial crisis',[28] despite an 8 per cent dip in the export growth rate in 2009.[29] Although there was a 15 per cent loss of revenue in the tourism sector in 2009,[30] tourism was showing signs of recovery by 2011.[31]

Though the Lao Ministry of Labour and Social Welfare announced in 2009 that 48,000 workers would be laid off as a result of the crisis, the crisis did not affect much of the labour market in Lao PDR due to its informal nature.[32] Most of the labour force works in agriculture, forestry or fishing, sectors which were not impacted strongly by the financial crisis.[33] According to the 2005 census, only 13 per cent of the active labour force actually works in the formal sector.[34] Furthermore, according to a 2007 survey, only 11 per cent of labourers work in sectors that would be affected by the crisis such as manufacturing, construction, mining and tourism.[35] Given that the majority of the population live in rural areas and are engaged in informal employment which is less exposed to fluctuations in demand

from hard-hit Western economies and less dependent on inflows of FDI, the effects of the financial crisis have been mitigated and felt more strongly in urban areas.[36]

ASEAN research on the impact of the financial crisis found that 'existing evidence did not indicate the crisis has had a significant impact on migration'.[37] During the crisis the Thai Government announced that it would allow 500,000 registered migrants from Lao PDR, Burma and Cambodia to re-register in 2009 but that from 2010 onwards they must return to their countries and enter through formal channels. There was also a crackdown on undocumented migrant workers in order to free up jobs for Thai workers that were expected to be laid off in their millions in 2009. Thousands of migrant workers were laid off as a result of the crisis and subsequent downturn.[38] The same ASEAN research however found that job losses were somewhat mitigated in the case of Laotian workers, as they were frequently prepared to take jobs that many Thais were not interested or willing to take.[39] The research also noted that some village heads reported lower numbers of people migrating. However, it cautioned that the correlation between migration and the financial crisis is still unclear.[40]

3-1. Official Development Assistance and Foreign Direct Investment

3-1-1. Official Development Assistance

The leading contributors of Official Development Assistance (ODA) to Lao PDR are multilateral agencies such as the ADB, the World Bank, and the UNDP.[41] Lao PDR has also sought development assistance from the European Union which pledged USD 64 million in April 2009, to help it deal with the global recession, food security, and general development between 2010 and 2013.[42]

In a statement issued in May 2009, Lao PDR's Minister of Industry and Commerce reiterated the importance of development assistance for Lao PDR.[43] In an attempt to stimulate international commerce, the government accepted Australian aid in 1994 to construct a bridge across the Mekong River connecting Lao PDR to Thailand.[44] Following Australia's contributions, the inflow of foreign aid from other nations has been on the rise. According to World Bank statistics, Lao PDR received a total of USD 420.1 million in ODA in 2009,[45] and a total of USD 2.4 billion between 2006 and 2010.[46]

A lot of international assistance has been offered to help develop the infrastructure of Lao PDR. In the late 1990s, measures were taken to improve the limited road infrastructure. A key project in this regard was the reconstruction of Highway 13, which links the Lao PDR to China. The only train system within Lao PDR links Nong Khai, Thailand with Lao PDR's new international rail terminal at Tha Naleng (13 km from central Vientiane). It opened in 2009 and spans the Thai-Lao Friendship Bridge. This project was jointly funded by the Thai government and the French Development Agency. While Japan was a major donor for the construction of a new international airport in Vientiane, Thailand contributed to the construction of an airport in Luang Prabang. Following project initiatives supported by the ADB, electricity is now available in 70 per cent of Laotian households, and almost two-thirds of the population have access to good roads.[47]

3-1-2. Foreign Direct Investment

Foreign Direct Investment (FDI) has assisted in transforming Lao PDR from a land-locked to a 'land-linked' country. In 2004, the National Assembly adopted amendments to its 1994 Law on the Promotion and Management of Foreign Investment in Lao PDR in order to offer more competitive advantages and incentives to foreign investors. The government also amended the domestic investment law of 1995 to even the playing field for both foreign and domestic firms.

Lao PDR's economic growth is heavily dependent on FDI, which is mostly associated with the natural resources sector. The 2006-2010 NSEDP emphasised the importance of FDI for achieving its national development goals, and promotes FDI in the agriculture, hydropower and mining sectors.[48] In 2008, FDI amounted to about USD 850 million, the resource industry accounting for 80 per cent of

this.[49] For example, as demand for aluminium expands in India and China, the multinationals Mitsui and Rio Tinto plan to begin bauxite procurement in Lao PDR.[50]

Investment in the non-resource sectors including agriculture, light manufacturing, processing and services has also grown in recent years.[51] Although foreign governments and corporations seeking land concessions in Lao PDR were not previously unheard of, the recent surge in interest from the mid 2000s onwards has garnered much attention. Land became important for industrial use and commercial crop production as food prices increased, driving demand for plantation concessions. In the forestry sector, investment in crop and tree plantations, especially large-scale state land concessions, are rapidly increasing as Chinese, Vietnamese and Middle Eastern investors aim to secure land leases for food production.[52] The Ministry of Planning and Investment has disclosed that the Lao PDR government has reserved 430,000 hectares of land for domestic and foreign investors to establish plantations of eucalyptus, rubber, sugarcane, cassava, jatropha, maize and coffee.[53]

Sources of Foreign Direct Investment

In 2010, Vietnam overtook China and Thailand as the source of the highest total amount of FDI in the Lao PDR. Between 2000 and 2010, Vietnam invested in 252 projects in Lao PDR, totalling about USD 2.77 billion. Investments include mining and hydropower projects and included a USD 1 billion golf course.[54]

China is currently the second largest investor in Lao PDR and is providing economic assistance on preferential terms in areas such as grants, concessional loans, debt relief, public works projects, infrastructure and investments.[55] Chinese investments totalled USD 2.71 billion between 2000 and 2010 and included 397 projects. Thailand is the third largest source of FDI to Lao PDR, investing USD2.68 billion over the same time period, in 276 projects.[56]

At the beginning of the economic reforms in Lao PDR, FDI inflows were small, but by the early 1990s they had started to increase, and eventually there has been a boom in private capital inflows to Lao PDR.[57] Thousands of foreign workers from Vietnam, China and Thailand have subsequently poured into the country seeking employment, which the Lao PDR government hopes will lead to technology transfer. At the same time, sister cities and provinces in Vietnam and the Lao PDR, namely Vientiane, Hanoi, Ho Chi Minh City, Can Tho and Lam Dong have established business networks to encourage knowledge exchange.[58]

3-2. Development of Transport Infrastructure

Regional development plans for the GMS promoted since 1992 by the ADB are pursued primarily through the creation of a sub-regional transport network. Currently, there are three major road projects under construction that pass through the Lao PDR.

These projects funded by the ADB and other donors have gradually evolved into 'economic corridors' with complementary economic activity promoting trade and development. The GMS corridors passing through Lao PDR are:

- The North-South Economic Corridor (NSEC), which has three sub-corridors. The western sub-corridor linking Kunming in China with Chiang Rai and Bangkok in Thailand, via the Lao PDR.
- The East-West Economic Corridor (EWEC) links Da Nang Port in Vietnam to Moulmein (Mawlamying) Port in Burma, passing through Thailand and Lao PDR along the way. The corridor is a continuous land route of 1,320 km linking the Indian Ocean (Andaman Sea) with the South China Sea. It connects major economic centres such as Savannakhet and Dansavanh in Lao PDR to other cities like Mae Sot and Khon Kaen in Thailand.[59]
- The Southern Economic Corridor also has three sub-corridors. An inter-corridor link which connects to all three sub-corridors links the cities of Savannakhet and Pakse in the Lao PDR to Cambodia.

These corridors once complete will allow Lao PDR to transform itself from a landlocked to a land-linked country, which will allow it to maximise its central location in the sub-region to increase trade and investments.

4. Labour Force

According to the latest census, conducted in 2005, there are an estimated 2.78 million people in the Laotian labour force, working across sectors including agriculture, forestry and fisheries, industry and construction, and services.[60] According to the 2007-2008 Expenditure and Consumption survey, over 70 per cent of the labour force were employed in agriculture.[61] Given the limited educational and training opportunities available in the country, there remains a lack of skilled labour.[62]

The 2011-2015 NSDEP develops the plans to upgrade the quality and productivity of the labour force. The government plans to implement skills training and expand the number of vocational and technical schools in the country. According to the 2011-2015 NSEDP, skills development was carried out and 642,884 jobs were created in the five year period between 2006 and 2010. A gradual shift from agriculture to non-agricultural sectors is taking place at the rate of 0.7 per cent a year, indicating a diversification of the skills base in the Lao PDR.

In 2015, the projected labour demand is expected to require 3.26 million workers. However, there is a 3.17 million shortfall in the projected supply of workers.[63] In the 2011-2015 NSDEP little indication is given as to how this labour shortage will be overcome.

5. Conclusion

Lao PDR has opened up considerably since the launch of the market-based NEM reform of the mid-1980s. External trade has increased and investment has poured in from abroad. Most investment has targeted Lao PDR's abundant natural resources but there have also been significant inflows to the agriculture sector, with the government providing land concessions to foreign investors for large-scale plantations, and to the manufacturing sector, notably for garment factories. In recent years, Lao PDR has posted strong GDP growth figures and it is projected that this will increase in the future. Lao PDR has also joined ASEAN and is attempting to gain accession to the WTO. Joining the ASEAN Free Trade Agreement has stimulated trade with its neighbours. The country however remains on the UN list of least developed countries and is reliant on large amounts of ODA.

Complementing the integration into the web of global trading agreements and regulations is Laos' participation in transportation and logistics infrastructure development projects in the Greater Mekong Sub-region. This notably includes the North-South and East-West Economic Corridors. These projects once complete will link Lao PDR more firmly to its neighbours and also provide access to ports, which will be important if the country continues an export-oriented development strategy. The longer-term effects of this infrastructure projects are hard to predict however and it remains to be seen to what extent Lao PDR can benefit from the development of trade, logistics and industry along the sections of the corridors in Laotian territory.

Questions also remain about how sustainable and equitable growth will be. Thus far, growth has been driven by resource exports which are finite by nature. Lao PDR will have to work hard to diversify its economic sectors if it does not want to become incorporated into the world economy as primarily a source of cheap resources for manufacturing countries. Growth and economic opportunities must also be spread around the country so that the whole of the Laotian population may benefit, instead of being limited to urban areas clustered along the Mekong river. A further issue is the development of skills and training of the labour force. If the Lao PDR government wants to develop alternative sectors of the economy such as manufacturing then large investments must be made in education and vocational training in order to equip the Laotian labour force with the necessary skills. As such the future contains massive challenges for the Laotian people.

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Photo courtesy of MAP Foundation

Fishing industry is one of the industries which employ a large number of migrant workers.

Thailand Country Overview

1. Background

Thailand's Gross Domestic Product (GDP) reached USD 345.6 billion in 2011, and is projected to grow by 5 percent in 2013[1] These figures represent a recovery from the negative growth experienced during the global financial crisis. Since the downturn, however, the Thai economy has returned to record modest GDP growth, with the World Bank recognising Thailand as one of the "great development success stories".[2]

However, the positive statistics that have seen Thailand join the ranks of upper middle income economies must be put into perspective. In 2011, 11.52 per cent of Thailand's 69.5 million inhabitants were surviving on less than two US dollars per day.[3] Wealth in Thailand is extremely unevenly distributed, a problem that is in many ways at the root of the political turmoil experienced in recent years. Though many have benefited from the economic boom of the past three decades, the chasm that divides the rich and poor has of late only grown wider.[4] Geographically, Bangkok and its surrounding areas make up the most prosperous part of Thailand, with the seasonally barren northeast the poorest. Thailand's income inequality is now said to roughly mirror that of other much poorer developing nations such as Uganda and Cambodia.[5]

In the boom years between 1985 and 1995, Thailand experienced the world's highest growth rate. The economy was, however, hit hard by the Asian financial crisis, with economic growth contracting by 1.9 per cent in 1997.[6] As the economy recovered the country has enjoyed solid growth from 2000 onwards, with GDP growth averaging more than 4 per cent year-on-year. A surge in exports helped

propel this economic recovery and as it now stands, exports account for more than two thirds of GDP. Thailand is currently the second largest economy in Southeast Asia.[7] It also serves as an important anchor economy for its neighbouring Greater Mekong Sub-region (GMS) counterparts, namely Lao PDR, Burma/Myanmar, and Cambodia.

2. Major Industries

Thailand's main exports are machinery and electronic components, agricultural commodities, and jewellery.[8] Other major industries produce goods such as computers and electronics, furniture, wood products, canned foods, and vehicle parts.[9] The country's perpetually diversifying manufacturing base is the largest contributor towards the nation's economic growth.

Agriculture remains an important sector of the Thai economy. Thailand is the world's largest exporter of rice, which is the country's most important crop. Other agricultural commodities such as fishery products, tapioca, rubber, corn, sugar, and processed foods also constitute a significant portion of the country's exports.[10]

3. Political, Social and Environmental Upheaval

3-1. Global Financial Crisis

During the 2008 global financial crisis, Thai exports declined at a double-digit rate, as demand from the United States (US), the European Union (EU), and Japan dwindled. However, a resurgence of orders from China in 2009 alleviated these adverse affects to a certain extent.[11] The Thai economy thus managed to recover swiftly, growing 2.3 per cent in the second quarter of 2009 thanks to the resumption of manufacturing exports.[12]

3-2. Protests

Political turmoil in Thailand ensued following Thaksin Shinawatra ousting as Prime Minister in a military coup in 2006. Although civilian rule was eventually restored in 2008, the events have led to the emergence of two prominent political factions which have been engaged in ongoing protests since the coup. On the one hand, the People's Alliance for Democracy (PAD), also known as the yellow shirts due to supporters' distinctive dress, is a royalist, anti-Thaksin group broadly aligned with the Democrat Party. At the other end of the political spectrum is the United Front for Democracy against Dictatorship (UDD), otherwise known as the red shirts, which is a pro-Thaksin group allied with the governing Pheu Thai party, the successor party to Thaksin's disbanded Thai Rak Thai party.

In April 2009, following rioting and clashes between red shirts and government forces in Pattaya and Bangkok, then Prime Minister Abhisit Vejjajiva declared a state of emergency and cancelled the 14th ASEAN Summit due to take place in Thailand.[13] Further protests by red shirts erupted again in April and May 2010, leading to the occupation and closure of a key commercial district of Bangkok by protestors. This unrest led to the destruction of buildings and left 86 people dead (90 according to some sources) and over 2,000 injured.[14]

3-3. Thai-Cambodia Border Conflict

In early 2011 the protracted Thai-Cambodia border conflict flared up again, with several soldiers on both sides killed and injured in clashes. The century-old conflict revolves around the disputed ownership of the land surrounding Preah Vihear, a 900 year old Khmer Hindu temple which was declared a World Heritage Site in 2008. Some commentators, however, have suggested that domestic politics have played a decisive role in reigniting the border dispute, which have resurfaced each year since 2008.[15] Despite a ceasefire signed in February 2011, three Thai rangers and three Cambodian soldiers were killed and 13 Thais and six Cambodians wounded in fresh border fighting which erupted in April 2011.[16]

3-4. Flooding

In the June 2011 general election, Abhisit Vejjajiva's incumbent Democrat Party was defeated by the Pheu Thai party, led by Yingluck Shinawatra, the younger sister of exiled former leader Thaksin Shinawatra. As Thailand's first female Prime Minister, she faced her first serious challenge in late 2011 when Thailand suffered some of the worst flooding seen in its history. The floods affected more than two-thirds of the country, and killed up to 700 people.[17] Many factories in and around the capital were also destroyed, disrupting the manufacturing sector and causing the economy to contract sharply. The National Economic and Social Development Board (NESDB) reported that GDP had slumped by 9 per cent in the three months leading up to December.[18]

4. Official Development Assistance

While Thailand was once a recipient of international aid to help the country develop, in November 2003 the Thai government expressed its intention to become an aid donor itself.[19] Thailand has shown its commitment to international development and regional and sub-regional integration, as well as a desire to assist its neighbours in the GMS (particularly Cambodia, Lao PDR, and Burma).[20] Thai Overseas Development Assistance (ODA) to other nations tripled between 2001 and 2007 and in 2007-2008 totalled USD 172 million.[21]

5. Foreign Direct Investment

Thailand has for long been a major destination for foreign direct investment (FDI) due to its strategic location, expanding network of free trade agreements, and good transport infrastructure.[22] The Thai government welcomes and encourages FDI, providing special investment privileges to investors who are able to meet certain requirements,[23] with former Prime Minister Abhisit Vejjajiva encouraging the expansion of investment opportunities with a focus on green technology and manufacturing in particular.[24] The Thailand Board of Investment plays a crucial role in facilitating business transactions by offering lucrative incentives, such as tax breaks and non-tax privileges, to potential foreign investor.[25] Thailand was ranked twelfth in the world in 2010 in terms of 'ease of doing business' category by the World Bank, reflecting its attractiveness to foreign investors.[26]

The Thai automotive industry has traditionally been a very profitable sector for foreign investors, and Thailand remains one of the best manufacturing centres for cars in Asia. This has been due in part to its convenient location at the heart of mainland Southeast Asia, as well as the economies of scale for component supplies that it has been able to achieve. Prominent foreign carmakers which conduct major operations in the country include Toyota, Mitsubishi, Nissan, Honda and Ford, which opened a new manufacturing plant in 2010.[27] The petrochemical industry, heavily dominated by Singaporean investors, is another driver of investment in the Thai economy.[28]

Thailand is also a key source of investment for its neighbours, especially Burma, Cambodia and Lao PDR. Thailand's successful export-oriented economy has resulted in large accumulations of capital that Thai companies have sought to re-invest profitably in Thailand's immediate neighbours. Thailand's private sector has been urged by banks to increase investment in Cambodia, Lao PDR, Vietnam, and Burma in order to secure long-term leadership in the region. The Siam Commercial Bank has recommended that large private Thai firms should invest in neighbouring countries' promising industries, while medium and small Thai firms should focus on trading and exports with these countries.[29]

Over recent years, Thailand has been one of the top, if not the foremost, investor countries in Burma, Cambodia and Lao PDR. Thailand has played a crucial role in driving development and constructing linkages between these countries and the region. In Cambodia, Thai companies have largely invested in tourism, infrastructure development, industry, and agriculture.[30] In Laos, Thai companies have provided capital for mining, hydropower energy, rubber plantations, woods and processed woods, textiles and garments, and the hotel industry.[31] In Burma, Thai investment has focused on the energy

sector.[32] Thai investment in Burma is likely to expand and diversify as current economic reforms in Burma begin to gather pace and the economy opens up (see Thai-Burma in-depth chapter).

6. Development of Infrastructure

Thailand possesses a solid infrastructure with well-connected paved roads and highway networks spanning the country. The government has also commenced a project to construct 4,150km of motorway across the country, connecting the Asian Development Bank (ADB) funded East-West Economic Corridor (EWEC) and North-South Economic Corridor (NSEC) projects. Moreover, Thailand has an important strategic advantage when it comes to road links, as it is connected to Burma in the north and west, Lao PDR in the northeast, Cambodia in the east, and Malaysia in the south. These neighbouring countries also provide Thailand with access to southern China-greatly beneficial trade routes for the Thai economy. The Thai government has also endorsed several projects over recent years aimed at improving the infrastructure of its neighbours along the border areas.[33]

7. Labour Force

According to UN statistics, an estimated 80.9 per cent of adult males and 65.5 per cent of adult females were participating in the labour market in 2009 (the latest year for which figures were available). Of these workers, 41.9 per cent were employed in the agricultural sector, and 20.9 per cent in the industrial sector.[34] Since the 1980s, there has been a large transformation in the Thai labour market. For instance, employment in the manufacturing and service sectors has increased, whereas the proportion of people working in agriculture has declined.[35] One prominent issue that should be highlighted, however, is Thailand's ongoing lack of skilled labour.[36]

8. Trade

Trade has always been an integral component of the Thai economy. The country's top ten major export partners in 2010 were (in descending order): China, Japan, the United States, Hong Kong, Malaysia, Australia, Singapore, Indonesia, Vietnam and the Philippines.[37] Aside from a drop of 13.3 per cent in 2009, the value of Thai exports has, on average, steadily increased to reach a high of USD 195.3 billion in 2010.[38]

Thailand is a major supplier of goods to its GMS counterparts. Since 2000, Thailand has been the leading exporter to Cambodia, Lao PDR and Burma, but has lost the same status in Vietnam due to greater competition. In 2010, trade surpluses were recorded with Southeast Asia (USD 11.9 billion), North America (USD 10.0 billion) and Europe (USD 6.8 billion), however deficits were recorded with the Asia-Pacific region (USD -13.9 billion) and West Asia (USD -11.5 Billion).[39] Furthermore, according to the UN, by 2010, exports were diversified across 21 major partners, who accounted for 80 percent of exports compared to 15 major partners for imports.[40]

9. Conclusion

Thailand remains the largest and most important economy in mainland Southeast Asia despite recent political turmoil, international conflict, global economic problems, and natural disasters. Its export industries continue to attract large numbers of foreign migrant workers and the country is a key source of investment and development assistance for its less-developed neighbours. Thailand is also a highly important trade partner for its GMS neighbours, both as a major source of imports and a destination for exports. Thailand is thus vital for the current development paths of its neighbours, although this remains an interdependent relationship. Thailand sends commodity and capital exports to other countries in the GMS, but it is reliant on cheap migrant labour from these very countries due to the economy's dependence on low-skilled, labour-intensive manufacturing for export.

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Photo courtesy of MMN Vietnam CRT

Garment factory in Moc Bai, 2012.

Vietnam Country Overview

1. Background

Vietnam is divided into 59 provinces and three municipalities, with a total land area of approximately 331,690 square kilometres. Vietnam shares land borders with China to the north, and Lao PDR to the west. In early 2009, Vietnam had a population of 85.8 million people, making it the third most-populous country in Southeast Asia.[1] Of the total population, nearly 25.4 million people live in urban areas, whilst the remaining 60.4 million dwell in the countryside.[2] The population growth rate has fallen steadily since the 1970s, stabilising in the early 2000s to an average of 1.3 per cent by 2008. The total fertility rate stood at 2.1 per cent in 2008.[3] Vietnam's population is composed of 54 ethnic groups. Eighty-five percent of the population, that is, 73.59 million people, are of Vietnamese (Kinh) ethnicity, with the remaining 15 per cent are made up of 1.2 million Chinese, and various other ethnic groups such as Tay, Thai, Muong, Khmer, Nung and Hmong.

The Government of the Socialist Republic of Vietnam was officially formed in July 1976, when the previously divided country was unified and Hanoi was named the nation's capital. This followed the fall of the Saigon regime in 1975 and the end of the war between Vietnam and the United States, which lasted from 1954 to 1975, claiming the lives of an estimated 1.3 million Vietnamese people and 58,000 American soldiers.[4] Vietnam is currently under the leadership of the Vietnam Communist Party, which holds a national congress to determine the overall direction for the country every five years. The National Assembly (*Quoc-Hoi)*, which is open to non-Communist Party members-has 498 seats and is the highest authority of the state, having both constitutional and legislative power. Elections are

held in the National Assembly to elect both the president and the prime minister.[5] The last elections to determine the make-up of the National Assembly took place in May 2011.

In the mid 1980s, the Vietnamese economy switched to a socialist-oriented market model. With the advent in 1986 of the *Doi Moi* (Renovation) policy, which introduced market-based reforms to the nation's economy, the country experienced rapid economic growth. *Doi Moi* accelerated the speed of urbanisation in Vietnam by creating conditions that spurred further industrialisation as well as rural-urban migration. From 1990, up until the 2008 global economic crisis, Vietnam's Gross Domestic Product (GDP) almost trebled, based on an average annual growth rate of 7.5 per cent. In 2008 and 2009 growth fell slightly to 6.2 per cent and 5.3 per cent respectively, but bounced back to 6.8 per cent in 2010.[6]

According to figures from 2008, agriculture, forestry and fisheries account for 22 per cent of Vietnam's GDP; industry and construction account for 40 per cent; and the service sector for 38 per cent.[7] Vietnam's agricultural exports have been rising, while the agricultural sector's share of economic output has continued to shrink, falling from 38.7 per cent in 1990[8] to 21 per cent in 2009.[9] The leading industrial sectors in Vietnam are food processing, garment and shoe manufacturing, machine building, mining, cement production, and the manufacturing of chemical fertilizers, glass, tires, oil, coal, steel, and paper.[10] The rubber sector has also been growing, and was ranked fourth globally among rubber exporting countries in 2007.[11]

A number of economic indicators highlighted the 2008 slowdown: Vietnam's inflation skyrocketed, peaking in August 2008 at 28 per cent;[12] the trade deficit accounted for 20 per cent of Vietnam's GDP for that year, and Vietnam's nascent stock market, which had been one of the strongest performers in 2007, lost 70 per cent of its value.[13] The housing bubble also burst when it became clear that massive capital inflows had generated asset price inflation, particularly with regards to real-estate and land prices.[14] Export turnovers in 2009 showed a drop of 9.7 per cent compared with 2008. Additionally, import turnovers in 2009 were down 14.7 per cent in comparison with 2008.[15]

In 2008, 45.6 million people were active in the Vietnamese work force,[16] of whom a total of 52.6 per cent were employed in the agricultural sector and 20.8 per cent in the industrial sector.[17] In the same year, the unemployment rate was estimated at 4.7 per cent.[18] In response to the economic slowdown, the government announced a fiscal stimulus package in December 2008 aimed at creating large, labour-intensive projects in order to bolster employment and offer tax breaks to enterprises heavily affected by the economic slowdown.[19] Valued at USD six billion (VND 100 trillion), and accounting for 6.8 per cent of Vietnam's total GDP,[20] the package, along with support from the World Bank, Asian Development Bank (ADB), International Monetary Fund (IMP) and other donors, effectively helped stabilise the country's macro-economy and overcome the difficulties caused by the global economic crisis.[21] By April 2010, the unemployment rate had fallen to 2.8 per cent, with 4.4 per cent in urban areas and 2.2 per cent in rural areas.[22]

2. Current Economic Strategy and Development Policy

Vietnam remains at the early stages of integrating into the global economy. In January 2007, following 12 years of negotiations, Vietnam became the 150th member of the World Trade Organisation (WTO). Vietnam joined the Association of Southeast Asian Nations (ASEAN) in 1995, giving it access to the ASEAN Free Trade Area, and also became a member of Asia-Pacific Economic Cooperation (APEC) in 1998. Furthermore, Vietnam and the European Union (EU) entered into talks in early 2010 regarding the establishment of a bilateral Free Trade Agreement (FTA).[23]

The Vietnamese government announced in 2010 that their key priorities were to focus on: stabilising the economy; avoiding high inflation; achieving a growth rate target of 6.5-7 per cent; and improving social security and welfare.[24] Moreover, the government has been aiming to reduce spending and pursue a flexible monetary policy.[25] Budget overspending reached 6.9 per cent of GDP in 2009 and

was estimated to drop by 5 per cent in 2010.[26] In 2011, the government aimed to trim its trade deficit to 18 per cent of its export revenue, amounting to USD 14.2 billion, up USD 1.8 billion from 2010. Export and import revenue targets for 2011 have been set at USD 78.8 billion and USD 93 billion, an increase of 10 per cent and 10.7 per cent from 2010 respectively.[27]

In 2010 a new socio-economic development strategy for 2011-2020 was planned out. The vision that overarches this strategy is for Vietnam to become a modern industrial country with an average per capita income of USD 3,000-3,200 by 2020.[28] Prime Minister Nguyen Tan Dung has outlined five ways to achieve this target: '1) quick and sustainable development, 2) proper political and economic renovation, 3) enhancement of democracy, 4) development of hi-tech productive force while perfecting relations of production and socialist-orientated market economy, and 5) [maintaining] an independent and self-reliant economy which deeply integrate[s] into the international community'.[29]

In the Greater Mekong Subregion (GMS), Vietnam prioritises forging ties with Lao PDR and Cambodia in different fields, especially in the areas of investment, trade and culture.[30] Vietnam is currently the biggest foreign investor in Lao PDR with a total registered capital of USD 1.4 billion, and has major investments in Cambodia of USD 600 million. The two-way trade between Vietnam and Lao PDR was USD 455 million in 2008, up 45 per cent compared to 2007.[31] In 2008, Vietnam was Cambodia's second biggest exporter after Thailand with two-way trade of USD 1.6 billion, up 37 per cent against 2007.[32]

3. Official Development Assistance

Between 1993 and 2004, Vietnam received pledges of USD 29 billion of Official Development Assistance (ODA).[33] Japan has remained Vietnam's largest donor and their contributions reached a record high of JPY 145.6 billion (USD 1.79 billion) in the 2009 fiscal year.[34] In strategising methods to deal with the 2008 global economic crisis, development partners committed over USD 8 billion in ODA to assist Vietnam in stabilising its macro-economy, restarting growth and further reducing poverty.[35] Between 2006 and 2010, Vietnam hoped to receive USD 14-15 billion of ODA.[36] The Consultative Group for ODA financing in Vietnam has prioritised progress in the following areas: agriculture and rural development, comprehensive and modern economic infrastructure development, social infrastructure, environmental and natural resources protection, institutional capacity building, human resource development, technological transfer, and research and development capacity building.[37]

The International Development Association (IDA)-the World Bank's fund for the world's poorest countries-has also helped Vietnam combat poverty by financing agriculture, infrastructure, health programmes, and schools. The country has received USD 9.7 billion in interest-free credit, grants and guarantees from the IDA, who are the second largest provider of aid to Vietnam after Japan.[38]

Vietnam's rapid economic growth and development, from a relatively poor, agricultural-based society to a wealthier, market-based economy, has resulted in the country improving its standing on various development indexes. According to the United Nations Development Programme (UNDP), Vietnam has now attained middle-income status.[39] Consequently the Socio-Economic Development Strategy for 2011-2020 aims to establish the foundations for Vietnam to become a modern, industrialised country by 2020.[40]

4. Foreign Direct Investment

Vietnam began to attract Foreign Direct Investment (FDI) in 1988.[41] This now plays an important role in the Vietnamese economy. Korean interest in Vietnam is strong, particularly in sectors such as construction, real estate development and project financing.[42] This is in addition to German, British and Japanese companies, who have maintained a consistent presence in the Vietnamese economy. In 2009, the IMF and the World Bank agreed that macro-economic development should be driven by Vietnam's industrial production, exports and service sectors, and predicted that within the next three years, Vietnam's export performance will rival or supersede that of Indonesia and Thailand.[43]

In May 2010, Vietnam was projected to receive greater investment from Singaporean enterprises.[44] In a joint statement between Vietnamese Deputy Prime Minister Hoang Trung Hai and Singaporean Deputy Prime Minister and Defense Minister Teo Chee Hean, both parties emphasised their desire for continued multi-faceted cooperation in various sectors.[45]

In 2010, it was projected that disbursement of FDI in Vietnam could rise by as much as 10 per cent due to the global economic recovery.[46] Recently, a new trend has emerged whereby it has been observed that the majority of FDI inflows into Vietnam go to the manufacturing and processing industries rather than real estate.[47] In the first five months of 2010, projects in processing and manufacturing industries attracted most of the USD 4.5 billion that was disbursed, while the production sector also did well, receiving USD 2.2 billion.[48] Statistics indicate that 'an estimated 127 projects were licensed with investment capital of USD 2.55 billion, accounting for nearly 34% of total investment capital for the first five months'.[49]

In June 2010, leaders of many US companies operating in the fields of infrastructure, healthcare, information technology, education, and energy arrived in Ho Chi Minh City to seek investment opportunities, marking the beginning of a new trend in FDI. In 2009, investment in the hospitality industry attracted total capital of USD 8.8 billion, followed by the real estate sector with USD 7.6 billion, and the processing and manufacturing sector with USD 2.97 billion. Another new trend in FDI relates to investment structuring, which means that the services, manufacturing and high technology sectors are gradually replacing the hospitality and realty sectors as the biggest areas of investment.[50]

In 2010, the export revenue of foreign-invested enterprises accounted for 51 per cent of total export revenue, while domestic enterprises' export revenue accounted for the remaining 49 per cent.[51] The head of the Foreign Investment Agency Do Nhat Hoang noted that in 2010, foreign-invested companies exported USD 13.8 billion in products, including crude oil-an increase of 25.9 per cent over the same period of 2009. Excluding crude oil, export revenue remains high at USD 11.7 billion, an increase of 39 per cent over the same period of 2009.[52] Some foreign-invested companies such as Intel Vietnam plan to increase their exports by improving their production capacity for computer chips. The Korean company Samsung is also seeking to become the foreign-invested enterprise with the highest export value in Vietnam.

5. Development of Infrastructure

Since the early 1990s, substantial progress has been achieved in developing Vietnam's infrastructure. About 9 per cent of Vietnam's GDP is directed at infrastructure projects.[53] Electrification, telecommunications, and transport networks have expanded considerably. For instance, electrification in rural areas expanded from 51 per cent coverage in 1996 to 88 per cent by 2004. The Vietnamese government has long maintained a policy of encouraging private investment in infrastructure projects, such as roads, bridges, tunnels, railways, tramways, airports, seaports, river ports, ferry-landings, water plants, drainage and waste or sewage treatment systems, power plants and power transmission lines.[54]

6. Poverty and Income Inequality

In 2009, Vietnam was ranked 116th on the UN Human Development Index.[55] About 21.5 per cent of the population was surviving on income under the recognised UN poverty line of USD 1.25 per day.[56] In 2009, 676,500 households suffered food shortages, which represented a decrease of 29.4 per cent when compared with the previous year.[57]

Vietnam's literacy rate for the total adult population was 93.5 per cent in 2009.[58] Gender-based differences exist, as well as differences between the majority Kinh population and Vietnam's ethnic minorities. Male literacy was 95.8 per cent and female 91.4 per cent.[59] The literacy rate for young people aged between 15 and 24 was 97 per cent across both genders in 2009.[60] The majority Kinh had an overall literacy rate of 95.9 per cent. Literacy rates however differed dramatically between

Vietnam's various ethnic minority groups. For example, the Tay (94.4 per cent) and Muong (93.9 per cent) have literacy rates above the national average, while the Thai (79.8 per cent), Khmer (73.5 per cent) and Hmong (37.7 per cent) ethnic groups have rates of literacy that are considerably lower.[61] Regionally the province with the lowest literacy rate was Lai Chau in the northwest of the country, with a literacy rate of just 37.4 per cent.[62]

Income inequality is also on the rise in Vietnam, as the country transforms itself from an agricultural based to a predominantly manufacturing and service-based economy. The Gini coefficient, which is commonly used as a measure of inequality, rose to 0.432 in 2006 from 0.345 in 1990.[63] The gap in income between the richest and poorest in Vietnam is widening. The poorest 20 per cent of households accounted for 8 per cent of total income in 1990, with this share falling to 5.6 per cent in 2006. The richest 20 per cent meanwhile accounted for 42.7 per cent of total income in 1990, with this share increasing to 49.3 per cent in 2006.[64]

Effective from 1 January 2011, the government raised the poverty line from VND 450,000 (USD 22.5) to VND 500,000 (USD 25) per person per month in urban areas, and from VND 350,000 (USD 17.5) to VND 400,000 (USD 20) per person per month in rural areas. According to the Ministry of Labour Invalids and Social Affairs (MOLISA), Vietnam's poverty rate reduced from 22 per cent to 9.45 per cent in the years between 2005 and 2010.[65] This new poverty line meant that there are now officially 3,055,566 households below the poverty line, with a further 1,612,381 just above the threshold. The rise in the poverty line was a response to inflation and rapidly increasing food prices.[66]

In response to ethnic inequalities the Vietnamese government has formulated specific policies to support ethnic minorities. These cover the provision of land, as well as access to education and subsidized health care.[67]

7. Trade

Trade has been a prime component in propelling Vietnam's economic growth. Major trading partners outside the GMS include the US, Japan, and South Korea.[68] In 2009, Vietnam's exports were estimated to be worth USD 57.09 billion, and in 2011, exports were estimated at USD 96.9 billion.[69] The main export commodities are crude oil, marine products, rice, coffee, rubber, tea, garments, and shoes.[70] Recently, chemicals have become another of Vietnam's export commodities popular on the international market. According to the Ministry of Industry and Trade, Vietnam's chemical exports increased 40.18 per cent year-on-year to USD 79.07 million in the first quarter of 2010.[71] According to the Ministry's information centre, Vietnam has witnessed a year-on-year growth in the export of chemical products to markets in China, Japan, the Philippines and Cuba over this period.[72] At the same time, Vietnam is a heavy importer of commodities including machinery and equipment directed to developing their industrial sector, petroleum products, fertilizer, and steel. Vietnam imported an estimated USD 69.94 billion worth of goods in 2009.[73]

In 1996 Vietnam began to implement the ASEAN Free Trade Agreement (AFTA). According to the World Bank this marked 'an important step in its integration into the world economy',[74] and the first foray into regional economic cooperation for Vietnam after ten years of *Doi Moi*. Conditions in Vietnam were considered by many observers to be positively geared towards the implementation of AFTA, and Vietnam's market was considered to be a 'highly open market in the region':[75]

> "Vietnam has actively advocated diversification and intensification of external economic relations. Furthermore, macroeconomic development has shown a positive trend. The achieved growth rate of GDP in the 1990-1995 period was relatively high, compared to other countries in the region (a growth rate of 9% in 1995 compared to an average growth rate of ASEAN of 5.2-8.9%). During the period of 1985-1995, the rate of exports of Vietnam was also higher than that of other ASEAN members (32% per year compared to 29%)".[76]

Vietnam began working towards adherence to the Common Effective Preferential Tariff (CEPT), the central mechanism for implementing AFTA.[77] Under the CEPT countries have to reduce the majority of their tariff lines to between 0-5 per cent over a ten year period, which gave Vietnam until 2006 to meet this target following its accession in 1996.[78] Some products, such as certain agricultural goods, were placed on a sensitive list. Vietnam was granted an extension until 2013 to reduce tariffs on these goods.[79] In addition they have to remove quantitative restrictions such as quotas and eliminate non-tariff barriers, such as country specific product standards.[80] The majority of Vietnam's tariff lines were in accordance with the CEPT by 2006.[81]

Trade relations between Vietnam and ASEAN countries improved as a result of tariff reductions implemented under AFTA.[82] However, between 1996 and 2005, Vietnam's trade with the world market rose more quickly. While AFTA allowed Vietnam to increase imports from its ASEAN neighbours, the potential for further trade is somewhat limited by ASEAN countries' export structure. Vietnam and its neighbours export similar products and the potential for greater trade is limited until economies grow and produce a more diversified range of products.[83] AFTA provides Vietnam with enhanced market opportunities but competition from abroad also presents challenges to Vietnam's industries.[84]

Additionally, the related ASEAN Trade in Goods Agreement (ATIGA) was later signed and officially came into effect on 17 May 2010, with the aim of promoting the flow of goods amongst ASEAN member countries. Under ATIGA, ASEAN nations pledge to completely abolish taxes on goods by 2015. Cambodia, Lao PDR, Burma and Vietnam-the newly-admitted members to ASEAN-are required to have taxes on 7 per cent of goods eliminated by 2018.[85]

8. Conclusion

Since the *Doi Moi* reforms began in 1986, Vietnam has undergone a transformation from a largely agricultural society to one characterised by rapid industrial modernisation. The industrial and service sectors have expanded greatly and growing incomes and per capita GDP have seen Vietnam rise to the rank of a middle income nation. The incidence of poverty, according to official figures, has also declined, though income inequality has increased. Vietnam has been integrating into the global economy through the expansion of trade and this integration is also reflected in Vietnam's accession into the institutional and legal architecture governing regional and global trade. Vietnam has entered both ASEAN and the WTO in recent years, as well as signing up to the ASEAN FTA. Growth in GDP has been stimulated by the rise of manufacturing for export, enabled by large flows of foreign direct investment. Trade volumes between Vietnam and both its regional neighbours and the rest of the world have increased.

Challenges remain however in the form of exposure to external economic shocks and macroeconomic instability, as well as poverty reduction and promoting equitable distribution of the benefits of growth. The global economic crisis had a serious impact on the Vietnamese economy and a fiscal stimulus, aided by ODA, was required to restabilise the economy. Despite rapid growth, Vietnam still remains eligible for significant amounts of ODA. In addition, Vietnam has been troubled by fiscal and trade deficits and high inflation, and failure to get these under control may impact on future economic growth and efforts at poverty reduction. Vietnam will also have to make great efforts to ensure that people in rural and remote areas, especially ethnic minorities, benefit from expanding trade and industry.

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Part 2: Migration Overview

This part of the book presents a series of regional and country overviews. It includes country reports highlighting migration patterns, key issues, relevant law and policy, as well as stakeholder responses concerning labour migration in the GMS.

Photo courtesy of MMN

Many border points in the GMS including here at the Mae Sai, Thailand-Tachiliek, Myanmar border, see a daily rush of people crossing. Mae Sai, Thailand.

Regional Migration Framework

Over the course of the past three decades, migration in the Greater Mekong Subregion (GMS)-Burma/Myanmar, Cambodia, China, Lao PDR, Thailand, and Vietnam-has taken place largely through informal channels. Growing gaps in economic and political development between countries in the region, combined with porous national borders, have resulted in large numbers of people migrating to neighbouring countries in search of safety and a better livelihood.

Thailand has been the main destination country in the region, with over two million low-skilled migrants.[1] Cambodia and China are also home to a number of migrants. Thailand, Lao PDR, Cambodia and Burma have signed agreements which have laid the basis for bilateral initiatives to address migration between the countries. This was undertaken primarily in an attempt to formalise migration flows, regularise the status of migrants, and prevent undocumented migration.

While it took a number of years for implementation of these agreements to commence, the GMS governments' policy moves with regards to combating trafficking have been much more visible. This response includes several bilateral agreements between the GMS countries, followed by the development of anti-trafficking policies at the national level, and the implementation of a series of anti-trafficking initiatives, including raids and prosecutions of human traffickers. Because informal migration is often mistakenly identified as a trafficking-related issue, estimates of the number of trafficked persons vary

greatly and in general are difficult to substantiate in Southeast Asia. This confusion and subsequent misinformation can lead to a misguided focus on increased border control, as opposed to the promotion of effective, safe, and accessible migration channels for people throughout the region.

1. Bilateral Memoranda of Understanding

1-1. Employment Cooperation

2002 marked the beginning of a new era of inter-governmental cooperation on migration policy and regulation in the GMS. While Thailand had historically dealt with in-bound migration from its neighbouring countries on a unilateral basis, the Royal Thai Government signed Memoranda of Understanding (MOU) on Cooperation in the Employment of Workers with the governments of Lao PDR, Cambodia, and Burma in October 2002, May 2003, and June 2003, respectively. The MOUs have brought about two distinct processes in the GMS with regards to migration. First, countries of origin started to establish formal avenues for migration by allowing for the recruitment of migrant workers to Thailand. Recruiting agencies have been set up to facilitate such a process. Secondly, the governments of Burma, Cambodia and Lao PDR have begun to cooperate with the government of Thailand to implement nationality verification (NV), whereby migrant workers who are already in Thailand are provided with temporary passports. In principle, the NV process officially legalises migrants' status and grants migrant workers rights equal to those of local workers. Former unilateral registration by the Thai government granted migrants semi-legal status only, preventing them from joining the social security system and restricting their mobility within the country.

1-2. Trafficking

Bilateral cooperation on the issue of human trafficking has also come about through MOU agreements. On 31 May 2003, Cambodia and Thailand signed an MOU on Bilateral Cooperation to Eliminate Trafficking in Children and Women. Thailand went on to sign an MOU on Cooperation to Combat Trafficking in Persons, Especially Women and Children with the Lao PDR in July 2005, and an agreement with Vietnam on Bilateral Cooperation for Eliminating Trafficking in Persons, Especially Women and Children and Assisting Victims of Trafficking in March 2008. Similar agreements were reached between other GMS countries: Cambodia and Vietnam signed an agreement on Bilateral Cooperation for Eliminating Trafficking in Women and Children and Assisting Victims of Trafficking in October 2005, Burma and China concluded an MOU on Strengthening Cooperation on Combating Human Trafficking in November 2009, while Vietnam and Lao PDR concluded an MOU on Cooperation in Preventing and Combating Trafficking in Persons and Protection of Victims of Trafficking in November 2010.

These agreements generally aim to prevent the trafficking of persons from the signatory countries, investigate and prosecute perpetrators, protect victims, and build capacity to combat human trafficking, with requirements in order to ensure that each of these is achieved. Preventative measures generally include bringing national legislation in line with international agreements to which the signatory country is a party to, while protective measures address the safety, treatment and rights of the victim of trafficking. Agreements also outline areas in which signatory countries need to work together to reduce trafficking.[2]

2. The Coordinated Mekong Ministerial Initiative Against Trafficking

In 2004, the leaders of all six nations of the GMS signed an MOU against Trafficking of Persons, an agreement that would give rise to the Coordinated Mekong Ministerial Initiative Against Trafficking (COMMIT).[3]

The central program set forth by COMMIT is the Sub-Regional Plan of Action (SPA), the first of which was introduced in 2005. The SPA outlined a variety of key measures and projects aimed at combating trafficking in the region, specifically seeking to incorporate the anti-trafficking strategies and resources of both government and non-government organisations (NGOs). A second SPA was formulated in 2008, and, more recently, the six GMS countries will continue their counter-trafficking efforts under the 2011 SPA III, which will remain in effect until 2013.[4] According to the UN Inter-Agency Project on Human Trafficking (UNIAP), the latest SPA is structured to reflect the original COMMIT MOU, and attempts to put into practice the lessons learned from anti-trafficking initiatives in other parts of Asia and the globe.[5]

3. Association of Southeast Asian Nations

3-1. Background

The Association of Southeast Asian Nations (ASEAN) was originally formed in 1967, and consisted of Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei, Burma, Cambodia, Lao PDR, and Vietnam have since also become member states. The main objective of the organisation includes the promotion of economic growth, stability, and peace within the region. ASEAN provides a concrete means for collaboration and mutual assistance between the member states with regards to all social, economic, and political issues. The development of the ASEAN Free Trade Area (AFTA) in the 1990s brought forth a vision of free movement for goods, services, and labour in Southeast Asia. These goals continue to guide the policy of ASEAN, evident in the formulation of the ASEAN Economic Community (AEC) in 2007, a project that endeavors to achieve complete regional economic integration by 2015.[6]

While professing to be an organisation that aims to accelerate social progress, ASEAN has maintained a policy of non-interference with respect to the domestic affairs of individual member states. This policy is applied equally to issues such as human rights and refugees. As it currently stands, ASEAN has refrained from taking any substantive position on refugee protection within the region.

3-2. 2007 ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers (ACMW)

On 13 January 2007, the leaders of the ASEAN states signed a Declaration on the Protection and Promotion of the Rights of Migrant Workers, which in turn led to the formation of the ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers (ACMW). The Declaration itself advanced the ideals of freedom, equity, and stability for migrant workers. While specifying the need to respect the dignity and fundamental rights of migrant workers, the Declaration makes no mention of the rights of migrants' families, and coverage of undocumented migrants is unclear.[7]

The ACMW formed a working group composed of Indonesia, the Philippines, Thailand, and Malaysia to develop a framework to implement the Declaration.[8] Unable to agree on the scope of the coverage of the Declaration, the process of developing such a framework has stalled.[9] In the absence of any implementation mechanism, the Declaration currently has little to no influence on how ASEAN member states respond to migration issues.

3-3. ASEAN Inter-Governmental Commission on Human Rights

2009 marked the inauguration of the ASEAN Inter-Governmental Commission on Human Rights (AICHR). In view of ASEAN's previous lack of policy on human rights, this body was a somewhat progressive step towards the preservation of human rights standards in the region, although it has been criticised by NGOs and the media for its "toothless" nature.[10] In May 2012, ASEAN approved the Terms of Reference and budget for a report on Migration and Human Rights to be prepared by the AICHR,[11] which will hopefully shed light on the status of these issues across the region.

ASEAN is scheduled to release a Human Rights Declaration by the end of 2012. While this represents a potential step toward improving human rights in the GMS, the formulation process has taken place with little in the way of public consultation. The Committee has ignored requests from civil society for the public release of a draft. Based on the UN membership of many ASEAN states, some outside organisations, as well as government officials within ASEAN, have expressed the hope that this Human Rights Declaration will affirm the internationally accepted human rights standards.[12] To what degree ASEAN subscribes to those standards, and by what means it encourages member states to abide by the Declaration, remains to be seen.

3-4. ASEAN Commission on the Promotion and Protection of the Rights of Women and Children

In 2010, the ASEAN Commission on the Promotion and Protection of the Rights of Women and Children (ACWC) was formed to focus specifically on issues pertaining to women and children within ASEAN nations.[13] Advocates hope that the ACWC will be an effective forum where issues concerning migrant women and children in ASEAN countries can be addressed. These issues may include violence against migrant women, deportation of pregnant migrant women, improper treatment of migrant women in detention, and the detention of children.

4. Conclusion

The bilateral system of governance set up by the MOUs among GMS governments represents the first steps in developing cooperation in response to labour migration. However, cooperation at the Mekong subregional level with respect to migration is limited, and often much less formal than cooperation on anti-trafficking projects. The ASEAN presents a formal forum for discussion, but the lack of advocacy space at this level restricts the direct impact of ASEAN policy for GMS migrants. As such, policy discussion and advocacy at the national level continue to play crucial roles in addressing issues of migrants' rights.

Table 1: Status of Ratification of International Conventions by GMS Member States

	COUNTRY					
INTERNATIONAL CONVENTION	Burma	Cambodia	China	Lao PDR	Thailand	Vietnam
ICESCR		X (1992)	X (2001)	X (2007)	X (1999)	X (1982)
ICCPR		X (1992)	* (1998)	X (2009)	X (1996)	X (1982)
Migrant Workers' Convention		* (2004)				
CEDAW	X (1997)	X (1992)	X (1980)	X (1981)	X (1985)	X (1982)
CRC	X (1991)	X (1992)	X (1992)	X (1991)	X (1992)	X (1990)
ILO C1, Hours of Work (Industry)	X (1921)					
ILO C14, Weekly Rest (Industry)	X (1923)		X (1934)		X (1968)	X (1994)
ILO C29, Forced Labour	X (1955)	X (1969)		X (1964)	X (1969)	X (2007)
ILO C87, Freedom of Association and Protection of the Right to Organise	X (1955)	X (1999)				
ILO C97, Migration for Employment						
ILO C100, Equal Remuneration		X (1999)	X (1990)	X (2008)	X (1999)	X (1997)
ILO C111, Discrimination (Employment and Occupation)						
ILO C132, Holidays with Pay						
ILO C138, Minimum Age		X (1999)	X (1999)	X (2005)	X (2004)	X (2003)
ILO C143, Migrant Workers (Supplementary Provisions)						
ILO C153, Hours of Work and Rest Periods (Road Transport)						
ILO C156, Workers with Family Responsibilities						
ILO C158, Termination of Employment						
ILO C181, Private Employment Agencies						
ILO C182, Worst Forms of Child Labour Convention		X (2006)	X (2002)	X (2005)	X (2001)	X (2000)
ILO C183, Maternity Protection						
ILO C189, Domestic Workers						

KEY: * = signed but not ratified

ICESCR International Covenant on Economic, Social and Cultural Rights (16 Dec 1966)
ICCPR International Convenant on Civil and Political Rights (16 Dec 1966)
ICPRMW International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (18 Dec 1990)
CEDAW Convention on the Elimination of All Forms of Discrimination against Women (18 Dec 1979)
CRC Convention on the Rights of the Child (20 Nov 1989)
ILO, C001 Hours of Work Convention (1919)
ILO, C014 Weekly Rest (Industry) Convention (1921)
ILO, C029 Forced Labour Convention (1930)
ILO, C087 Freedom of Association and Protection of the Right to Organise Convention (1948)
ILO, C097, Migration for Employment Convention
ILO, C100 Equal Remuneration Convention (1951)
ILO, C111 Discrimination (Employment and Occupation) Convention (1958)
ILO, C132 Holidays with Pay Convention (1970)
ILO, C138 Minimum Age Convention (1973)
ILO, C143 Migrant Workers (Supplementary Provisions) Convention (1975)
ILO, C153 Hours of Work and Rest Periods (Road Transport) Convention (1979)
ILO, C156 Workers with Family Responsibilities Convention (1981)
ILO, C158, Termination of Employment Convention (1982)
ILO, C181 Private Employment Agencies Convention (1997)
ILO, C182 Worst Forms of Child Labour Convention (1999)
ILO, C183 Maternity Protection Convention (2000)
ILO, C189 Domestic Workers Convention (2011)

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Photo courtesy of MMN Geoff Thant

Burmese migrants in Thailand have diversified social and cultural backgrounds: Poi Sang Long (novice ordination) is a Buddhist ceremony held by Shan people for the ordination of young men. Baan Piang Luang, Wiang Haeng District, Chiang Mai, Thailand.

Burma / Myanmar Migration Overview

1. Introduction

With up to 10 percent of the population working abroad,[1] Burma/Myanmar[2] is a major sending country of migrants in the region. Around 77 per cent of those emigrating do so within Asia.[3] The majority of migrants leave Burma to seek refuge or to improve their economic livelihood, with Thailand the most common destination country for Burmese migrants. Other countries that are today home to significant numbers of Burmese migrants include Malaysia, Singapore, South Korea, and Japan. Many migrants-notably those belonging to ethnic minority groups such as the Karen, Shan, Mon, and Karenni have fled their homes and sought refuge abroad due to political, cultural or other forms of persecution. The British Foreign and Commonwealth Office reports that approximately 470,000 Burmese civilians have been internally displaced due to ethnic conflicts and that there are approximately 180,000 refugees residing in neighbouring countries.[4] In reality these figures are likely to be underestimates, as new arrivals frequently do not register with the relevant authorities and the movement of people across Burma's long porous land borders are not systematically recorded. For example, the exact number of Burmese migrants in Thailand is difficult to verify as many workers remain undocumented. Estimates have put the total number of migrants from Burma, Cambodia and Lao PDR in Thailand somewhere between 2.5 and 3 million.[5] Of those who had registered with the relevant Thai authorities at the end of 2009, 82 per cent were Burmese nationals.[6] In all likelihood, a similar proportion of undocumented migrants are also Burmese. Malaysia is a less popular destination for Burmese migrants but there are still significant numbers who make the journey in search of work. In 2011 it was estimated that up to 500,000 Burmese nationals were working in Malaysia.[7]

Photo courtesy of Reena Arora

Burmese migrants working in a garment factory live in an accommodation provided by their employer. Three Pagodas Pass, Thailand.

2. Migration from Burma to Thailand

2-1. Background

Migration from Burma to Thailand began to increase markedly in the early 1990s and was prompted by political and economic developments on both sides of the border. In eastern Burma, political instability has served as a significant push factor. This included the long running armed conflicts between the Burmese military and ethnic rebel forces. This fighting has been accompanied by widespread human rights violations.[8] Some displaced people crossed the border as refugees and entered the refugee camps established along the Thai-Burma border. Others from this first wave of cross-border movement from eastern Burma found employment inside the Thai economy. This is reflected in the fact that the first attempt to register Burmese workers in Thailand in 1992, found that migrants came almost exclusively from conflict-affected border areas.[9]

Over time, source communities of Burmese migrants have diversified, so that people from regions throughout Burma are now represented in cross-border movements. Following the suppression of Burma's 1988 pro-democracy uprising, inflation increased as wages failed to keep up with a rising cost of living. Consequently, many Burmese found it harder to survive.[10] The gross mismanagement of the economy by the military regime resulted in fewer and fewer economic opportunities for the Burmese population.[11] Limited employment opportunities and a failure of jobs across all sectors of the economy to provide liveable salaries have pushed many to migrate. For example, A labourer in Burma earns on average just MMK (kyat) 1,500 to 2,000 (approximately USD 1.20-1.60) a day, an amount entirely insufficient to meet even their most basic daily needs, particularly as the prices of staple goods has steadily increased. The lack of employment opportunities, the rising cost of living, and low wages have all prompted many workers to leave Burma and move to Thailand in search of work.[12] However, it should be noted that the push factors that have encouraged emigration from Burma are complex and cannot neatly be categorised as either "political" or "economic", since in Burma these factors are closely intertwined. The political dominance of the military has contributed to the severe economic mismanagement. This has included the disproportionate funnelling of state funds into the military's coffers, as well as directly into the pockets of its highest commanders and associates. Further economic damage has been done as a consequence of the military offensives in ethnic minority areas. These conflicts have long and complicated backgrounds, and have resulted in people being forced off their land with their livelihoods destroyed. Fear, conflict, violence and economic hopelessness all intermingle as reasons to emigrate from Burma.

Map of Burma/Myanmar

Source: http://rvinmyanmar.org/img/myanmar%20map.JPG

In the early 1990s on the Thai side of the border, the economy was however booming and in urgent need of cheap labour. Thailand's economic expansion during this period revolved around the production of labour-intensive manufactured goods for exports. The early 1990s saw the annual growth rate of manufactured exports reach a staggering 25 per cent.[13] This required a large pool of low-skilled labour. At that time, Thailand was also undergoing a demographic transition. An aging population meant that there were fewer young Thais entering the employment market. Demand for labour could not be met by relying solely on the local population, so Thai employers turned to migrant workers to fill the gap.[14]

The availability of jobs in a rapidly expanding Thai economy was by far the most significant pull factor for Burmese migration to Thailand. Despite fluctuations in the fortunes of the Thai economy, most notably during the 1997 Asian financial crisis, the continued disparity in the levels of development between the two countries has sustained this pattern of migration. As has the ongoing political instability and the poor human rights situation inside Burma. (See Thailand Migration Overview for further information on Burmese migrant workers in Thailand.)

2-2. Burmese Action on the MOU and NV Processes

In 2003 Burma signed a Memorandum of Understanding (MOU) on the sending of migrant workers to Thailand. This laid the foundations for two processes, the Nationality Verification (NV) process, and the MOU process. The NV process aims to verify the nationality and identity of migrants already working inside Thailand and provide them with a Temporary Passport (TP). The issuing of a TP allows the migrant to apply for an official work permit, thus regularising their immigration status. The MOU process on the other hand, serves to recruit prospective migrant workers from within Burma and send them to Thailand through formal migration channels.[15]

Burma's military regime were initially very slow to begin implementing these processes and it was not until June 2009 that the first NV centres were opened in Myawaddy, Tachilek and Kawthaung.[16] The Burmese and Thai governments had earlier disagreed on the location of the NV centres, with the Thai government wanting the NV process to take place in Thailand and their Burmese counterparts refusing. This refusal contrasted to the Cambodian and Laotian governments, who sent mobile teams of officials to Thailand to verify their nationals' identity. The military regime however insisted that migrant workers had to travel back to Burma to verify their identity. This deterred many migrants, particularly those from ethnic minority groups that are engaged in armed conflicts against the Burmese military, from partaking in the verification exercise. The process established under the MOU has similarly proved to be slow and complex, which to date has succeeded in sending relatively few migrants to Thailand through formal channels.

Since the nominally civilian Government of Myanmar was installed following the November 2010 elections, there has been greater engagement on the part of the Burmese authorities with the issue of migration to Thailand. In January 2011, Thai officials travelled to Burma to negotiate the opening of more NV centres, with the intention of increasing the number of migrants sent by way of the MOU process.[17] In July 2011, the new Government of Myanmar agreed to issue six year TPs to replace the three year documents originally granted.[18] In early 2012 the Government of Myanmar and the Thai authorities entered into further bilateral negotiations, resulting in a renewed focus on improving the MOU recruitment process in Burma to make it as streamlined and efficient as possible. Accredited recruitment agencies in Yangon and Myawaddy have been established to recruit and send migrant workers to Thailand. These agencies will also be responsible on behalf of workers to ensure that they receive the legal minimum wage in the area in which they are working. In addition, TPs are to be issued in Yangon for migrants who wish to travel by air.[19] It is still open to question whether these recruitment agencies will be able to provide a more efficient means of migration and ensure that migrant workers in Thailand receive the wages they are entitled to. As elaborated upon below, the use of recruitment agencies in Burma are often an expensive way to migrate, which may in practice hinder efficient migration.

3. Chinese Migrants in Burma

China's foreign direct investment in Burma has reached unprecedented levels in recent years, most notably in the field of resource extraction.[20] Chinese firms operating inside Burma frequently bring temporary Chinese workers, such as engineers, construction workers and road builders. For example, the Chinese-funded construction of the Myitsone hydroelectric dam in Burma's Kachin State alone employed around 12,000 Chinese construction workers before the project was recently suspended.[21] It was also reported that another Chinese-backed resource extraction project in Arakan State, known as the "Shwe Gas Project", employed thousands of workers from China in various positions, whilst the vast majority of local people are employed, if at all, in unskilled positions, such as breaking and carrying rocks on construction sites.[22] Given the large number of Chinese-backed projects presently being carried out in Burma, it can be estimated that there are tens of thousands of Chinese workers employed in similar projects up and down the country. The exact numbers of Chinese workers however remains unknown.[23]

Most Chinese businessmen who migrate to Burma in search of new markets similarly bring with them their own employees. These workers are frequently referred to as the "New Chinese", a term that distinguishes them from the second and third generation Sino-Burmese communities who are already well integrated into Burmese society.[24] The new Chinese dominate large sectors of the local economy, particularly in the northern part of the country. It is estimated that 30 to 40 per cent of the population of Mandalay, Burma's second largest city, is now Chinese.[25] Chinese-owned hotels, restaurants, supermarkets, shopping centres and other small and medium businesses can be seen everywhere in downtown Mandalay. Chinese is commonly spoken in Kachin State; and Lashio, a city in Shan State is frequently referred to as "Chinatown" due to the large presence of Chinese immigrants, mainly from Yunnan province, and the dominant use of Mandarin in the local economy.[26]

4. Effects of Post-2010 Political Reform on Migration

The nominally civilian government that emerged following the 2010 elections in Burma has made a number of moves designed to reach out and reconcile with both the Burmese people and the international community. This has included releasing Daw[27] Aung San Suu Kyi from house arrest, as well as hundreds of political prisoners. The new government has also embarked on a programme of political and economic reforms. These have included a new labour law which allows workers to form unions and strike.[28] Restrictions on foreign investment have also been lifted, with the result that international investors and business people are now looking to Burma as the next stop on their perpetual search for cheap easily exploitable labour.[29]

Surin Pitsuwan, Secretary-General of ASEAN, has stated that he expects many migrants to return to Burma from neighbouring Thailand in light of the recent changes and the increased foreign investment expected to take place in Burma.[30] Others do not foresee a mass return exodus back to Burma. In an interview with the *Democratic Voice of Burma*, Jackie Pollock, Director of MAP Foundation said she expected there to be new forms of internal migration within Burma. People from rural areas would likely move to the cities or to the new economic or industrial zones in search of work, but that the migrants already in Thailand were fairly well established and still better off than their counterparts back home.[31] In addition, many Burmese migrants have been in Thailand through previous hopeful periods and been disappointed, so are more likely to wait it out in Thailand before being convinced that things in Burma have really changed for the better over the long term.

5. Challenges of Regularised Migration

Although many migrants continue to cross borders without passports and seek work in neighbouring countries without documents, there is an increasing trend towards regularised migration. For Burmese migrants in Thailand many now enter the process of having their nationality verified and a few migrants are now entering Thailand under the MOU process. Potential migrants who, wish to migrate legally through official channels, however face a whole new set of hurdles.

These challenges include the difficulties associated with applying for work through recruitment agencies such as having to pay exorbitant placement fees, and the frequent need to bribe the passport office to obtain travel documents.[32] Employment agencies for migrant workers in Yangon are often overwhelmed by the number of applicants, and the passport office was issuing only 8,000 to 10,000 Burmese passports per month in 2008, with an average waiting time of 40 days.[33] More recent reports suggest that there has been no significant improvement in the process and applicants must pay various fees and endure an overly bureaucratic procedure.[34] The cost of obtaining travel documents and the fees levied by recruitment agencies are high. In 2008, overseas employment agencies were charging applicants up to MMK 1.2 million (USD 960) to arrange jobs and flights to Malaysia; MMK 3.2 million (USD 2,560) to Singapore; MMK 1.2 million (USD 960) to the United Arab Emirates; and as much as MMK 13.2 million kyat (USD 11,000) to Japan. This difference in fees reflects the migrants' earning potential in each migrant destination country.[35] These prices have reportedly increased over time. For instance, in 2010 the cost of sending a worker to Malaysia had reportedly risen to USD 1300.[36] Moreover, not all migrant workers are able to find employment overseas or repay the debts they incur during the recruitment process.

The export of Burmese workers has now become a lucrative business. Over 100 private employment agencies have opened in Yangon alone, enterprises from which the government directly profits in the form of tax revenue and various associated fees.[37] With increased flows of documented migration, the new Government of Myanmar has taken some steps towards migrant protection. For example, a labour attaché is now temporarily stationed in South Korea and Thailand. The role of the labour attaché stationed in Bangkok is to perform the following functions:

- To thoroughly check contracts of employment in Thai, English and Burmese;
- To verify and endorse the job offers made by Thai employers;
- To ensure that workers enjoy employment contracts and social security in the workplace;
- To manage dispute resolution between migrant workers and their employers; and
- To explore ways to collaborate in supporting migrant children's education.[38]

6. Trafficking

Burma is both a source and transit country of human trafficking. Burmese men, women, and children are trafficked to Thailand, Malaysia, China, Bangladesh, India, and South Korea for sexual and labour exploitation.[39] The large flows of documented and undocumented migrants from Burma to the rest of Southeast Asia and even to the Middle East, has resulted in Burmese nationals becoming particularly vulnerable to forced labour and sexual trafficking.[40] Burma is also a transit country for Bangladeshi victims of trafficking en route to Malaysia, and Chinese victims en route to Thailand.[41] The Government of Myanmar and their predecessors have taken some limited steps towards combating human trafficking through various programmes. They have also cooperated to some degree with the UN agencies who work in the field on human trafficking issues.[42]

In August 2005, the Anti Trafficking in Persons Law was passed, which stipulates that traffickers convicted of exploiting women, children and young adults face a maximum sentence of life imprisonment, while those found guilty of trafficking men face a maximum of ten years.[43] On 26 December 2007, a five-year National Plan of Action to Combat Human Trafficking (2007-2011)

was put in place, in line with the country's commitment under the Coordinated Mekong Ministerial Initiative against Trafficking MOU (COMMIT MOU). In 2010, a senior UN official congratulated the Burmese regime on the steps that it has taken to tackle the problem of human trafficking.[44]

However, the number of criminal prosecutions for trafficking related offences has remained relatively low since the Anti-Trafficking in Persons Law came into force. Burma remains in Tier 3, the worst possible ranking within the US State Department's 2011 *Trafficking in Persons Report* for not fully complying with the standards for elimination of trafficking.[45] The report stated that the Burmese regime reportedly investigated 173 cases of trafficking and prosecuted 234 offenders in 2010.[46] However, the report also stated that they failed to 'demonstrate discernible progress in investigating, prosecuting, and convicting perpetrators of internal trafficking-particularly the military's forced conscription of soldiers, including child soldiers, and use of forced labor'.[47] Moreover, the report highlighted that the absence of the rule of law and of an independent judiciary in the country detracts from the capacity of victims to receive justice.

More positively, the report mentioned the increase in awareness-raising activities undertaken by government bodies:

> The Women's Affairs Federation, a government-linked entity, conducted educational sessions for women around the country to discuss trafficking risks associated with emigrating for employment. The government continued awareness campaigns through billboards, flyers, and public talks during the reporting period. The Burmese government reported forming a new anti-trafficking unit in Chin Shwe Haw during the year. The National Task Force on Anti-Trafficking in Persons helped coordinate activities among domestic and international organizations. The government, in conjunction with the ILO [International Labour Organization], published a brochure on trafficking disseminated widely throughout the country. Additionally, informational billboards were posted at bus and railway stations to increase public awareness.[48]

In addition to the Anti-trafficking in Persons Law 2005, the Burmese government signed two bilateral agreements with Thailand and China to combat human trafficking in April and November 2009, respectively. Despite the government's effort to combat human trafficking, many people who belong to certain ethnic minority groups, including the Rohingya, are particularly vulnerable to trafficking as the state refuses to recognise them as citizens and provide them with national identity documents. Furthermore, economic hardship and limited job opportunities have led to an increase in the number of human trafficking cases for the purpose of forced marriage (see China Migration Overview).

7. Conclusion

Political, cultural or other forms of persecution, the mismanaged economy and limited job opportunities have driven millions of Burmese people to migrate. In recent years, there have been attempts to formalise migration, and the authorities have taken steps towards regulating the migration process. Under an MOU signed with Thailand in 2003, more than 7,000 Burmese workers have been recruited to work in Thailand; while a labour attaché is now temporarily stationed in South Korea and Thailand. However, Burmese migrant workers continue to face various challenges in seeking employment abroad. High costs associated with obtaining legal documents and the government's refusal to recognise members of certain ethnic groups as nationals, makes formal migration impossible for many.

Many Burmese men, women and children are subjected to labour and sexual exploitation in destination countries, especially in Thailand and China. The internal trafficking situation is still largely neglected by the authorities and many people from ethnic minorities living in remote areas where the Burmese military is stationed are subjected to forced labour, and thus particularly vulnerable to trafficking while trying to escape from ill treatment.

In light of recent political and economic reforms, internal migration is likely to increase as people from rural areas move to the cities or the newly established economic or industrial zones. Yet, it remains too early to tell whether migrants who are currently working abroad will return to Burma any time soon. It is likely they will need convincing that things in Burma really have changed for the better over the long term.

Endnotes

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Photo courtesy of CWCC

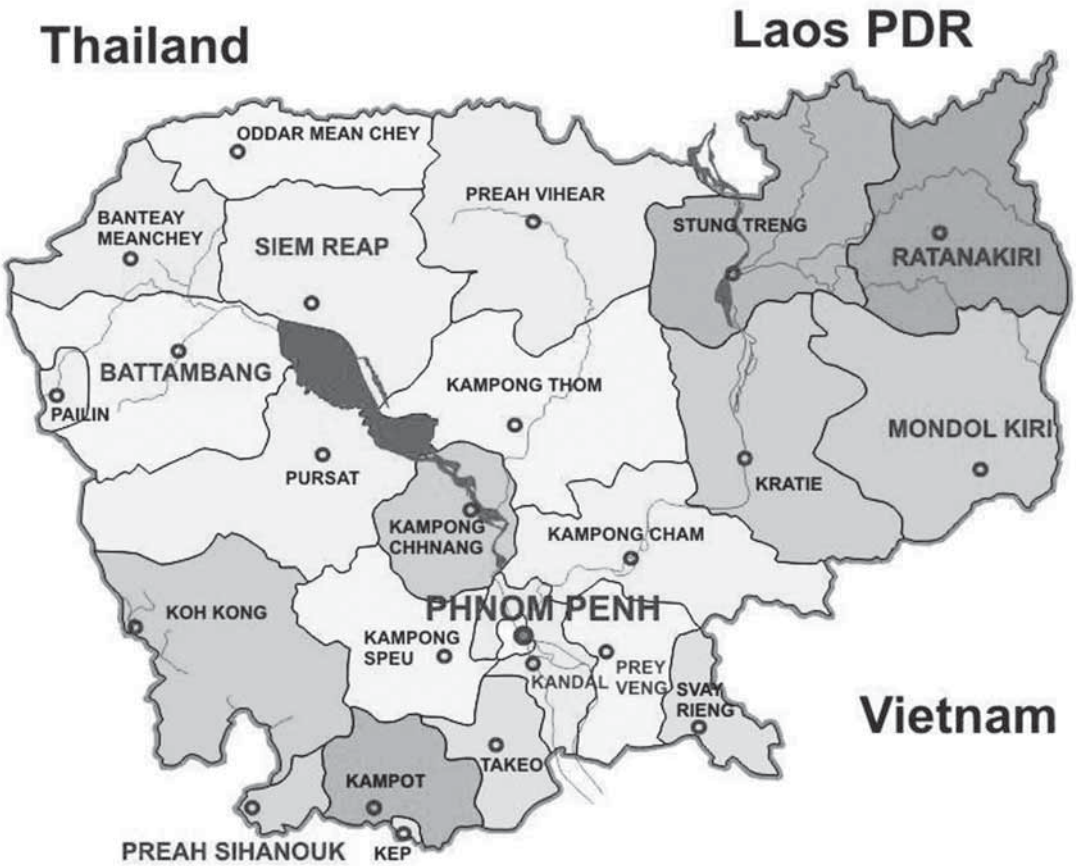
A number of Cambodian female migrants are employed in the fish processing industry while their male counterpart work on the fishing boats. Trad, Thailand.

Cambodia Migration Overview

With limited employment opportunities available to a rapidly growing population, Cambodians frequently migrate both internally and abroad in search of work. In 2009 there were 2.5 million internal migrants in Cambodia.[1] Young women in particular migrate internally for jobs, which are predominantly in the garment and textile industry. Of the 280,601 workers employed within Phnom Penh's 431 factories in 2008, 251,091 (90 per cent) were women.[2]

Furthermore, Cambodia is both a source and destination country in terms of international or cross-border migration. In recent years, Cambodian workers have migrated to work in countries such as Thailand, Malaysia, South Korea and Vietnam. The Cambodian government is also seeking to expand formal migration channels to other Asian countries including Kuwait, Qatar, Singapore and Saudi Arabia.[3] As a receiving country, Cambodia is home to a large number of long-term immigrants, particularly from Vietnam, as well as migrant workers who reside there on a more temporary basis.

Map of Cambodia



Source: http://www.aangkortourguide.com/cambodiamap.htm

1. Cambodia as a Source Country

1-1. 'Push' and 'Pull' Factors for Migration

Despite recent economic development, the Cambodian economy lags far behind those of other Association of South East Asian Nations (ASEAN) countries, notably its immediate neighbours, Thailand and Vietnam. Economic development in Cambodia is largely concentrated in urban areas, principally Phnom Penh and tourist centres such as Siem Reap. However, the population of much of the country remains dependent on small-scale rice farming for their livelihood, and people frequently migrate away from rural areas in search of alternative employment opportunities.

1-2. Migration to Thailand

1-2-1. Overview

Thailand is the most important destination country for Cambodian migrants, and for the most part migration tends to take place through informal channels. Cambodia shares a long, porous border with Thailand and strong local trans-border networks have formed between the northern and western provinces of Cambodia and neighbouring Thai provinces.

In 2003 Cambodia and Thailand signed a Memorandum of Understanding (MOU) on Cooperation in the Employment of Workers. This MOU aimed to institute official procedures for the employment of Cambodian migrant workers in Thailand and makes provision for the effective repatriation of migrant workers, the protection of migrant workers' labour rights, the prevention of illegal border crossings, human trafficking, and the employment of undocumented migrant workers.[4] In 2006, as a result of the MOU, the Cambodian government began sending migrant workers to Thailand through formal channels. The Cambodian government has since licensed 15 private recruitment agencies to recruit, train and send migrant workers to Thailand.

While Cambodian migrants work in a wide range of employment sectors in Thailand, the December 2011 round of registrations reflects the importance of the agriculture, construction, fishing, and domestic work sectors. (See Table 3: Number of registered migrant workers in Thailand by sector, nationality, gender, as of December 2011 in Thailand Migration Overview).

As can be seen from Table 3, a large proportion of Cambodian migrants who registered in December 2011 are female. The majority of these migrants are employed in the agriculture, construction and domestic work sectors. According to the Department of Employment of the Thai Ministry of Labour, 137,598 Cambodian migrant workers obtained a legal status in Thailand by the end of December in the 2012. Among those, 73,793 Cambodian migrant workers had had their status regularised through the nationality verification process and 63,405 had entered under the MOU process.[5]

Despite the gradual introduction of legal channels of migration, the majority of Cambodian workers continue to migrate to Thailand unofficially. This leaves them liable to arrest, detention and deportation at the hands of the Thai authorities, with 89548 deported through the Poi Pet and Koh Kong international check points in 2009,[6] and 126,054 (of which 11,856 were children under the age of 15), through Poi Pet and 413 people through Koh Kong in 2010.[7]

1-2-2. Recruitment Process for Thailand

The recruitment process for employment in Thailand under the 2003 MOU comprises six important steps. Firstly, a prospective Thai employer must apply to the Department of Employment in the Ministry of Labour for a share of the available quota of migrant workers. Secondly, if approved, the employer engages a recruitment agency to act as their representative in formally recruiting the migrants. This agent coordinates with a partner recruitment agency in Cambodia. The employers then issue a demand letter that includes information about the sector of employment and the working conditions for the positions available. This letter typically includes details of the age, gender and number of migrants sought, along with information concerning their pay and remuneration. Thirdly, the recruitment agency in Cambodia announces job vacancies, selects workers that meet the employers' requirements and prepares travel documents for those selected. Before departure prospective migrant workers must undergo a health check. Fourthly, Cambodian recruitment agencies send a list of the selected workers to the partner agency in Thailand who, in turn, forward it to the relevant Thai employer. The Thai employer then applies for work permits on behalf of each worker from the Ministry of Labour, and obtains the necessary permission to allow the workers to enter Thailand. Fifthly, on arrival in Thailand, the migrant workers are received by the employer or the employer's representative and must undergo a further medical check before the work permit application is processed. The Thai Ministry of Labour and the Cambodian Embassy are required to oversee the implementation of the employment contract by the Thai employer.[8]

Furthermore, in Cambodia, private recruitment agencies licensed by the Ministry of Labour and Vocational Training (MOLVT) must deposit USD 100,000 into the Ministry's bank account. The deposit is intended to act as a guarantee which can be used to compensate migrant workers should the recruitment agency renege on workers' contract of employment.[9] Furthermore, recruitment agencies must sign an agreement with the MOLVT, in which they undertake to protect Cambodian workers

against rights violations, including sexual and human trafficking, and to provide proper pre-departure training before sending them to Thailand.

Between 2006 to 2008, private recruitment agencies sent a total of 8,231 Cambodian migrant workers to Thailand, including 2,645 female workers. In 2009, 3,543 workers were sent to Thailand, including 1,572 female workers.[10] In 2010, 6,304 male workers and 4,920 female workers were sent to Thailand under the formal MOU process.[11]

1-2-3. Drawbacks of the MOU Process

Whilst one would expect that migrating under the formal government MOU process would lead to the better protection of migrant workers' labour rights, initial observations suggest that this may not necessarily be so. Workers migrating through this formal process have been found not to receive any better protection than informal migrant workers, with workers reportedly experiencing extortion and abuse both at the pre-departure stage, as well as once they arrive in Thailand. Cases of malpractice have arisen in the wake of the government's decision to grant licences to private recruitment agencies. These have included cheating on wages, failing to provide proper pre-departure training, charging high fees for the recruitment process, leveraging debt, and leaving lag time between registration and the start of employment. The majority of workers who wish to migrate to Thailand under the MOU process wait between three to six months before deployment and have to pay excessive fees to the recruitment agencies for the documentation process.

A lack of pre-departure information and preparation, along with numerous wage deductions lead to a number of recruited migrant workers absconding from their designated employers in Thailand. Some remain in Thailand working informally, while others choose to return home.[12] Few migrants possess any information on what to do if they experience labour rights abuses. Non-governmental organisations (NGO) working with migrants have also reported that although recruitment agencies are required to deposit USD 100,000 into a MOLVT bank account for compensating migrants in cases of abuse, in practice this fund is rarely used for this purpose.[13]

The total average cost of sending a migrant worker to Thailand in 2009 was USD 700. This comprises USD 100 paid upfront by the worker and USD 600 (THB 20, 000) advanced by the recruitment agency or Thai employer, an amount which is later deducted from the workers' salary. Workers reportedly have USD 70 (THB 2,000) a month deducted for the initial 10 months of their contract. In many cases this represents over half their total monthly salary.[14] According to one NGO, these deductions are made arbitrarily by the different recruitment agencies-there is no set legal deduction. The MOLVT has apparently ordered the Association of Cambodian Recruitment Agencies to calculate the total cost of passports and documents in order to establish a legal deduction, but as of December 2011 the Association had yet to comply with this order.[15]

Sub-decree 190 on the Management of the Sending of Khmer Workers Abroad through Private Recruitment Agencies was promulgated in August 2011.[16] However, this legislation has been criticised for its failure to effectively deal with many of the problems associated with private recruitment agencies, as will be discussed below in the section on 'Sub-decree 190 on the Management of the Sending of Khmer Workers Abroad through Private Recruitment Agencies'.

Although an extensive legal recruitment network has now been set up, a large number of non-accredited agencies and informal recruiters remain in operation throughout Cambodia. Migration through informal channels continues to dominate, particularly with regards to migration to Thailand. Between 2005 and 2010, Thai employers requested 109,000 Cambodian employees pursuant to the MOU.[17] However, as of December 2012 only 63,405 migrants had been allowed to enter the country under the terms of the MOU and had received their work permits.[18]

Photo courtesy of CWCC

Working conditions on the fishing boats are dangerous and often coercive. Trad, Thailand.

1-3. Migration to Malaysia

In recent years, Malaysia has become a popular destination country for Cambodian migrants. Due to numerous abuse cases involving Indonesian domestic workers in Malaysia, the Indonesian government imposed a moratorium on sending domestic workers there from June 2009.[19] This ban was eventually lifted on 1 December 2011.[20] However, in the interim Cambodian workers had increasingly migrated to meet demand, and as a result, Cambodia became a major sender of domestic workers to Malaysia. There is evidence to suggest that Cambodia's Cham Muslim minority, in particular, frequently choose to migrate to Malaysia because of cultural and religious ties,[21] with anecdotal evidence indicating that the majority of Cham migrants are women who migrate for domestic work or for the purpose of marriage.[22]

Between 1998 and 2008 a total of 13,324 workers migrated to Malaysia, 9,045 of whom were employed in the domestic work sector and 4,279 in factories.[23] In 2009, recruitment agencies in Cambodia sent 9,682 migrant workers, of which 8,806 were female.[24] In 2010 4,476 workers, 2,522 men and 1,954 women, went to Malaysia to work in factories, and 11,918 women in domestic work.[25]

However, the number of abuse cases received by the Legal Support for Children & Women (LSCW) law office in Phnom Penh suggests that abuse on the part of employers or agents in Malaysia is a major problem once migrants arrive in the country. Problems include physical abuse, exploitative working conditions, confiscation of passports or the non-payment of wages.[26] The dangers of working in Malaysia have been well-publicised in the Cambodian media, and in October 2011 the Cambodian government introduced a ban on sending domestic workers to Malaysia.[27] This, however, has not solved the problem, and recruitment agencies are still thought to be sending domestic workers to Malaysia.[28] As of March 2012 there are no bilateral mechanisms in place to provide adequate protection for Cambodian domestic workers in Malaysia. An MOU between Cambodia and Malaysia that will seek to protect the rights of migrant workers is under discussion,[29] although reports suggest that the negotiation process is not on schedule and the signing of the agreement not imminent.[30]

1-4. Migration to South Korea

Cambodia began sending migrant workers to South Korea in 2003 under the Industrial Trainee System (ITS).[31] In December 2006, the Korean government phased out this system and in its place widened the scope of the Employment Permit System (EPS). The EPS had been introduced in 2003 and for several years had run in parallel with the ITS. Migrants' rights advocates welcomed the Korean Government move to replace the ITS with the EPS, as the EPS recognises migrant workers as employees who, unlike "trainees", are entitled to labour protection. Furthermore, the Cambodian government has established a committee-the Manpower Training and Overseas Sending Board (MTOSB)-to train Cambodian migrant workers to work in South Korea. On 20 November 2006, the Cambodian government signed an MOU with the Korean government on the sending of workers to South Korea under the EPS. In 2007, the Korean government accepted Cambodia as an EPS partner country after an assessment of the capacity of the MOLVT to manage labour migration to Korea. Between 2003 and 2006, 3,399 migrant workers migrated to South Korea under the old ITS; and from 2007 to 2008,

3,115 migrant workers were sent to South Korea under the expanded EPS.[32] In 2010 the total was 2,116, comprising 1,642 men and 474 women.[33]

1-5. Migration to Japan, Singapore and Gulf Countries

Following the establishment of the 'government to government' recruitment model with South Korea, the Cambodian government has been negotiating with Japan and Singapore to establish similar bilateral agreements to regulate the sending of Cambodian migrants to those countries.

The Japanese government has strict requirements for migrant workers wishing to work in Japan, and the most common legal channel for labour migration here remains the trainee system. This requires applicants to have completed lower-secondary education, be currently employed, and sign an agreement to affirm that they will return to the same company in their country of origin following the completion of their traineeship.[34] Between 2007 and 2009, Cambodia sent 82 trainees (50 of them female) to Japan.[35]

The Cambodian Embassy in Singapore has also notified the MOLVT regarding the possibility of sending Cambodian migrant workers to Singapore under a quota system.[36] Although Singapore does not require an MOU for the admission of Cambodian workers, the Cambodian government has yet to send any workers there, largely due to the strict language requirements that apply to migrant workers wishing to enter the city state.[37]

In order to expand the labour market to Gulf countries, the Cambodian government has also signed an MOU with the Kuwaiti government, and is currently exploring the possibility of entering into a similar agreement with the Qatari government.[38] Although the agreement with Kuwait has been signed, evidence suggests that the qualification requirements for the type of jobs listed under the MOU make it difficult for many Cambodians to migrate to the Gulf state.[39]

1-6. Migration to Vietnam

Vietnam is another popular GMS destination for Cambodian migrant workers, particularly children and women who frequently migrate to Vietnam to work on the streets, often as beggars.[40] Low retention rates for school students in Cambodian provinces along the border with Vietnam compounds the trend.[41] Reliable data on migration from Cambodia to Vietnam is generally lacking as the majority of migrants travel undocumented.

In 2008, 898 Cambodians were deported through the Bavet-Moc Bai check point for residing and working illegally in Vietnam. Of these, 503 were female migrant workers.[42] In 2010, 586 Cambodians were deported from Vietnam, of whom 300 were women, 271 men and 15 minors under 15 years of age.[43]

2. Cambodia as a Destination Country for Migrant Workers

2-1. Vietnamese Migrant Workers in Cambodia

Vietnamese people who had previously lived in Cambodia for generations were deported en masse during the Lon Nol regime (1970-1975), and again during the Khmer Rouge era (1975-1979). During the 1980s, many gravitated back to Cambodia following the fall of the Khmer Rouge. The economic opportunities resulting from the market reforms of the 1990s led to an even larger surge of immigrants from Vietnam.[44]

Photo courtesy of MMN

The Office of the International Border Check Point in Poipet.

Cambodia shares a long land border with Vietnam, and migrants from Vietnam travel to Cambodia for the most part without documents, following in the footsteps of their friends, relatives and neighbours. The Vietnamese are the single largest minority group in Cambodia. Although no official population data is available, estimates range from 100,000 to one million.[45] These estimates include both ethnic Vietnamese born in Cambodia and more recent immigrants who have arrived in search of work. Other reports put them at five per cent of the country's total population of about 14 million.[46]

The occupations of Vietnamese migrant workers vary according to their location. Some are involved in the fishing industry, particularly those who live along the rivers. Those living in Phnom Penh are more likely to work in the construction or trade sectors, or have jobs as skilled workers in machinery and electronic repair workshops, wood processing, or other enterprises. Field studies reveal that employers of skilled workers preferred to employ workers of Vietnamese origin, believing them to be more skilled, hard-working and patient.[47]

In Phnom Penh and Siem Reap, Vietnamese migrants also work as sex workers. It is estimated that they comprise around 30 per cent of the total number of sex workers in Cambodia.[48]

3. Cambodia Labour Migration Policies, Legislation and Regulations

International labour migration has been occurring for at least two decades, but attempts on the part of the Cambodian government to manage this have been a relatively recent development. Cambodia has struggled with formulating policies, legislation and regulations to deal with the outflow of migrant workers, and is still at an early stage of developing formal migration channels to other countries.

3-1. International Conventions Ratified by Cambodia

Cambodia has ratified eight ILO conventions, namely Convention C29 on Forced Labor (1930), Convention C87 Freedom of Association and Protection of the Right to Organize (1948), Convention C98 on Right to Organize and Collective Bargaining (1949), Convention C100 on Equal Remuneration (1951), Convention C105 on Abolition of Forced Labor (1957), Convention C111 on Discrimination (Employment and Occupation) (1958), Convention C138 Minimum Age Convention (1973), and Convention C182 on Elimination of the Worst Forms of Child Labor (1999). Meanwhile, Cambodia has signed, but not ratified, the Convention on the Protection of All Migrant Workers and Members of their Families, which is one of the most significant conventions in relation to the rights of migrant workers. Furthermore, the Cambodian government is a signatory state to the ASEAN Declaration on the Promotion and Protection of the Rights of Migrant Workers.

3-2. National Legislation and Guidelines

3-2-1. Sub-decree 57 on Sending Cambodian Migrant Workers to Work Abroad

In 1995, the Cambodian Government introduced a new policy to send Cambodian migrant workers abroad. The policy was aimed at enabling migrants to achieve a higher standard of living and upgrade their vocational skills. It was also intended to generate national revenue and address the issue of unemployment at a time when the domestic labour market was unable to absorb the unemployed and under-employed. As a part of this policy, the government issued Sub-decree 57 on Sending Khmer Workers to Work Abroad.

This Sub-decree became the most important law regulating labour migration management from Cambodia, and gave the MOLVT the authority to licence recruitment agencies, on the basis of stipulated criteria. It also established a basis for cooperation between the MOLVT and the Ministry of Interior (MOI) for issuing passports, and the Ministry of Foreign Affairs (MFA) in monitoring workers in destination countries. It detailed the processes and procedures for private recruitment agencies, obliging recruitment agencies to sign written contracts with workers and to organise pre-departure training.[49]

In June 2010, the MOLVT released a new policy document, *Policy on Labour Migration for Cambodia*, which emphasises: i) the governance of labour migration; ii) the protection and empowerment of migrant workers; and iii) the harnessing of labour migration for development.[50] It recommended posting labour attachés in Cambodian embassies, improving pre-departure training and establishing stricter guidelines for recruitment agencies.

3-2-2. Sub-decree 190 on the Management of the Sending of Khmer Workers Abroad through Private Recruitment Agencies

Sub-decree 57 was superseded in August 2011 by Sub-decree 190 on The Management of the Sending of Cambodian Workers Abroad through Private Recruitment Agencies.[51] This new Sub-decree was intended to improve the management of labour migration and regulate the private recruitment agencies that are central in sending many Cambodian migrants abroad. It also intended to improve the safety of Cambodian workers abroad, raise living standards, and contribute to poverty reduction.[52] The promulgation of this law was eagerly anticipated by migrant workers, local civil society organisations, and international organisations alike. However, the reality proved disappointing and it has been heavily criticised by civil society organisations, notably on the grounds that the Sub-decree was formulated without proper consultation with migrant workers and NGOs.[53]

Moreover the new legislation failed to provide legal solutions for the many problems associated with the private recruitment industry. These include:

i) debt bondage through the provision of enticement loans to workers;
ii) recruitment of underage girls;
iii) illegal detention and mistreatment of workers in pre-departure training;
iv) the facilitation and use of forged legal documents (passports, birth certificates);
v) failure to provide copies of contracts to workers;
vi) failure to pay workers their full salaries and/or not paying salary until the end of the contract; and
vii) the prevention and obstruction of contact between workers and their relatives.[54]

The failure to address the issues of debt bondage and indefinite detention at pre-departure training centres has been highlighted as particularly problematic.[55] The Sub-decree also failed to clearly define the responsibilities of recruitment agencies, failed to provide reliable information about when the regular inspections of recruitment agencies are to take place, and contained vague and ineffectual sanctions for agencies which are found to be in breach of their obligations.[56] In addition, it makes no provision for a clampdown on unregistered agencies 'borrowing' licenses from other agencies. These omissions leave considerable room for the current abusive practices to continue unabated.[57] The decree ultimately focuses on the management of migration and neglects to stipulate clear protection for the people migrating.

3-2-3. Sub-decree 70 on the Creation of Manpower Training and Overseas Sending Board

As mentioned earlier, in 2006 the Government of Cambodia signed an MOU with South Korea on the EPS, the new system for sending Cambodian workers to Korea. This new system does not allow private recruitment agencies to recruit, train, or send and manage workers, and instead required the Cambodian Government to establish a public agency to fulfil this role. Accordingly, Sub-decree 70, issued in 2006, created a public agency called Manpower Training and Overseas Sending Board (MTOSB). The Sub-decree granted powers to the MTOSB to act as the public agency for recruiting, training, sending and managing Cambodian workers overseas. This new body has a very important role in sending Cambodian workers to South Korea under the EPS.[58] While the MTOSB was set up specifically with reference to South Korea,[59] its remit also extends to other countries. The MTOSB comprises 33 private recruitment agencies and one public agency.[60] The public body is in control of sending workers to South Korea while private recruitment agencies are responsible for sending workers to Thailand and Malaysia.[61]

3-2-4. Regulation 108 on Education of HIV/AIDS, Safe Migration and Labour Rights for Cambodian Workers Abroad

In 2006, the MOLVT issued Regulation (Prakas) 108 on Education of HIV/AIDS, Safe Migration and Labour Rights for Cambodian Workers Abroad. This Prakas deals specifically with education, and awareness-raising on health-related issues, particularly HIV/AIDS, for Cambodian migrant workers who are preparing to work abroad, and for their families. This Prakas also places the onus on private recruitment agencies for providing pre-departure training to migrant workers.[62]

3-2-5. Sub-decree 195 on Issuing Regular Passports to Cambodian Migrant Workers

In 2008, the Royal Government of Cambodia issued Sub-decree 195 on issuing regular passports to Cambodian migrant workers who intend to work abroad legally. The Sub-decree defines 'migrant workers' as Cambodian workers who migrate to work abroad through recruitment agencies or the government agency MTOSB. According to this decree, these migrant workers, including those migrating to work abroad under Sub-decree 57, are able to apply for a lower-cost passport. This lower-cost passport policy also provides benefits to Cambodians who travel abroad as trainees and was the result of a year-long advocacy campaign by Cambodian civil society organisations in opposition to high passport fees. The period for issuing a new passport is set at 20 working days, and migrant workers pay a set fee of USD 20, with an additional USD 4 for photographs.[63]

The reality, however, does not reflect the stipulations of the law. Workers continue to be drastically overcharged, with recruitment agencies charging fees ranging from USD 90 to USD 160, depending on the urgency of the application.[64] This is a cost which recruitment agencies attribute to 'the complicated nature of the application procedure' and results in high deductions from migrants' salaries.[65]

3-2-6. Code of Conduct of Association of Cambodia Recruitment Agencies

This Code of Conduct was issued in 2009 with funding support from the United Nations Development Fund for Women (UNIFEM) Cambodia. It was developed using a participatory approach between the MOLVT, Cambodian recruitment agencies, trade unions and NGOs in accordance with the principles of human rights, dignity and non-discrimination against migrant workers. It details the criteria that private recruitment agencies should follow when recruiting Cambodian workers to work abroad and also outlines a complaint mechanism should recruitment agencies violate the Code.[66] However, it should be noted that the Code is non-binding and carries no legal weight.

3-2-7. Minimum Standard Service Contract

In 2009, the MOLVT initiated a Minimum Standard Service Contract (MSSC), to be signed by migrant workers and private recruitment agencies. The idea behind the creation of the MSSC was to eliminate the numerous versions of contracts that private recruitment agencies frequently concluded with migrant workers, and also to implement minimum criteria for contracts. Even though the MSSC was adopted in 2009, it has yet to be enforced, with many recruitment agencies still using their own service contracts.[67]

3-3. Labour Migration Management Institutions

The ministries involved in the management of international labour migration for Cambodian workers are: the MOLVT, the MOI, the Ministry of Foreign Affairs and International Cooperation and the Council of Ministers. There are also following two inter-ministerial working groups for the implementation of the MOU with Thailand.

• Inter Ministerial Working Group to implement MOU with Thailand

Through decision No. 2 dated 10 January 2005, an inter-ministerial working group composed of the Ministry of Foreign Affairs and International Cooperation, the MOI, the MOLVT, and the Cabinet of the Council of Ministers was established. This working group was charged with verifying the nationality of Cambodian migrant workers registered in Thailand, and issuing them with a Certificate of Identity (CI) through the MOU process.[68]

• Inter-Ministerial Taskforce for Migration

Since labour migration involves several ministries, the Inter-Ministerial Taskforce for Migration (IMTM) was established. It is co-chaired by the Ministry of Women Affairs and MOLVT and comprises key government ministries. The IMTM is a forum in which government agencies can coordinate on labour migration issues and reach consensus on the drafting and implementation of policies. However, between its inception in October 2006 and early 2009 this body only organised two meetings among its key ministries, with resource support from UNIFEM.[69]

• Ministries Working on Labour Migration in Cambodia

The MOLVT is responsible for: managing the departure of Cambodian migrant workers; licensing and monitoring employment agencies; providing medical check-ups to migrant workers prior to departure; resolving labour disputes; supportingemployment agencies in sending workers abroad; and preventing illegal recruitment.

The Ministry of Foreign Affairs and International Cooperation provides support to Cambodian migrant workers via diplomatic channels. It also facilitates legal labour migration abroad; and manages and resolves labour disputes between workers and their employers in countries of destination. Although the Cambodian government has stated its intention to establish labour attachés in popular destination countries of Cambodian migrant workers, at the time of writing the secondary secretary of the Cambodian embassy is responsible for performing the role of labour attaché.

The Department of Statistics and Passports within the MOI is responsible for issuing passports to Cambodian migrant workers. The Ministry also receives Cambodian workers who have been arrested and deported from foreign countries, and works closely with the Department of Anti-Human Trafficking on trafficking cases.

Under the Council of Ministers, the National Committee for Population and Development (NCPD) is responsible for formulating policies to manage both internal and international migration and population issues, while The National AIDS Authority (NAA), under the Ministry of Health leads, facilitates and coordinates on HIV/AIDS issues in Cambodia. The NAA has identified Migrants and Mobile Populations (MMP) as one of the most vulnerable groups that should be targeted for assistance.

3-4. NGOs and Labour Migration in Cambodia

There are several NGOs working to protect and promote the rights of migrant workers in Cambodia, including Legal Support for Children and Women (LSCW), Coordinated Action Research in Aid and Mobility (CARAM)-Cambodia, Cambodian Woman Crisis Centre (CWCC) and Cambodian Women for Peace and Development (CWPD). These organisations engage in research, advocacy and networking to promote safe migration and eliminate trafficking, and seek to protect the rights and health of migrants by offering training and educational programmes about such issues as HIV/AIDS, labour laws and working conditions in destination countries. A number have a specific focus on the rights of women and children.

4. Trafficking

4-1. Trends

Cambodia is a source, transit and destination country for men, women and children who have been trafficked for the purposes of labour or sex exploitation. Many migrants who have migrated for work find themselves in vulnerable non-consensual situations that may amount to trafficking.

Cambodian men are often deceived into working on Thai fishing boats, where conditions are dangerous and coercive and they lack any form of legal protection.[70] Some Cambodian men have reported being deceived by Thai fishing boat owners about the period of employment and their wages, and have also been forced to labour for long and exploitative hours on Thai fishing boats, working up to 20 hours a day. There are also cases of migrants being forced to remain at sea for several years where they have witnessed severe abuses, including murders.

In December 2011 alone, almost 100 Cambodian men were rescued from Malaysia, Indonesia, and Mauritius after being trafficked into work on Thai fishing boats.[71] Between 2011 and early 2012 at least 100 Cambodian men were rescued from Thai fishing boats in Indonesian waters, a key fishing ground for Thai boats. As of February 2012, 93 trafficked persons had already been repatriated to Cambodia. Some of these victims of forced labour had swum to shore after jumping from their boats, while others had been rescued by the Indonesian navy investigating illegal fishing in Indonesian waters.[72] Cambodian migrants have also been rescued further afield. In the first quarter of 2012, 82 complaints were lodged with Cambodian NGOs regarding the exploitation of Cambodian fisherman in South Africa. These men were all deceived by recruitment agencies with regards to their destination, as well as wages. They worked 18 hours a day once in South Africa, and were returned to Cambodia by the operators of the ships only on condition that no complaints would be lodged against them. Cases have also emerged in Mauritius and Senegal.

The men who fall victim to trafficking of this nature are likely to be young, poorly educated and from rural areas. In 2011 it was reported that around 31 per cent of Cambodian fishermen deported from Thailand reported that they were victims of trafficking.[73]

Furthermore, Cambodian children are also reportedly trafficked to Thailand and Vietnam to beg, sell candy, flowers, shine shoes on streets, scavenge refuse, work in quarries and work in the production and processing of brick, rubber, salt and shrimp. Within the country, Cambodian women and children are trafficked from rural areas to Phnom Penh, Siem Reap and Sihanoukville for sex work.[74]

4-2. Recent Legal Developments

4-2-1. Law on the Suppression of Human Trafficking and Sexual Exploitation

In February 2008, the Law on the Suppression of Human Trafficking and Sexual Exploitation (the 'Anti-Trafficking Law') was enacted. The Anti-Trafficking Law aims to consolidate and extend previous laws so as to bring Cambodia's domestic legislation in line with its obligations as a signatory to the UN Trafficking Protocol. However, it should be noted that it does not fully replicate the Protocol's definitions and analysis of trafficking. In addition to counter-trafficking measures, the Anti-Trafficking Law contains provisions aimed at suppressing prostitution and pornography, and this has resulted in significant issues in its implementation (see below).

4-3. Responses to Trafficking

4-3-1. International & Regional Context of Anti-Trafficking Efforts

Cambodia has ratified the UN Trafficking Protocol and is a participant in the Coordinated Mekong Ministerial Initiative against Trafficking (COMMIT) process, which commenced in July 2004.[75] The Cambodian Government additionally entered into MOUs on counter-trafficking with Thailand in 2003, and with Vietnam in 2005.[76]

4-3-2. National Committee to Lead the Suppression of Human Trafficking, Smuggling, Labour and Sexual Exploitation of Women and Children

In March 2007, a National Task Force (NTF) was established as a coordination mechanism that would enable the government, civil society and international organisations to combat trafficking more effectively.[77] In August of the same year, a High Level Working Group (HLWG) was established to support the National Task Force.[78] However, this led to confusion among anti-trafficking bodies about the exact nature of the working relationship between the two bodies and it was eventually decided to merge these two entities.

The National Committee to Lead the Suppression of Human Trafficking, Smuggling, Labour and Sexual Exploitation of Women and Children was subsequently established in September 2009. Within this new body six working groups comprising government members and civil society representatives were created.[79] Government ownership has improved, with more ministries now involved in the new structure, in addition to greater involvement from civil society organisations.[80]

4-4. Gaps in Anti-Trafficking Responses

4-4-1. Implementation & Impact of the Anti-Trafficking Law

The Anti-Trafficking Law contains few provisions on victim protection,[81] and in reality has had a little impact on the protection of trafficking victims. The law emphasises prosecution over the protection and promotion of the rights of trafficking victims. Implementation of the Anti-Trafficking Law remains a significant challenge. There is a lack of guidance on interpretation and application, and a lack of training for those charged with its enforcement (i.e. police and the courts). These issues have significantly reduced the law's effectiveness.[82]

A number of NGOs and international organisations have also expressed concern that the law is being misapplied in relation to the sex industry. The new legislation has resulted in confusion surrounding the legal status of sex work in Cambodia. 'Voluntary prostitution' is still legal, however a number of specific activities, such as soliciting and procuring, have been made illegal. This confusion has led to numerous raids on brothels and arrests of sex workers and allegations of police abuse against sex workers have risen. This has had the effect of driving sex workers underground into possibly even more vulnerable situations. NGOs have subsequently found it more difficult to offer support services, and the government is less able to monitor the sex industry and criminal activities associated with it.[83]

The Anti-Trafficking Law and the resultant crackdown have also negatively affected the 100% Condom Use Program in Cambodia, implemented since its inception by the World Health Organisation (WHO) in 1989.[84] The Cambodian National AIDS Authority has stated that the programme is "facing difficulties" due to the Anti-Trafficking Law-related crackdown.[85] This negative impact is ultimately detrimental to public health and HIV prevalence across Cambodia.

In response, a protest against the government's zero tolerance policy on brothels and a new law equating consensual sex work with trafficking was staged by more than 100 sex workers and their representatives in June 2008.[86]

4-4-2. Legal Protection for Victims of Trafficking

The Anti-Trafficking Law grants almost no specific rights to victims of trafficking. Notable absences are as follows:

- There is no entitlement to basic support services (e.g.medical attention or shelter accommodation).
- There is no obligation on the police to identify victims of trafficking.
- There are no provisions addressing the repatriation of foreign victims.
- There are no provisions for a legal defence for victims who are compelled to violate laws (e.g. illegal migration, acts of prostitution) by their trafficker. The only exception is for minors under 15, who are exempt from prosecution.
- There exists a serious risk that trafficking victims will not be properly identified and will instead be subject to criminal penalties due to a lack of proper screening and investigation skills by law enforcement authorities.[87]

Furthermore, other legislation is insufficient to protect the rights of migrant workers at risk of being trafficked, and in some cases actually increases the possibility of rights abuses. For example, Sub-decree 190 on the Management of the Sending of Cambodian Workers Abroad through Private Recruitment Agencies does not address key issues such as debt bondage and abuses at pre-departure training centres. Furthermore, it is vague on establishing rights for migrants, and setting out the responsibilities and punishments for unscrupulous recruitment agencies.

5. Conclusion

Due to its rapidly growing population, relatively low level of economic development, and a shortage of domestic employment opportunities Cambodia is likely to continue to be a source of migrants for the foreseeable future. The most common destination for Cambodian migrants has been neighbouring Thailand. Significant numbers have also gone to Malaysia, and there has been some migration further afield to other countries in East Asia such as South Korea. The migration of Cambodian workers to Thailand has been formalised to some degree with the establishment of the MOU between the two countries in 2003. This was followed by the rapid growth of private recruitment agencies in Cambodia. However, many abuses have been associated with migration through these formal channels, including

overcharging, debt bondage and illegal detention at training centres. The Cambodian government is still working towards providing conditions that will allow for safe migration, including establishing a suitable legal framework. Some of the government's legislation has been insufficient in protecting the rights of migrants and further revision and development of migration laws and regulations needs to be undertaken. Informal and undocumented migration continues to be the dominant mode of migration for people moving to Thailand, which can be attributed at least in part to the long and porous border the countries share. Migration networks are well established on both sides of the border. These provide Cambodians with links to their fellow migrant workers and a means of arranging border crossings and employment. Some immigration also occurs in Cambodia, especially with regard to Vietnamese working in the country. Information about the number of Vietnamese in Cambodia is patchy and one area for further research would be to clearly distinguish between older Vietnamese communities who have settled in Cambodia and newer Vietnamese migrant workers in order to identify the issues and challenges which confront the different groups. Much work still needs to be done in Cambodia before migration becomes a means for greater prosperity and security for people from all communities.

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Photo courtesy of Omsin Boonlert

After having sold products from Vietnam, Vietnamese traders are on their way home with Chinese agricultural products. Hekou, China.

China Migration Overview

1. Migration into Yunnan

1-1. Vietnamese Migrants in Yunnan

Cross-border migration between Vietnam and China is most prevalent in Hekou Yao Autonomous County (Hekou County) in the extreme southeast of China's Yunnan Province. This is a key stop-off on the busy trading route between Yunnan and Vietnam, with Vietnamese traders crossing the Hekou border checkpoint on a daily basis to sell fruit, before returning with Chinese agricultural products. The rapid growth of trade between China and Vietnam through Hekou County has made it Yunnan's most important port.

Hekou County shares long-standing cultural and economic ties, as well as a 193 km border with Vietnam.[1] The people on both sides of the border have maintained close kinship ties over many generations. The local dynamics that trade between China and Vietnam is evident in the fact that 80 per cent of Vietnamese migrants are from northern regions of Vietnam, notably Lao Cai Province, which is just across the border from the relatively more prosperous Hekou County.[2]

Map of Yunnan Province, China

Source: http://www.discovery-thailand.com/

Most Vietnamese migrants in Hekou are small businessmen living in the vicinity of the border trade market, known locally as 'Vietnamese Street'. Female migrants typically migrate temporarily, for either several months or up to two years before returning home to marry or work. About half of the migrants in Hekou sell food, crafts and other products, while a sizeable number work in service industries such as barbershops, restaurants, karaoke establishments and other entertainment venues, some of which offer sex services. Other Vietnamese migrants are involved in trade, selling Vietnamese products in other cities in Yunnan Province, and some work for Vietnamese–Chinese businessmen or as live-in domestic workers in Vietnamese–Chinese households. Those working in the service sector typically earn between CNY 2,000 (USD 300) and CNY 3,000 (USD 450) per month.

With the exception of businessmen with their own capital and the freedom to cross the border, the employment arrangements of Vietnamese migrants in Hekou are generally informal by nature. There are typically no formal legal contracts between recruitment agents, employers and their employees. In most cases, Vietnamese workers, rely on oral contracts. The language barrier means that the vast majority of migrants become dependent on their Vietnamese employers or others who can speak Vietnamese.

Significant migration flows between Vietnam and Yunnan are also an indirect consequence of the fact that China currently has 18 million more unmarried men than women.[3] By 2020 it is estimated that there will be an estimated 24 million bachelors in China.[4] This shortage of marriageable women has led to an increase in the number of Chinese men seeking Vietnamese brides. Many of whom are poorer, older men from rural areas.[5] Vietnamese women are popularly portrayed in China as being 'tender, hardworking and pretty', with online reports and advertisements fostering this stereotype and promoting the trend for marriages between Chinese men and Vietnamese women.[6] The population of Tinapeng village in Yunnan Province provides an illustrative example. The village is home to some 2,400 people living in 670 households, within which there are around 100 women who have married into the village from Vietnam.[7] Given the lack of law and regulation to facilitate cross-border marriages, many Vietnamese brides have no legal status in China. According to Jiang Zhenhuan, the deputy director of the Bureau of Exit and Entry Administration under the Yunnan Provincial Department of Public Security, as of May 2010, there were over 10,000 women (including Vietnamese) who have entered Yunnan illegally to get married.[8]

1-2. Burmese Migrants in Yunnan

1-2-1. Background

Information on Burmese migration to China is scarce, as studies have tended to focus on the more significant flows of Burmese migrants crossing into Thailand. However, there is some evidence to suggest that migration from Burma/Myanmar[9] to China is on the increase, especially in the fast-developing border areas of Yunnan Province.

Official figures from April 2011 put the number of Burmese migrants in the whole of China at just 39,776.[10] However, a report published in 2012 estimates that there are 100,000 Burmese migrant workers alone in the Yunnan border towns of Ruili and Jiegao. This represents a ten-fold increase on their estimated numbers five years before.[11] The shortfall in the official figures is indicative of the informal nature of much of the migration that takes place in the border regions between Yunnan and Burma. In recent years the towns of Ruili and Jiegao have developed into hubs of border trade and industry. Ruili has become a key location for the trading of Burmese jade, while in 2000, Jiegao became a special export-processing zone and has since become an important logistics hub for Burma-China trade.[12] This growth in economic activity has been spurred by bilateral efforts to increase border trade between the two countries and strengthen trade infrastructure and economic development in border regions (see China Border Economic Zones Overview chapter).

The city of Ruili lies in the southwest of the Dai-Jingpo Autonomous Prefecture of Dehong in the west of Yunnan. Situated around Ruili are a number of other significant trading towns. These include: Wanding in Luxi County, which is the capital of the Autonomous Prefecture; Mang City, to the north of Ruili; and Zhangfen. The town of Muse is located to the southeast of Ruili across the border in Burma, while the important Burmese town of Namkhan is located to the southwest.[13]

Fields along the border interlace the two countries, while the peoples of the border area share a common culture, language and ethnicity. Cross-border marriages are commonplace and kinship ties are strongly reinforced through business, family and social links. Although some Burmese businessmen have regularised their immigration status and earn a stable income, many Burmese migrants have neither official immigration status nor job security in China.[14]

Pull Factors

Increased economic activity in Ruili and Jiegao has provided job opportunities for many Burmese migrants. These employment opportunities, the higher wages on offer, the close proximity to Burma and existing migrant networks are all key migration pull factors.[15] Burmese migrants in Ruili and Jiegao work in trade, retail, construction, sex work, domestic work, and the manufacturing sector. Many workshops and factories have sprung up to process raw materials imported from Burma, such as wood, petrified/fossilised wood, and sandstone. A large number of Burmese migrants have found employment in these enterprises. The exact numbers of migrants employed in manufacturing in Ruili are however unknown but it is estimated to be in the thousands.[16] Indeed, manufacturers from other parts of China have shifted their operations to Ruili in order to take advantage of the abundant supply of low wage Burmese labour. This process echoes the influx of garment manufacturers into the Thai border town of Mae Sot witnessed during the 1990s.[17]

Wages

Burmese workers are typically paid less for the same work than their Chinese counterparts. There is also a tendency for Burmese workers to be employed in the most difficult and dangerous jobs, such as domestic work, sex work, and polishing petrified wood, an activity which generates large amounts of dust harmful to the lungs.[18] Male migrants are commonly paid more than female migrants. For example, in workshops processing petrified wood, men are paid around CNY 1,200 (USD 184) a month for removing the husks from pieces of petrified wood, while women receive CNY 850 (USD 130) a month for polishing them. On construction sites women are paid CNY 25 (USD 3.8) a day while men take home CNY 50 (USD 7.7).[19]

Border Documentation

In order for Burmese nationals to legally cross the border into China they must obtain a temporary green border pass or a red 'border cross book' from the immigration authorities on the Burmese side. The green temporary pass costs approximately USD 0.95 and a Burmese identity card must be shown. The pass is valid for a single journey for up to one week and can be used to visit Ruili, Jiegao and a few other nearby towns. The red 'border cross book' allows the holder to cross the Burma-China border only. It costs MMK 3,000 (approximately USD 3.62) and is valid for one year. However it must be kept valid by going to the border and having it stamped every seven days. This effectively prohibits migrants from venturing further into the interior of China and ties them to the Ruili-Jiegao area. This document is primarily available to Burmese people from Muse and Namkhan but travellers from other areas of Burma may obtain the border cross book upon payment of a higher fee.[20]

In addition to these documents that allow people access from Burma, in order to stay and work legally in China migrants must obtain a Chinese stay permit known as a green passbook. To receive this they must have a valid Burmese identification card, and provide proof of address in the form of a copy of an owner's house registration. The green passbook costs CNY 87 (USD 13.20) or if the applicant is already the holder of a red 'border cross book,' CNY 37 (USD 5.61).[21]

In 2009, Burma began to issue passports in Muse, a town close to the Yunnan border. According to one local worker "It costs 100,000 kyats (USD 90) to get this passport. Plus, we have to pay 30,000 kyats (USD 27) for Passport Form 17, which is a deposit payment for income tax, and we have to wait one month to receive our passports in our hands. It will be good for three years".[22] Burmese migrant workers in Ruili were reportedly among the first applicants for these passports,[23] however it is unclear how many have been issued and at the time of writing such passports had not substantially replaced the border pass system.

Due to the lack of formal migration channels, many Burmese migrants are consequently exposed to the constant risk of arrest, detention and deportation.[24]

Photo courtesy of Hanjialing

Ruili, Yunnan province of China, is another destination for Burmese migrants.

1-2-2. Marriage Migration

Marriage migration is also a significant trend in terms of Burmese migration into China. Migration for the purpose of marriage can ostensibly be divided into unions entered into willingly and those where varying degrees of force or compulsion are applied, often, where, Burmese women are trafficked into China.

As noted above, some Burmese women have traditionally migrated across the border to marry Chinese citizens living in Yunnan with whom they share ethnic and kinship ties.[25] Other Burmese women who have migrated to China for the purpose of marriage have moved much further into the country's interior. For example, cases of Burmese women married to Chinese men have been reported in northern China's Henan and Shandong provinces.[26] On the one hand, this may be viewed as a positive migration strategy in which women may escape Burma's harsh economic and political realities. However, the darker side of marriage migration occurs when Burmese women are trafficked; whereby they are deceived or coerced into marrying in China.[27] Many young women are often lured by recruiters or brokers who promise well-paid employment in China but who are then sell them to Chinese men for marriage at a price of between 40,000 to 50,000 CNY (roughly USD 6,000-7,500).[28] It has also been reported that the majority of such victims are from rural areas of Burma close to the border with Yunnan Province and belong to Burma's persecuted ethnic minorities.[29]

1-2-3. Trafficking

As noted above, the trafficking of Burmese women into China remains an issue of concern. For instance, there are cases where Burmese women are trafficked to become the wives or concubines of Chinese men, to become domestic workers, or to work in the sex industry.[30] It has been reported that sex workers from as far away as Yangon have been trafficked to China.[31] Following the devastation caused by Cyclone Nargis in 2008, many women from Yangon, Mandalay and the Irrawaddy Delta have been drawn to towns along the Chinese border. Here they are vulnerable to being trafficked.[32] In 2009, the Chinese police freed 268 Burmese women who had been trafficked and forced to marry Chinese men.[33]

1-2-4. Burmese Refugees in China

As a state party to the 1951 Convention relating to the Status of Refugees and its 1967 Protocol (Refugee Convention), China has an international obligation not to expel or return persons where their life or freedom would be threatened on account of their race, religion, nationality, membership of a particular social group or political opinion.[34] However, the country has an inconsistent record in terms of its treatment of refugees fleeing Burma. For example, aid and sanctuary were provided to refugees fleeing Burma's Kokang conflict in 2009, but Chinese authorities have subsequently been reluctant to provide assistance to populations displaced during the 2011-2012 conflict between the Government of Myanmar and the Kachin Independence Army (KIA).

In the case of the 2009 conflict, Government forces attacked the ethnically Chinese region of Kokang in Burma's Shan State in order to defeat the Kokang militia, who are also known as the Myanmar National Democratic Alliance Army (MNDAA). This offensive was interpreted by observers

as an attempt to gain effective control over ethnic border areas ahead of the 2010 elections, so that the local population could be compelled to participate.[35] The fighting resulted in an estimated 37,000 people fleeing across the border to the Chinese towns of Nansen and Genma in Yunnan Province.[36] Local Chinese authorities provided emergency food, shelter and medical care for these refugees to the satisfaction of the UN's refugee agency, the UNHCR.[37] It is likely that the Chinese authorities looked on the Kokang refugees with a greater degree of sympathy than other refugees. This is because the Kokang are considered ethnic Han Chinese,[38] and because some of those displaced were moreover Chinese nationals now living in Kokang.[39] By early September 2009, the fighting had died down and refugees had begun to return.[40] The Chinese government rebuked Burma's then ruling State Peace and Development Council (SPDC) for instigating the conflict and their aggressive stance towards ethnic minorities living along the China-Burma border. In addition to concerns over the disruption of trade, the Chinese feared a further outpouring of refugees into China.[41]

These fears were realised in the second half of 2011 when Government of Myanmar forces clashed with the KIA in Kachin State, ending a 17-year ceasefire. By late 2011, this conflict had prompted large numbers of ethnic Kachins to flee cross the border in search of safety. By December 2011 there were an estimated 7,000 people in temporary camps with a further 6,000 sheltering with the large ethnic Kachin population in China's Yunnan Province.[42] Chinese authorities attempted to downplay the number of Kachins entering Yunnan, and denied both their entitlement to refugee status and their sizeable numbers. Various news organisations estimated that between 10,000 and 40,000 Kachin refugees had entered China. In January 2012, the Wunpawng Ninghtoi Relief Group, a Kachin support organisation, recorded 9,061 refugees in two camps in Nongdao and Laying located in the Dehong Prefecture of Yunnan Province.[43] With the Chinese government refusing to acknowledge this vulnerable population, no access to international humanitarian aid was provided and refugees were forced to rely on the support of local people, church groups, and other local relief organisations. In the event, UN teams were only allowed access to displaced people on the Burmese side of the border.[44] In March 2012, Chinese authorities finally acknowledged that there were significant numbers of displaced Kachin people seeking sanctuary on Chinese territory. However, they continued to downplay their numbers, arguing that there were only between 2,000 or 3,000 people and still refusing to use the term "refugee", preferring instead to refer to them as "border citizens". Chinese officials claimed that they were providing assistance to the Kachin refugees but this was contradicted by local Kachin support organisations who stated that they had not seen any evidence of such assistance.[45]

2. Migration from Yunnan to GMS Countries

An outpouring of Chinese labour into Burma, Lao PDR, and Vietnam has followed in the wake of large scale Chinese investments. Chinese companies working on development projects and in agriculture and industry have tended to bring their own Chinese workforce to meet their labour demands. This pattern of recruitment is typically justified on the grounds that local populations lack the required skills but also because Chinese companies admittedly find Chinese workers easier to manage. Labour migration has also been encouraged as a way to alleviate the pressures of unemployment within China. As China seeks to invest its vast accumulated trade surpluses, further extension of development projects into other GMS countries, with accompanying increased Chinese migration, is likely. This policy of encouraging Chinese labour migration to poorer neighbours whose economies display high levels of unemployment or underemployment has the potential to increase tension in the labour market and in wider society. It also has the potential to disrupt smooth bilateral development cooperation, as has already begun to happen. (See Lao PDR Migration Overview, Burma Migration Overview and Vietnam Migration Overview chapters.)

Photo courtesy of Hanjialing

Ruili is one of the major crossing points to Burma.

3. Conclusion

Migration in both directions between the south of China and Burma, Lao PDR, and Vietnam has increased as economic integration between the countries has developed. Social and political factors have also contributed to cross-border movements with the gender imbalance in China causing Chinese men to seek wives from China's southern neighbours. Many women go willingly but the demand for wives has also contributed to the trafficking of women. China has also had to face the issue of refugees fleeing armed conflict in Burma. These trends are likely to persist in the foreseeable future, with China and Southeast Asian countries striving for greater economic integration, while the possibility of further ethnic conflict in Burma remains high despite recent political reforms. China has yet to develop a coherent policy response to migration and displacement into Yunnan Province, and have shown a worrying tendency to deny the scale of the issue. A more concerted effort to formulate a workable strategy for in-bound migration will be necessary for China to cope with these long-term trends.

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Photo courtesy of Pattanarak Foundation

The 2nd International Friendship Bridge connecting Savanakhet, Lao PDR and Mukdahan, Thailand.

Lao PDR Migration Overview

1. Migration Patterns

Today, the Lao PDR is seeing diverse patterns of migration that reflect the country's changing economic circumstances. As urbanisation hits, increasing numbers of Laotians are migrating internally to the national capital Vientiane. The economic disparities between Lao PDR and its neighbouring countries also make it a sending country for migrants moving predominantly to Thailand, and a destination country for immigrants and migrant workers from Vietnam and China. On average, between 2005 and 2010, Lao PDR experienced a net annual loss of 15,000 people due to migration.[1]

Urban growth in Lao PDR following economic liberalisation has been heavily concentrated in Vientiane. Factories (especially garment factories), commerce centres, universities and vocational colleges are all concentrated in Vientiane.[2] Internal migrants, who move to benefit from the employment opportunities available in Vientiane, hail for the most part from central and northern provinces; such as Huaphanh, Xieng Khuang, Luang Prabang, and Vientiane.[3]

While northern Laotians tend to migrate internally, southern Laotians from Savannakhet and Champassak provinces more frequently migrate across the border to Thailand.[4] The economic disparities between Lao PDR and Thailand and the wider variety of work available in Thailand are both important motivational factors for cross-border migration. Additionally, improved transport links between Lao PDR and Thailand facilitate cross-border migration.[5] At the same time that local infrastructure-such as roads and communication links between rural and urban areas-has improved, the mobility of local people seeking new jobs has also increased. Additionally, the development of infrastructure links with

Map of Lao PDR

Source: http://rvinmyanmar.org/img/myanmar%20map.JPG

Thailand, such as the Lao-Thai Bridge, may directly influence not only patterns of emigration but also immigration from neighbouring countries, such as Thailand, China and Vietnam.

In general, the majority of Laotian migrants who cross the border into Thailand do so informally. Consequently, it is difficult to accurately estimate the total number of workers in Thailand, although the number of undocumented Laotian migrants in Thailand could be roughly equivalent to the number of those who have registered with the Thai authorities under the registration schemes implemented for Burmese, Laotian and Cambodian migrant workers since 1996.[6]

During Thailand's 2004 round of migrant registrations, the most open round to date, 179,887 Laotian workers registered for a temporary residence card, known as the Tor Ror 38/1.[7] Most recently, the 2011 round of registrations resulted in a total of 104,928 Laotian workers coming on record with the Thai authorities.[8]

Laotian migrant workers are employed in various sectors of the Thai economy, including animal husbandry, construction, domestic work, food processing, garment factories, and services.

2. Policies and Regulations Affecting Laotian Migrants

2-1. Lao PDR-Thailand MOU on Employment Cooperation

In 2002, Lao PDR and Thailand signed a Memorandum of Understanding (MOU) on Employment Cooperation that aims to regularise channels of migration to Thailand. This agreement led to bilateral cooperation to verify nationality of Laotian workers already present in Thailand. The agreement also allows prospective migrant workers to travel to Thailand under newly established formal channels, facilitated by recruitment agencies and the grants of travel documents[9] and renewable one year work permits. Since the implementation of nationality verification in 2006 and up until February 2011, a cumulative total of 93,429 Laotian workers have had their nationality verified.[10]

2-2. Domestic Legislation

In an effort to establish formal migration channels, the Lao PDR government has enacted the following decrees:

2-2-1. Decree No. 68/PMO on the Export of Laotian Workers Abroad

On 28 May 2002, Prime Minister Bounnhang Vorachith issued Decree No. 68/PMO on the Export of Laotian Workers Abroad. This decree states that Lao PDR's objectives in regulating labour migration is to develop the country's human capital, and provide formal guidelines for the recruitment of Laotian workers through legal channels.[11] Article 3 stipulates that Laotians wishing to work abroad must meet each of the following requirements: 1) they must hold Lao PDR citizenship; 2) be 18 years or older on the date of application; 3) have completed primary school education; 4) be in good health; and 5) be a 'good citizen'.[12] In practice, this means that potential migrants must, at a minimum, have an officially recognised form of documentation to prove their age and citizenship, a certificate demonstrating completion of school, and additionally they must pass a health test and a criminal background check carried out by the local authorities.

2-2-2. Directive No. 2417/MLSW

Implementation of Decree No. 68/PMO is guided by Directive No. 2417/MLSW, issued on 29 July 2002 by the Ministry of Labour and Social Welfare (MLSW). In an effort to protect workers by clearly delineating the rights and responsibilities of employees', employers' and recruitment agencies', Directive No. 2417/MLSW makes the following three contracts mandatory in order for a Laotian citizen to work abroad:

- A contract between the Laotian worker and the recruitment agency (Article 7.3);
- A contract between the Thai employer and the Laotian recruitment agency (Article 9.3); and
- A contract between the Laotian worker and the Thai employer (Article 9.4).[13]

The need for each of these three separate contracts is re-emphasised in Directive 3011/MLSW, subsequently issued in 2007.[14]

2-2-3. Directive No. 3824/MLSW

Directive No. 3824/MLSW was promulgated in December 2002. This limits the type of employment that Laotians may engage in as formal migrants abroad. The three types of occupations that Laotian migrants are banned from undertaking are: 1) 'unskilled' occupations such as cleaners, domestic workers, and porters; 2) vocations that are 'inappropriate and incompatible' with Laotian tradition, culture and law, such as work in the sex industry, work with narcotics, or illegal political activities; and 3) dangerous occupations such as open sea fishing and exposure to radioactive materials.[15]

Although these restrictions are intended to protect workers, they do not reflect the reality that large numbers of Laotian migrants in Thailand work in these very occupations. Domestic workers are perhaps the most obvious example. Among the 62,792 Laotian workers who registered for Thai work permits between 21 January 2009 and 20 January 2010, and between 1 March 2009 and 28 February 2010, a total of 12,502 people, including 2,164 men and 10,338 women, were employed in domestic work.[16]

2-3. Formal Migration Channels

The 2002 MOU established a formal process for migration from Lao PDR to Thailand that has been gradually implemented since 2006. This process has included the establishment and licensing of nine new agencies in Lao PDR to facilitate the recruitment of migrant workers.

In order to initiate the formal recruitment process, Thai employers must first inform the Thai Ministry of Labour (MOL) of the number of migrant workers they require. Following negotiations, the MOL will then send a letter to the Lao MOLSW through diplomatic channels informing them of the number of employees required in Thailand. Next, the MLSW passes on this request to official recruitment agencies on the ground in the Lao PDR. At the provincial level, agents are dispatched to villages then collaborate with the provincial labour section to seek and recruit workers.

Though this process intends to facilitate legal migration to Thailand, it is not yet a mainstream migration channel, nor has the process kept pace with Thailand's labour demands. According to the MOL, a total of 6,374 Laotian workers (3,937 men and 2,437 women) had entered Thailand under this process as at January 2008.[17] By March 2010, the total number had increased to 10,753 Laotian workers and by March 2012 had reached 15,603.[18] However despite this increase, the number still fell far short of the 75,229 workers originally requested by Thai employers during that time period.[19] More recently, during the six month period between October 2010 and April 2011, only 5,325 migrants entered Thailand under the MOU, whereas 10,159 workers were originally requested.[20]

One explanation for this shortfall is a finding by the International Labour Organization (ILO) that the majority of Laotian and Cambodian migrants choose to migrate to Thailand through informal channels because they remain "more flexible, more efficient, and less expensive than formal ones".[21] In terms of cost, migrants pay approximately THB 2,500 to 3,000 (roughly USD 80-95) to migrate to Thailand through informal channels, whereby formal procedures cost migrants at least THB 20,000 (USD 645) (see Table 1 below).[22] Moreover, formal channels do not necessarily ensure better paying jobs or enhanced levels of protection.[23] At present, the supposedly 'formal' process is riddled with informalities. This is because responsibility for the recruitment and transportation of perspective migrants at the village level is left in the hands of poorly regulated subcontracted employment agents.[24]

Table 2: Breakdown of Costs and Turnaround Periods for Formal Recruitment Procedures

Cost	Turnaround period
Lao PDR side	
Medical examination: 120,000 kip (480 baht)	1-2 days
Passport: 160,000 kip (640 baht)	15 days
Permit document 10,000 KIP (40 baht)	3 days
Service fee: 5% of minimum wage	
Training fee: less than 40,000 kip (less than 160 baht)* *To be paid by the employing company	3-30 days
Total: 330,000 kip (1,320 baht)	22-50 days
Thailand side	
Initial screening exercise	30 days
Medical examination: 1,200 baht	1 day
Visa: 2,000 baht	2days
Social Security: 4,473 baht (5% per month for 2 years)	
Work permit: 3,800 baht	
Total: 11,473 baht	35 days
Total cost both in Lao and Thai sides: 12,793 baht	**Total turn around: 57-85 days**

Source: Guide book for Lao labour who want to work abroad safety, legally and get money back home. The 3rd edition, revised by Ministry of Labour and Social Welfare, department of skill development and employment promotion, supported by ILO, 2009

There are also other problems regarding the implementation of formal channels of migration under the MOU. As previously mentioned, pursuant to Document No. 3824/MLSW, Lao PDR has not permitted its formal migrant workers to undertake employment in a variety of sectors, including domestic work. As such, although domestic workers have been formally requested by Thai employers, Laotian workers are prohibited under the formal channels established under the MOU from migrating to take up this type of work. Meanwhile, according to the Thai Ministry of Labour's Office of Foreign Workers Administration, in March 2011 a total of 3,519 (714 male and 2,805 female) Laotian domestic workers, a fraction of those who came to Thailand through informal channels, registered for work permits.[25]

3. Human Trafficking

When formal channels for migration do not exist or are highly restrictive, migrants have few options but to migrate and work informally. This invariably leaves them with little or no legal protection and renders them vulnerable to labour exploitation and human trafficking.

In 2010, Thai authorities identified and repatriated approximately 145 Laotian trafficked persons, almost all of whom were girls under the age of 18.[26]

Photo courtesy of Pattanarak Foundation

Migrant from Lao PDR working on a vegetable farm in Mukdahan. Workers are required to use chemical pesticides which are known to be a health risk.

3-1. Agreements and Policies

Lao PDR has signed several agreements with other GMS countries to partake in counter-trafficking measures. As a member of the Coordinated Mekong Ministerial Initiative on Trafficking (COMMIT), in October 2004 the Lao PDR government signed an MOU on Cooperation against Trafficking in Persons in the Greater Mekong Sub-Region with five other countries. In November 2004, Lao PDR also signed the Declaration against Trafficking in Persons Particularly Women and Children with other ASEAN countries at a meeting in Vientiane, Lao PDR.[27]

Subsequently bi-lateral agreements with neighbouring countries have been reached. These include an MOU between Lao PDR and Thailand on Cooperation to Combat Trafficking in Persons, Especially Women and Children, signed in July 2005. This agreement established a process to repatriate Laotian victims of trafficking and temporarily house them in a transit centre located in Vientiane. The Lao PDR signed a similar MOU with Vietnam in April 2010, which also aims to address victim repatriation.[28]

Domestically, human trafficking is a discrete criminal offence under Penal Code Article 134 and Articles 24 and 27 of the Law on the Development and Protection of Women. While there were no convictions in 2009, during the 2010 reporting period, there were a total of 33 convictions from 20 cases involving 47 alleged offenders.[29]

4. Repatriation of Hmong People to Lao PDR from Thailand

In 1975, when 10 percent of the population left Lao PDR, a significant number of Hmong also fled, seeking refuge in Thailand, fearing possible retribution for having allied themselves with the US Central Intelligence Agency during the Indochina War and having fought against the Lao People's Revolutionary Party (LPRP) during Lao PDR's own civil war. In 2009, 4,000 Laotian Hmong living in Thai camps were forcibly repatriated to Lao PDR. This number included 158 Hmong who had been recognised as refugees by the United Nations High Commissioner for Refugees, the United Nation's refugee agency (also see Thailand Migration Overview).

Since January 2010, the Lao PDR government has resettled these Hmong into a 'development village' in Phone Kham, located in Bolikhamxay province in the north of the country. The Lao PDR government promised to allow the returnees to apply for resettlement in third countries, however despite offers from the US, Australia, Canada and the Netherlands, the Hmong returnees remain in the country. The Lao PDR government claimed that the Hmong no longer wanted to leave and had not made requests to be resettled elsewhere.[30] The Lao PDR government planned to give the repatriated Hmong national identity cards and Laotian passports.

5. Migration to Lao PDR

Migration flows into Lao PDR are both formal and informal. Business people, traders, skilled and semi-skilled workers enter the country from Thailand, China and Vietnam because of a lack of skilled labour in Lao PDR. Workers are brought to Lao PDR primarily for construction projects, such as the Friendship Bridge between Lao PDR and Thailand and the National Stadium for the 2009 Southeast

Asian Games,[31] but foreign workers have also arrived to staff plantations that have been granted as concessions to foreign investors.[32]

Official figures put the total number of registered migrants between 1998-2006 at 21,451 including 6,484 Thais, 5,909 Chinese and 5,207 Vietnamese.[33] Other estimates put the number of migrants entering Lao PDR at much higher than these figures suggest. It has been reported that an estimated 93,000 foreign workers made their way to Lao PDR informally in 2007.[34] The discrepancies between official figures and unofficial estimates highlight certain concerns that Laotian officials have regarding foreign migrants. During an interview conducted by MMN Laotian Country Research Team, a representative from the Lao PDR Department of Labour in Vientiane stated that the flow of Chinese migrant workers into Lao PDR is becoming an issue, which is now being 'discussed and debated every day'. The representative also stated that 'it is quite difficult to control these migrants, and this is a new phenomenon in Lao PDR'.[35]

5-1. Chinese Migration to Lao PDR

The border between China and Lao PDR stretches 678 km along the margins of Mengla County in Xishuangbanna Prefecture and Jiangcheng County in Simao Prefecture. China's only national level port with Lao PDR, Mohan, is located in Mengla County. The countries' close proximity in conjunction with increasing levels of trade and investment have stimulated migration from Yunnan, and elsewhere in China, to Lao PDR.

Chinese migration into Lao PDR has grown as the countries have developed trade and investment links after the easing of political tensions between the countries.[36] China was one of the first countries to invest in Lao PDR following the economic reforms initiated by the Laotian government in the 1980s and the normalisation of relations in 1989. Chinese investment displayed slow growth throughout the 1990s but in the 2000s economic growth rose sharply.[37] The rise in Chinese-led economic activity in Lao PDR has entailed increasing immigration from China, as Chinese companies frequently employ Chinese workers, a situation most noticeable in construction projects.[38]

It is difficult to obtain accurate figures concerning the number of Chinese workers in Lao PDR, but some have suggested that up to 300,000 Chinese workers have been brought in to work on investment projects ranging from rubber plantations to road construction.[39] Furthermore, it has been observed that some of these workers are staying on in Lao PDR after their contracts have expired to pursue business opportunities in the country.[40] Chinese traders have begun to set up shop, especially in urban areas such as Vientiane.[41] The Chinese government has reportedly even been involved in negotiations to resettle Chinese labourers working on a Mekong bridge project.[42] This influx of Chinese migrants has created some disquiet among local Lao people, concerned about the effect of the Chinese on their ability to access jobs, start competitive businesses and maintain their distinctive culture.[43]

Concerns regarding competition in employment have been highlighted by the Head of the Department of Labour in Champassak Province, who said that:

> 'some groups of Chinese migrant workers working on construction projects have overstayed [their visas], not returning home when their job is finished. Most of them are skilled labourers, while many Laotian labourers are low skilled, and so [they] may lose their jobs to the Chinese migrant workers. These workers [Laotians] then have difficulty in finding more work in their local province. Hence, some of the Laotian labourers have had to find new jobs in Thailand'.[44]

5-2. Laotian Policy on Immigration

Laotian labour law mandates that 'manual workers hired from overseas by recruitment agencies and development projects must comprise less than 10 percent of the total [workforce], while employees working in an intellectual capacity must comprise less than 20 per cent of the total'.[45] However in practice, few locals have been hired, and those who have been are reportedly not retained for long.[46]

According to the National Socio-Economic Development Plan for 2011-2012, the country plans to grant entry to an additional 7,000 foreign workers to work on hydropower and mining development projects, while it hastily trains young Laotians with increased education funds.[47]

In sum, it is difficult to determine the overall impact that increased labour migration has had on Lao PDR. Additionally, little is known about the working conditions and welfare status of Chinese and other workers coming to work on development projects in the country.

6. Conclusion

Lao PDR is both a source and destination country for migrants, although Laotian migration to Thailand has so far received the most attention. Given the disparity in levels of economic development between Lao PDR and Thailand, many Laotians migrate across the Mekong to seek work in Thailand. Many work in low-pay, low-skill sectors such as construction, domestic work, and labour-intensive manufacturing. The MOU and nationality verification procedures have gone some way towards regularising these flows, although the system has various shortcomings. Notably, it can be expensive for migrants and is more complex and less flexible than informal migration channels. This has led to a situation where Thai employers' demands for formal labour are being not met and informal migration continues at a high rate.

In recent years the government of Lao PDR has promulgated a number of laws and decrees to counter human trafficking. However, these efforts may be undermined by the aforementioned complexity and high costs of the formal migration channels, which drive many prospective workers to migrate informally, which can make them vulnerable to being trafficked. Reform of the MOU process and a reduction in the costs shouldered by migrants may increase the number of workers migrating by way of formal procedures, as will solid examples of how formal migrant workers are able to enjoy better legal protection of rights. Facilitating access to a formal migration channel where workers are better protected against exploitation may also reduce the vulnerability of Laotians to trafficking.

Migration to Lao PDR has been prompted by economic development in the country. Construction projects and plantation concessions have resulted in the movement of Chinese, Thai, and Vietnamese skilled labour. It is uncertain however exactly how many migrants, including both skilled labour and manual labour are presently in Lao PDR, what their legal status is, and what labour protection is afforded to them. The response of the Lao PDR government to these issues remains to be observed.

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Photo courtesy of MAP Foundation

A number of migrants, both men and women, work on construction sites, Chiang Mai.

Thailand Migration Overview

1. Introduction

Several well-documented incidents in recent years attest to the challenges and dangers faced by both registered and undocumented migrants in Thailand. Migrants from Burma/Myanmar Cambodia and Lao PDR who have had to enter the country without documents, as well as registered migrants whose movements are restricted, live clandestine lives which often end in tragic deaths.

In April 2008, 54 Burmese migrants suffocated to death in the back of an airtight container truck in Ranong when the driver, afraid of immigration checks, refused to stop and let them out.[1] In February 2010, three migrant children were shot dead when soldiers fired at the car transporting them and their parents to a worksite, again in Ranong province.[2]

Other tragedies have resulted from raids on migrants' places of employment and homes. Two young sisters drowned in March 2010 while trying to escape a police raid on the migrant workers' living quarters in Phuket,[3] while in January 2010, nine Karen job seekers were shot dead in Phop Phra District, Tak province, with allegations that the police had been involved.[4] In the same month, Cambodian migrants found begging on the streets of Bangkok became victims of raids in a government clean-up programme that disregarded both their dignity and human rights. Authorities rounded up and deported 557 Cambodians, including children, the elderly, and disabled people, alleging that the beggars were harming Thailand's tourism industry.[5]

That migrants are constantly at risk of physical harm, if not death, is well-documented. A Human Rights Watch (2010) report on the lives of migrants in Thailand highlights cases of killings, torture, and physical abuse of migrants on the part of security forces and Thai authorities. Crimes against migrants are not investigated, and extortion of migrants by police and local officials is a constant risk.[6]

Map of Thailand

Source: http://en.wikipedia.org/wiki/File:Vietnam_Expand1.gif

In addition to the above, cases have emerged which reflect deliberate state-sanctioned ruthlessness. A widely-publicised example in 2009 involved Muslim Rohingya refugees from Burma who were attempting to reach Malaysia by boat. In 2008 the Thai navy had forced the refugees, who were adrift in Thai waters, back out to sea in rickety boats with only limited provisions.[7] Facing intense international criticism, the Thai government's defence was that the refugees were economic migrants.[8]

The same year ended with the Thai government forcibly repatriating thousands of Hmong refugees to Lao PDR from a camp in Thailand's Petchabun province,[9] and another 158 from an immigration detention centre in Nong Khai. This was despite calls from the United Nations High Commissioner for Refugees to halt the returns,[10] and the United Nations High Commission for Refugees (UNHCR)[11] status of some of the refugees. Thailand has not ratified the 1951 Refugee Convention, which prohibits states from both returning a refugee to their country of origin and sending them to another country if this means they will face persecution or be at risk of serious human rights violations. The country is, however, bound by the principle of *non-refoulement* under international customary law, as well as the Convention Against Torture (CAT) and the International Covenant on Civil and Political Rights (ICCPR), both of which it has ratified.

These incidents, amongst others, have taken place against a backdrop of increasing legislation and regularisation of migration. As will be discussed below, Thailand signed Memoranda of Understanding (MOU) in 2002 and 2003 with Burma, Cambodia and Lao PDR. In addition, laws have been passed or signed which have contributed towards the development of a legal framework for migration in Thailand. At the regional level, the Association of Southeast Asian Nations (ASEAN), of which Thailand is a member, signed the Declaration on the Protection and Promotion of the Rights of Migrants Workers in 2007.[12] At the national level Thailand passed the Anti-Trafficking in Persons Act (B.E. 2551) in 2008[13] and reformed the Alien Employment Act (B.E. 2551) (2008).[14]

The juxtaposition of these tragic incidents and the evolution of a complex legal framework for migration reflects to some extent the conflicting attitudes that exist towards migration within Thailand, with migrants seen both as a threat and an opportunity. Responding to the perceived threat, policies have been put in place to ensure that migrants are unable to move freely around the country, cannot change their place of employment easily, and have great difficulties in exercising their right to decent work. On the other hand, the perception of opportunity and the need for unskilled labour has created incentives for business people to set up labour-intensive export industries in the border regions, where they benefit from the large numbers of migrants struggling to make a living.

2. Migrants in Thailand

Estimates have put the total number of documented and undocumented migrants from Burma, Cambodia, and Lao PDR living in Thailand at between 2.5 million and 3 million.[15]

This figure has been largely unaffected by the economic crisis that swept the world in 2008, despite the impact the crisis had on migrants. Thailand's export-driven economy suffered from a drop in global demand. Rising prices for everyday goods, especially food, worsened the effects of declining wages, and meant that wages which did remain constant effectively declined in real terms. Migrants found themselves less able to save or to remit, and it became more difficult to find a job.[16] Research also indicated that women were harder hit by the crisis.[17] Nevertheless, the overall effect on migration patterns was small, with studies suggesting that the majority of workers have chosen to remain in Thailand.[18]

Table 3: Recorded Number of Foreign Workers, as of December 2012

Total Number of Migrants from Burma, Laos, and Cambodia who have entered Thailand illegally and subsequently registered with the Thai government: 193,320

Migrants in this group are categorised as follows:
Ethnic groups: 25,439
Registered with the Thai government under Cabinet Resolutions (and pending Nationality Verification): 167,881
Total Burmese: 63,768 (36,500 men and 27,268 women)
Total Cambodian: 64,409 (37,668 men and 26,741 women)
Total Lao: 39,704 (18,940 men and 20,764 women)

Total number of migrants who have entered Thailand illegally, registered with the Thai government, and subsequently completed the Nationality Verification process:
Total 733,603 (413,076 men and 320,527 women)

Total number of migrants who have entered Thailand legally through the MOU recruitment process:
Total 93,265 (56,639 men and 36,572 women)

Source: Office of Foreign Workers Administration, Royal Government of Thailand, released in 22 January 2013

Table 4: Number of Registered Migrant Workers in Thailand by Sector, Nationality, Gender, as of December 2011

	Burmese			Cambodia			Lao PDR		
Sector	Total	Male	Female	Total	Male	Female	Total	Male	Female
Manual Labour (excluding domestic work)	844,390	492,080	352,310	228,094	143,400	84,694	90,518	50,216	40,302
Fishing	24,902	22,192	2,710	15,073	13,068	2,005	1,153	880	273
Fishery related	96,882	46,193	50,689	9,149	4,450	4,699	820	446	374
Agriculture	174,422	106,756	67,666	35,882	21,470	14,412	17,737	10,983	6,754
Construction	135,473	85,306	50,167	84,368	54,883	29,485	12,321	7,722	4,599
Agriculture related	68,054	42,514	25,540	10,335	6,067	4,268	3,493	2,131	1,362
Abbatoirs/Animal Processing	36,726	21,131	15,595	3,544	2,278	1,266	1,767	1,019	748
Recycling	11,981	7,737	4,244	4,955	3,016	1,939	1,395	903	492
Mining	2,245	1,559	686	289	200	89	190	145	45
Metals	17,772	12,122	5,650	3,687	2,465	1,222	2,978	1,934	1,044
Food and drink	38,759	19,949	18,810	9,340	4,740	4,600	13,499	4,915	8,584
Earth products	8,168	4,647	3,521	956	574	382	718	425	293
Construction materials	12,922	8,921	4,001	2,653	1,821	832	1,435	1,009	426
Cutting rock	2,732	1,731	1,001	366	278	88	174	114	60
Garments	63,973	21,995	41,978	4,423	2,078	2,345	6,285	2,682	3,603
Plastics	18,251	10,990	7,261	3,214	1,839	1,375	2,670	1,496	1,174
Paper	3,572	2,268	1,304	1,253	755	498	457	237	220
Electronics	5,080	3,195	1,885	1,352	839	513	461	312	149
Transport	7,664	5,262	2,402	2,588	1,706	882	513	323	190
Import/Export/ Vending	37,439	22,854	14,585	10,089	6,011	4,078	8,067	4,363	3,704
Auto repair	5,902	4,241	1,661	1,221	856	365	1,646	1,164	482
Petrol stations	3,115	2,016	1,099	692	403	289	1,103	742	361
Educational institutions	1,714	864	850	248	144	104	141	68	73
Other services	66,642	37,637	29,005	22,417	13,459	8,958	11,495	6,203	5,292
Domestic Work	61,183	12,091	49,092	7,427	1,984	5,443	16,452	2,948	13,504
Total	905,573	504,171	401,402	235,521	145,384	90,137	106,970	53,164	53,806

Source: Thai Ministry of Labour, Department of Employment, Office of Foreign Workers Administration, December 2011 Registration Statistics. Available at http://wp.doe.go.th/sites/default/files/statistic/7/sm12-54.pdf (accessed 15/11/11).

2-1. Burmese Workers in Thailand

Of the registered migrants at the end of 2011, 72 per cent were from Burma.[19] Burmese migrants work primarily in low-skilled, low-wage sectors such as agriculture, construction, fisheries and seafood processing, and domestic work.[20] In addition, significant numbers also work in the garments and textile industry centred on the town of Mae Sot, Tak province, on the Thai-Burmese border.

The ethnic composition of Burmese workers differs across industries in Thailand. The fishing sector employs large numbers of Mon and some Burmans, while manufacturing jobs attract Burman, Mon and Karen workers. Karen workers predominate in agriculture, while Burman and Shans account for large proportions of those employed in domestic work.[21] Burmese migrants are found throughout Thailand but there are higher numbers in the central region, especially Bangkok, Samut Sakhon, and Samut Prakarn, the southern region, especially in Phuket and Surat Thani, and in provinces on the Burmese border such as Chiang Mai, Tak and Ranong.[22]

2-2. Cambodian Workers in Thailand

Thailand is a major destination country for Cambodian migrants, and they make up about 18% of registered migrants in the country.[23] The majority of these migrants work in agriculture, construction and domestic work sectors. Almost half of registered migrants are female, and they dominate employment in the domestic work sector.[24]

According to the Thai Ministry of Labour, 137,598 Cambodian migrant workers obtained a legal status by the end of December 2012. Among those, 73,793 Cambodian migrant workers had had their status regularised through the nationality verification (NV) process and 63,405 had come to Thailand under the MOU process.[25] However, despite the gradual introduction of legal channels of migration, the majority of Cambodian workers continue to migrate to Thailand unofficially.

2-3. Laotian Workers in Thailand

An estimated 200,000 Laotian nationals work in Thailand, where they make up about 8% of registered migrants.[26] The total number of Laotian migrants who registered in the 15 June to 14 July 2011 round of registration was 104,928.[27]

Laotians from Southern provinces such as Savannakhet and Champassak provinces, in particular, tend to migrate across the border to Thailand.[28] Laotian migrant workers of both sexes work in various sectors, including animal husbandry, construction, domestic work, food processing, garment factories, and services.

3. Policies and Legislation for Burmese, Laotian and Cambodian Migrants

Regularisation procedures for Burmese, Laotian and Cambodian migrants in Thailand are complex, not least because two systems are simultaneously in place. Unilateral Thai registration periods allow undocumented migrants already in Thailand to register for a temporary stay and to apply for a work permit. Initially, these registration periods existed independently of the NV process. More recently, however, registration has taken place on condition that registered migrants then join the NV process, which is carried out in collaboration with respective governments of origin as per the MOUs. The two processes have thus become intertwined. The introduction in 2004 of the Tor Ror 38/1 temporary ID cards in the unilateral registration process, for example, has fed into the implementation of the MOUs, in that the 1.28 million temporary ID cards issued provided a base from which to issue temporary passports.[29]

3-1. Nationality Verification as Part of Memoranda of Understanding

In 2002 and 2003, Thailand signed bilateral agreements with Burma, Cambodia and Lao PDR to regularise migration to Thailand. The stated objectives of these MOUs were to enact a standard procedure for the employment of workers, effectively repatriate workers, protect workers, and prevent illegal border crossings, the trafficking of illegal workers, and the illegal employment of workers.[30]

The MOUs allow for two processes: the recruitment of workers within their own countries, known as the MOU process, and the verification of the nationality of those workers already in Thailand, the NV process.

The MOU process has not led to a large-scale recruitment of documented migrant workers however. As of December 2012, only 93,265 migrants had been recruited through the MOU process. About 68% are from Cambodia, about 12% from Lao PDR, and about 20% from Burma.[31] This falls far short of the number of foreign unskilled workers needed in Thailand.

The most significant aspect of the MOU process so far, therefore, has been the NV process. According to the agreements, countries of origin would verify the nationality of migrants and then issue them with Temporary Passports (TP) (Burma and Lao PDR) or Certificates of Identity (CI) (Cambodia). Before completion of NV, registered migrants are regarded as ‘pending deportation’ and are only regarded as legal once the process is complete.

Photo courtesy of Empower Foundation

Sex workers making banners in protest against sexual violence against women, Chiang Mai.

Migrants who have had their nationality verified are eligible to apply for visas and work permits for two years, extendable for a further two years. Workers who complete NV can thus stay and work in Thailand for a period of up to four years. Migrants, however, tend to want to stay longer than this, and while the MOU process thus offers migrant workers the opportunity to obtain regular status, it restricts the period for which this is available.

NV, in theory, enables a migrant to better access basic rights. Migrants who obtain a TP are eligible to join the Social Security Scheme (SSS) although, as will be discussed below, there are notable exceptions. Furthermore, a Ministry of Interior circular (Mor Tor 0309.1/Wor 8) stipulated that all migrant workers who have completed NV and received a TP will have access to civil registration documents, such as birth certificates for children (Tor Ror 3) and death certificates (Tor Ror 5).[32]

Lao PDR and Cambodia had started the NV process by 2004 and 2005 respectively, but the State Peace and Development Council (SPDC) in Burma did not take concrete steps towards verifying the citizenship of Burmese migrant workers until 2008. NV is proving to be a lengthy process, and has been subject to numerous delays.

• NV for Laotian workers

Overall, about one third of the estimated 200,000 Laotian nationals working in Thailand have entered the NV process.[33] As of December 2012, 29,625 Laotians had completed the NV process, representing about 4% of the total number of migrants to have done so.[34]

The registration of Laotians, after initial progress, subsequently encountered several delays. Laotian NV team members, due to visit Thailand in order to identify the remaining 62,000 migrants who had registered for the process, were forced to postpone a visit for several months in early 2010 due to political conflict and protests in Thailand.[35]

Lao PDR and Thai officials then agreed to set up four teams to complete the verification of 250 persons per day between July and September 2010. The teams would be located throughout the country to provide services to Lao migrants where they were living and working. In Bangkok, the office would be open continuously, while the provincial offices in Rayong, Chonburi, Samut Sakorn, Pathum Thani, Samut Prakarn, Nakorn Pathom, Ayutthya, Udon Thani, Surat Thani, Prachuab Kirikhan, Lampang, Nakorn Ratchasima, Nonthaburi, Tak, Nakorn Pathom, Chachoengsao, Chumporn, Nakorn Sithammarat, and Songkhla would be open for a limited number of days.[36]

The Laotian government also successfully negotiated an agreement on Certificates of Employment which would be issued by employers to Laotian workers when they completed their contracts. This was aimed at helping migrants to apply for jobs in the future.[37]

• NV for Cambodian workers

The Cambodian government began verifying the nationality of Cambodian migrants prior to 2008. A relatively small number of the total population of Cambodian workers came forward for the NV process, however. This could be attributed partly to poor information dissemination about the process and the assumption that Thai employers would inform their workers of the process and instruct them to apply.[38]

In early March 2010 the political instability in Thailand brought NV processes for all migrants to a temporary halt.[39] On 30 April 2010 Cambodian officials resumed work, with the Cambodian NV office operating from the Office of Foreign Workers Administration in the Ministry of Labour's Department of Employment in Bangkok. An employer with more than 100 migrant workers applying for NV would have his/her workers' applications processed over the weekend and in the provinces in which the migrants were employed. Fees were collected by the Cambodian officials for providing NV services in other provinces.[40]

By December 2012 a total of 73,793 Cambodians had completed the NV process, making up about 10% of the total number of migrants to have done so.[41]

• NV for Burmese Workers

There was no real implementation of NV up until late 2006 for Burmese workers. However, after the Cabinet Resolution on Irregular Migrants of 18 December 2007 announced a final round of registration for undocumented migrants,[42] the Myanmar/Burmese government took steps to implement the NV process.

In August 2008 the Thai and Burmese governments agreed that centres for issuing temporary passports to Burmese workers would be set up at Myawaddy, Tachilek, and Kawthaung in Burma. Burma undertook to process 200 temporary passports each day at each centre, while Thailand agreed to undertake the necessary domestic bureaucratic measures needed to issue visas to the 3,160 Burmese workers with TP.

The verification procedures of Burmese migrants who had work permits then began in July 2009.[43] Each worker was required to pay MMK 3,000 (USD 3) for an application form and provide a letter of recommendation from a Thai factory or business. While the official cost of obtaining the temporary passport is low-approximately THB 600-2100 (USD 17-60)-some NGOs have noted that brokers are taking advantage of the process, charging Burmese migrants around 7,500 baht (USD 200) to facilitate the NV process.[44] In order to counter potential exploitation of applicants the Thai Department of Employment met with 12 recruiting agencies in February 2010 and agreed that they should charge no more than a 5,000 baht service charge per person for facilitating NV.[45]

Photo courtesy of MAP Foundation

Migrant women enjoying activities as part of an annual capacity building training day organised by MAP Foundation on International Women's Day, Chiang Mai.

Additional NV centres were discussed and opened. In June 2010 officials agreed to set up a NV centre in Sapan Pla in Ranong in response to concerns regarding the safety of Burmese migrant workers who had to cross the sea during the monsoon season to go the NV office in Kawthaung, Burma.[46]

In January 2011 Thai and Myanmar government members met to discuss the opening of additional centres. Burma requested that Thailand open a new round of registration in order to accommodate the large numbers of migrants already in Thailand.[47] The Myanmar Ministry of Labour also agreed in January 2011 to set up additional registration offices, and to develop a computer-based system to replace paper-based procedures. This was aimed at accelerating the verification process, and facilitating data sharing and communication between the Thai and Burmese authorities.[48]

The procedures for regularisation resulted in problems with regards to the validity periods of different documents. Temporary passports issued by the Myanmar government were only valid for a period of three years. Work permits issued in Thailand were valid for two years, renewable for a further two years. This effectively meant that passports would need to be renewed in the middle of the second two-year work permit period, a costly and time-consuming requirement. In July 2011, the Myanmar government agreed to address this problem by issuing passports which were valid for a period of six years, thus covering the entire period of time that migrants could work in Thailand.[49]

Although migrants can now regularise their status, they are concerned that they will not be able to save any money if they are only allowed to work in Thailand for four years. Migrants incur significant costs in order to obtain regular status (NV, passport costs, work permit costs, unpaid days off every three months to report to immigration, visa fees), and leave migrants financially worse off. In addition, there is little evidence that this regular status affords them any greater protection in practice.

Negotiations between delegations from the respective governments continued in October 2011. Topics covered included a new round of registration, social security, the establishment of five new NV centres in Thailand, and the creation of the post of labour attaché in the embassy in Bangkok. The labour attaché's mandate is to assist and protect Burmese migrants and ensure that they receive equal treatment with Thai workers according to Thai law.[50] In addition, the attaché will also endorse job offers and assist in settling disputes between employers and workers.[51] However, there is no clear mandate for the promotion of the rights of undocumented workers.

In January 2012, the National Committee on Alien Workers Administration met to discuss the five proposed new NV centres in Bangkok, Samut Prakan, Samut Sakon, Surat Thani, and Chiang Mai. Around 8 Myanmar officials would be deployed to each NV centre, and Thai immigration officers would be present in the five new centres to provide visa services for migrant workers.[52] These centres are now operational.

As of December 2012, a total of 630,185 Burmese migrant workers had completed the NV process, representing about 86% of all migrants to have done so.[53]

• Additional NV Developments and Issues

A key feature of the period has been repeated extensions of deadlines. In January 2010 the Thai government again granted an extension to migrant workers, moving the deadline for completion of the NV process from 28 February 2010 to 28 February 2012.[54] As the final date neared, many migrants had not yet completed the NV process. The government subsequently again extended the period for the submission of NV papers until 14 June 2012,[55] then again to 14 December 2012,[56] and then again to 15 April 2013.[57]

On the one hand, the extensions indicate recognition of the inadequacy of current procedures, and grant migrants more time to regularise their status. However, it is worth bearing in mind that migrants who are undergoing the lengthy, multi-stage NV process are also required to renew their work permits annually until they complete the NV process. This further raises the costs for migrants. Migrants who fail to renew their work permits while in the NV process lapse back into irregular status.[58]

Photo courtesy of MAP Foundation

Agricultural workers in Mae Rim, Chiang Mai, Thailand. Flowers are brought here for packaging.

Another controversial policy development was that of the Alien Repatriation Fund. In September 2010 the government endorsed a regulation requiring employers to deduct a specified amount from migrant workers' wages. This was to be paid into a fund which would be used to repatriate workers after their work permits had expired. The first instalment was due by 17 January 2011. Migrants who complied fully with regulations and left the country at the end of the employment period would be refunded all the contributions they had made.[59] This fund caused concern in many circles. Migrants on low wages could ill afford another deduction from their wages, and there was little confidence that they would receive the refund upon returning to their home countries. Local authorities, in turn, feared it would discourage migrants from registering.[60] Implementation was consequently postponed, and on 20 January 2012, it was postponed again until March 2013.[61]

Health coverage for migrant workers also proved to be problematic. Migrants who complete the NV process need to enrol in the SSS which offers more comprehensive coverage than the Compulsory Migrant Health Insurance Scheme (CMHIS). A notable flaw in the SSS, however, is its exclusion of migrants working in the fishery, agriculture/livestock, and household work sectors, and these workers therefore need to make use of the CMHIS. Those eligible for the SSS pay 3.5% of their wage into the fund, an amount which is matched by the employer.[62]

To cover workers who had not yet completed NV, the Thai Cabinet agreed in June 2011 that migrant workers who had registered in the latest registration round should have access to a private insurance system, paid for by their employers. This would provide coverage for work-related accidents or sickness. It was, however, viewed as optional by employers who, in the absence of private insurance, remained responsible for costs under the terms of the Worker's Compensation Act. An authorised insurance company charged 500 baht per person per year for the period 15 June 2011 to 14 June

2012.[63] However, when the deadline for NV completion was extended again, migrant workers were required to buy health insurance which covers them until the new deadline on 14 December 2012.[64]

Table 5: Migrants Eligible for 14 June 2012 Nationality Verification Extension

Total - 1,047,612
- 686,774 Burmese;
- 107,116 Laotians;
- 253,722 Cambodians

Amongst which, 851,830 have received work permits
- 543,535 Burmese;
- 93,421 Laotians;
- 214,874 Cambodians

Sources: International Labour Organization presentation to TRIANGLE meeting in Chiang Mai, March 23rd, 2012; International Organization for Migration, Migrant Information Note, Issue 14, 02/2012.

4. Unilateral Policies of Registration 2008-2012[65]

• Background

During the 1990s, the management of migration took the form of periodic cabinet resolutions that established registration periods for undocumented workers in Thailand. Initially, registration entitled workers to work for two-year periods, but after the 1997 financial crisis, the working period was reduced to one year in an attempt to deal with unemployment levels among Thai nationals. Restrictions were applied concerning the provinces where migrants could work and the job sectors that migrants were allowed to register for, with workers confined to a limited number of low-skilled, low-wage jobs. Workers are also only allowed to change employers under limited circumstances, and are prohibited from travel outside the area in which they are registered to work. These registration periods were followed by large-scale deportations of unregistered workers, a policy which continued into the 2000s.[66]

Although Thailand's first national registration of undocumented migrants took place in 1996[67], current migration policies in Thailand stem more from the policies of the Thaksin administration. The registration of 2004, in particular, introduced a new process, whereby migrants were issued with a temporary 13 digit ID card by the Ministry of Interior. This ID card, the Tor Ror 38/1, granted migrants temporary residency, albeit while 'pending deportation', and all policies since have retained the 13 digit number in the identification of migrants.[68]

• 'Final' Registration Period: July 2009-February 2010

In May 2009, against a backdrop of declining registrations, the Cabinet announced a new registration period for migrants who worked in six specific sectors. Significant here is that only migrants who had registered before could renew their work permits. Undocumented migrants were required to return to their own countries from where they could migrate through MOU procedures.[69] Migrants could register for the Tor Ror 38/1 and a work permit for the period July 2009 to 28 February 2010. All migrants who obtained a work permit in this registration period were also required to complete NV procedures before 28 February 2010.

In July 2009, in an attempt to increase the number of migrant workers involved in regularisation procedures, the government then opened a registration period to allow previously unregistered migrant workers the opportunity to obtain a Tor Ror 38/1 and a work permit, which would also expire at the end of February 2010.[70] This was described as the final registration round, after which recruitment would take place through existing MOU mechanisms.[71]

Workers had to register in a specific sector and would not be allowed to change this after registration. To enforce this restriction, colour coded work permits were issued. One side of the card was the work permit (pink), while the other side indicated the sector, each with a different colour, in which the migrant was authorised to work.[72] The Cabinet Resolution of 3 June 2009 confirmed these sectors, and identified a total of 19 other work sectors in which migrants would be permitted to work.[73] Work sectors were colour coded as follows:

Fishery: pink/light blue
Fishery Processing: pink/orange
Agriculture/Livestock: pink/green
Domestic Work: pink/grey
Construction: pink/ yellow
Other Occupations: pink/pink

By 9 September 2009, when registration had closed for all migrants excluding fishermen, a total of 1,054,261 migrants had registered for the Tor Ror 38/1 temporary ID card. Of these, 785,017 were from Burma, 148,420 from Cambodia and 120,824 from Lao PDR. Work permits were also issued to 792,175 migrants, 627,230 of whom came from Burma, 76,390 from Cambodia and 88,555 from Lao.[74] Fifty-six per cent of migrants who registered in this period were male and forty-four per cent were female migrants. This registration period brought the total number of migrants with work permits to 1,174,716.[75]

On 3 November 2009, the Cabinet again approved an extension of the registration period to 1 February 2010. All migrants who had registered during 2009 according to Cabinet Resolutions 18 December 2008, 26 May 2009, 28 July 2009, and 3 November 2009 were allowed to stay for a further two years on the condition that they began NV procedures by 28 February 2010.[76] This was later extended to 28 February 2012.[77] In addition, migrant children younger than 15 whose parents had registered according to the Cabinet resolutions of 26 May 2009 and 28 July 2009 were now allowed to register as dependents.[78]

Table 6: Figures for the Numbers of Foreigners in Thailand: January-December 2009

Total Foreigners who entered illegally: 1,335,962

Ethnic groups: 21,580
Under Cabinet Resolutions: 1,314,382
Extensions of Tor Ror 38/1: 382,541 (Burmese 370,711; Lao 5,700; Cambodian 6,130)
Cabinet Resolutions of 26 May, 28 July, 3 Nov: 931,841 (Burmese 708,056; Lao 105,154; Cambodia:118,631)

Total Burmese: 1,078,767
Total Cambodian: 124,761
Total Lao : 111,085

Numbers by sectors:
Different services: 238,350
Agriculture/livestock: 221,703
Construction: 220,236
Fishery related: 136,973
Domestic/household: 129,790

Source: Office of Foreign Workers Administration, Royal Government of Thailand

Other policy developments in this period concerned the costs of registration. The visa fee was reduced from 2,000 Thai baht to 500 Thai baht in October 2009.[79] This reduction takes into account the impact of costs on the ability of migrants to access regularisation procedures.

Furthermore, the Alien Employment Act 2008 and the Ministerial Regulation of 21 December 2009 stipulated that employers of low-skilled, non-specialist migrant workers needed to pay a levy fee per worker, with costs dependent on the sector and province. However, this would not be implemented until the relevant non-specialist and low-skilled occupations had been identified.[80] This idea appears to now have quietly been dropped.

Table 7: Costs related to Work Permit, as per the Ministerial Regulation of 21 December 2009

Fee for work permit or duplicate: THB 200 (USD 6) per copy
Changing/adding jobs: THB 900 (USD 27) per change
Changing/adding employer: THB 900 per change
Changing/adding locality/place of work: THB 900 per change
Changing/adding conditions of employment: THB 150 (USD 4.5) per change

Source: International Organisation for Migration, Migrant Information Note, Issue 4, 02/2010, p4.

Table 8: Migrant Workers Registered in Thailand-by Year and Nationality

MIGRANT WORKERS REGISTERED IN THAILAND
by year and nationality

		2004		2005	2006		2007		
		July	August	July	March	July	March	Deep south	july
Nationality	Cambodia	183,541	110,601	75,804	23,410	24,952	10,332		14,469
	Lao PDR	179,887	105,259	90,073	21,653	29,683	9,519		12,140
	Myanmar	921,492	633,692	539,416	163,499	405,379	121,448		367,834
Total		1,284,920	849,552	705,293	208,562	460,014	141,299	11,817	394,443

Source: Office of Foreign Workers Administration, Royal Government of Thailand

• Registration Period: 15 June 2011 to 14 July 2011

On 20 April 2010 the Employment Department confirmed that there would be no further registration of undocumented migrant workers, and that the shortage of foreign labour would be dealt with through existing systems.[81] However, the Thai Cabinet Resolution of 26 April 2011 set up yet another round of registration (15 June 2011 to 14 July 2011) for migrant workers and their dependents. In 17 provinces a one-stop system was introduced to integrate the various departments needed to process and issue the documents. The new round of registration targeted three categories of people:

1. Unregistered migrant workers;
2. Previously registered migrants who had failed to apply for work permits or had been granted work permits which had since expired; and
3. Dependents younger than 15 years of age[82]

The collection of bio-data from newly registered workers became a new part of the work permit application process, with the aim of preventing the irregular employment of migrant workers. Migrants' photos and finger prints would be shared with Immigration and other national security agencies. Furthermore, any migrant who did not provide biodata would be unable to enter the NV process or apply for work permits in the future.[83] There does not, however, appear to be any protocol in place to ensure that data sharing is lawful, proportionate, and secure. This resolution also ordered the arrest and deportation of migrants who had not registered, and noted that migrants found to have entered the country illegally twice would be blacklisted from re-entering.[84]

A total of 996,278 migrant workers registered during this round-648,921 from Burma, 242,429 from Cambodia, and 104,928 from Lao PDR.[85] Fishermen were given a longer time to register,[86] and by September the registration of these workers had increased the total to 1,011,443 migrant workers (657,024 Burmese, 105,364 Laotians, and 249,055 Cambodians).[87]

A disturbing feature of registration periods has been the way in which they have been followed by harsh crackdowns on undocumented migrants. For example, in April 2010 it was announced that there would be no new registrations and a period of open hostility towards migrants commenced, supported by several directives announcing crackdowns and deportations.[88] Ranong province, in particular led the way in treating unregistered migrants as criminals, and in 2010 set up an armed task force to control them.[89]

In June 2010 it was announced that a centre to investigate, suppress, arrest and prosecute alien workers was to be established at the national level. Despite the strong wording, the centre proceeded to work in a more investigative manner, and took the rare step of also investigating and prosecuting employers of migrants who had broken the law.[90]

		2008		2009	2010	2011
March	March	july	March	july	January	June
3,786		6,130		148,420	56,479	249,055
4,953		5,700		120,824	62,792	105,364
126,265		370,711		785,017	812,984	657,024
135,004	3,549	382,541	61,543	1,054,261	932,255	1,011,443

Overall, the period in question reflects the lack of coherence in Thai government policy. Despite repeated announcements of 'final' rounds of registration, new registration periods were announced, followed by renewed efforts to deport unregistered workers. On the one hand, the government has attempted to integrate the two regularisation processes by requiring migrants who register for a Tor Ror 38/1 and a work permit to also undergo NV procedures. However, the sheer numbers involved, the complexity of procedures, and the costs imposed on migrants have left large numbers unable to register. The result for the Thai economy has been severe shortages of unskilled labour, while undocumented migrants continue to live precariously in the country, unable to access basic human and labour rights.

5. Education of Migrants

Since July 2005, all non-Thai and undocumented children have had the right to access the Thai education system. In addition, in December 2011 the Ministry of Education issued a regulation enabling individuals to provide basic education to migrants through migrant learning centres, with stipulations covering teachers' qualifications, application procedures, student assessment and funding, amongst others.[91]

Also, as highlighted above, the Cabinet Resolution of 26 April 2011 allowed children under the age of 15 years to register between 15 June 2011 and 14 July 2011. Employers needed to submit a request form (Tor Thor 1) to register the child of a migrant worker to the District Registrar office at a cost of 80 baht. Employers also had to set up a health check and health insurance between 15 June and 12 September 2011 (600 baht for a health check-up and 1,300 baht for health insurance, which is optional for children of migrant workers).[92]

Photo courtesy of MAP Foundation

The Moei River is an unofficial border crossing.

There remains a contradiction in the treatment of migrant children. According to the July 2005 directive and Thailand's commitment to Education for All, all migrant children should be able to access education regardless of their immigration status. In line with this, they are issued with an education card which allows them to be in Thailand to study for a period of ten years. However, their parents are always limited to legal periods of one year, two years or, at the most, four years.

6. Trafficking

On 4 May 2010 a Cabinet Resolution requested Ministries to develop guidelines on the temporary stay and work of victims of trafficking. In order to claim their rights people who had become victims of trafficking were allowed to temporarily stay and work in Thailand during legal trials, medical treatment, and rehabilitation. The Cabinet directed the Ministry of Interior, the Ministry of Social Development and Human Security and the Ministry of Labour to decide on the terms and conditions of staying and working in the country, and to provide a list of occupations in which trafficked migrants would be allowed to engage. The Ministry of Interior was made responsible for preparing a regulation on their temporary stay.[93] It was subsequently announced in February 2012 that victims of trafficking remaining in Thailand for legal proceedings or medical care could work in the domestic work or manual labour sectors.[94]

In February 2011 the Ministry of Interior stipulated that they would select inquiry officers who would be responsible for deciding if a migrant is a victim of human trafficking according to the Anti-Human Trafficking Act 2008. The Department of Social Development and Welfare of the Ministry of Social Development and Human Security would provide the following assistance if the victim so required:

1) Legal prosecution of perpetrators of trafficking;
2) Medical treatment, mental and physical rehabilitation or claiming other entitlements of victims of human trafficking.

The department is also responsible for recommending the length of stay, which must not exceed six months. If the length of stay is approved by the Permanent Secretary, the migrant will report to the Registrar office to be issued with an ID document. S/he can then also apply for a work permit. The conditions of employment will be specified by the Department of Employment and the work permit will not exceed the length of stay permit granted by the Ministry of the Interior.[95]

Non-governmental organisations (NGO) that have been lobbying for the right to stay for victims of crimes in Thailand were disappointed by the limitations of this approval. It only includes victims of trafficking and not victims of other crimes such as rape, exploitation, or physical harm. In addition, it does not provide equal opportunity for victims of trafficking. NGOs have been advocating that victims of trafficking be provided with the same legal status available to other migrants, and that they be eligible for a TP and the right to work in all the sectors available to other migrants. The length of stay granted to trafficking victims, however, is purely for the convenience of the state's prosecution.

In addition to legal developments, in 2012 the Ministry of Health set up a working group to develop ways of providing assistance, therapy and rehabilitation for victims of trafficking.[96]

7. Conclusion

Migration policy in Thailand has been marked by a constant tension between the needs of the private sector on the one hand, and the state's alleged security requirements on the other. Migrants are consequently caught in a dynamic of attraction to and expulsion from Thailand.

Thailand's recognition of the need for a supply of workers for its labour-intensive industries has resulted in regularisation procedures in the form of multiple rounds of registration and the NV and MOU processes. This has created a space for migrants to protect their rights and gain access to services. However, flaws remain in the system. The greatest of these is perhaps that because of national security concerns, time constraints are placed on migrants. Workers are kept in a temporary status of legality that can last a maximum of four years provided they have gone through the correct NV or MOU procedures. In addition, large numbers of people are excluded from regularisation procedures.

The two overlapping systems of NV and unilateral registration, combined with constantly shifting deadlines for registration, re-registration, and completion of the NV process, means it is easy for previously documented migrants to miss deadlines, slip out of system, and become vulnerable to all the dangers of an undocumented status. Furthermore, regularisation processes are time-consuming and expensive, which deters many migrants from attempting to change their status.

As such, it would be beneficial for all involved if the Thai state fully accepts that as long as Thailand's industries are mainly labour-intensive, large numbers of migrant workers will be required. This should come with the realisation that constant rounds of registration and deportation do nothing to solve the problem, but rather create a shadow system of vulnerability and corruption as workers are forced underground and into a cycle of deportation and re-entry. To ensure that the maximum amount of workers are regular and within the system, the regularisation system should be made more affordable, less complex, ensure a longer stay, and set out clear provisions for labour rights. These need to be stringently enforced. Ultimately, this would also enable the state to better manage foreign populations and achieve over-arching security goals. Information about the system should also be widely disseminated both within Thailand and in the countries of origin. These measures will encourage workers to migrate through safe, legal channels, offer protection to migrants, and provide a more stable long-term workforce for Thai industry.

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Photo courtesy of Omsin Boonlert

A large number of Vietnamese workers commute to Hekou, the extreme southeast of China's Yunnan Province, through Lao Cai checkpoint. Lao Cai, Vietnam.

Vietnam Migration Overview

1. Internal Migration

Vietnam has a history of organised internal migration, beginning in the north of the country in 1961 and in the country as a whole from 1975. Government organised migration was undertaken with the aim of redistributing the country's population to better utilise its natural resources for economic development and to alleviate poverty. Millions of people were moved in this way from densely populated areas to remote and sparsely populated locales, where millions of hectares of land were newly cultivated.[1]

After 1954 in North Vietnam, and after 1975 in South Vietnam, the government applied a residence registration scheme, modelled on the Chinese *Hukou* system. Currently, persons wishing to migrate internally are required to register with the police once they have moved to their new locale, even if the migration is only temporary in nature. The police use this registration system-called the residence registration regulations-as a means to control and check on new migrants. Under these regulations Vietnamese citizens are classified into the following three categories:

KT1: regular residents, who are registered and living in the locality in which they are registered, and documented by the local police;

KT2: regular residents, who are documented, have a residence registration book, but are living outside the place where they are registered;

KT3: temporary residents, who have migrated for the short term and who are registered with the police as temporary residents of the locale.

Map of Vietnam

Source: http://www.aangkortourguide.com/cambodiamap.htm

The final category is used as a means of differentiating temporary migrants from those with KT1 and KT2 status, who have priority access to a range of public services and benefits. As a result, the children of internal migrants holding KT3 registration have no choice but to enroll in fee paying schools, often at a considerable financial cost to their parents.[2]

Aside from these three formal categories of residence, there exists another unofficial status that is commonly referred to as "KT4". This has become the popular term used to refer to individuals who are without family, hold a three-month extendable residence permit, and who are yet to obtain the KT3 residence book from the local police.

Poverty, stemming from a lack of cultivable land is the main 'push' factor for internal migration in Vietnam, while potential access to fertile land and sparse population density in the Central Highlands are among the key 'pull' factors. However over time, land resources in migrant destination areas have been overexploited and are no longer as fertile as they once were. In Prime Ministerial Decree No. 39/2004/CT-TTg, issued in 2004, the central government specified that local authorities are obliged to resettle migrants in planned residential areas. The same authorities are also required to regulate population flows and return migrants to their places of origin if the new settlements are deemed unsuitable by the government.[3]

2. Foreign Labour Migration

The Vietnamese government has long considered the export of labour a practical means of alleviating some of the country's problems associated with unemployment and underemployment. Organised labour migration from Vietnam began in the 1980s with migrants going primarily to socialist countries in Eastern Europe, including the former Soviet Union, the former Democratic Republic of Germany, the former Czechoslovakia, and Bulgaria.[4] Since the mid-1990s, the Vietnamese government has regarded labour migration as a key development strategy, sending workers to Japan, South Korea, Taiwan, Malaysia, Lao PDR and various Middle Eastern countries.[5]

In 2011, more than 500,000 Vietnamese were officially working overseas,[6] and remit large sums of money to their homeland.[7] In late 2011, migrant remittances were expected to total USD 8.5 billion for the year,[8] although it is important to note that this figure includes remittances from both migrants who are working temporarily overseas and persons of Vietnamese origin who have migrated permanently to other countries, often in the developed world.[9] The inclusion of the Vietnamese diaspora boosts the total figure significantly. In 2011, 88,298 Vietnamese were recruited to work overseas. The Vietnamese government sent 38,796 workers to Taiwan, 15,214 workers to South Korea, 9,997 workers to Malaysia and 6,985 workers to Japan.[10] The number of workers sent overseas surpassed the target laid down by the government for the year. An ambitious goal of sending 90,000 workers overseas has been set for 2012.[11]

For a number of years Malaysia has been a popular destination for Vietnamese migrants. As of April 2011 there were as many as 200,000 Vietnamese workers in Malaysia.[12] The next most popular destination country is Taiwan where 96,717 Vietnamese were working as of March 2012.[13] Taiwan is followed by South Korea, where, as of November 2011, 63,000 Vietnamese work under the auspice of the Employment Permit System (EPS).[14] Although South Korea halted recruitment during the global economic crisis, its recruitment of Vietnamese workers increased in 2010 as Korean firms benefited from an improved economic climate.[15] In August 2010, the Vietnamese and South Korean governments renewed their Memorandum of Understanding (MOU) on Vietnamese guest workers under the framework of the EPS for a further two years.[16] In 2011 approximately 15,000 Vietnamese workers went to South Korea, which accounted for 32 per cent of its foreign migrant labour. The total number of Vietnamese workers in South Korea stood at 66,000 in 2011.[17]

In order to encourage low income workers to migrate abroad, the Vietnamese government has been willing to cover some of the associated costs of migration, such as paying passport and visa fees, the cost of health check ups and language training, fees which can often total as much as USD 1,100.[18] These government rebates were also available to workers sent to Libya before the outbreak of civil war in that country.[19] Approximately 10,000 Vietnamese migrant workers were forced to return from Libya when the civil conflict erupted in 2011.[20] However, as of January 2012 plans are being made to resume sending workers to Libya.[21]

The Vietnamese government also assists people from the poorest areas of the country to work abroad by providing them with professional skills and language training. Since 2009, 5,500 people have received such training from an assistance programme, known as Project 71. Of those provided with assistance, 95 per cent were from poor ethnic minority households.[22]

There are however a number of issues that negatively impact migrants once overseas. Vietnamese migrants often find themselves living in environments where they are discriminated against and where they experience problems due to language barriers and cultural differences. There is a general lack of monitoring of migration policies, which can leave migrants vulnerable to abuse, while the accountability of many Vietnamese labour recruitment companies is often questionable. As of 2010, there were 167 labour recruitment companies in Vietnam, with some reportedly charging workers illegally high fees.[23]

3. Marriage Migration to Countries Outside the GMS

The number of agency-facilitated marriages between Vietnamese women and Taiwanese and South Korean men has increased since the 1990s. Taiwan has long been a popular destination for Vietnamese women seeking a foreign husband and since the early 1990s, approximately 100,000 Vietnamese women have registered marriages in Taiwan.[24]

More recently the trend of Vietnamese brides has shifted to South Korea. During the period 2004-2009, around 38,000 Vietnamese women migrated to South Korea for the purpose of marriage; with 7,249 married in 2009 alone. In the first half of 2010, 2,300 Vietnamese women had registered marriages in South Korea.[25]

Most Vietnamese migrant brides come from remote rural areas of the Mekong Delta. Expectations of a better livelihood are often the key factor driving this type of migration. Unfortunately, many Vietnamese brides lack cultural and legal knowledge of their destination country prior to entering into a marriage abroad.[26] In response, marriage-support centres have been established in Vietnam to provide information and advice on international marriage for Vietnamese women. The government has also revised a decree on foreign marriages under the Law of Marriage and Family. Decree 69/2006/ND-CP, promulgated on 21 July 2006, amends various clauses in Decree 68/2002. In so doing, it lays down regulations on marriage and adoption between Vietnamese citizens and non-Vietnamese nationals.[27] Prior to such a marriage taking place in Vietnam both parties are interviewed by the Department of Justice and the marriage is subject to approval by local authorities. Marriages are deemed unlawful if following interview and examination the marriage was found to be organised by illegal matchmakers, or if the marriage is considered likely to facilitate the trafficking of the bride for sexual exploitation or for other profit-making purposes.[28]

4. Migration to Neighbouring GMS Countries

Registered Vietnamese migrants residing in other Greater Mekong Sub-region (GMS) countries include 149,500 in Cambodia in 2009[29] and 20,250 in Thailand in 2010.[30] According to one source there are an estimated 20,000 Vietnamese migrants in Lao PDR,[31] although exact figures are not readily available. However, as there are limited legal channels for Vietnamese labour migration within the GMS, many migrant workers are undocumented, particularly in Cambodia, and to a lesser extent in Lao PDR and the Yunnan Province of China.[32] Accordingly, the actual number of Vietnamese migrants in other GMS countries is probably much higher than the statistics reveal, as it is difficult to come by accurate estimates of non-registered migrants. While Vietnam has taken clear policy initiatives regarding the migration of skilled labour to destination countries outside the GMS, within the sub-region, such official policies exist only for migrants going to Lao PDR. No policies are in place to facilitate the migration of less skilled labour to other GMS countries, except under the daily border pass system that exists for cross-border traders to China.[33]

4-1. Migration to Cambodia

According to the Overseas Vietnamese Association in Cambodia, around 65 per cent of Vietnamese migrants work in the agriculture and fisheries sectors.[34] There are only a few big Vietnamese-run businesses in Cambodia, with most Vietnamese companies involved in small or medium sized enterprises. A significant number of poor Vietnamese migrants do not speak Khmer very well, thus the language barrier presents a major obstacle for their integration into wider Cambodian society.[35]

Although no official statistics are available, some estimates put the total Vietnamese immigrant population in Cambodia at around the one million mark.[36] According to one study, 'over 150,000 Vietnamese are estimated to be residing in Cambodia. This population is mixed in with the roughly 1.1 million Vietnamese immigrants who relocated to Cambodia between 1985 and 1998 and are still considered irregular'.[37] Table No.7 shows the provincial distribution of registered Vietnamese immigrants in Cambodia.

Table 9: Distribution of Vietnamese Registered Immigrants in Cambodia

Province/City		Population
Districts of Phnom Penh Capital	Sub-total	40,000
	Meanchey Russey Keo District 7 January District Daun Penh Chamcamon Toul Kouk Dang Kao	
Provinces around Tonle Sap Lake, the North and Northwest Regions	Sub-total	25,500
	Siem Reap	2,500
	Kompong Thom	1,500
	Battambang	4,000
	Pursat	2,500
	Kompong Chnang	15,000
Provinces of the Southwest and Southern Regions, and Kampong Saom (Sihanoukville)	Sub-total	55,000
	Kandal Takeo Kampot Kampong Speu Kep Kampong Saom	
Provinces of the Southeast Region	Sub-total	26,000
	Prey Veng Sray Rieng	20,000
	Kampong Cham	6,000
Provinces along the Cambodia-Thailand border	Banteay Meanchey	3,000
TOTAL		**149,500**

Source: Nguyen Minh Nguyet.[38]

Following the Doi Moi (Renovation) market reforms beginning in 1986, the Vietnamese Government relaxed its restrictions on the freedom of movement. This saw significant new flows of Vietnamese migrants to Cambodia.[39] Since these reforms, most migrants have been job-seekers in the trades, services and construction sectors. They comprise both temporary and long-term migrants who may or may not become permanent residents, depending on their circumstances and network of relatives, friends, co-workers and employers.[40] Many long-term immigrants are well integrated into the host society, especially as many marry Cambodian citizens and establish families.

4-2. Migration to China

China has two provinces that share borders with Vietnam: Guangxi, which neighbours the Vietnamese provinces of Cao Bang, Lang Son and Quang Ninh; and Yunnan, which shares a border with the Vietnamese provinces of Ha Giang, Lao Cai and Lai Chau. Vietnamese people from the northern regions frequently migrate to the border areas in China to conduct business or to work as labourers. Many of these migrants share their ethnicity or have kinship ties with people on the Chinese side of the border.

A large number of Vietnamese workers commute to Hekou, a border town located in the extreme southeast of China's Yunnan Province. Here they work as mobile vendors or engage in trade or other businesses before returning to Vietnam at the end of the working day.

Vietnamese visitors need only present a photo identification card, a hand-written request, and pay a set fee to the Chinese border guards in order to obtain a day permit.[41]

Trafficking remains a major issue of concern in Vietnam. Women and children may be trafficked for a variety of reasons including: marriage, labour, sex work and adoption. Women from Vietnam are in demand as wives for Chinese husbands. This situation is exacerbated by the gender imbalance that exists in China. Women and children from Vietnam's Northern provinces of Lang Son, Quang Ninh, Lao Cai, and also Cao Bang, Ha Giang and Lai Chau are most frequently targeted by traffickers. Many trafficked persons are taken to border communities in China including Bang Tuong, Dong Hung, Quang Xi, Nam Ninh, Ha Khau-however inland provinces such as Henan, Hebei, Anhui, Jiangsu and Guangdong (beyond Yunnan and Guangxi) are also destinations for trafficked Vietnamese.[42]

According to one estimate, between 2004 and 2010, trafficking to China accounted for 65 per cent of the total number of all trafficking cases involving Vietnamese nationals.[43] Another study found that between 2005 and 2009, 60 per cent of trafficked Vietnamese women and children went to China, 30 per cent to Cambodia and the remaining 10 per cent to other locations around the world, with Malaysia featuring prominently.[44] However, estimates of trafficking cases are difficult to substantiate in the Mekong region as informal migration is commonly confused with trafficking.It is hard to ascertain exactly how different countries in the region identify victims of trafficking and there is some definitional blurring between undocumented migrants and trafficked persons.

4-3. Migration to Lao PDR

The exact number of Vietnamese workers in Lao PDR is uncertain. Figures compiled by the Lao PDR government for 2006 record a mere 175 registered Vietnamese migrants in the country.[45] This is in all likelihood a gross under-representation of the true number. More than one source states that there were around 20,000 Vietnamese nationals living in the Lao PDR in the mid-2000s. Most resided in the capital Vientiane (5,000 people) and other locations such as Champasak (5,000 people), Savannakhet (3,000 people) and Khammouan (2,000 people).[46] Many migrants who are self-employed as street vendors, store sellers, and market traders were originally poor farmers or the children of poor farmers from the countryside of the central or the northern regions of Vietnam. Trading provides greater income than the limited returns possible from small-scale agriculture.

In 2009, the governments of Vietnam and Lao PDR signed an agreement on labour cooperation, which includes sending Vietnamese experts to work in Lao PDR. Vietnam's Ministry of Labour, Invalids and Social Affairs (MOLISA) also signed an MOU on future cooperation with its Lao counterpart regarding labour issues.[47] In 2011, a conference was held in Lao PDR for the two governments to discuss ways to further improve cooperation on issues such as overseas labour management and labour exportation. Cooperation on the issue of labour migration remains ongoing between the two countries.[48]

4-4. Migration to Thailand

Vietnamese migration to Thailand has a long history dating back centuries, with Vietnamese migrants coming to work, trade, or in more recent times, escape war and political oppression. Over time, many Vietnamese communities have been assimilated into Thai society and culture, with children born in Thailand eligible for Thai nationality. There are an estimated 50,000 members of the Vietnamese diaspora in Thailand, although exact figures are hard to obtain due to cultural integration and a reluctance to openly assert Vietnamese identity in case of discrimination.[49] These older communities can be differentiated from more recent migrants who have come to work in Thailand and constitute a distinct group of newcomers. According to the Thai Ministry of Foreign Affairs, there were 20,250 Vietnamese residing in Thailand in October 2008, although this source does not distinguish between older communities and more recent arrivals.[50] Thai government figures from 2010 record 305 documented Vietnamese workers in Thailand and a mere seven undocumented workers.[51] These figures are likely to be a gross under-representation of the true numbers. It is possible that some Vietnamese workers, due to previous residence in, or migration through, Cambodia and Lao PDR, are recorded as nationals of these countries by the time they reach Thailand.[52] Most Vietnamese in Thailand reside in the north-eastern and eastern regions, in provinces that lie closest to migration routes through Lao PDR and Cambodia.[53] Vietnam and Thailand currently lack any bilateral agreements concerning the export and employment of labour.[54]

Photo courtesy of Omsin Boonlert

Vietnamese migrants work as mobile vendors. Hekou, China.

5. Migration to Vietnam

5-1. Chinese in Vietnam

Chinese investment in Vietnam, particularly the presence of Chinese companies in the construction and mining sectors have led to an increase in the number of Chinese workers in Vietnam. These migrants are often undocumented and are generally low skilled workers who accompany Chinese companies operating in the country. Chinese companies are keen to employ Chinese workers as they take the view that Chinese employees are easier to manage in terms of language, culture and working habits. Chinese workers are often viewed with resentment in Vietnam, where many view them as taking jobs away from locals.

According to the Vietnamese authorities, foreign workers have been increasing year on year from 52,633 in 2008, to 53,428 in 2009 and 56,929 in 2010. The first nine months of 2011 saw a sharp rise in recorded foreign workers to 78,440. Of these, 31,330, or 39.9 per cent, were found to be working illegally.[55] 58 per cent of foreign workers came from Asian countries notably China, Japan and South Korea,[56] 28.5 per cent were Europeans and 13.5 per cent from other countries.[57] In July 2009 the Ministry of Public Security declared that there were 35,000 Chinese workers in Vietnam. They have subsequently ceased to release figures regarding the number of Chinese migrants in Vietnam,[58] but with the numbers of migrants rising generally it may reasonably be assumed that the number of Chinese migrant workers has increased since 2009. Although it has not been confirmed in recent official figures, Chinese workers appear to constitute the largest single group of foreign workers in Vietnam.

Chinese state-owned construction companies have won many contracts to build power plants, factories and other infrastructure in Vietnam. However as mentioned above, instead of employing local labour they have opted to bring in workers from China to perform construction work.[59] Chinese companies have also become involved in the mining sector, again bringing Chinese labour to undertake the work. One bauxite mining project in the Central Highlands province of Lam Dong is reported to have employed 1,200 "foreign workers" presumably Chinese nationals, given that the China Aluminum International Engineering Co. (Chalieco) was responsible for the project.[60] Chinese workers are found on construction sites throughout the country, particularly in provinces such as Quang Ninh, Hai Phong, Ninh Binh, Dak Nong and Ca Mau.[61] The majority of these Chinese migrant workers perform low skilled manual labour in the construction sector.[62]

The Vietnam government's preferred policy is to send manual workers abroad and to receive none.[63] However in practice the government has had to adapt this policy to regularise the large flows of Chinese migrants working on construction projects. Recent policy changes have had some impact on Chinese workers as the largest group of foreign workers in Vietnam.

In March 2010, the government drafted a new regulation which stipulated that foreign workers must obtain a work permit starting from July 2010 or face being deported. Foreigners working in Vietnam for more than three months without obtaining a work permit would not have visas or temporary residence cards extended and workers who had not applied for a work permit within six months of the decree coming into force in July 2010 would be deported. This new decree effectively gave Vietnamese authorities a legal basis for deporting foreign workers. Other restrictive measures on employment of foreigners included the regulation that foreigners hired for operating and managing production

lines must have at least five years' managerial experience in order to be employed in that capacity in Vietnam.[64] Decree 47 eventually came into effect on June 25, 2010.[65] In 2011, undocumented foreign workers were given a further opportunity to obtain a work permit by a 1 August deadline, or face deportation.[66] A further decree came into effect on 1 August of 2011 which provided additional measures to promote the employment of local labour above foreign workers. Under this new decree, foreign contractors must first offer jobs to Vietnamese workers. Job vacancies must be given to a provincial people's committee, who have 30 days in which to recruit up to 500 workers and 60 days to recruit more than 500 workers. Foreign contractors are also made to apply for work permits before bringing in foreign workers and submit reports on the recruitment and management of foreign workers to the local Department of Labour, War Invalids and Social Affairs every three months.[67]

The legal provisions regarding the recruitment of foreign workers and promotion of Vietnamese labour have however been criticised. Undocumented Chinese labour continues to be used despite the government's drive to prioritise the employment of Vietnamese workers. Fines for employing undocumented labour are arguably too low to be effectual, with the maximum fine levied just VND 30 million (USD 1445),[68] an amount that does not act as a deterrent to most Chinese companies.[69] For example in Ca Mau province in the south of Vietnam investors simply ignored policies on local worker employment requirements and promptly recruited a large labour force of undocumented workers from China.[70] Chinese companies claim they are only able to deliver construction projects on time by bringing in large numbers of Chinese workers. Vietnam's attempts to obtain the cheapest and quickest construction contracts have, it is argued by some experts, actually stimulated undocumented Chinese labour migration.[71] In addition to this tension between Chinese and Vietnamese workers in the labour market, the issue of labour rights also arises. With large numbers of Chinese workers lacking formal documentation they are extremely vulnerable to exploitation in the workplace, as they have no legal recourse against labour law violations committed by their employers.[72]

6. Anti-Trafficking Policies

The Vietnamese government considers trafficking in women for the purpose of forced labour or marriage a major issue to be tackled. Vietnamese women are reportedly trafficked to China, Cambodia, Thailand, South Korea, Malaysia, Taiwan, and Macau for the purpose of sexual exploitation, marriage or forced labour. Between 2005 and 2010, 3,190 women and children were reportedly returned to Vietnam after being trafficked.[73] At the same time, Vietnam is also a destination for trafficked women and children from Cambodia. In 2009, 898 Cambodian migrants working as beggars were repatriated from Vietnam, up from 776 in 2008.[74] Among the 898 repatriated Cambodians, 603 were under 18 years of age, including 143 children who were identified as trafficked persons.[75] In 2010, 586 Cambodians were repatriated from Vietnam, of which 15 were children under the age of 15.[76]

The Vietnamese Government has expressed increasing concern over the situation of human trafficking and has been stepping up its activities to counter the threat. In 2003, the government adopted a National Plan of Action Combating Crimes of Trafficking in Children and Women that was implemented between 2004 and 2010. The plan offered prevention, protection and support to victims of trafficking and those vulnerable to exploitation.[77] This followed a government directive in 1997 which aimed to fight against the trafficking of women and children to other countries.[78] In 2009 the penal code was amended in order to take into account male victims of trafficking, with the wording of the code changed from 'trafficking in women and children' to 'trafficking in persons'.[79] Furthermore, a dedicated Law on Human Trafficking came into force on 1 January 2012.[80] Passed by the National Assembly in March 2011, the law was enacted in conjunction with a further five-year national action plan, costing USD 13.5 million. The new Law and National Action Plan is intended to go beyond trafficking for sexual exploitation and focus more on the growing problem of trafficking for labour exploitation, especially to China.[81] Vietnamese men are increasingly being trafficked into China to

work in factories where they suffer severe forms of labour exploitation.[82] The new law thus, in theory, offers more expansive protection to male and female victims of all types of trafficking. However, despite these positive moves, problems with anti-trafficking law and enforcement persist. It remains to be seen how much significant, concrete progress can be made on providing support to trafficked persons, as well as prosecuting criminals suspected to be engaging in trafficking. In addition, more needs to be done to tackle internal trafficking within Vietnam's borders.[83]

In addition to the National Action Plans and Human Trafficking Law mentioned above, laws on labour, protection, care, education, gender equality, vocational training, and guest workers cover aspects of the anti-trafficking efforts. Furthermore, several inter-ministerial or national circular orders have sought to address the identification of victims of trafficking and the implementation of existing law and policy in this area.[84]

At the sub-regional level, Vietnam has entered into bilateral agreements with other Mekong countries on the issue of trafficking. In October 2005, the Vietnamese government signed an agreement with Cambodia on Bilateral Cooperation for Eliminating Trafficking in Women and Children and Assisting Victims of Trafficking. This was followed in December of 2009 by the signing of the Cooperation Agreement between Vietnam and Cambodia on Standard Operating Procedures for Identification and Repatriation of Trafficked Victims.[85] This agreement stipulates operational procedures, such as the criteria to be applied when identifying victims of trafficking, the authorities to be engaged, as well as verification procedures. In addition, an MOU was signed in October 2009 by the Department of Social Order Crime Investigation of the Ministry of Public Security of Vietnam and the Police Anti-Human Trafficking and Juvenile Protection Department of the Ministry of the Interior of Cambodia. Under this agreement, the two countries' police forces will exchange information relating to human trafficking, collaborate in identifying and returning victims, and investigate cross-border human trafficking crimes.[86]

With Thailand, the Agreement on Human Trafficking for Eliminating Trafficking in Persons, Especially Women and Children and Assisting Victims of Trafficking was signed in 2008.

In September 2010, Vietnam and China signed an MOU to combat human trafficking at the second anti-crime conference held by the two nations.[87] The first draft of this MOU was prepared by the Ministry of Public Security of Vietnam (MPS) in October 2008, and several meetings have subsequently been held.

7. Conclusion

Vietnam is a major source country for migrants but it remains unclear how many Vietnamese nationals migrate to other countries in the GMS. Vietnam has established official channels for labour migration to prominent destination countries outside the GMS such as Malaysia, Taiwan, South Korea, and Japan, as well as places further afield such as Libya. In addition, there is a significant trend for marriage migration to South Korea. While some migration to neighbouring countries, especially to Lao PDR and Cambodia, is documented, the informal nature of migration in the GMS means that it is difficult to estimate the number of Vietnamese migrants crossing its long porous borders in search of work. Establishing formal channels of migration between Vietnam and its neighbours is still in its early stages. This contrasts dramatically with the number of new laws recently promulgated that seek to eliminate trafficking. It is hoped that the Vietnam government will put in place a substantive legal framework to facilitate safe channels of migration and to protect migrant workers' labour rights.

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Part 3: Overview of Border Economic Zones

This part of the book presents a series of regional and country overviews concerning the development of Border Economic Zones (BEZs). The regional overview provides the background to the ongoing regional integration in the Greater Mekong Subregion (GMS). It also highlights the role of the Asian Development Bank (ADB) in GMS economic cooperation, trends in the development of energy infrastructure, overview of the Ayeyawaddy-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), and Cambodia-Laos-Vietnam (CLV) Development Triangle. It also raises some questions about working and living condition in BEZs and its impact on local people and migrant workers.

The section is followed by country overview chapters. These summarise the background of BEZ development, their legal framework, and roles of official development assistance and foreign direct investment.

Map of Border Economic Zones and Infrastructure in the GMS

Map designed by Adler Prioly

The map contains both the established and planned BEZs and the relevant infrastructure in the GMS.

Regional Overview of Border Economic Zones

1. Introduction

1-1. Situating Regional Integration in the GMS

The Greater Mekong Subregion (GMS) is positioned at the intersection of some of the most dynamic economies in the world. China to the north, India to the west, and Malaysia and Singapore to the south mark the edges of a region that in recent decades has become known as a critical frontier for economic growth and transformation in Asia. In part due to their proximity to a number of the world's strongest economies, Mekong policymakers have long sought a regionalist approach to economic development. This approach began before the rise of East Asia's Tiger economies in the 1980s; yet it has accelerated greatly in the past twenty years. During this period, Border Economic Zones (BEZs) have emerged as a prominent strategy in the pursuit of regional integration and economic advancement.

At the governmental level, Mekong regionalism has its roots in the geo-politics of the post World War II period and the subsequent decolonisation of Southeast Asia. In 1957, through UN channels, the Mekong Committee was established as the first regional body, just three years after Cambodia, Laos, and Vietnam gained their independence from France.[1] Formed in part as a bulwark against poverty along the Mekong, key supporters such as the United States (US), sought to use the Committee to guard against the rise of communist movements. However, Cold War politics only esculated following the onset of the American war in Vietnam, and the establishment of ASEAN as an anti-communist bloc in 1968. As conflict eventually gave way to a series of political transitions, market logic began to drive developmental policymaking in the region, promoting trade-based ties as a means of overcoming the history of conflict and Cold War divisions in the Mekong.[2]

More than the other countries in the GMS, Thailand has led this turn to market-based regional integration. In the late 1980s, the then Thai Prime Minister Chatichai Choonhavan referred to this transition as one 'from battlefields to marketplaces', upholding a vision of post-conflict economic cooperation that would prove influential in subsequent decades. This move was about achieving closure and moving on after a turbulent period in the region's history. It was also about taking advantage of major shifts in the global economy.[3]

In the 1980s, surging Southeast Asian economies-namely Thailand, Malaysia, and Singapore-had begun to renegotiate their linkages to the global economy, due to transformations in global supply chains. From the end of World War II to the oil crisis of the 1970s, global capitalism experienced a period of unprecedented expansion. The 1970s crisis of overaccumulation necessitated the opening of new frontiers to capitalist production networks. The resulting financialization of 'core' Western economies-part and parcel of the recovery and reconsolidation of European and North American economies at the time-enabled liberalised flows of investment capital, which in turn drove the dispersal of supply chains and the selective globalisation of production networks. Economies first in East Asia, and subsequently in Southeast Asia, were able to capture great deals of investment capital by reorganising their economies for integration into these new supply chains. The rise of vast factory-based manufacturing networks served to announce these shifts, as neoliberal trade paradigms asserted dominance over policymaking and developmental planning.[4]

Thailand adopted these trends to a much greater degree than the other countries in the GMS. When Western economies began to globalise supply chains, rising 'Tiger' economies in East Asia adopted export-oriented production models that replaced earlier, more domestically oriented industries. This embrace of free-trade principles helped release East Asian investment capital, which provided the foundation for a similar shift in Thailand-namely from industrialisation on a domestic scale (known as Import-Substitution Industrialisation, or ISI) to export-oriented production for international

markets (known as Export-Oriented Industrialisation, or EOI). With substantial investment from Tiger economies, notably Taiwan, Thailand's economy grew rapidly in the 1980s and early 1990s, largely off the back of factory-based light manufacturing in the Bangkok area and selected regional centers, such as Chiang Mai and Khon Kaen.[5]

As with the East Asian Tiger economies before it, in Thailand the ISI-EOI move signalled the adoption of market liberalisation paradigms according to so-called Washington Consensus principles. USAID and the World Bank were prominent actors in this shift towards free trade and neoliberalism in Asia, which in Thailand as elsewhere affected the opening of new frontiers to capital accumulation and investment flows.[6] In economic terms, Thailand benefitted immensely. For a time in the early 1990s, which was also when the Thailand-led push for regional economic integration began, Thailand was the fastest growing economy in the world. Some predictions held that Thailand would soon be among the top 10 largest economies in the world.[7] This was also the time when the Asian Development Bank (ADB) introduced its GMS Economic Cooperation Program, designed to regionalise growth according to Thailand's rise and the GMS' proximity to other dynamic markets in Asia.[8]

Thailand's economic rise during this period helped position the Thai government to assume a leadership role for political and economic change in the region. Chatichai's 'battlefields to marketplaces' approach for post-conflict economic integration was an early signal of this role, while subsequent Thai administrations sought to provide planning and implementation to match the vision of regional integration.[9] The 1997 financial crisis resulted in deep shocks to markets in the region, yet resilient export demand helped spur recovery.[10] When Thaksin Shinawatra became Thailand's Prime Minister in 2001, he sought to further cement Thailand's leadership role in regional economic affairs, drawing on the continued strength of export earnings and strong support for regional growth through economic cooperation. Under the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (otherwise known as the ACMECS framework) established in 2003, Thaksin pushed for the deepening of regional integration through cross-border economic cooperation.[11] This framework introduced the concept of creating Border Economic Zones (BEZs) to act as a mechanism for bilateral cooperation in the region.

In economic terms, integration in the GMS has been remarkably successful over the past two decades. GDP figures have increased significantly (by country and per capita), as have export earnings and FDI. Poverty indicators have fallen, in some cases dramatically. Yet Thailand's economic growth has far surpassed any of its neighbors', leading to substantial economic and demographic divides in the region, and migration flows that have moved across those divides (with Thailand the main destination country).[12] A decrease in absolute poverty has been matched, at least to some degree, by an increase in relative poverty. While Thailand and Vietnam have achieved strong growth as export economies, trade in Cambodia and Laos remains focused on goods transit and re-export, which have brought far fewer economic benefits.[13] As a result, today's GMS is marked by inequality. It is a home to vibrant economies in Thailand and Vietnam, and yet Burma, Laos, and Cambodia remain among the least developed countries in the world.

1-2. The Role of the Asian Development Bank

The ADB established the GMS Economic Cooperation Program in 1992. While aspects of the program focus on social development, environmental sustainability, and policy initiatives, its central component is physical infrastructure, promoting greater intra-regional connectivity through transport, power, and telecommunication facilities. To this end, in 1998 the ADB unveiled plans-endorsed by GMS leaders-to build a series of economic corridors, which are essentially road infrastructure projects designed to link production centers and penetrate rural areas. The corridors are organised according to three key regional axes, yielding the North-South Economic Corridor (NSEC), the Southern Economic Corridor (SEC), and the East-West Economic Corridor (EWEC). Construction work began in the early 2000s; much of it has been completed.[14]

The ADB's GMS program is part of what it terms 'New Asian Regionalism', which focuses on increased intra-Asian trade and investment, and reduced export dependence on the U.S. and European Union.[15] A key element of the ADB's infrastructure work, then, is how it connects the GMS to production networks beyond its borders-not only within ASEAN, but also South Asia and East Asia. This embedding of the GMS as a market bloc vis-à-vis other Asian regions is a component of the ADB's attempt to further entrench free-trade paradigms in Asia. The bank has consistently sought to create 'pure' market spaces where the movement of goods and services enable different regions, as well as particular countries within them, to work out comparative advantages in relation to one another. In the GMS, infrastructure projects focused on rural and border areas have been at the center of their work.[16]

A further key element of the ADB's rural infrastructure work is its relation to development interventions, which in the GMS as elsewhere, focus on boosting agricultural productivity. As a central component of Structural Adjustment Programs (SAPs) throughout Asia, rural interventions have focused on promoting certain approaches to agriculture-such as cash-cropping, contract farming, and greater mechanisation of agriculture-that have concentrated land holdings and decreased smallholders. The result is that 'pre-capitalist' agricultural workers 'are not only dispossessed and transformed into wage workers, but most often literally pushed into motion spatially'.[17] These displaced workers have commonly migrated across rising regional divides to relatively urban centers in Thailand and Vietnam, swelling the ranks of informal and precarious labour markets. Such are the dynamics of inequality amidst deeply uneven economic growth and transformation in the GMS.

1-3. ACMECS and Border Economic Zones

In 2003, the Thaksin government in Thailand led the establishment of a new regional economic initiative called the Ayeyawaddy-Chao Phraya-Mekong Economic Cooperation Strategy, or ACMECS. The initiative is related to Chatichai's earlier call for trade-based regional integration, seeking to provide tangible implementation for the former's GMS-level vision. As a collaboration between five member states-Cambodia, Laos, Burma, Thailand, and Vietnam-the ACMECS framework created a basic platform for pursuing projects designed to facilitate regional integration through trade-based bilateral cooperation, especially in border areas.[18]

Official ACMECS communications cite four overall objectives: '[1] to increase competitiveness and generate greater growth along the borders; [2] to facilitate relocation of agricultural and manufacturing industries to areas with comparative advantage; [3] to create employment opportunities and reduce income disparity among the four countries; and [4] to enhance peace, stability and shared prosperity for all in a sustainable manner'.[19] These general objectives were meant to guide project development in five strategic areas: agriculture, trade and investment, transport, and tourism and human development.[20] A number of other concerns have also been recognised as central objectives of the initiative: containing labour migration flows in border areas by relocating industrial development to those areas; formalising trade in border areas that Mekong states have long struggled to control, primarily due to violent conflicts; and from Thailand's perspective, consolidating political and economic leadership within a generalised free-trade approach to integration in the subregion.[21]

Like the ADB's work in the region, the ACMECS initiative represents an attempt to uncover the 'natural' market dynamics of the GMS, removing barriers to the emergence of relational comparative advantages between countries by facilitating deregulated flows of goods and services across the subregion. Yet within the production of this liberalised market space, planners also clearly sought to encourage border areas as sites of growth and transformation. In the words of one Thai official, 'The wider objective of [ACMECS] is to capitalise on the subregion's comparative advantage and increase trade and investment, which will in turn generate employment, thus improving quality of life and the distribution of income in the subregion'.[22]

The Thaksin-led ACMECS initiative pushed border-area development projects to the forefront of policymaking agendas. To facilitate bilateral economic cooperation, four Special Border Economic Zones (SBEZs) were designated in the early stages of ACMECS deliberations: Mae Sot-Myawaddy, Mukdahan-Savannakhet, Trat-Koh Kong, and the Chiang Rai Special Economic Zone (SEZ).[23] These 'sister-city' selections represented the most advanced policy work on border-area industrialisation to have emerged by that time. They also highlight the influence of the ADB's infrastructure projects, as each SBEZ is strategically located on one of the bank's economic corridors: Mae Sot-Myawaddy and Mukdahan-Savannakhet on the EWEC, Trat-Koh Kong on the SEC, and Chiang Rai on the NSEC. As Foreign Direct Investment (FDI) contined to flow into the region, governments were keen to align with private-sector interests to create a dynamic investment space for transnational capital.

Underscoring Thailand's leadership in ACMECS discussions, all four of the early sister-city SBEZs are located along Thailand's borders. Subsequent ACMECS communications specify the need to replicate cross-border cooperation measures elsewhere in the GMS: 'While pointing out that significant progress has been made in implementing bilateral projects with Thailand, the ministers agreed to enhance their multilateral projects and accelerate the implementation of bilateral projects between other ACMECS countries.' Such planning should furthermore focus on 'potential projects that would have strong position impacts on economic growth and poverty reduction along the borders between the ACMECS members'.[24] Since border areas in the GMS have long been areas of conflict, ACMECS leaders have also noted the importance of 'transforming border areas into a zone of peace'.[25] Such discussions further highlight the influence of Chatichai's 'battlefields to marketplaces' approach.

The ACMECS framework is closely associated with Thailand's Thaksin-era policies.[26] Since his removal from power in 2006, governmental coordination around ACMECS projects has been limited. Following the 4th ACMECS Summit, held in Cambodia in November 2010, few communications emerged as to the ACMECS-specific content of talks between regional leaders. Moreover, despite the ACMECS framework's focus on trade-based peacebuilding in border areas, talks at the summit between Prime Ministers Hun Sen and Abhisit (of Cambodia and Thailand respectively) over the disputed temple on the Thai-Cambodian border yielded no new developments.[27] Notwithstanding the fall of ACMECS off the policy agenda, the approaches it advances-particularly its commitment to promoting regional integration through cross-border economic cooperation-are still very much supported by governments in the region.[28]

1-4. Directions in Regional Energy Infrastructure

The emerging regional economy is closely tied to private-sector investment in energy infrastructure. The dynamics of such investment underscore inequality and the growing economic divide that has emerged in the Mekong region over recent decades. While Cambodia, Laos, and Burma remain some of the most poverty-stricken countries in Asia, substantial Thai and Chinese FDI has focused on divesting them of their energy and electricity resources, and fueling their own economies.

Burma is host to a number of significant energy infrastructure projects. It is estimated that the Yadana gas field earns more than USD 200 million annually for the Burmese regime, sending gas to Thailand via a pipeline through eastern Burma that has attracted criticism for causing human rights abuses including forced labour and forced relocation. Thailand's national petroleum exploration and production company, PTTEP, is a minority shareholder in the Yadana project, owning a 25.5 per cent stake to Total's 31 per cent and Chevron's 28 percent. Analysts believe that the Yadana field is the regime's largest source of income.[29]

Meanwhile, the Shwe gas field located offshore of Burma's western Arakan State contains even larger reserves than the Yadana field. The Shwe gas reserves are estimated at 6 trillion cubic feet of gas, while the Yadana field yields some 18 million cubic meters per day. For the Shwe project in western Burma, Daewoo is the principle investor in a consortium handling the development of the gas fields,

the reserves of which are being sold almost entirely to China. Daewoo has already been the subject of human rights criticism for their handling of the project, mainly due to breaching international guidelines for human rights and environmental impacts. The Korea Gas Corporation (KOGAS), a subsidiary of the South Korean government, has also been cited in relation to human rights abuses connected to the Shwe gas project.[30]

Hydroelectric power is another key area of regional energy infrastructure, with dams either already complete or in planning stages on all of the Mekong region's major rivers. Investment from China is the main source of funding for these projects, although Thai and Indian investment has also been instrumental. In Burma alone, some 30 dams are in various stages of completion on all of the country's major rivers, mostly along the country's northern and eastern borders with China and Thailand. Human rights and environmental groups have counted displacement, environmental damage, and threats to local communities' livelihood and food security as among the negative impacts of these projects.[31]

Dams on the Mekong River are numerous throughout the GMS. Four of eight dams are already complete on the stretch of the upper Mekong known as the Lancang, within Yunnan China. Downriver, in Cambodia and Laos, reports published in 2010 cite nine dams at different stages of completion, while reports in early 2011 speak of 11 new dams planned for various locations along the Mekong. Hydropower has attracted considerable attention in Laos, where the Nam Theun 2 dam (or NT2) has accrued construction costs estimated at half of Laos' annual GDP. International Financial Institutions (IFIs) like the World Bank and the ADB have been enthusiastic supporters of the project, while critics have highlighted the dam's impacts on local communities, particularly poor planning for their resettlement and the environmental damage to the area (with adverse effects on economic livelihoods and local food security). Other dams in Laos, including Nam Ngum 2 and the Theun-Hinboun Expansion Project, have been the subject of comparable criticism.[32]

Alongside major IFIs, private banks in Thailand have also been key funders of hydropower projects in Laos, including by marshalling FDI from international backers (for example, GE Money is a strong investor in Thailand's Bank of Ayudhya, which has invested in Laos' hydroelectric projects). Critics have questioned the soundness of these investment practices largely from the standpoint of social and environmental impacts, calling for 'sustainable banking' in the arena of hydropower development. Though almost all shareholders in these projects have adopted clear Corporate Social Responsibility (CSR) guidelines, private-sector investors in particular are said to lag behind when it comes to the implementation of such guidelines. Of further concern is the degree to which energy infrastructure development exacerbates regional inequalities in the GMS, with Thailand and China benefitting greatly at the expense of environmental degradation in Burma, Cambodia, and Laos. In Cambodia, a Chinese company has unveiled plans to begin construction of a coal power plant near the southern beach resort area Sihanoukville, drawing criticism for its potential negative impacts to the tourist economy, and its focus on unrenewable energy. A Malaysian firm has also expressed interest in the project.[33]

At the ASEAN level, energy infrastructure development is further subject to discussions about intra-regional connectivity, and access to dynamic markets in India and China. Current focuses of regional energy policy include the ASEAN Power Grid (APG), the Trans-ASEAN Gas Pipeline and Water Pipeline, and the promotion of governmental cooperation around 'energy efficiency and conservation, as well as the development of new and renewable energy resources'.[34] Concerns for regional integration and market-based cooperation are thus central to energy infrastructure discussions, as they are to discussions around physical infrastructure and economic integration in the GMS.[35]

1-5. The CLV Development Triangle

The Cambodia-Laos-Vietnam (CLV) Development Triangle is one of the clearest examples of cross-border economic cooperation in the GMS. As a trilateral initiative, its focus differs from the largely bilateral projects analysed in this research. The shared status of the CLV countries as assistance-receiving

countries (rather than as donor countries) also sets the project apart. Most cross-border initiatives in the GMS have emerged between donor and receiving countries, rather than between countries that are largely recipients of FDI and Official Development Assistance (ODA). Proceeding from a master plan developed in 2002, the Triangle brings together the CLV governments' concerns over economic development, poverty alleviation, and border-area security. The initiative also contains an education focus, which also makes it unique among comparable projects in the GMS.[36]

The area covered by the Development Triangle covers three provinces in Cambodia (37,638 square km and 247,000 people); three provinces in Lao PDR (28,675 square km and 482,100 people); and four provinces in Vietnam (44,710 square km and 3,328,000 people). Vietnam's population in the Triangle area is some 10 times larger than the corresponding populations in Cambodia and Laos, and Vietnam has already taken a leadership role in discussions concerning developing projects in the Triangle area. The initiatives overall objectives include: coordinated development of infrastructure, agriculture, forestry, tourism, and human resources; and logistical coordination around movements of finances, people, goods, and services.[37]

In seeking to realise the project's objective, planners and policymakers have elaborated a number of initiatives that are in different stages of planning and operation. These include: road construction linking the project area to strategic urban centers in the relevant countries; information infrastructure work focusing on postal services and power grids (for example, for telephone service); hydropower development for electricity generation; and development of various relevant and related industries, including agriculture processing, mining, timber, livestock, services and trade, tourism, and education, culture, and human resource development. Certain projects within these various categories have been designated as priority projects, while Triangle backers note that education, human development, and medical care are prioritised in this project more than in other border-area development projects in the region.[38]

Since 2004, Japan has served as a major source of outside assistance for the Development Triangle. Over a series of Japan-Mekong Foreign Ministers Meetings held in recent years, the Japanese government has continually reaffirmed its support for the initiative. In November 2009, in the first meeting between heads of the CLV and the Japanese government, Japan pledged JPY 500 billion (USD 6.2 billion) over three years,[39] noting its support for 23 specific projects across various categories.[40]

Meanwhile critics contend that insufficient attention has been paid to social and environmental impacts with respect to the many projects involved. For instance, hydropower and rubber plantation projects are likely to prove severely disruptive to local and regional ecosystems.[41]

2. Regional Trends in BEZs

In some areas of the Mekong region, targeted private-sector investment in rural and border areas preceded regional-level planning and policymaking on border development, such as the ACMECS framework. In Thailand, for example, national-level policies promoted decentralised economic growth strategies as early as the late 1980s, and more aggressively in the early to mid-1990s.[42] Yunnan province of China was also the subject of targeted border-area development and industrialisation in the early 1990s, particularly on its border with Burma.[43] For other countries in the GMS, however, the Thaksin-led ACMECS initiative represented the first key push to focus developmental planning on border areas.

As a result of these various paths to border-area development initiatives, a number of different types of projects have emerged, with corresponding terminology not only for project types, but for their different national contexts. Different countries use different language. In this report, BEZs provides a generic title under which these various terminologies provide further differentiation.

Table 10: Terminology for Various Zones Across the Mekong Region

Project Type	Definition and Explanation	Examples
Special Border Economic Zone (SBEZ)[44]	This terminology originates from the ACMECS framework, established in 2003. It refers to a number of cross-border 'sister-city' pairings in the Mekong region. The term designates a bilteral project area located at a given border crossing, which then becomes the site for specific projects of various kinds. Such projects have included road construction, infrastructure development, the building of transport and logistics hubs, cross-border collaboration on visa and travel regulations, and overall facilitation of border trade.	Three early SBEZs according to the ACMECS framework are situated at Mae Sot-Myawaddy, Mukdahan-Savannakhet, and Trat-Koh Kong.
Special Economic Zone (SEZ)[45]	SEZs exist in many countries around the world. In the GMS, as elsewhere, SEZs are generally areas where national trade laws either do not apply or are relaxed, thereby facilitating greater investment in the given zone. SEZs are often designed to promote free-trade principles, deregulated capital flows, and overt market liberalisation according to neoliberal paradigms. By creating such free-trade 'islands' within their territories, governments are able to scale their negotiations with transnational capital, protecting domestic industries in some areas and completely opening up to international trade in other areas (such as in SEZs). SEZ regulations have commonly included restrictions on trade union activity, and incentives for potential investors such as exemption on import duties for necessary machinery, and income tax exemption for fixed periods of time. In addition, SEZs also often contain a focus on export processing and factory-based production networks. Sometimes SEZs are located in border areas; other times they are located in strategic positions for accessing ports or other trade routes.	The Shenzhen SEZ in China has been considered a model SEZ by many countries, including Burma. In Thailand, the Chiang Rai SEZ became part of the ACMECS framework in 2003. Cambodian planners have approved over 20 SEZs for operation in coming years, while the Savan-seno SEZ in Laos has been considered a test case for further such initiatives in Laos.
Export Processing Zone (EPZ)[46]	EPZs, like SEZs, are administrative structures designed to strengthen countries' linkages to international trade and investment, usually through facilitating and incentivising increased Foreign Direct Investment (FDI) from international investors. EPZs focus specifically on preparing goods for export, often products created via factory-based light manufacturing. In the GMS, EPZs tend to focus on export to the U.S., the European Union, and to a lesser extent South Korea and Japan. Some SEZs include EPZs within their geographic area and administrative procedures.	The Jiegao EPZ in Yunnan China borders on Muse, a border town in the northern part of Shan State in Burma. The EPZ involves duty-free cross-border trade in various goods.
Border Trade Zones (BTZ)[47]	BTZ terminology is largely unique to Burma, where the term denotes border-based project areas for the promotion of cross-border trade.	The Muse 105th Mile BTZ (across from Ruili and Jiegao in Yunnan China) is Burma's largest BTZ, while the second-largest BTZ is located in Myawaddy, across from Mae Sot in Thailand.[48]

Project Type	Definition and Explanation	Examples
Special Administrative Zone (SAZ)	In the GMS, SAZs mostly refer to projects in Thailand, where SAZs refer to a streamlined administrative status enabling greater local decision-making power for a given locale, often a district seeking greater autonomy over decisions regarding business proposals or investment opportunities. For example, SAZs in tourism-heavy areas can benefit from bypassing complicated national-level investment regulations. The proliferation of SAZs in recent years is part of the national government's interest in promoting decentralised governance as a strategy for addressing regional income inequality in Thailand. SAZs are not always located in border areas.	Tourist areas like Cha-am and Hua Hin have been approved for discussions over granting SAZ status, while Mae Sot is likely to soon become an SAZ (to facilitate more efficient investment procedures). Cha-am and Hua Hin are not on Thailand's borders, while Mae Sot is a major border trade location, being across from Myawaddy in eastern Burma.[49]
Special Border Zone (SBZ)[50]	SBZ terminology largely comes from the Asian Development Bank (ADB), and is essentially interchangeable with other terms for border economic zones, such as SBEZ and BTZ.	As part of its plans for the EWEC and its broader GMS Program, the ADB has long advocated for an SBZ to be established in Myawaddy, opposite Mae Sot in Thailand.[51]

Overlapping administrative designations can lead to some confusion regarding a given location's status. For example, journalistic accounts often refer to an SEZ being either already in place in Mae Sot, or proposed for the near future. In fact, Mae Sot retains its SBEZ status conferred during early ACMECS discussions, and recently its municipal status has been upgraded to an SAZ. However, no formal SEZ proposal has been advanced, despite years of SEZ discussions, and concerted advocacy efforts by private-sector representatives in Mae Sot.[52] Across the border from Mae Sot, in Myawaddy in eastern Burma, a BTZ has been operational since 2008, while the proposed SBZ from the ADB has yet to be implemented.[53] In addition, not every SEZ is a BEZ, since they are not always located in border areas. In the GMS, however, border-area SEZs can be considered BEZs.

While accounting for differences between these project types is an important dimension of the documentation this research undertakes, it is also important to emphasize the trends and characteristics they share, and which together render them comparable as different types of BEZs. Indeed, as a term for a key trend in developmental planning and policymaking in the GMS, BEZs bring into focus a number of important shifts in the regional political economy, among them:[54]

1. *The move from domestic industrialisation to export-focused light manufacturing*, which has led to increased interest in mechanisms, such as various kinds of BEZs, that can facilitate linkages with the global economy, and maximise the flexibility of labour in areas of labour surplus;[55]

2. *The rural turn in developmental planning in the early 1990s*, which proceeded from concerns over uneven income distribution and the shortcomings of 'growth-pole' development models, thus 'discovering' rural and border areas as the subject of economic growth initiatives;[56]

3. *The rise of economic integration as the primary vehicle for post-conflict economic growth in the GMS*, which has largely been pursued through different forms of cross-border economic cooperation, including BEZs;[57]

4. *The flexibilisation and informalisation of labour throughout the GMS*, which has been part of the logic of mobile capital's downward pressure on labour rights and labour standards, as firms seek out subordinate labour, while other public and private actors work to maintain subordination and thus investment;[58]

5. *The transformation of rural communities and agricultural economies*, which have proceeded from attempts to boost agricultural productivity (for example through increased mechanisation of agriculture, monocropping, concentration of land holdings, etc.), thus displacing smallholder agriculture communities, and generating internal and cross-border migrations that have filled factories and swelled the ranks of informal labour markets;[59]

6. *The rise of economic and demographic divides through uneven growth*, which has created incentives for migrant populations to seek out difficult and precarious jobs in new places and areas of employment, such as BEZs.[60]

3. Working and Living Conditions

3-1. Structural Concerns and the Erosion of Workers' Rights

As a policy trend that has achieved prominence in developmental planning and policymaking in the Mekong region, border economic zones raise a number of questions regarding the rights of workers and migrants. As various BEZ projects progress over the coming years, what will they mean for the rights of workers, their families, and local citizens who are living and working in or near the zones? BEZs have been held up as models of market-based growth and transformation. But how will the dynamics of competition impact workers' wages, and what will increasingly formalised border trade mean for border-area communities who have thrived on unofficial, informal trade networks?

An extensive literature testifies to the negative impacts projects like BEZs tend to exert on labour rights and working standards. In virtually every region of the world, SEZs and EPZs have been noted for labour rights violations including:

- Workers face limitations on their freedom of association and the right to strike;
- National labour laws often do not apply, and labour inspections are lacking;
- Trade unions face great difficulties accessing such zones, or they cannot access the zones at all;
- Workers constantly work under the threat of arbitrary dismissal;
- Depressed wages are lower than average wages in a given country, and often below a country's minimum wage;
- Working hours far in excess of national labour laws
- Degraded occupational health and safety.[61]

Moreover, these labour rights violations are not gender-neutral, as workforces in SEZs and EPZs around the world often feature strong majorities of women workers. As a result, these violations are much more likely to happen to women than men, while such factories and industrial areas often are not subject to, or do not implement, provisions for the rights of pregnant women, maternity leave, or childcare of any kind.[62]

One prominent example, China's Shenzhen SEZ-which has been considered a shining model of SEZ-led development by many countries around the world-has been the subject of labour disputes and rights violations that should serve a highly cautionary tone. The city that has grown from a small fishing village into a manufacturing hub of 8 million workers over the space of 30 years is founded on a steady supply of labour from rural China who have largely endured cheap wages and poor working conditions.

The situation inside particular economic zones is complimented by a structural context that raises further concerns for workers and migrants. As vehicles for Mekong states' engagement with neoliberal capital flows, BEZs are part of a broader adoption of free-trade values that promote deregulated movements of goods and services, and privatisation of state-level social security and welfare schemes. Like the SAPs of the 1970s and 80s, such privatisation trends most negatively impact the most marginalised segments of societies-including workers and migrants, and among them, women and children in particular. SAPs sustain and reinforce conditions that will invite foreign investors to exploit either the labour or natural resources of a country. They encourage the use of a country's resources for export development rather than for domestic development. They also encourage the privatisation of services, which reduces the autonomy of local governments and often generate massive unemployment.[63]

Furthermore, the pressure of competition in newly liberalised markets serves to push down wages, leading to the so-called 'race to the bottom' for workers' salaries. Additionally, the mobility of capital flows means states and private-sector actors seeking to capture foreign investment must produce and maintain, in and against comparable attempts by potential competitors, the flexible labour practices-including, but not limited to, limited unionisation and low wages-so desired by transnational corporations. The result is very negative pressure on labour rights and working standards.[64]

The unfolding of these dynamics in Southeast Asia has been compared to the situation in Taiwan, wherein the shift to EOI in the 1970s and 80s included a weakening of labour movements through the dispersal of Small and Medium-sized Enterprises (SMEs) to rural areas.[65] Collective space for labour organising generally dissolves with the decentralisation of production units. The rise of EOI in Thailand and elsewhere in the GMS has wrought a similar trajectory, since industrialisation in these areas has also been part of government attempts to decentralise production into rural and border areas (eventually through BEZs). Labour movements have struggled to adapt to such decentralisation. In Thailand, the strength of organised labour declined significantly by the time of the major export push in the 1980s, especially compared to its prominent role in the protest movements of the 1970s. The erosion of organised labour has been part of the new dynamics of worker exploitation since the accession of EOI in the Mekong region.[66]

Meanwhile, it is important to note that while regional integration has made for the 'opening' of Mekong borders that were long closed, such an opening has not marked the retreat of state authority in the face of dynamic liberalised markets.[67] Indeed, increased border trade in the region has driven tendencies towards formalisation and regularisation of trade networks, thereby restricting space for informal economy workers, many of whom are migrant workers, and especially women migrants.[68] This trend towards state appropriation of trading activity that, previously, was largely unofficial and unregulated has been a central element of governments' promotion of border trade within regional integration frameworks. Yet such a scaling up of trade in these areas contains the potential for negative impacts to workers, migrants, and local people in these formerly peripheral areas-people whose informal enterprises are being displaced by larger state-backed firms, and more intensive government oversight of trade practices and trade networks.

Despite such reasons for concern, a number of developments offer a degree of encouragement. Improved border coordination logistics, such as 'one-stop service centers' in Cambodian BEZs, have streamlined administrative procedures for cross-border migrants, a positive step for migrants who have documentation. In addition, BEZs in Laos have become focal points for labour protection mechanisms, possibly leading to improved, and decentralised, labour protection procedures. Labour NGOs and migrant rights organisations should continue to identify positive impacts from BEZs, ensuring their extension to as many workers, migrants, and local people as possible.

3-2. Impact on Local People and Migrant Workers

Border economic zones have been a part of a substantial shift in the political economy of the GMS over recent decades. Changing forms of agriculture and greater linkages to global supply chains have produced significant growth in GDP for some countries in the subregion, as well as oft-repeated claims of overall poverty reduction. Yet the unevenness of such growth has left other countries in the Mekong among the least developed countries in Asia, while former agricultural workers, unable to find jobs in newly oversaturated industrial labour markets, toil on the fringes of the subregion's capitalist transformation, struggling to maintain precarious employment in growing informal economies. Inequality and exploitation have thus been internal to this transformation.

As a marker of these key political and economic trends, border economic zones raise important questions about the pursuit of 'development' in the subregion, and the fate of the workers, migrants, and local communities in whose name such projects are undertaken. At the local level, many BEZ projects are either at the planning stages, or have only recently been completed. Many workers and migrants based in and around BEZ project areas have limited or no knowledge of existing or planned implementation. Yet already some participants reached in this research have raised concerns about how these projects are being pursued. These include complaints that:

- Access to information, and distribution of relevant information, is too often limited for people working and living in and near these projects;
- Public services, including health care, education, and other social services, are in some areas ill-equipped to confront large migrant in-flows, or even current populations;
- Labour rights violations, including wage disputes and minimum wage violations, are often not properly addressed; and
- Local citizens in project areas, inadequately integrated into decision-making mechanisms, have displayed a degree of anxiety about potential increases in migration flows.[69]

Impacts on migration flows raise further questions about the living and working conditions migrants can expect in BEZ project areas. While any shifts in migration flows will unfold over only a relatively extended period of time, it is likely some such changes in movement may occur. In early discussions over border-area development projects, largely within the frame of ACMECS deliberations, planners and policymakers understood the value of BEZs in part as a set of mechanisms to prevent unsustainable urbanisation. By facilitating the growth of industrial manufacturing in rural and border areas, policymakers sought to build 'economic dams' containing potential rural-to-urban migrants in rural areas.[70] Any success in stemming such migration flows will result in a degree of reconfiguration of current source and destination communities. Yet a wholesale overturning of these movements is unlikely.

On a broader level, the subregion's major migration flows have tended to move away from areas of political and economic hardship, and towards zones of relative peace and prosperity. The unevenness of economic growth in recent decades means movement across such differentials have largely led to Thailand from neighbouring countries, although Vietnam also hosts significant migrant populations, as do selected nodes of economic growth within each of the Mekong countries.[71] Since BEZ projects are a vehicle to further deepen the economic networks that have produced the regional divides that drive current migration flows, they are more likely to intensify existing flows rather than redirect or reconfigure them substantially. Given that Mekong governments remain enthusiastic about BEZ projects-and the structural context that underwrites them remains strong even after the recent economic and financial crisis-some level of amplification of current migration flows does appear likely.

Still, the future of many BEZs in the GMS is far from certain. Political instability in Thailand in recent years has shaken Thailand's leadership in promoting cross-border forms of economic cooperation in the region, which remain closely associated with former Prime Minister Thaksin. Some BEZ projects in Thailand have stalled as a result, while limited ACMECS coordination in the past few years has withdrawn another source of support for BEZs.[72]

Perhaps of more central importance for the legacy and sustainability of BEZ projects, however, will be the degree to which governments, policymakers, and even private-sector actors will see them as opportunities to rethink the top-down approaches to 'development' that have characterised so many such projects. Will planners and policymakers genuinely engage with all relevant stakeholders, protecting the rights and welfare of workers, migrants, and local communities in BEZ project areas? Or will they continue to view BEZ projects strictly as vehicles of economic growth, promoting 'development' solely as a question of GDP? In short, will development come to be seen as human development, and can BEZs be an occasion for such a shift?

Initial observations are not encouraging. Thus far, the pursuit of border economic zones has been driven by concerns for further facilitating free flows in goods and services, rather than improving the quality of life for people living and working in the vicinity of BEZs. Top-down commitments to free trade and market principles have been pursued at the expense of the rights and welfare of workers and migrants, privileging the capitalist exploitation of human and natural resources over a more people-centred approach to regional change and transformation. Such unsustainable development has threatened livelihoods and ecosystems across the GMS. The degree to which it is reversed is likely to define the success of the BEZ model in coming years.

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[54] These may be subdivided into: (A) how the zones came about in terms of policy trends and economic considerations (1-3 above), and (B) how certain kinds of labour situations (mobility, flexibilisation) created the 'right' conditions for labour in these zones, as a kind of precondition for their coming about at all (4-6 above and below).

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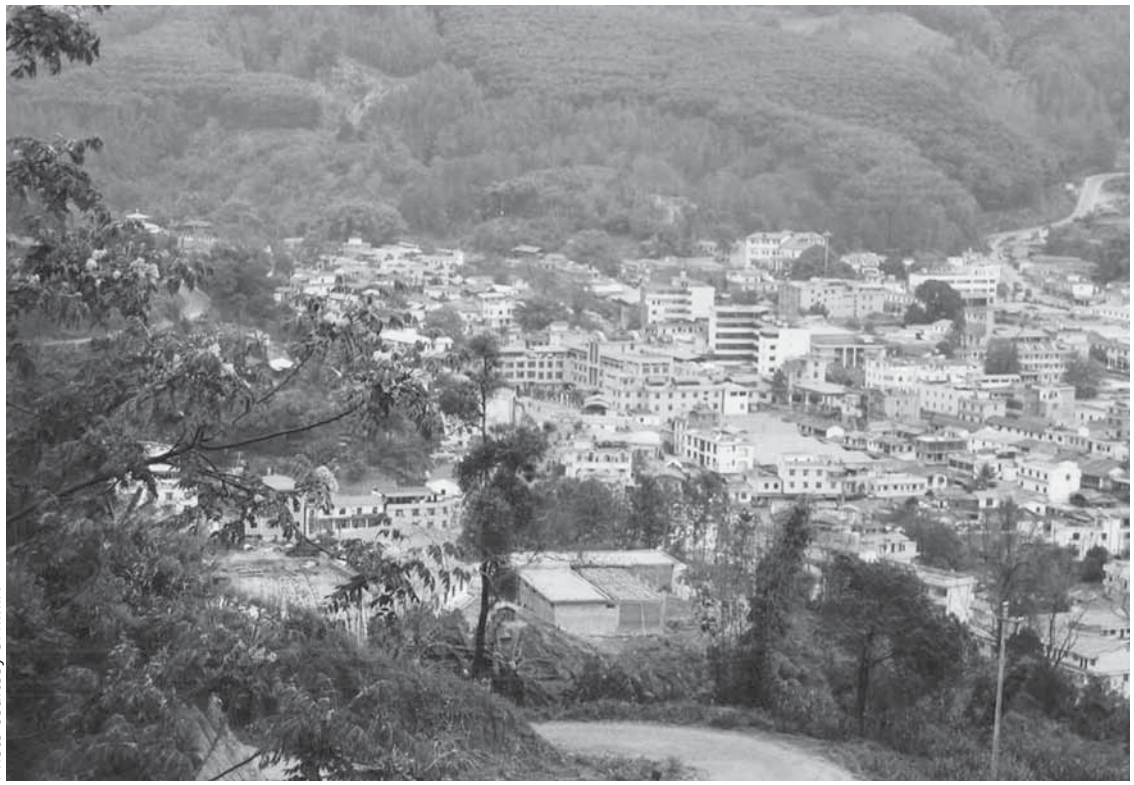

Photo courtesy of MMN

Sight of Laiza from the Burma side.

Burma / Myanmar Border Economic Zones Overview

1. Background of BEZs Development

In Burma/Myanmar the relevant term for border economic zone is border trade zone (BTZ), as translated from Burmese-language media and used in English-language media. As a reflection of the political economy and trade dynamics in Burma's border areas, BTZs are rooted in a long history of conflict between lowland Burman power centres and ethnic nationality communities located in the mountainous border areas surrounding Burma's central plains.

At the time of Burma's independence from the United Kingdom in 1948, formal bilateral trade between the governments of Burma and its neighbours was limited, and border-area ethnic nationalities had become minorities within a postcolonial nation. Despite limited political power vis-à-vis the ethnic majority Burmans, ethnic groups controlled much of the access to natural resources located in highland areas and along new international borders. Border-area economic networks and trade routes were largely beyond the reach of the Burmese state.[1] The border-area rebellions that emerged in postcolonial Burma, such as in eastern Burma where Karen insurgents formed an armed rebel movement that the central Burmese state attempted to crush, thus had a certain logic according to the political economy of the time.[2]

General Ne Win's seizure of power in 1962 resulted in an era of closed borders and official non-alignment with international powers. This strict policy of economic self-reliance meant that formal bilateral trade was essentially non-existent, while unofficial trade crossed borders with few obstacles.[3] Rebel groups controlled crucial trade corridors, using the sale of natural resources to finance insurgent

activity. Meanwhile, merchants from both sides of the border profited greatly from low state presence and a lack of official trade regulation, sometimes paying taxes to rebel movements to protect their trade routes. Ne Win's regime, the Burma Socialist Programme Party (BSPP), achieved little success in controlling its border areas, especially in the eastern part of the country.[4]

The events of 1988 were a turning point. After military government's violent crackdown on that year's student uprisings and the nascent democracy movement, the Burmese regime reorganised, discarding the strict (and failed) socialist approach and rebranded itself the State Law and Order Restoration Council (SLORC). As the armed forces prepared to intensify its campaigns against border-area rebel groups, policy makers sought to engineer certain economic shifts in the central part of the country including the establishment of new industrial zones.[5] The industrial zones were seen as defusing the political tensions of the time not only by providing jobs, but also by providing a means and justification to relocate certain segments of the Yangon population. Poor communities were forcibly resettled to new townships around the city where small-scale private industries were grouped into industrial zones.[6] This less-hard-line 'market-oriented' approach sought to transform politically active segments of the urban population into a flexible labour force for new capital investment.

These economic moves, underwritten by certain political objectives, were matched by state-level shifts. Beginning in the early 1990s, the Burmese regime began to openly pursue integrating the country into the region, politically and economically. In 1992, the country joined the Greater Mekong Subregion Economic Cooperation; in 1997, it became a member of both the Association of Southeast Asian Nations (ASEAN) and the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC); in 2000, it joined the Mekong-Ganga Cooperation; and in 2003, the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS).[7] This pursuit of more open regional relations was met early on by the Chatichai administration in Thailand (1988-91), who sought so-called 'constructive engagement' with Burma alongside its 'battlefields to marketplaces' approach to post-conflict economic growth elsewhere in the GMS.

In 1996, the regime set up the Department of Border Trade within the Ministry of Commerce. By this point, the regime had overrun the Karen rebel capital in Manerplaw, due largely to the founding of the Democratic Karen Buddhist Army (DKBA), a splinter group from the Karen insurgency that then began, and since has continued, fighting on behalf of the Burmese regime in eastern Burma. This victory for the regime was a milestone on their path to wrest control of eastern Burma away from rebel groups, and lay the groundwork to seize trade routes on the backs of this and further counter-insurgency offensives.

By the early 2000s, when Thaksin Shinawatra, the Thai Prime Minister, made clear Thailand's renewed interest in targeting border areas for economic initiatives, the Burmese regime's fierce military campaigns in eastern Burma, along with a more readily industrialised economy in central Burma, meant the regime was ready and willing to act as a partner in formalising cross-border trade relations. For the military government's planners and policymakers, the reasoning behind promoting border industries is fairly straightforward: what the central Burmese economy lacks in connectivity, access to service links and dynamic export markets, and proximity to deep-water ports, an industrialised eastern Burma can readily provide, especially from the standpoint of access to Thailand's market infrastructure and ports.[8] The arrival of the ACMECS scheme in 2003, with its explicit focus on capitalising border industries in the GMS, was thus a welcome development. The agreement further enhanced bilateral border-area trade, with Mae Sot and Myawaddy soon highlighted as a priority 'sister city' coupling.

However, the fate of BEZs along the Thai-Burma border is not secure, with the flagship Mae Sot-Myawaddy relationship seemingly haven fallen off the top of policy makers' priorities in recent years. Indeed in July 2010 the Burmese authorities unilaterally closed the Myawaddy side of the crossing. The reason for this closure is not altogether clear but Thailand's construction of a river bank protection project without consulting Burmese authorities provides one commonly cited explanation.[9]

It has also been proposed that the closure was prompted by the ability of Karen rebels to find refuge on the Thai side of the border, sheltering in the vicinity of Mae Sot. Further to the closure of the border, in March 2011 the Burmese government clamped down on the informal trade that had continued in a more clandestine fashion after the checkpoint closed. Before, the Burmese authorities had been turning a blind eye to the import of commodities from Thailand. This strictness has been interpreted as a further attempt by Burma to economically pressure Thailand into limiting the ability of Karen insurgents to operate on Thai soil.[10]

These events highlight how the unstable security situation in Burma's eastern borderlands acts as an obstacle to trade possibilities. The Burmese regime's attempt to convert border-area ceasefire allies into Border Guard Forces (BGFs) before the 2010 election has caused problems for the stability of the government's hold over certain border areas.[11] With border-area government relations in jeopardy, economic projects could stall, as ceasefire government proxies have been counted on as implementing partners on projects past. In October 2011 Yingluck Shinawatra, the new Thai Prime Minister and sister of former premier Thaksin Shinawatra, visited Burma and conducted discussions about the future of border trade and cooperation, including urging Burma to reopen the Myawaddy border.[12] This may have helped with the eventual reopening of the Mae Sot-Myawaddy crossing in December 2011. However, the closure, lasting over a year, demonstrates the fragility of economic cooperation in a conflict-affected region.[13]

It is still difficult to determine the long-term effects of the 2010 Burmese election and shift to at least nominal civilian control of the government. Greater economic openness and political freedoms have provided some room for optimism since the elections but the complex ethnic politics of the country are still loaded with the possibility of recurrent violence which could undermine economic objectives. The new Burmese government could gain, and may be intentionally seeking, greater legitimacy through the development of economic projects with neighbouring countries that bring more jobs and prosperity to a larger proportion of the Burmese population.[14] These projects however, have been, at times, hindered by opposition from ethnic-based organisations, notably the Karen National Union,[15] and the prospect of further fighting between government troops and Karen insurgents in Eastern Burma must be factored in to any plans to develop the economy and border trade in the region.[16] The viability of sustained economic development and the smooth growth of border trade remains uncertain. It will be determined by the still unclear trajectory of political reform interacting with the complex ethnic dynamics of the border regions.

2. Role of Official Development Assistance in Development of BEZs

According to the most recent statistics from the World Bank, Burma received a total of USD 533.5 million of Official Development Assistance (ODA) in 2008,[17] with much of it used to develop the country's infrastructure. The State Peace and Development Council (SPDC) former government had been insistent on implementing large-scale infrastructure plans-building roads, bridges, and dams-throughout the country, as well as tackling the issue of widespread energy shortages. However, concerns remain about the level and direction infrastructure development projects are taking.[18]

In June 2010, the Chinese Premier, Wen Jiabao, met with the chairman of the SPDC and emphasised China's willing to provide financial assistance to Burma for economic and social development. He also spoke of plans to speed up the interconnection of infrastructure between the two countries and urged that major cooperation projects in energy and transport be completed in a timely manner and to a high standard of quality. At the same meeting, the two leaders agreed to 'turn the borders into a bridge for friendly cooperation between the two countries'.[19] Following the 2010 elections and the beginnings of political reform in Burma there have been some signs that Burma is moving away somewhat from its close relationship with China, although cooperation between the two countries continues.[20]

In October 2010, the then Thai Prime Minister Abhisit Vejjajiva declared that it was Thailand's intention to expand its status as one of Burma's leading trading partners. Thailand hopes to provide ODA in SEZs inside Burma located close to the Thai border, and also to fund new cross-border roads and bridges to help in the creation of these SEZs. At the Mae Sot-Myawaddy border, Thailand's commerce ministry has estimated that the Thai Government will need to invest a minimum of USD 40 million in developing a SEZ in the Mae Sot border district, with additional millions of dollars in aid required to help create a SEZ on the Burmese side of the border.[21] In December 2011, Prime Minister Yingluck Shinawatra again travelled to Burma and reaffirmed the desire to enhance economic links between the two countries. She announced that Thailand would repair the Thai-Burma Friendship Bridge between Mae Sot and Myawaddy and also discussed ongoing cooperation about the Tavoy (Dawei) port and industrial project.[22]

3. Conclusion

The development of border economic zones in Burma has been hindered by the complex politics and recurring military conflicts of the eastern borderlands. Recent steps towards establishing BEZs, such as the reopening of the Myawaddy checkpoint, have yet to lead to any concrete establishment of border zones. Although the Government of Myanmar has enacted many political and economic reforms the results of how these play out in the still fractious borderlands are only slowly emerging, and the development of prosperous BEZs will likely depend on the government's ability to secure a stable political settlement in the region.

Endnotes

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Photo courtesy of CWPD

Male workers are also employed in the garment industry, the biggest exporter of the country. Photo taken in Bavet BEZ.

Cambodia Border Economic Zones Overview

1. Background of Special Economic Zones Development

In 2005, the Cambodian government launched a new policy on the establishment of Special Economic Zones (SEZs). Through the provision of numerous incentives, this strategy aims to provide job opportunities and develop infrastructure in the rural border areas by attracting foreign inward investment and promoting competition in export industries. The Cambodian government anticipates that SEZs will prove particularly attractive to Thai and Vietnamese business investors. This is because it will allow them to base their manufacturing operations in Cambodia where costs are low, while allowing easy access to their home markets, as well as the export markets of other ASEAN countries and the rest of the world.[1]

The geographic location of SEZs in Cambodia is crucial. For this reason the development of the Asian Development Bank (ADB) backed GMS Southern Economic Corridor (SEC) is a key ingredient to the success of Cambodia's SEZ strategy. Cambodia is located at a strategic point along the SEC, which has three main sub-corridors. The first is the Central Corridor that links Phnom Penh with Bangkok, and Ho Chi Minh City with Vung Tau port in Vietnam. The second is the Southern Coastal Corridor which starts from Bangkok and connects Trat in Thailand to Koh Kong and Kampot in Cambodia and Ha Tien, Ca Mau and Nam Can in Vietnam. The third is the Northern Sub-Corridor, which links Bangkok to Siem Reap and Stung Treng in Cambodia, and Pleiku and Quy Nhon in Vietnam. Cambodia also plays a significant role as an inter-corridor link in the sub-corridor that connects southern Lao PDR to the sea port in Sihanoukville via Dong Kralor, Stung Treng, Kratie and Phnom Penh in Cambodia.[2]

The establishment of SEZs is expected to bring numerous benefits to Cambodia, notably an increase in employment opportunities, with the potential to contribute to overall poverty reduction. It is also hoped that the growth of production in regions other than Phnom Penh will also go some way towards spreading economic development more evenly across Cambodia.[3]

Location of Special Economic Zones along Border Economic Zones with Thailand and Vietnam[4]

By June 2010, the Cambodian government had approved 21 SEZs across the country. Most of which are located close to border gates, international border crossing points and near sea ports, particularly along the Cambodia-Vietnam and Cambodia-Thailand borders (see Map 8 above).

Along the border with Thailand, SEZs have been established in Poipet, Koh Kong and Pailin. Border trade with Vietnam has been promoted through various agreements. As of July 2012, the Cambodian government had approved a total of six SEZs to be located in the provinces in the border area between Cambodia and Vietnam, located in Svay Rieng, Kampong Cham, Takeo, Kampot and Kandal provinces.[5]

Of the 21 SEZs, seven are currently in operation, while the remaining zones are still in the process of demarcation and infrastructure development.[6]

2. Legal Framework Governing SEZs

2-1. Law on Investment

In 1994, the Cambodian government adopted a specific Law on Investment.[7] According to Article 1, the legislative intent of the statute is to regulate all investment projects made by investors, whether Cambodian nationals or foreigners. Article 9 meanwhile guarantees investors legal protection of their private property and provides various other incentives to investors, such as tax exemption for the import of materials. All of these incentives and guarantees were made with the objective of attracting more investment to Cambodia. Article 17 of the same law provides that investors may hire Cambodian

and foreign nationals in compliance with domestic labour and immigration laws (For further details on the legal framework pertaining to labour rights, see the relevant section of this chapter below).

To supplement Cambodia's Investment Law, two key sub-decrees have also been promulgated; Sub-Decree 147 on the establishment of the Council for the Development of Cambodia (CDC) and Sub-Decree 148 on the establishment and management of SEZs.

2-2. Sub-Decree 148 on the Establishment and Management of SEZs

Sub-Decree 148 on the establishment and management of the SEZs was passed in 2005.[8] The sub-decree defines an SEZ as 'the special area for the development of the economic sectors, which brings together all industrial and other related activities and may include General Industrial Zones and/or Export Processing Zones. Each special economic zone should have their own production area, which may have free trade area, service area, residential area and tourist area'(sic).[9]

In Sub-Decree 148, the 'Special Economic Zone Administration' refers to the government body, namely the 'One-Stop Service' based on site at each SEZ. The One-Stop Service is designed to attract more investors, with government officials stationed on-site to provide administrative assistance. Services provided include facilitating applications to establish factories within the SEZs; administrative clearance, permits and authorisations. Businesses within the SEZs may also benefit from a number of fiscal incentives, including income tax, customs, and Value Added Tax (VAT) relief.[10]

The One-Stop Service is designed to create more flexibility for investors in Cambodia and is run by the Council for the Development of Cambodia (CDC), which was established under the same sub-decree. The CDC has responsibility for approving and issuing permits, licences and registration to the zone investors and plays a vital role on behalf of the government by directing development and investment activities inside Cambodia.[11]

2-3. Sub-Decree 147 on the Organisation and Functioning of the CDC

Sub-Decree 147 on the organisation and functioning of the CDC was issued on 29 December 2005 to restructure the CDC and to establish a new wing to manage the SEZ scheme called the Cambodian Special Economic Zone Board (CSEZB). The CSEZB is responsible for the development, management and supervision of the SEZs.[12]

This framework was designed in response to current economic trends, notably the competition Cambodia now faces with other countries in the region, while simultaneously trying to achieve economic integration with them. The main focus of this legal framework is to establish and manage SEZs in Cambodia, as well as improve the investment climate in order to enhance productivity, competitiveness, national economic growth, export promotion, employment generation and ultimately, poverty reduction. This sub-decree also sets out the procedures and regulations related to the establishment, management and coordination of all investment activities.

Promoting SEZs is one of the government's key policies to encourage foreign investment in Cambodia and promote Cambodia's exports on the world market. It is also one of the major policies aimed at reducing the rate of unemployment amongst Cambodia's predominantly young labour force.[13] It was under this policy that the Cambodian government identified the growth potential for industrial development in its border areas.[14]

The SEZ Administration, located on site, is the administrative unit which has responsibility for the development and management of the zones. The administration is composed of representatives from: the Cambodia Special Economic Zones Board (chairman), the Customs and Excise Department (member), CAMCONTROL (member), the Ministry of Commerce (member), and the Ministry of Labour and Vocational Training (member). The SEZ Administration is charged with providing facilities to investors in the zone regarding document processing and decision making, such as customs inspections, import and export licensing, and monitoring and controlling the recruitment of workers and working conditions.[15]

There is also a Special Economic Zone Trouble Shooting Committee (SEZ TSC), based at the CDC. It is headed by the chair of the CDC and consists of key government ministers whose ministries cover aspects of the management and administration of SEZs. It has a remit to settle all matters that are 'beyond the competence' of the SEZ Administration, including legal issues, technical matters, and also issues related to joint jurisdiction of the relevant government agencies.[16]

It should be noted that there are no regulations at the provincial level with regards to the establishment of SEZs. There are also no other provisions within the sub-decree establishing SEZs which grant the provincial authorities power over such zones.[17]

2-4. Application Process for SEZs

The application process for establishing business in a SEZ is summarised within the table below. The application process is centralised by the CSEZB.

Table 11: Application Process for SEZ Development[18]

Item	Description
1. Application for the development of the SEZ	The Zone Developer submits a request for approval for the development of a SEZ to the CSEZB and applies for the Qualified Investment Project (QIP) (Application fee of 7 million KHR (1,660 USD)
2. Examination of an application	The CSEZB notifies the Zone Developer whether to approve or reject the application within 28 working days. Should it be approved, a Conditional Registration Certificate (CRC) shall be issued.
3. Feasibility study	The Zone Developer conducts a detailed economic feasibility study, infrastructure master plan and provides other certified documents as stipulated in the CRC within 180 working days.
4. Final Registration Certificate (FRC)	Within 100 working days of receiving the above project materials, the CSEZB obtains all necessary approvals and authorization from the government before it issues a FRC.
5. Declaration of the establishment of SEZ	Upon issuance of the FRC by the CSEZB, a Sub-Decree is issued to define the establishment of the SEZ and to confirm its boundaries.
6. Withdrawal of approval	The CSEZB has the right to withdraw approval on the establishment of the zone and incentives which were granted through the FRC on the basis that the Zone Developer has not implemented at least 30% of the total investment capital of the project within 365 working days after receiving the FRC.

2-5. Incentives for Zone Developers and Investors

As stipulated in Articles 6 and 7 of Sub-Decree 148, various incentives are provided to Zone Developers and investors with regard to items such as taxes, duties, and land concessions. The table below provides an outline of these various inducements.

Table 12: Incentives within SEZs[19]

Beneficiary	Incentives
Zone Developers	• The exemption period for the Tax on Profit shall be provided for a maximum period of 9 years, in compliance with article 14.1 of the Law on the Amendment to the Law on Investment. • The import of equipments and construction materials to be used for infrastructure construction in the zone shall be allowed and exempted of import duties and other taxes. • The Zone Developer shall receive custom duty exemption on the import of machineries, equipments for the construction of the road connecting the town to the zone, and other public services infrastructures for the public interests as well as for the interests of the zone. • The Zone Developer may request, under the form of a Temporary Admission (TA), the import of means of transport and machineries used for the construction of the infrastructures in accordance with the laws and regulations in force. • The Zone Developer may obtain a land concession from the State for establishing the SEZ in areas along the border or isolated region in accordance with the Land Law, and may lease this land to the Zone Investors
Zone Investors	• The same incentives on customs duty and tax as other QIP shall be entitled. • The Zone Investor entitled to the incentive on VAT at the rate of 0% shall record the amount of tax exemption for its every import. The said record shall be disregarded if the Production Outputs are re-exported. In case the Production Outputs are imported into the domestic market, the Zone Investor shall refund the amount of Value Added Tax as recorded in comparison with the quantity of export.
Common	• Zone developers, investors or foreign employees have the right to transfer all the income derived from the investment and salaries received in the zone to banks located in other countries after payment of tax. • The Zone Developer and the Zone Investor are entitled to obtain the investment guarantees as stated in Article 8, Article 9 and Article 10 of the Law on Investment in the Kingdom of Cambodia and other relevant regulations. • Non-discriminatory treatment as foreigners, non-nationalization and no-fixing price

2-6. Workforce and Training

Domestic Labour Law applies to the recruitment and employment of the workforce within SEZs.[20] The law covers both foreign and Cambodian workers. Foreigners are required to possess a valid work permit issued by the Ministry of Labour and Vocational Training.[21] Although it is permissible to employ foreign workers, their number must not exceed 10 per cent of the total workforce.[22]

Zone developers are also obliged to facilitate appropriate training programs for their workforce, in cooperation with the Ministry of Labour and Vocational Training (MLVT).[23] Training of the workforce is required since one of the aims of establishing SEZs is to provide Cambodian nationals with jobs and opportunities.

3. Role of Official Development Assistance and Foreign Direct Investment in SEZs

3-1. Official Development Assistance

The development of SEZs in Cambodia is heavily reliant on ODA, particularly for the development of infrastructure such as electricity supply,[24] roads, bridges, and ports.[25]

3-1-1. Electricity

Industrial growth in Cambodia has been accompanied by a rapidly increasing demand for electricity. Cambodia imports most of its electricity from neighbouring countries. However, in order to diversify its sources of electrical power the Ministry of Industry, Mines and Energy envisions that by 2020 there will be eight hydropower plants and three coal power plants in operation in Cambodia.[26] China is involved as a partner in seven of these projects.[27] While construction of these new power plants takes place, the Cambodian government plans to expand the electricity transmission lines between Thailand and Vietnam by the end of 2012, and the interconnection with Lao PDR by 2016.[28] The table below presents an overview of the expansion of electrical transmission lines in Cambodia.

Table 13: Expansion Plan of Transmission Lines[29]

No.	Project	Country/Donor	Year of Operation
1	115 kV (kilovolts) from Thailand to Banteay Meanchey, Battambang, and Siem Reap by (Cambodia) Power Transmission Lines Co.	Cambodia	2007
2	230 kV from Vietnam to Takeo and Phnom Penh	World Bank (WB)/ADB/ Nordic Development Fund Loan	2009
3	115 kV from West Phnom Penh (WPP) to Phnom Penh	WB Loan	2009
4	230 kV from Takeo to Kampot	KfW Development Bank Grant	2010
5	115 kV from Laos to Stung Treng	WB Grant	2010
6	115 kV from Vietnam to Kampong Cham by private firm	WB Loan	2010
7	230 kV Kampot to Sihanoukville	ADB/ JBIC Loan	2011
8	230 kv from Phnom Penh to Kampong Chhnang, Pursat, and Battamburg by CYC (China)	China	2012
9	230 kV from Pursat to Atey hydro power by CYC (China)	China	2012
10	230 kV from Phnom Penh to Kampong Cham by Leader (Cambodia) Ltd	Malaysia	2012
11	230 kV from Kratie to Stung Treng	India Loan	2012
12	230 kV from Phnom Penh to Sihanoukville along National Road No. 4 by CHMC (China)	China	2013
13	230 kV from East Phnom Penh (EPP) to Neak Leung and Svay Rieng by CHMC (China)	China	2014
14	230 kV from Tatay hydropower to Ou Som Substation by CHMC (China)	China	2015
15	115 kv from WPP to EPP and GS4 (Group of Interested States)		2015
16	230 kV from Kratie to Kampong Cham Substation by CUPL (Malaysia)	Malaysia	2016
17	230 kV Reinforcement of transmission line of the existing pole, Phnom Penh Kampong Cham (to transmit power from Lower Se San II to Lower Sre Pok II)		2016
18	230k V from Stung Chhay Areng hydropower to Ou Som Substation by CSG (China)	China	2017
19	230 kV from Kampong Cham, Kampong Thom and Siem Reap	Korea	2019

3-1-2. Roads and Bridges

Of late there has been a boom in major road improvement projects in Cambodia. These have been financed by the World Bank, ADB, and the governments of Japan, China and South Korea. Thailand and Vietnam have also recently become involved. Of seven major recent bridge improvement and construction projects, Japan and, China has each financed three projects, while South Korea has supported one.[30]

3-1-3. Ports

The Sihanoukville Port is the only deep water sea port in Cambodia. With the benefit of Japanese aid, it has now been expanded into a multi-purpose freight terminal. The construction of a 70 hectare SEZ began in October 2009 (also with Japanese aid) will ultimately be linked to the port's container terminal.[31]

The Phnom Penh Autonomous Port (PPAP) has also undergone major improvements to increase its capacity, thanks to a soft loan from the Chinese government. The improvement project is aimed at enhancing the PPAP's capacity, providing modern equipment and new storing containers. The new container terminal is expected to be able to load 300,000 standard containers per year, whereas the current terminal can handle just 70,000 per year. Work started on a new container terminal in March 2011 and is expected to be launched in December 2012.[32]

3-2. FDI in SEZs

The zone developers of SEZs are mainly private Cambodian enterprises, with the exception of the Manhattan SEZ which was developed by a Taiwanese enterprise, and the SEZ in Sihanoukville, which is being developed with Cambodian and Japanese government investment.[33] Zone investors, on the other hand, are predominantly manufacturing companies from China, Taiwan and Japan.[34]

Endnotes

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[17] See Government of Cambodia, *Sub-decree 148 on the Establishment and Management of the Special Economic Zone,* above, Article 4.

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[25] See Sau Sisovanna, above, pp. 125 and 166.

[26] See The Council for the Development of Cambodia/ Japan International Cooperation Agency, *Cambodia Investment Guidebook,* above, p. III-77,

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[28] Ibid., p. III-78.

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Photo courtesy of Omsin Boonlert

Hekou, China and Lao Cai, Vietnam are locally referred to as 'one city in two countries'.

China Border Economic Zones Overview

1. Background of BEZs Development

Traditionally, border trade has been an important factor that has driven economic development in China's border regions. Recent reforms and policies adopted by the Chinese government have become new drivers of border trade.[1]

In 1978, China decided to reform its national economic strategy and launched a policy of opening up to the outside world in a planned and strategic way.

During the Third Plenary Session of the 11th Communist Party of China (CPC) Central Committee in 1978, the strategic position concerning foreign trade was redefined. In 1984, the Ministry of Foreign Trade and Economic Co-operation (MOFTEC) initiated the 'Border Trade Provisional Management Method', which was the first policy aimed specifically at foreign trade, tax, and restrictions on foreign trade. In 1986, the Chinese government's Seventh Five-Year Plan proposed to develop a limited amount of border trade, making the border economy a focus of the national economic work agenda for the first time.

After 1988, China strengthened its efforts to reform and open up to the outside world, which resulted in the further development of border trade. The State Council has since made several decisions to further improve the foreign trade system, and expand border trade and economic co-operation.[2]

In 1994, China introduced more flexible measures and created more favourable conditions for border trade. This was partially reflected in the State Council's Circular on Issues covering Border Trade, which provided tariff and import duty exemptions on goods of less than CNY 1,000 brought into the country by border residents.[3] However, the Circular also implemented a half-duty levy on enterprises engaged in small-scale border trade through designated border posts, with the exception of taxable commodities such as cigarettes, wines and cosmetics.[4] This provision was therefore seen as reducing the incentive to trade, as China had previously implemented a no-tax policy to import and export commodities through borders.[5]

At the same time, the central government continues to try to develop the economy and reduce poverty in Western China through the promotion of trade in border areas. Policies for developing Western China have focused on improving the investment environment and increasing accessibility to the outside world. Development is centred on provinces and cities which border neighbouring countries and the government hopes that the policy will play a positive role in fostering the growth and stability of border trade.[6]

The Chinese government has classified border trade into the following four types within its legislation:

1) Border trade by border residents: commodity exchange activities conducted by residents who live within 20 km of the border, at the designated markets, according to government-approved value and quantity.
2) Small-scale border trade: trade through designated ports among government-approved enterprises in designated cities.
3) Border purchasing though tours: trade through government-organised tours in the areas where trade facilitation systems are not developed.
4) Foreign economic and technological co-operation in the border region: trade in services, such as project contracting, labour service co-operation projects, and agriculture.[7]

China is a part of the Greater Mekong Sub-region Co-operation Programme initiated by the Asian Development Bank (ADB) in 1992. Trade between China and the Association of South East Asian Nations (ASEAN) has since expanded, with the China-ASEAN Free Trade Area (CAFTA) coming into effect on 1 January 2010. Under CAFTA a zero-tariff rate is applied to 91.5 per cent of goods from 10 ASEAN member countries, with the average tariff rate reduced by China from 9.8 per cent to 0.1 per cent. Due to improved relations between China and ASEAN member states, investment policies are expected to become more stable and transparent. In August 2010, after only six months, faster growth in bilateral trade and investment had already been observed.[8] The location of Yunnan Province and Guangxi Zhuang Autonomous Region on China's frontier and the increase in economic and cultural ties with ASEAN countries, are creating more opportunities for the two provinces to engage in border trade, which has the potential to speed up their economic development.[9]

2. Cross-border Economic Cooperation Zones

In 1992 the State Council began developing Cross-Border Economic Cooperation Zones (CBEZs) by opening up 13 border cities, counties and towns and the capital cities of the inland provinces and autonomous regions. Such zones can be defined as areas where bordering countries agree to cooperate in establishing bounded special economic zones on corresponding sides of the border. Specific economic policies are mutually agreed by both sides in order to best utilise resources and markets to develop the zones and quicken the pace of the region's economic development.[10]

CBEZs encourage border trade and export processing, as well as better relations with neighbouring countries and improved economic conditions in areas populated by national minorities.[11] Details of three of China's CBEZs can be found in Table 13.

Table 14: Cross-border Economic Cooperation Zones in China[12]

Name	Location	Size (sq km)	Purpose	Approved
Dongxing CBEZ	Guangxi Zhuang Autonomous Region	4.07	Develop border trade with Vietnam	State Council, September 1992
Yining CBEZ	Xinjiang Uygur Autonomous Region	10	Target domestic and Central Asian markets and boost local economy	State Council, June 1992
Hunchun CBEZ	Yanbian Prefecture, Jilin Province	88	National development zone	State Council, September 1992

The establishment of CBEZs has provided border zones with new opportunities, making them gateways to information, technology, skills, and management experience from other countries. However, although CBEZs may contribute to developing trade and the economy along borders, there are inequalities and uneven levels of development between the different regions involved in border trade, which lowers the average increase in trade and economic growth far below the government's stated goals.[13]

As of 2012, stages of implementation of the CBEZs between China and Lao PDR, Burma and Vietnam varied from place to place. The following sections give an overview of CBEZs with these countries.

3. Burma-China

3-1. Background

Burma has a total of 13 main border trade points with its five neighbouring countries; Thailand, China, India, Laos and Bangladesh. Five border points have been established between China and Burma since 1998, namely, with the Burmese side first: Muse-Ruli, Bhamo (Lwejei)-Longchuan, Myitkyina (Laingza)-Nabang, Chinshwehaw-Genma, and Kambaiti-Huqiao.[14] The Government of Myanmar is now planning to open a sixth border trade zone in Yan Lone Chai township of Kokang region in northern Shan State following the conflict between the Burmese military and the Kokang Myanmar National Democratic Alliance Army (MNDAA) in August 2009 in which the Burmese military gained control of the region.[15] Burma and China have promoted border trade by holding annual Myanmar-China border trade exhibitions since 2001 in different border towns. The 8th annual Myanmar-China border trade fair was held in Muse's 105th Border Trade Zone in 2008. In addition to Burma and China, participating countries included Thailand, India, Bangladesh and Lao PDR.[16]

China is currently Burma's largest foreign investor.[17] In August 1994, China and Burma signed a border trade agreement and subsequently China has become Burma's most important border trade partner. Figures from 2008 show that border trade accounted for 46.3 per cent of Chinese exports to Burma and 71.6 per cent of its Burmese imports. Moreover, in the same year, Burma was Yunnan's largest trade partner with 40 per cent of its exports going to Burma and 32 per cent of its imports coming from there.[18] Yunnan mainly imports agricultural products, timber and minerals, from Burma. Burma imports electric machinery and appliances, and other low-priced consumer goods.[19] Chinese investment in Burma, since the economy was opened up in 1988, amounted to a total of USD 12.3 billion as of early 2011. The majority of this investment is in mining,

hydroelectric power, and oil and gas projects.[20] The State Peace and Development Council's (SPDC)[21] figures indicate that the two countries' bilateral trade reached USD 2.9 billion in 2009.[22]

3-2. Muse-Ruili Cross-border Economic Zone

The largest border trade zone between Burma and China is the 150-hectare border trade zone situated at Muse. This area links with Ruili in Yunnan province on the China side and was established in early 2005 in an effort to boost border trade.[23] A 460 km long road connects Muse, a Burmese town on the Chinese border, with Ruili in Yunnan Province, and Mandalay, the second largest city in Burma. The road, which was upgraded in 1998, has reduced the journey time from Mandalay to Muse from up to a week to only 12 to 16 hours.[24]

Since the adoption of an open-door policy by the SPDC, border trade between Burma and China has been 'legitimised, regularised and institutionalised'.[25] Under the border trade agreement signed in August 1994, a Border Trade Office was established in Muse in August 1995 and in January 1998, the office was expanded and began to operate as a 'One Stop Service' border gate.[26] The Muse 105th Mile Border Trade Zone was formally inaugurated on 11 April 2006.[27] Trade procedures applicable to Muse that were introduced in 2006 allowed merchants to 'freely and directly' transport some of their export goods from across the country to Muse. Export licences can be issued on the spot within one day after a formal sales contract is confirmed with buyers on the Chinese side.[28] According to the Department of Border Trade of Myanmar, 8 per cent commercial tax and 2 per cent income tax shall be payable for export and the proper customs duty. Commercial tax, income tax, an import licence fee and bank service changes will be charged for import. There are now plots for 164 warehouses in the zone.[29]

Through this zone, Burma exports to China a range of goods including: agricultural products such as rice, beans and pulses; marine products such as fish and prawns; minerals such as lead and jade; and timber and forest products. In return, Burma imports from China iron, steel, construction materials, machine and machine tools, computers and accessories, farm implements, fertiliser, raw materials and household utensils.[30]

On the Chinese side of the border is Jiegao Border Economic Trade Zone covering 2.4 square km. It is located in Ruili City, Dehong Prefecture, Yunnan province. Since being established in 1991, the Jiegao Border Trade Economic Zone has accounted for 50-60 per cent of the total imports and exports of the province's border trade, and over 30 per cent of the imports and exports of the border trade from the inland ports throughout China.[31] The zone integrates trade, processing, storage and tourism. Visas are not required for non-Chinese nationals entering the zone for a visit not longer than 72 hours. Potential trade materials and goods entering from Burma are not subject to customs control.[32]

4. Vietnam-China

4-1. Background

Bilateral trade between Vietnam and China has grown continuously over the last decade, and in the first six months of 2010, Vietnamese exports to China were valued at USD 2.8 billion, while Chinese exports to Vietnam reached USD 9.1 billion. China has 'experimental and ambitious' trade policies which aim to concentrate investment at the China-Vietnam. In so doing, it aims to stimulate China's investment in and commercial relationships with other ASEAN countries through Vietnam. These policies also have the potential to help stimulate Yunnan and Guangxi's engagement with international trade, thus promoting growth and human development in the two provinces.[33]

Guangxi Autonomous Region in China shares borders with four of Vietnam's northern, namely Quang Ninh, Lang Son, Cao Bang and Ha Giang. In the first seven months of 2010 trade turnover between Vietnam and Guangxi was valued at USD 238 million. Vietnamese exports to Guangxi amounted to USD 621,000, while Vietnam bought USD 175 million worth of goods from Guangxi.[34]

The Vietnam-Guangxi Economic and Trade Cooperation Forum was recently held in September 2010 in the Vietnamese capital, Hanoi. At the event, at least 54 trade, investment, and credit cooperation projects with a value of USD 1.9 billion were signed. The projects include mechanical engineering, machinery, commercial centres and hydropower.[35]

In 2004, China and Vietnam first announced their intention to develop what is known as the 'Two Corridors, One Economic Circle'[36] cooperation framework to encourage economic growth and accelerate integration of the two economies. The concept seeks to facilitate and promote trade and investment between Kunming (Yunnan Province, China) and Haiphong via Hanoi (Vietnam) and Nanning (Guangxi Zhuang Autonomous Region, China) and Haiphong, also via Hanoi and additionally within the Beibu Gulf economic zone, where a number of ports are located. In November 2006 at the China-ASEAN summit, both countries reiterated their commitment to meeting these goals.[37] The corridor forms part of the Vietnam-China commercial economic cooperation framework and is expected to increase trade and raise the GDP growth rate of both countries.[38]

According to the 'Two Corridors, One Economic Circle' cooperation framework, Vietnam and Guangxi will be the overland, sea and air bridges for China and ASEAN. A key element of the framework is the Nanning-Hanoi economic corridor, which is an important section of the Nanning-Singapore economic corridor. There are plans to speed up the building of the Nanning-Hanoi expressways, develop infrastructure and strengthen coordination, and facilitate exchanges and cooperation between Guangxi and Vietnam's border areas. This includes plans for three pairs of international border gates, four pairs of main border gates and 13 pairs of border markets which are expected to appear on the Vietnam-China border.[39]

Efforts are currently being made to develop cross-border trade between China and Vietnam by encouraging local economic development at the borders via the construction of Cross-Border Economic Zones (CBEZ). Investment in infrastructure for CBEZs is underway at two border towns: 1) the Youyiguan port that links the nearby towns of Pingxiang (China) in Guangxi with Dong Dang in Lang Son (Liangshang) Province (Vietnam); and 2) Hekou (China) in Yunnan Province and Lao Cai (Laojie) Province (Vietnam).[40] Plans for a third CBEZ at Dongxing (Guangxi, China)-Mong Cai (Vietnam) have also commenced more recently.[41]

The China/Vietnam cross-border economic cooperation project is supported by UNDP and China on the basis that China's development vision, UNDP's core values, and the Millennium Development Goals are expressed in its objectives. The UNDP supports the project not only in order to realise economic growth and regional development, but also because it incorporates key areas of its concerns such as poverty, human rights, civil society development and gender issues which are associated with cross-border trade. Yunnan and Guangxi both have lower human development indicators than the national average and large ethnic minority populations, and therefore also represent a challenge for national development. The project's budget is set at USD 3 million, with USD 1.5 million to be contributed by the UNDP, and the remainder from the Chinese government.[42] The project implementing partner is China International Centre for Economic and Technical Exchanges (CICETE) and other cooperating agencies are: the Chinese government, the Department of Commerce of the Government of Yunnan Province and the Government of Guangxi Zhuang Autonomous Region.[43]

4-2. Pingxiang (Guangxi)-Dong Dang (Lang Son) Cross-border Economic Zone

Guangxi province, China and Lang Son province, Vietnam signed a memorandum in 2007 to establish a CBEZ between Pingxiang county, Guangxi and Dong Dang town in Vietnam. The zone is to be jointly managed by the two countries and will serve as an import-export processing centre with tax benefits given by both Chinese and Vietnamese customs.[44]

What has become known as Pingxiang Bonded Area is 8.5 sq km in size and was first approved as a location by the State Council of China's cabinet in 2008 and is China's first bonded area in a border region. Across the border is Vietnam's Dong Dan Economic Development Zone; both CBEZs are intended to promote border trade in the CAFTA. The Pingxiang Bonded Area will be built in three phases. It began in 2010 at a cost of CNY 1.41 billion. Funding will come from a combination of government funds, private investment and bank loans. The first phase covers 311 hectares and will involve 16 infrastructure construction projects.[45]

4-3. Hekou (Yunnan Province, China)-Lao Cai (Vietnam) Cross-border Economic Zone

Hekou-Lao Cai is locally referred to as 'one city in two countries'. The two urban areas are separated by the Red River, but are otherwise geographically contiguous. This facilitates interaction between people and businesses at the border. The Hekou Border Economic Cooperation Area was approved at the state-level in the early 1990s. Major Chinese exports passing through the zone include clothing, cotton yarn, ceresin wax, mechanical equipment, batteries, fruits and tobacco.[46] Footings for a new, wide bridge to connect China and Vietnam were dug in 2007 and highway construction got underway. There is now a bridge from the zone which runs into Vietnam. The zone is connected to Hanoi and Ho Chi Minh City via the Yunnan-Vietnam Railway.[47]

4-4. Dongxing (Guangxi, China)-Mong Cai (Vietnam) Cross-border Economic Zone

The framework for a new CBEZ between Dongxing and Mong Cai city, which will be the largest border trade zone in northern Vietnam, was approved by the Guangxi regional government and the Vietnamese government in 2009. The new CBEZ is expected to cover 4 sq km in Mong Cai city and about 5.8 square km in Dongxing city in the first phase. A second bridge is planned for the Beilum River as part of the new infrastructure to further boost border trade in the future Dongxing-Mong Cai economic zone.[48]

5. Lao PDR-China

5-1. Background

The governments of China and Lao PDR normalised relations in 1988, and China's profile in Lao PDR has increased considerably since the Asian financial crisis. In 1997, the Lao PDR government urged China to increase aid, trade and investment in an attempt to help its economy recover. China responded with a series of bilateral agreements that covered economic and technical cooperation, investment and banking, and infrastructure development. Due to the generous export subsidies and interest-free loans provided by China, Lao PDR was able to stabilise the value of its currency, the kip, during the financial crisis.[49]

China has a vested interest in Lao PDR, as it does in all the countries in which it shares a border. Lao PDR's geographic position makes it an important artery for Chinese goods from southwestern provinces flowing into the Thai market. For this reason, China has paid special attention to the development of Lao PDR's transport infrastructure, particularly highways that link China with Thailand. China is also seeking to increase imports of natural resources from Lao PDR, including timber, iron ore, copper, gold and gem stones.[50]

China is Lao PDR's third largest trading partner and, unlike other donors, provides aid to Lao PDR without calling for major reforms of its legal, financial and political systems. Influence over Lao PDR is subject to competition between China and Vietnam. Although Hanoi presently has strong political influence, this is not expected to last. China has adopted a long-term strategy in competiing for influence over Lao PDR, bringing members of the Lao elite to China to receive ideological, vocational and military education, as well as carefully targeting aid programmes in Lao PDR to achieve maximum

effect with minimum resources. China is likely to become Lao PDR's largest trading partner and source of external funding in the future.[51]

5-2. Mohan (Yunnan Province, China)-Boten (Lao PDR) Cross-border Economic Zone

Mohan is located in the southern Yunnan region of Xishuangbanna, across the border from Boten in Lao PDR. The Mohan-Boten gate is the only main gate between Yunnan Province and Lao PDR and thus most trade crosses here. An agreement between Lao PDR and China, signed in 1994, allows Chinese and Thai trucks to enter Lao PDR. Lao vehicles enter China carrying agricultural products and lumber. The immigration offices at Boten and Mohan are 2 km apart and the Mohan-Boten gate was the first international border gate permitting nationals of third countries to pass through.[52]

The Mohan Border Trade Zone was set up officially in May 2001. However, construction of the 26.9 square km zone was only formally approved by the Chinese government in September 2004. By 2009, about 150 shops and factories were registered in the zone, in addition to a duty free shop, a trade market and several hotels. Steady growth of economic activity is apparent at Mohan BTZ, although the development of an industrial area has not yet begun.[53] The zone is intended to bring with it preferential trade, industry, commerce, finance, and taxation policies.[54] The volume of total trade reached USD 560 million in 2010. This amounted to a 55.3 per cent increase on trade volume in 2009.[55]

The Lao PDR government decided to establish the Boten Border Trade Zone in February 2002. The zone is composed of a commerce/service zone, an industrial zone, and an administration zone. Immigration procedures and quarantine are currently carried out in Boten, while cargo customs procedures are carried out at the nearby Nateuy intersection. In 2007, China and Lao PDR agreed that all procedures would be conducted at a location 4 km from the Mohan-Boten border.[56]

The Boten border trade zone has recently run into difficulties however. Following major investment from a Hong Kong-registered company, Golden City, casinos and hotels were built to cater for Chinese tourists, triggering a boom in other services, such as shops and restaurants, in the town. Following reports of beatings, illegal imprisonment and murders of indebted customers at the casinos, the Chinese government pressured the Lao PDR government to close the casinos. Subsequently, the boom has gone flat and traders and restaurant owners deserted the town and construction came to a halt. It has been proposed by the Hong Kong company that the zone can be reoriented towards import-export trade.[57]

6. Conclusion

China began to open up its border trade in the 1980s, and in the 1990s begun the process of establishing cross-border economic zones in order to improve the regional economies of peripheral regions and economic relations with its neighbour countries. Yunnan and Guangxi provinces and the cross-border economic zones on the borders between these provinces and Burma, Lao PDR and Vietnam serve as bridgeheads into Southeast Asia, and more specifically the countries of the Greater Mekong Sub-region. Trade has expanded as border crossings have opened up and cross-border cooperation has increased. Burma, Lao PDR and Vietnam have subsequently become major trading partners with China's south-western provinces. China is currently seeking to further entrench and expand these relationships through further development of cross-border zones, and, through participation in Asian Development Bank-sponsored infrastructure projects such as the North-South Economic Corridor, to penetrate the wider Southeast Asian market. The 'Two Corridors, One Economic Circle' framework also has the intention of deepening and broadening trading relations with the Southeast Asian region. The development of economic zones and transnational infrastructure in the China-Southeast Asian borderlands is definitely set to continue in the future.

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Photo courtesy of NUOL

Land being cleared for site construction, Savan Seno SEZ, January 2009

Lao PDR Border Economic Zones Overview

1. Background of SEZs Development

Special Economic Zones (SEZs) in Lao PDR have become an integral part of the government's strategy to develop its economy and remove itself from the United Nation's list of Least Developed Countries (LDC). The three SEZs that have so far been established are not specifically designated Border Economic Zones (BEZs) but are significant as they are located along the Lao PDR's borders with China, Thailand, and Burma/Myanmar. The Lao PDR government has plans in the pipeline for the creation of many more SEZs, some of which are to be located on or near the country's international borders. Plans are also afoot to increase cross-border cooperation with neighbouring countries. As a landlocked country, Lao PDR is seeking to use its geographic enclosure as a strategic advantage and link its economy to those of its larger, more dynamic Greater Mekong Subregion (GMS) neighbours.

In recent decades the Lao PDR government has taken steps to transform the country's socialist economy by replacing their previous self-sufficiency model with a new open-door, market-based system. The New Economic Mechanism (NEM), as it was termed, was initiated by the Lao PDR government in 1986 and designed to achieve this market re-orientation.[1] The NEM policy outlined reforms that have been far-reaching in their impact.[2] These centred on liberalising the economy and creating a profitable business environment that is attractive to both domestic and foreign investors. The creation of SEZs is an extension of this pro-market reform effort.

In particular, the government wishes to institute SEZs because they perform several functions that may assist Lao PDR in achieving its development goals. SEZs in Lao PDR work to: attract foreign investment; decentralise development away from the Vientiane capital region; integrate the economy into regional infrastructure networks; and strengthen linkages with the dynamic economies of its GMS neighbours.

With a small population of around six million and a recently liberalised economy, domestic capital formation is still at its early stages and lacks local investment capacity. The government realised that SEZs can attract foreign investment, especially in the services and manufacturing sectors, thereby bringing a number of positive effects such as the emergence of a diversified manufacturing sector, a larger export base, and job creation.[3] The issue of job creation is a particular cause of concern for the government. Much of the recent investment in Lao PDR has been in the resource extraction sector, notably mining. However, this sector provides limited employment opportunities and so other avenues need to be explored to create jobs for a young population which will see increasing numbers entering the labour market over the coming years.[4] By establishing SEZs in border areas in provinces throughout the country, the Lao PDR government also seeks to decentralise development away from the capital region.[5] Foreign investment can thus be directed towards less prosperous areas and used as a tool of regional development.[6]

Lao PDR is ideally placed to serve as a strategic link between Vietnam, Thailand, Cambodia, Burma/Myanmar and China. Lao PDR gained membership of ASEAN in 1997 and began to participate in several sub-regional cooperation initiatives including: the Greater Mekong Sub Region (GMS) Economic Cooperation led by the Asian Development Bank (ADB); Mekong River Commission (MRC); and Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS).[7]

Lao PDR has subsequently participated in many development projects initiated by other GMS countries, most importantly the East-West Economic Corridor (EWEC) linking Danang in Vietnam to Moulmein (Mawlamying) in Burma through Lao PDR and Thailand and the North-South Economic Corridor (NSEC) linking Bangkok and Kunming in Yunnan, China. These ADB led economic corridors are essentially transnational road networks with enhanced telecommunications and energy infrastructure linking major, economically important cities in the GMS.[8] To take advantage of this improved regional connectivity, Lao PDR has located its first three SEZs along these economic corridors. One SEZ is located in Savannakhet Province in central Laos along the EWEC. The remaining two zones are in Bokeo and Luang Namtha provinces in northern Laos along the NSEC. By locating SEZs at the intersection of borders and economic corridors, Lao PDR is hoping to receive certain benefits. The SEZs can serve as trade and logistics centres for regional commerce as goods flow across mainland Southeast Asia. As production bases, the border SEZs will benefit from close integration with the regional transport network, which is crucial for a landlocked country such as Lao PDR, and allow exported goods to reach ports more quickly. In addition, goods manufactured in the zones will be able to swiftly access large consumer markers in China, Thailand and Vietnam. The latter two factors, along with lower production costs in the zones, will help to attract investors from Lao PDR's aforementioned neighbours as they are able to integrate the Laotian production bases into existing production and logistical networks.[9]

The first official action on establishing SEZs was taken in 1995 when plans were drawn up for a SEZ project in the capital Vientiane. However, this project was not eventually pursued due to a lack of resources available to construct the requisite infrastructure.[10] Lao PDR's SEZ policy began to take shape during the late 1990s,[11] however no concrete steps were taken to build an SEZ until the 2003 signing of the *Decree of the Prime Minister on Savan-Seno Special Economic Zone No.148/PM*. This formally established the Savan-Seno SEZ in the central province of Savannakhet, just across the Mekong River from Thailand.[12] The establishment of the Savan-Seno SEZ was followed by the Lao PDR government granting concessions to private developers to begin constructing two further SEZs in Boten, Luang Namtha Province, and in Tonpheung District of Bokeo Province. Since these initial

developments, plans for further SEZs have multiplied, and proposals are in place for new SEZs in Vientiane, at Dansavanh on the border with Vietnam, and also in other peripheral regions of the country.

Interestingly, Lao PDR law makes a distinction between 'special economic zones' and 'specific economic zones'. In the *Decree on Special Economic Zones and Specific Economic Zones in the Lao PDR, No. 443/PM*,[13] both types of zone are liberalised, deregulated areas which aim to attract investment and grow at an accelerated rate and so spur the wider economy. However, a 'specific economic zone' is 'based on specific features of a zone characterized by the infrastructures and institutions that provide the facilities to the business, production and service operations'.[14] However, *Decree No. 443/PM* does not indicate which specific features are to be favoured in establishing the zones. A 'specific economic zone' may be inside a larger special economic zone or function as a zone in its own right. Indeed a 'special economic zone' may be comprised of many 'specific economic zones'.[15]

A 'special economic zone' may have people living within the boundaries of the zone but a 'specific economic zone' has clearly determined boundaries for trade and production units, boundaries within which people may not reside.[16] The administration of the respective zones is also different, with 'special economic zones' administered by both an Administrative Committee and an Economic Executive Board (see section on legal and administrative status of SEZs below), while a 'specific economic zone' is to be managed solely by an Economic Executive Board.[17]

The concept of a 'specific economic zone' appears to be an attempt by the Lao PDR government to further distinguish certain areas as unique and having exceptional qualities that investors may benefit from. Whether 'special economic zones' and 'specific economic zones' will differ significantly in their implementation and impact on the economy is a question that deserves further research attention. Given that *Decree No. 443/PM* does not stipulate differences in the levels of privileges to be given to investors or clearly specify what counts as 'specific' characteristics that make an area unique, it could be that the designation 'specific' amounts to little more than a marketing tool to attract investment.

2. Current Economic Strategy and Development Policy

2-1. Savan-Seno SEZ, Savannakhet

The Savan-Seno SEZ occupies four different sites in and around the provincial capital Kaysone Phomvihane (also known as Khantabouly, and simply Savannakhet City) in Savannakhet Province. The zone is the most developed of all the zones, given that it was the first to be established. The Savan Industrial and Commercial Park section of the zone was officially opened on 22 November 2011, with five companies already undertaking manufacturing operations and business activities inside the SEZ. A total of 21 companies have registered to build factories and conduct business in the area.[18] Unlike the other two zones in Luang Namtha and Bokeo, the Savan-Seno SEZ will be directly managed by the Lao PDR government (for further details see Thailand-Lao PDR BEZ In-depth chapter).[19]

2-2. Boten, Luang Namtha

In 2003 a Hong Kong-registered company entered into a 30-year lease with the Lao PDR government to establish Golden City, a 1,640 hectare SEZ in the small northern town of Boten in Luang Namtha Province, opposite Mohan in Yunnan Province of China. The Lao PDR government sought to utilise Chinese capital to develop the zone and boost the economy of the area. This strategy has however backfired spectacularly in the case of the Boten zone.[20]

The apparent intention of the private developer was to create a centre for trade and tourism along the Lao-Chinese border. The zone, however, was effectively set up as a Chinese enclave on Laotian soil. The developer built a large casino-hotel complex serviced by a number of Chinese restaurants and shops which catered almost exclusively to gambling tourists from China. The private zone's management imported Chinese security personnel, ran the zone on Chinese time,[21] and decided on

which companies would be allowed to invest in the zone.[22] Chinese became the main language of the zone and the Chinese Yuan was used instead of the Laotian Kip.[23]

Local Laotian people have seen few benefits from the zone. Residents of the old town of Boten were relocated to a site 20 kilometres away. Many of those who were relocated complained that the new area had poor services and poor quality land. Land-grabs along the highway near the zone have also been reported. There was very limited job creation for local Laotian people, as most of those employed in the zone, from traders and shop-workers to sex workers were Chinese. Some menial employment was available for local Laotian people but overall, opportunities were for Chinese newcomers and not local residents.[24]

Events eventually came to a head in 2011. The zone had reportedly attracted various illegitimate businesses such as drug dealing, arms trading, prostitution and wildlife trafficking.[25] This atmosphere of illicit and illegal activity extended into the casino operation where indebted Chinese gamblers were allegedly beaten, held hostage and murdered by the company operating the casino. Officials from China's Hubei Province were reportedly involved in negotiations to release some of the gamblers held hostage.[26] This led to the Chinese government putting pressure on the Lao PDR government to close the casino and gaming halls. Chinese authorities had previously cut off electricity and telecommunications to the zone and required Chinese visitors to obtain visas. Previously they had been able to simply walk across the border. The casino was eventually shut down in May 2011, which precipitated the swift departure of associated businesses due to lack of custom. The zone had effectively failed completely.[27]

In retrospect, the viability of the zone was compromised by the bad management and suspect business practices of the private developers. The Lao PDR government, however, stills wants to maintain a SEZ in the area, presumably to take advantage of the location on the border and along the NSEC. The zone has been sold to a new investor who reportedly wants to invest in the site as a centre for tourism. The Lao PDR government has also made it known that it will have a greater role in the management of the zone. At the start of 2012 the government drafted a prime ministerial decree that will change the status of the zone from a SEZ to a 'specific economic zone', an arrangement whereby the current management structure is abolished and a zone management board chaired by the investor will be set up (presumably along the lines of the Economic Executive Board stipulated in *Decree No. 443/PM*). The chair of the board will focus on permitting and setting up investment projects, while the government will appoint a deputy chair who will administer social services and security in the zone. Luang Namtha provincial authorities will also send officials to work with the zone management. In addition, no casinos will be allowed to operate inside the zone. Indeed, the Lao PDR government has expressed their intention not to allow any more casinos to be built in SEZs. However, casinos already in operation will not be closed.[28] By changing the zone's administrative structure and putting a government appointee in charge of social affairs and security, the government has clearly signalled that it wishes to assert greater control over the future development of the zone. The challenge now will be for the government to cooperate with the new private investor to return to the original plan and establish the zone as a trade hub and so realise the zone's potential.

2-3. Golden Triangle SEZ, Bokeo

The Golden Triangle SEZ in Tonpheung District of Bokeo Province lies on the Thai border and is also within close reach of both the Burmese and Chinese borders. The zone occupies 102 square km along the Mekong River,[29] and has been developed since 2007 by the Chinese company Dok Ngiew Kam Group. The developer claims to have invested USD 600 million in tourism, production and commercial facilities since construction began. Seven hotels, a casino, a horse racing track, a zoo, gardens, a livestock farm, a brick and concrete factory, and a commercial centre have all been built. In addition the government has granted permission for the construction of a new international airport.[30] An industrial park and ecotourism facilities are also in the pipeline.[31]

The development company claims that they are already receiving 1,000 visitors a day to the casino. The zone so far caters to mainly Thai and Chinese tourists. The developer also reports that about 40 per cent of the zone's 3,000 workers are Chinese with the rest being from Burma, Laos and Thailand. They also claim to have built modern concrete housing for local people.[32]

The zone however has not experienced the same level of problems that have affected the Boten Golden City project. The simultaneous construction of both tourist facilities and factories for construction materials indicates that there has been a better balance between the development of tourism and services and industrial production.

2-4. Dansavanh Border Trade Commercial Zone

The Dansavanh Border Trade Commercial Zone is located in Savannakhet Province on the border with Vietnam. As with the Savan-Seno SEZ on the opposite side of the province it is at the intersection of the EWEC and along an international boundary. It does not have the status of a SEZ, although it shares many features of SEZs elsewhere in Lao PDR. Plans have however recently emerged to convert Dansavanh into a fully fledged SEZ.

Dansavanh Border Trade Commercial Zone is across from a parallel border trade zone in Vietnam. The Dansavanh zone was established by Prime Ministerial decree in 2002 and is under the management of an independent governmental authority which reports directly to the provincial government. The zone extends for 19 km from the Laotian-Vietnamese border along the Route No. 9 section of the EWEC and spreads outwards for 1 km along each side of the road. Land usage is to be split between trade and industry, with 529 hectares set aside for commercial centres and 1,220 hectares for industrial production. As with the SEZs, the Dansavanh zone offers various incentives in order to attract investment. These include: profit tax privileges; duty incentives; and exemptions on land leasing. Despite being legally established in 2002, progress has been very slow, lagging behind even the slow advance of the Savan-Seno project. Major obstacles to be overcome have included a lack of finance, poor infrastructure in Dansavanh, especially water supply and high-voltage electricity, an inadequate institutional framework and cohort of government officials to manage the zone, and a large land area contaminated with unexploded ordnance left over from the Indochina War. Eleven projects have been granted investment licences in the zone, nine of which are from foreign sources. These projects include a duty-free commercial centre, light manufacturing, banking, and a hotel. The insufficient infrastructure has however caused projects to be suspended and as of 2011 only a few had started construction.[33]

The government announced in 2012 that it intends to upgrade the Dansavanh Border Trade Commercial Zone into a full SEZ. This will allow the zone to offer a greater range of incentives to potential investors and will be drawn into the administrative framework of the National Committee for Special Economic Zones (NCSEZ).[34] No large private investor has been named as a developer of the zone, which indicates that the government will retain a strong influence on the management of Dansavanh once it acquires SEZ status. The zone authorities must take significant steps in solving the area's infrastructure problems in addition to creating investment incentives if the new SEZ is to become viable.

3. Future Economic Strategy and Development Policy

3-1. Vientiane Industry and Trade Park

The Vientiane Industry and Trade Park (VITA Park) is located at Xaythany District of Vientiane Prefecture, in the vicinity of Lao PDR's capital city, Vientiane. The city of Vientiane lies just across the Mekong from the Thai province of Nong Khai and has the most developed infrastructure anywhere in Lao PDR, in addition to good connectivity to Thailand by means of the First Thai-Lao Friendship

Bridge across the Mekong River. The VITA Park project has received approval for construction from the government. It is a joint venture between the Lao PDR government who hold a 30 per cent stake in the project, and a Taiwanese investor, the Ban Wei Development Company who hold the 70 per cent majority share. It covers a total land area of 110 hectares and there is an extendable 75 year contract to develop the land. The park is close by to a planned Vientiane train station and new government office area, factors which could increase its attractiveness to investors. The developers intend that the Park will have enough space for 147 units for industrial production, trade, and services, and also plan to build a shopping complex, vocational training centres, schools, a hospital and a hotel. This ambitious project is anticipated to provide employment for 200,000 people once in operation at full capacity. The government therefore hopes that it can have a significant impact on poverty reduction and economic growth in Vientiane and the wider economy.[35]

It is hoped that investors will be attracted to the park by a comprehensive range of incentives including: no import and export duties; zero consumption tax; zero company profit tax during the first 10 profitable years; only eight per cent company profit tax after the exemption period; local Laotian suppliers receive tax rebates on materials supplied to the zone; five per cent personal tax for foreigners, and a tax holiday for Laotian citizens; five per cent company bonus tax for companies with two or more shareholders after the exemption period; zero tax on companies' imported motor vehicles, equipment, and administration and building materials.[36]

At the end of 2011, the developer reported that the zone was 60 per cent complete, with over USD 3 million already invested and basic facilities constructed. The developer estimates by the end of 2012 the zone would be 80 per cent complete with final completion expected around 2016.[37]

3-2. Vientiane Industrial Park

Vientiane Industrial Park (VIP) is the second SEZ planned for the Vientiane region, and is located 18 km from central Vientiane in Xaythany District. An initial survey made by the Japanese International Cooperation Agency (JICA) put the cost of developing the zone at USD 73 million.[38] This cost would be divided into USD 13 million for local community relocation and USD 60 million for zone construction and development. The JICA study also noted that there was potential for benefits in production, employment, technology transfer, and tax revenue when the zone is fully operational.[39] The Lao PDR government is to be the primary developer of the zone with assistance from JICA.[40] The plan for constructing the VIP will fall into two phases between 2013 and 2015. In 2013, the focus will be on preparation such as project design and community resettlement. In the second phase construction will begin with facilities expected to be available to investors by 2015. The total area of the zone will be 2,000 hectares. As of 2008, 55 hectares had already been occupied.[41] Poor infrastructure in the local area, despite it being in the capital region, may hinder the rapid development of VIP into a fully functioning SEZ.[42]

3-3. Other SEZs

The government has recently given permission for the Phoukiew SEZ to be developed in Khammouan Province in central Laos.[43] Three other SEZs are under consideration in Champasak, Xayaboury and Xiengkhouang provinces, and a SEZ has been proposed for Houaphan Province in the northeast of the country.[44] The government announced in late 2011 that it intends to create a total of 41 special and specific economic zones throughout the country, with the majority being in border and remote areas. The government also invites Foreign Direct Investment (FDI) into the zones in order to make up for a lack of governmental financing capacity. It is hoped that these zones can create 50,000 jobs and increase per capita incomes. The government hopes to attract USD 3 billion of FDI to construct vital infrastructure over a ten-year period.[45]

4. Border Development Plans

Regional development plans which seek to complement SEZs in border areas have also been announced. The Nine Northern Province Economic Development Master Plan is a comprehensive plan that seeks to boost the northern region's economy as part of the effort to escape LDC status by 2020. The government hopes to utilise a '1334' model where there will be one economic centre (Luang Prabang), three economic corridors, three industrial focal zones, and four Border Cooperation Zones. The Border Cooperation Zones are an attempt to bolster cooperation in trade with China, Thailand and Vietnam and gain access to their large markets. The Cooperation Zones border China in Boten, Luang Namtha Province, Vietnam in Nong Het in Xiengkouang Province, and Thailand in Houayxay and Tongpheung in Bokeo Province and Kenthao in Xaignabouli Province.[46] It is noteworthy that two of these Border Cooperation Zones are located in the same area as the two SEZs in northern Laos. There will need to be an adequate level of cooperation between the authorities administering the differently designated zones in order to ensure that they are complementary. However, it remains unclear exactly how they will interact once fully operational.

The four provinces of Lao PDR's southern region, Attapeu, Champasak, Saravan and Xekong, have been included in the Triangle Development Master Plan to deepen the economic linkages between the south of Lao PDR, the central provinces of Vietnam and the north-eastern provinces of Cambodia.[47] The Cambodia-Laos-Vietnam (CLV) Development Triangle project has been under consideration from some time and is a key area of multilateral development strategy between the three countries. The development triangle has been proposed in order to better utilise labour, resources, land and infrastructure and so improve the sub-regional economy, consolidate peace and security between the three countries, and promote understanding between the different peoples of the region and raise their living standards.[48] The three countries first agreed to develop the Triangle in 2002, and in 2008 the Japanese government provided an aid package of USD 20 million to finance projects in the triangle, with an emphasis on improving human resources and spurring economic development. Of this USD 20 million, Vietnam received USD 3.5 million, Laos and Cambodia USD 7.5 million each, with the remainder funding research and surveys in the area.[49] In 2010, an agreement was signed that allowed for jointly-controlled border crossing points in the region. It also set up in principle meetings for concerned parties from the provinces involved, and laid plans to create a joint website promoting the Triangle.[50] At the end of 2011 at a conference in Attapeu Province in southern Laos, the three countries emphasised continued cooperation, especially in security, and cooperation between CLV and development partners in clearing unexploded ordnance and further developing human resources. In addition CLV also adopted a cooperative agreement for the management and operation of the CLV Development Triangle website.[51]

5. Legal and Administrative Status of SEZs

The legal and administrative framework of SEZs is set out in various Prime Ministerial Decrees. The most important among these are the *Decree on Special Economic Zones and Specific Economic Zones in the Lao PDR, No.443/PM*, promulgated on 26 October 2010, and *Decree on the Organisation and Activities of the National Committee for Special Economic Zones, No. 517/PM*, promulgated on 9 December 2010.

Decree No.443/PM sets out provisions on key aspects of SEZs, including: procedures for the establishment of SEZs; development, investment and activities within SEZs; transforming SEZs into cities; promotion privileges; SEZ land; finance, accounting and budgets of SEZs; settlement of disputes; internal management and administration and inspection of SEZs; management organisations of SEZs; and awards for persons having excellent achievements and sanctions for offenders.[52]

The NCSEZ is the government authority established to promote and manage the development of SEZs in Lao PDR. This body is accountable to the Prime Minister's Office and is chaired by the Deputy Prime Minister.[53] *Decree No. 517/PM* states that the NCSEZ was formed in order to encourage, promote and manage investment in the development of SEZs, so as to contribute to national economic development.[54] It is the body that oversees the overall development of the national SEZ strategy. The Committee consists of ministers from key Ministries such as Planning and Investment, Industry and Commerce, Public Works and Transport, Finance, Justice, and Information and Culture.[55] The NCSEZ is not a standing organisation but it is aided in its operations by a permanent secretariat, known as S-NCSEZ.[56] Regional SEZ authorities, including the Savan-Seno SEZ authority (SEZA) are accountable to NCSEZ.[57]

As the first SEZ properly established in Lao PDR, the Savan-Seno Economic Zone (SASEZ) is also regulated by the *Decree of the Prime Minister on Savan-Seno Special Economic Zone No.148/PM*, promulgated on 29 September 2003.[58] This decree established the Savan-Seno Special Economic Zone Authority, responsible to the government (now the NCSEZ as the superior administrative entity) and whose main duties 'are to screen, approve, administer and promote domestic and foreign investment in the SASEZ'.[59] As part of their duties the SEZA studies and proposes regulations for approval by the Prime Minister and the government; consults and coordinates with the relevant ministries and other agencies; and raises issues concerning the land acquisition and resettlement of local residents.[60]

Special economic zones in Lao PDR will have three main forms of investment in the development of basic infrastructure and utilities. Those that are: 100 per cent state-invested; joint state-private investment; and 100 per cent private-invested. Article 95 of *Decree No.443/PM* sets out the different management structures for each of the three types of investment projects. A 100 per cent state-invested project will be managed by an Administration Committee,[61] to be appointed by the Chair of the NCSEZ.[62] A joint state-private investment will be governed by an Administration Committee (again appointed by the NCSEZ) and an Economic Executive Board.[63] All private-invested projects will only be governed by an Economic Executive Board.[64] The Economic Executive Board is to be appointed by the NCSEZ. It is permissible for foreigners to be appointed to this Board.[65] Indeed, as Economic Executive Boards will only be present in joint or wholly private-invested zones then it is clear that they will act as the main administrative vehicle for private companies to manage their investments. The rights and duties of the Economic Executive Board focus almost exclusively on the economic aspects of the zone, as the body's name would suggest.[66] The focus of Administration Committee rights and duties is on security, the management of the zone's population and social development issues.[67]

6. Role of Official Development Assistance in SEZ Development

Overseas Development Aid (ODA) has not been a significant source of funding for SEZs *per se* but it has been vital for the development of infrastructure in Lao PDR. The national transport and energy framework that will allow SEZs to be viable has been primarily funded by ODA.[68] With the support of the United Nations Development Program (UNDP), the Lao PDR government established a round table process in 1983 that is now the primary platform for dialogue with aid donors, and which meets every three years.[69] In 2005 the Sector Working Group for Infrastructure was established comprising the ADB, the Japanese government, and the Ministry of Communications, Transport, Post and Construction of the Lao PDR government.[70] Japan is a key donor to the Lao PDR and in 2006 was the country's top donor country, followed by Vietnam, China and Sweden.[71] Japan has also provided grants and loans for road construction, education and hydropower.[72] National Road No. 9, which is a part of the EWEC and connects the SASEZ to Thailand and Vietnam, has also been developed with the assistance of funding from Japan.[73]

Foreign aid has been used to construct bridges in order to strengthen transportation links. The First Thai-Lao Friendship Bridge was built using Australian Aid.[74] The construction of the Second Thai-Lao Friendship Bridge, which opened in 2006, was financed by loans from the Japan Bank for International Cooperation (JBIC). This bridge is part of the EWEC, and connects Da Nang (Vietnam) and Mawlamying (Burma) through Savannakhet and Mukdahan. This was the first cross-border project using loans from JBIC and the construction site was administrated jointly by Thailand and Lao PDR. Prior to the construction of the bridge, it took two weeks by sea to get from Hanoi to Bangkok, but now the bridge has reduced the journey to just three days by road.[75] The construction of the Third Thai-Lao Friendship Bridge began in 2009 using funding provided by the Thai government. The Thai government spent USD 57 million on the project while the Lao PDR government gave land and tax privileges for the import of machinary and materials for construction. The bridge was opened on 11 November 2011.[76] This bridge connects Nakhon Phanom in Thailand to Thakhek in Khammouan Province of Lao PDR and has improved transportation links between Vietnam and Thailand. A fourth Thai-Lao Friendship Bridge is being built between Chiang Rai in Thailand and Houayxay in Lao PDR. This bridge will be part of the NSEC connecting Kunming in China to Bangkok, Thailand. Thailand and China are the donors for the construction costs of this project with USD 44.8 million due to be invested, shared equally between them. Construction has been delayed somewhat by a slowdown in project finance caused by the global financial crisis. The project is due for completion in 2013.[77]

7. Role of FDI in SEZ Development

Foreign Direct Investment represents a crucial component of Lao PDR's SEZ strategy. The Lao PDR government lacks the financial ability to fund all the zones that it intends to build and so has turned to drawing in investment capital from foreign sources. In addition to the foreign investors already mentioned, a number of other foreign companies have participated in the development of SEZ.

The Savan Pacifica Development Co. Ltd is a joint venture between the Lao PDR Government and Pacifica Streams Development Co. Ltd., a Malaysian-based company. Together they have initiated the development of industrial, commercial and residential zones in the SASEZ.[78]

In November 2009, another Malaysian-based company, DKLS Industries Berhad, signed a project development agreement with a state-owned Enterprise Nampapa Savannakhet for a water resource management project in Kaysone Phomvihane District in Savannakhet Province. The demand for water is expected to grow rapidly as the development of industries and residential areas proceeds within the SASEZ.[79]

In 2012 a Vietnamese company Golf Long Thanh Trade and Investment JSC signed an agreement to upgrade their Vientiane golf course and real estate complex into a SEZ. The company has also reportedly provided funding for schools and healthcare in Lao PDR.[80]

The government aims to attract USD 3 billion of FDI to build infrastructure in the numerous SEZs that are being planned.[81] It is also hoped that once sufficient infrastructure is built then greater numbers of foreign investors will move into the zones to trade and start industrial production.

8. Conclusion

Lao PDR's intention to use SEZs as a tool to develop the country's economy is an ambitious plan that is by no means guaranteed success. There are signs that the model of SEZ development that the government is promoting is deficient and may in fact create as many problems as it solves.

The Lao PDR government views SEZs as a solution to the problems of an economy over-reliant on the resources sector and unemployment amongst the young. However, the pace of SEZ development has been rather slow, even though plans for such zones were formulated more than 15 years ago. At the time of writing, three SEZs are in the early stages of operation. One of the zones in Boten has already experienced serious difficulties. The government is still learning how to manage and operate all three

zones in conjunction with the private sector, with a decree governing these complex relationships only promulgated in 2010. Inadequate infrastructure has also hindered development of the zones, an issue that can become more serious when the government attempts to establish zones in more remote areas of Laos, especially in mountainous regions. Nevertheless, authorities are pushing forward with plans for other zones. To fully benefit from SEZs it may be advisable to first ensure that the existing SEZs are operating smoothly and that the management systems in place for these zones are robust. It will take time to correct flaws in the management and administration of the zones and also to ascertain whether SEZs are fulfilling their long term goals. The building of state capacity and technical knowledge is an ongoing process and rushing the implementation of a zone without the requisite administrative knowledge may result in serious errors. If SEZs fail to live up to expectations in Lao PDR it would be counter-productive to continue setting up new SEZs when precious resources could be better utilised elsewhere. Resources and effort should be concentrated to ensure that the pioneering SEZs are well-run and productive. The government can then learn about the strengths and weaknesses of the zones before beginning substantial implementation of other SEZs.[82]

SEZs in Lao PDR must be built in areas with adequate infrastructure if they are to succeed. A number of proposed and existing SEZs lack sufficient infrastructure. The Dansavanh Border Commercial Zone, due to be upgraded into an SEZ, has had investment projects suspended due to inadequate infrastructure and even a proposed SEZ in the capital region, Vientiane Industrial Park, was criticised for being poorly serviced by existing infrastructure. This issue will become more serious as the government tries to establish zones in more remote areas of Laos, especially in mountainous regions. The Lao PDR government should ensure that all areas proposed for SEZ development have, or are making significant progress towards having, adequate transport, energy and legal infrastructure in place.

Even if SEZ development is taken at a suitable pace and adequate infrastructure is put in place, the SEZ project may be undermined by the very model that the government is adopting. As they lack the financial capacity to fund the SEZ programme, they are reliant on private capital streams, especially from foreign sources, in order to realise their development strategy. This reliance on foreign investment comes with potential dangers as well as benefits. The SEZ model of most concern is the 100 per cent private-invested and controlled SEZ. In Boten, Laos essentially lost sovereignty over a portion of its territory, local people experienced few benefits and many problems from the operation of the zone, and there was little, if any, fostering of sustainable, equitable development in the wider area. Allowing investors full control over zones can result in outcomes that enable investing companies to make high profits in the short-term but offer few solutions for long-term employment, poverty alleviation and economic growth. As in Boten, economic enclaves may be formed where socially and environmentally destructive industries and dubious business practices flourish. As noted above it will take time for the Lao PDR government to put in place adequate management and administration systems for the zones, especially as it has limited capacity, but it is imperative that SEZs are regulated properly and that private investors are not allowed to have too much power relative to other stakeholders. If SEZs are to benefit the whole nation then investors must not be accorded too many rights and privileges that are to the detriment of local people, and the state must maintain its ability to promote balanced and equitable development.

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Photo courtesy of MAP Foundation

A banner promoting Mae Sot as a provincial trade zone. Mae Sot, October 2010.

Thailand Border Economic Zones Overview

1. Background of BEZs Development

The establishment of Border Economic Zones (BEZs) along Thailand's frontiers is a result of political and economic changes within the Greater Mekong Subregion (GMS). This regional political economy is rooted in broader global trends by which, over the past thirty to forty years, 'core economies' have globalised supply chains, integrating East and Southeast Asian production networks as East Asian economies were themselves moving towards greater export focus.[1] In the GMS, investment capital came largely from the surging East Asian Tiger economies, especially Taiwan, beginning in the early 1980s.[2] These transnational capital flows were part of trade liberalisation programmes then being pushed by 'Washington Consensus'[3] actors like the US Agency for International Development (USAID) and the World Bank.[4]

Taiwan's own shift from Import-Substituting Industrialization (ISI) to Export-Oriented Industrialization (EOI) released substantial investment capital in Southeast Asia, and eventually led to a similar transition for countries in the GMS, including Thailand. Under Field-Marshal Sarit Thanarat, the military strongman in power from 1957 to 1963, Thailand adopted an ISI model oriented towards generating economic growth and protecting domestic industries, notably agriculture.[5] However, in the mid-1980s, the protectionist domestic focus became unworkable for a number of political and economic reasons. As a result, policy makers pushed a labour-intensive EOI model, moving towards greater export focus, and utilizing the wave of FDI from Taiwan and other Tiger economies, especially Hong Kong and Japan. The EOI approach led to an increase in labour-intensive light manufacturing,

mostly for garment and textile production, which would later be extended to more capital-intensive industries such as automobile and electronics manufacturing.[6]

Early progress in this EOI period coincided with the influential administration of Thai Prime Minister Chatichai Choonhavan (1988-1991). As the 1980s came to a close, the Chatichai's administration oversaw the 'from battlefields to marketplaces' approach to regional economic growth. This sought to move beyond regional conflict to integration through trade networks. The administration's so-called 'constructive engagement' policy towards Burma/Myanmar formed part of the same vision for growth in the GMS. It remains significant today, having provided the framework for promoting economic development through trade-based regional integration.[7] Deregulating capital flows and trade networks, and enabling the free movement of foreign investment, became policy priorities. Regional integration thus drew heavily on a neoliberal approach, laying the foundation to create a flexible labour force in the GMS.

Chatichai's regionalist vision implied a reconsideration of rural and border areas, seeking to more fully integrate them into economic networks where overland trade activity could take place within the region. Policymakers also sought to address the unevenness of Thailand's ISI period, when economic growth was concentrated in urban areas. A decentralisation programme emerged as a way to better spread the benefits of economic progress. National peripheries emerged as priority objects of developmental planning and policymaking. In its planning work, Thailand's National Economic and Social Development Board (NESDB) attempted to unite this rural focus with export growth; the Board of Investment (BOI) then released a policy package in 1993 aimed at implementing the industrialisation of rural areas. In their 'Policies and Criteria for Investment Promotion', the BOI structures investment incentives according to Thailand's emerging capital geography. Therefore, investment in the already industrialised central part of the country receives little or no incentives, while investment in rural regions and borderlands are provided significant incentives aimed at decentralising economic growth and development, and to turn nationally marginal space into new economic regional formations.[8]

These policy moves followed decades of substantial change in Thailand. From the late 1950s until the economic crisis of 1997, Thailand maintained significant economic growth, with not a single year of negative economic output after 1958. In the early 1990s, Thailand became the fastest growing economy in the world, with the *Economist* predicting that by 2020 it would be eighth largest in the world. When the financial crisis struck in 1997, the entire economy had completely changed shape in little more than twenty years. From a domestically oriented economy heavily dependent on agricultural production, Thailand had become a prime location for export-oriented, labour-intensive light manufacturing, and medium-tech capital-intensive production.[9]

Strong export demand helped spur Thailand's economic recovery from the 1997 crisis. As a result, the arrival of Thaksin Shinawatra's administration in 2001 brought a continuation of a fairly unbroken policy emphasis on export-led growth. Thaksin's administration drew on a strengthened financial infrastructure. After 2002, Thaksin's policies also linked to a new plan by the Asian Development Bank (ADB) to build Economic Corridors (ECs) as part of their GMS Program (founded in 1992).[10]

Notwithstanding strong economic growth, the adoption of neoliberal economic policies has not been completely positive. In particular, the negative impact of EOI on labour movements is a shared trend across export-focused Southeast Asian economies, in part due to the emphasis on mobility present in neoliberal capital flows. In order to capture liberalized movements of FDI across an investor-hungry region, and subsequently maintain that capital presence, states have sought to suppress labour rights and trade unions, while deregulating corporate and SME trade practices.[11] In Thailand the possibility of capital flight, especially as business leaders saw Thailand losing comparative advantages to Vietnam and China in the 1990s, has produced a 'race to the bottom' approach to labour rights and working conditions that has, among other impacts, set a negative precedent for migrant worker conditions along the Thai-Burma border.[12] Worker exploitation is thus best understood not as a negative externality of

industrial capitalisation, but as a phenomenon that is very much internal to the workings of mobile capitalist production in Southeast Asia.

2. Policy Framework of BEZs

In Thailand, the terminology related to BEZs is not always consistent. The best approximate translation of the most relevant term seems to be Special Border Economic Zone (SBEZ). When Thai policy makers designated Mae Sot a SBEZ in 2004, discussion immediately followed to establish a Special Economic Zone (SEZ) in Mae Sot as well. The SEZ plan never succeeded, though SEZ discussions have come and gone several times since the original talks at the end of 2004 and beginning of 2005, with a new discussion around a SEZ project currently underway). On a much larger-scale at the level of national administration, SEZs in Thailand differ greatly from SBEZs, which are not self-contained administrative units (like SEZs), but rather a collective name to refer to a cluster of policies and agreements meant to streamline and formalise trade in a border area. Journalistic accounts often refer to SEZ projects in and around Mae Sot, but no such SEZ currently exists, progress remains slow and the current discussions may be no more successful than previous ones.[13] The SBEZ status, on the other hand, has remained in place since 2004.[14]

Thailand's National Economic and Social Development Board (NESDB) have been influential in developing the vision for promoting industrial light manufacturing in border areas. Since the NESDB's 7th National Economic and Social Development Plan (1992-1996), the national planning authority has served to protect Chatichai's vision of decentralised economic growth, including in border areas.[15] The BOI's 'Policies and Criteria for Investment Promotion', the 1993 policy package that created incentives for border investment through the establishment of a three-tiered system of zones, can be seen as an attempt to transform NESDB plans into concrete policy action.

Further NESDB Development Plans also stressed border-area economic initiatives, with the 8th Plan (1997-2001), though perhaps eventually shaken by the 1997 crisis, emphasising border trade as a way of building ties with neighbouring countries.[16] The 9th Plan, released for the period 2002-2006, draws on the creation at the time of the ADB's regional ECs, noting that particular policy attention should be paid to those border or border-area sites that fall on either the North-South Economic Corridor (NSEC-Chiang Rai in particular) or the East-West Economic Corridor (EWEC-Mae Sot). Later, the 10th Development Plan (2007-2011) further demonstrates planning commitment to border industry, suggesting some degree of policy continuity between Thaksin—whose administration was itself devoted to Chatichai's regionalist vision-and subsequent administrations during turbulent years for Thailand's political establishment. However, political will has not always matched planning vision during this period, as early plans for an SEZ in Mae Sot were withdrawn by early 2007, recently being reconsidered. The 11th Development Plan (2012-2016) reasserts the strategy of integrating with neighbouring countries in order to boost commerce and investment. BEZs and border towns are specifically mentioned as key components of this 'integrated spatial development', which also incorporates the creation of infrastructure and logistics networks.[17]

Still, the centrality of the NESDB as a planning authority may have declined, perhaps alongside the status of the Industrial Estate Authority of Thailand (IEAT). Recently Mae Sot-area border-trade plans have been driven instead by the Ministry of Commerce, including the plan for further cross-border economic cooperation. In response, officials from the BOI and NESDB have voiced skepticism over the plan, likely reflecting the internal non-coordination of policy objectives since the withdrawal of the SEZ plan several years previously.[18] Little significant implementation of the Ministry of Commerce plan has yet taken place, and its relation to Mae Sot's SBEZ status is unclear. In late 2011 and 2012 the Ministry of Commerce attempted to kick start its lapsed plan for the establishment of the SEZ. A working panel was established by the Ministry to re-evaluate the draft law for the SEZ and clarify and promote the predicted benefits of a special trade and investment area.[19] In addition the

Ministry of Commerce, as well as the Foreign Ministry, began to make renewed calls on the Prime Minister, Yingluck Shinawatra, and the cabinet to accelerate the development of the zone and commit resources to the project.[20] This increase in political promotion of the zone has been spurred by the looming creation of the ASEAN Economic Community (AEC), an ASEAN-wide single market, which ASEAN governments intend to establish in 2015.[21] It must be noted however that these calls for the establishment of the SEZ could be yet another of the periodic rounds of planning and discussion which fails to translate into practical policy action. It may be that the Ministry of Commerce still does not have the political will to push the plan through.

3. Role of Official Development Assistance in BEZs Development

Thailand is no longer a major recipient of Official Development Assistance (ODA) and has indeed become a source of aid for its neighbours due to its much higher level of economic development.[22] The development of BEZs in Thailand has however been assisted by ODA which has flowed into the GMS to boost cross-border economic infrastructure, the development of which has helped to make BEZs in Thailand economically viable and attractive to investors. For example, a Japanese loan made possible the construction of the Second Thai-Lao Friendship Bridge across the Mekong that connects Mukdahan in Thailand and Savannakhet in Lao PDR.[23] This is a crucial link in the EWEC and improves the chances of BEZ development in both countries. Similarly the development of the NSEC in Lao PDR has been aided by loans from the ADB, China and Thailand itself, and the construction of the Fourth Thai-Lao Friendship Bridge across the Mekong Chiang Rai in Thailand and Bokeo in Lao PDR has been jointly funded by Thailand and China.[24] This connectivity has, again, made the Chiang Rai BEZ a more viable proposition.

4. Role of Foreign Direct Investment in BEZs Development

Thailand benefited from a boom in FDI in the mid-1980s, as described above. FDI has continued to be an important component of the development of border areas. For instance, Mae Sot has received investment from Taiwan and Hong Kong,[25] and this investment has been partly responsible for making the area such an important production location in Thailand. Another example of FDI in BEZs exists in the far north of Thailand. The Thai government has been courting and attracting investment from China for the Chiang Rai BEZ since at least 2003.[26] The Thai government has sought to utilise Chinese investment and technical knowledge to complement Thailand's existing capabilities in the Chiang Rai zone.[27]

5. Conclusion

Thailand has been at the forefront of economic development in the GMS. Its early economic liberlisation combined with leadership that aimed to turn 'battlefields into marketplaces' has allowed for its economy to grow substantially in a short period of time. The major economic trends it adopted, shifting from agriculture to manufacturing, has at once increased economic growth and spurred on development in infrastructure. Committing to decentralise economic growth has been beneficial to Thailand itself, but also to other countries in the regions as BEZs are established and cross-border trade has increased. However, negative effects also accompany the substantial growth as well. In order for Thailand to remain attractive to investors, it has had to maintain a supply of cheap subordinate labour. This resulted in a 'race to the bottom' for wages, working conditions, and labor protections. Though Thailand continues to generate GDP growth, it often comes at the expense of migrant workers and those staffing the manufacturing jobs that produce much of Thailand's wealth. The successful establishment of SEZs, such as the one in progress in Mae Sot, may improve the regional economy, as well as formalise labour practices, benefitting both investors and workers.

Endnotes

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Photo courtesy of Huynh Thi Ngoc Tuyet

An advertisement board for leasing land and properties at the Moc Bai BEZ, April 2009.

Vietnam Border Economic Zones Overview

1. Background

Since late 1996, Vietnam's Border Gate Economic Zones (BGEZs) has formed part of the nation's economic development plan. Vietnam's long northern and western border stretches 4,600 km and separates Vietnam from China, Lao PDR and Cambodia. Vietnam has 25 border provinces and 97 border crossing points. Border Economic Zone (BEZs) in Vietnam can be said to have passed through three distinct stages:

(i) Prime Ministerial Decision No. 196, dated 18 September 1996, ushered in the experimental stage. Following this decision the Mong Cai BEZ was launched in Quang Ninh Province and was specifically designed to serve as a prototype experiment. The small northeastern town of Mong Cai quickly grew into a modern urban centre and became the model repeated in other locations.

(ii) An extended experimental period from 1997-2000, led to the creation of eight further BEZs in the following provinces: Lang Son, Lao Cai, Kien Giang, Cao Bang, Ha Tinh, Tay Ninh, Quang Tri and Kon Tum.

(iii) Prime Ministerial Decision No. 53, dated 19 April 2001, launched a more intensive level of border zone development with 14 more zones added since the Decision. These zones are in provinces throughout the country: Quang Ninh, Chi Ma in Lang Son, Ha Giang, Lai Chau, Long Sap, Son La, Dien Bien, Quang Binh, Quang Nam, Gia Lai, Binh Phuoc, Tay Ninh, Dong Thap, and Khanh Binh-An Giang.

By 2011 there were a total of 28 licensed border economic zone projects in 21 provinces.[1] Of these licensed zones, 18 had been established.[2] The 2008 'Master Plan for Developing Vietnam's Border Gate Economic Zones until 2020' also identified the provinces of Long An, Thuan Thien Hue, Nghe An and Thanh Hoa as locations for BGEZs.[3]

Decision No. 52/2008/QD-TTg, the 'Master Plan for Developing Vietnam's Border Gate Economic Zones until 2020', was issued on 25 April 2008.[4] If executed as planned, it will result in a total of 30 BGEZs being established by 2020. Combined, the 30 BGEZs are expected to exchange commodities and services with neighbouring countries amounting to USD 42-43 billion by 2020.[5] They are expected to extend through a number of provinces in three regions: Gia Lai, Kon Tum, Dac Lak and Dak Nong Provinces in the Central Highlands region; Binh Phuoc and Tay Ninh in the Southeast region; and Long An, Dong Thap, An Giang and Kien Giang in the Mekong Delta region.

The Vietnamese government also plans to build comprehensive infrastructure, management models, mechanisms and policies for nine BGEZs, namely: Mong Cai, Lao Cai, Lang Son, Treo Bridge, Bo Y, Moc Bai, An Giang, Dong Thap, and a special economic commercial zone in Lao Bao.[6]

In early 2010, the Prime Minister Nguyen Tan Dung approved a master plan to build a new BGEZ, Hoa Lu BGEZ, in southern Binh Phuoc province to boost trade with Cambodia.[7] This BGEZ, covering 28,364 hectares, is located along the Trans-Asia Highway, 150 km from Ho Chi Minh City and 300 km from Phnom Penh. By 2015 the BGEZ is expected to serve as a commercial, industrial and service centre, and to have a population of 80,000-100,000.

In order to promote increased investment in BGEZs, in March 2009, Decision No. 33/2009/QD-TTg was promulgated.[8] According to this Decision, new investors can enjoy preferable tax rates for 15 years, and an exemption of income tax for four years.[9] Land rentals of all projects in the BGEZs are free for the first 11 years,[10] while the income tax of workers hired within the BGEZs, both Vietnamese and foreign, will receive a 50 per cent reduction.[11]

2. Management Framework of BGEZ

The management framework of the BGEZs has been formulated by Vietnam's central government, and formalised by various Prime Ministerial Decisions. Each BGEZ is established by separate Decisions, while the master plans of the BGEZs are similarly issued by the Prime Minister. Foreign investment in BGEZs is governed by the Ministry of Planning and Investment in the same way as foreign investment outside BEZs. Regarding financial regulations and economic privileges, the main framework applies to all BGEZs, however there are also BGEZ-specific Decisions and Circulars which are designed and issued for each BGEZ.

For on-site management of BGEZs, management boards are established within each BEZ. In the case of the Moc Bai BGEZ, the Moc Bai Management Board of Border Gate Economic Zone was established in February 2008 by Prime Minister's Decision No. 236/QD-TTg.[12] This entity is a state agency under Tây Ninh People's Committee. The tasks of the Management Board are stipulated within Article 81 of Government Decree No. 108/2006/ND-CP, dated 22 September 2006, with the main functions being the management of investment, and the building and development of the Moc Bai BGEZ.[13]

Regarding the role of provincial government, in the case of the Moc Bai BGEZ, Tây Ninh People's Committee is tasked with promulgating the state administrative regulations for the projects which have direct foreign investment capital in Tây Ninh Province.[14]

3. Roles of ODA and FDI in Development of BGEZs

3-1. ODA

Official Development Assistance (ODA) has been injected into Vietnam to promote the development of BGEZs and to improve the investment environment. In March 2009, when a new series of polices for tax and rentals were issued, the Vietnamese government included infrastructure development on the list of target projects which would request ODA.[15]

The first part of an aid package from Japanese concessional loans in 2010 is worth USD 360 million, and aims to facilitate the attraction of more foreign investment through the East-West Economic Corridor (EWEC) in Ho Chi Minh City and other socio-economic infrastructure

Projects, as well as those aimed at environmental protection.[16] In 2009, a total of USD 287 million of Japanese ODA was injected into Vietnam for transport development projects, including:[17]

(i) Terminal 2 Construction Project at Noi Bai International Airport (I);
(ii) Noi Bai International Airport to Nhat Tan Bridge Connecting Road Construction Project (I);
(iii) Cuu Long (Can Tho) Bridge Construction Project (II);
(iv) Third National Highway No.1 Bridge Rehabilitation Project (II); and
(v) Hoa Lac Hi-Tech Park Infrastructure Development Project (Engineering Services).

South Korea has also contributed financial assistance towards the Noi Bai-Lao Cai highway,[18] while the Asian Development Bank has collaborated with the Vietnamese government on the Cooperation Programme for 2011, with a total of 19 grants valued at USD 12.7 million, 45 loan projects valued at USD 5453 million and 53 technical assistance projects valued at USD 65 million in the areas of agriculture, natural resources, environment, education and training, as well as regional cooperation.[19]

3-2. FDI

In 2007, the Vietnamese Government released a list of projects requesting Foreign Direct Investment (FDI) for 2006-2010 (Decision No. 1290/QD-TTg).[20] This Decision states that it is the responsibility of the ministries and provincial authorities' to assist foreign investors for preparation and implementation of their investment in the listed projects. The Ministry of Planning and Investment centralises investment related information, and proposes incentives and assistance to the Prime Minister for approval. One hundred and sixty-three projects are listed in total, including 70 infrastructure projects, such as ports, roads and infrastructure in industrial zones.

Endnotes

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Part 4: In-depth Study on Border Economic Zones and Migration

This part of the book details the impact BEZs have had in selected border areas between Thailand and Burma/Myanmar, Thailand and Cambodia, Thailand and Lao PDR, and Cambodia and Vietnam. Each chapter describes the background, management structure, relevant agreements and policies, current situation and future plans of the BEZs. They also note the impact they are having on migration flows, the working and living conditions in BEZs, and the lives of local people.

Photo courtesy of MAP Foundation

Mae Sot is declared as a special area.

In-depth Study on Border Economic Zones and Migration: Thailand-Burma / Myanmar

1. Overall Background

The Thai-Burma/Myanmar border is one of the longest borders in the Greater Mekong Subregion (GMS), stretching for upwards of 1,800 km across some densely forested and mountainous terrain. Only in the past few decades has formalised economic activity begun to displace the lucrative, unofficial trade networks that exist on both sides of the border. While for centuries centralised valley states sought to protect and secure power in these resource-rich highland regions, the post-World War II era has seen the national governments of Thailand and Burma/Myanmar achieve unprecedented success in consolidating border-area power. The militarised, state-centred regularisation of border-area trade has emerged within regional patterns of neo-liberal capital accumulation.

In recent years, Border Economic Zones (BEZs) have become a popular vehicle by which public and private actors on both sides of the border have sought to formalise border trade and link local, national, and regional economic networks. This chapter provides an in-depth focus on the BEZs that exist along the Thai-Burma border. This includes the BEZ that exists between Mae Sot and Myawaddy, the two border towns-the former in Thailand, the latter in Burma-linked by the Thai-Myanmar Friendship Bridge over the Moei River. These strategically important border towns have been selected as 'sister cities' in the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) scheme

drawn up in 2003.[1] In addition to the Mae Sot-Myawaddy BEZ, this chapter also focuses on the following four BEZs that are now situated along the Thai-Burma border:

- Mae Sai-Tachilek
- Sangklaburi-Three Pagodas Pass
- Kanchanaburi-Tavoy
- Prachuab-Tennaserim

While differences characterise the development of BEZs on either side of the Thai-Burma border, they form part of the same political and economic trends that have shaped development in the GMS over recent years. In the past thirty years, 'core economies' have globalised supply chains, integrating East and Southeast Asian production networks, pushing these developing economies towards a greater export focus.[2] In mainland Southeast Asia, industrialised capitalisation has drew on significant foreign investment from East Asian tiger economies, notably Taiwan.[3]

With Thailand's rapid economic growth of the late 1980s and early 1990s, cross-border migration from Burma increased. This was spurred by the Burmese regime's systematic mismanagement of the country's transition to a 'market-oriented' economy in the early 1990s. Political and economic stagnation in Burma combined with Thailand's surging economy also led to a diversification of sending communities from inside Burma, which had previously come predominantly from conflict-affected areas in Burma's border regions.[4] To capitalise on these cross-border flows of cheap labour and to balance Thailand's uneven development, in 1993, the Board of Investment (BOI) established Special Investment Promotion Zones which offered different combinations of tax and non-tax incentives to companies. The province of Tak in which Mae Sot is situated, was placed in Zone 3, the most heavily promoted zone in the scheme.[5]

The 1997 economic crisis caused deep shocks to the Thai (and regional) economic infrastructure. However, it did not substantially alter the country's underlying approach to export-led growth. When post-crisis Foreign Direct Investment (FDI) began to flow in the late 1990s and early 2000s, Thai policymakers sought to direct it towards encouraging steady labour migration in border areas. The 2003 ACMECS framework emerged in part as a result of these imperatives, with two main objectives. Firstly to decrease income inequalities by facilitating greater investment in rural and border areas; and secondly to contain labour migration flows in border areas by bringing export-focused industries to areas of heavy migrant in-flows. Thailand attempted to consolidate its regional power within a generalised free-trade approach to these dynamics.[6]

To that end, ACMECS discussions began with the selection of four border areas, all on the periphery of Thailand, to be established as Special Border Economic Zones (SBEZs): Mae Sot-Myawaddy, Mukdahan-Savannakhet, Trat-Koh Kong, and the Chiang Rai SEZ, which is ideally positioned on the North-South Economic Corridor (NSEC), at the intersection of Burma, Thailand, Laos, and China's Yunnan province.[7] The Mae Sot-Myawaddy and Mukdahan-Savannakhet SBEZs are on the East-West Economic Corridor (EWEC), and the Trat-Koh Kong SBEZ is on the Southern Economic Corridor (SEC).[8]

The rise of official border trade along the Thai-Burma border derives in part from state-level interest in regularising trade networks in border areas, bringing them within the limits of formalised government control and regulation. The pursuit of a BEZ policy has taken place within this framework, which also connects to broader trends in policymaking to integrate rural border space into national and regional formations. This latter process connects the Mae Sot-Myawaddy SBEZ to other neo-liberal growth strategies in the region. Those strategies have largely been Thai-led, especially within the ACMECS framework. The current push to re-designate Mae Sot as a special administrative zone suggests that integrated economic projects in the border area remain a subject of interest for policymakers, not to mention private sector actors who continue to push for the zone.

2. Thai-Burma/Myanmar BEZs

2-1. Burma Background

Beginning in the early 1990s, the Burmese regime began to openly pursue policies aimed at integrating the country into the region, both politically and economically. Neighbouring countries responded enthusiastically to Burma's overtures, as they sought to strengthen regional relations throughout the decade. In 1992, Burma joined the Greater Mekong Subregion Economic Cooperation; in 1997, it joined the Association of Southeast Asian Nations (ASEAN); and in 2003, ACMECS.[9] This pursuit of more open regional relations was met early on by the Chatichai Choonhavan administration in Thailand (1988-91), which sought 'constructive engagement' with Burma alongside its 'battlefields to marketplaces' approach to post-conflict economic growth elsewhere in the GMS.[10]

By the early 2000s, when the Thai government of Thaksin Shinawatra made clear Thailand's renewed interest in targeting border areas for economic initiatives, Burma's military regime was ready and willing to act as a partner in formalising cross-border trade relations. For planners and policymakers in Burma, the logic behind developing border industries is quite straightforward: what the central Burmese economy lacks in access to service links and dynamic export markets, and proximity to deep-water ports, an industrialised eastern Burma could readily provide, especially from the standpoint of access to Thailand's market infrastructure and ports.[11] The arrival of the ACMECS scheme in 2003, with its specific focus on capitalising border industries in the GMS, was thus a welcome development. The agreement further strengthened bilateral border-area trade, with Mae Sot and Myawaddy soon highlighted as a priority 'sister city' pairing.

2-2. Thailand Background

2-2-1. Mae Sai-Tachilek

On July 29, 2003, Thai government officials announced Thailand's first formal border economic zone, the Chiang Rai SBEZ.[12] The province's three customs houses at Mae Sai, Chiang Saen, and Chiang Khong, became officially linked under the project, thereby integrating cross-border trade with three neighbouring countries: Burma (through Mae Sai), China (through Chiang Saen), and Laos (through Chiang Khong). An additional advantage of this project is its location on the NSEC, part of the infrastructure development work of the Asian Development Bank's (ADB) GMS Programme. Related transport links directly connect Yunnan, China to northern Thailand through eastern Burma, with further passage by rail and highway to industrial centres in central and southern Thailand. Access to the Mekong River also provides important transport capacity.[13]

In the first two years after the announcement of the Chiang Rai SBEZ, implementation activities focused primarily on infrastructure development. However, in late 2004 the approach towards the SBEZ changed, in part because local communities protested against the industrialisation of Chiang Saen, given the district's cultural and historical status, which would later see it designated as a UNESCO World Heritage Site. Chiang Saen remains the customs house for Thai-Chinese trade, but priority within the SBEZ project has shifted to Chiang Khong.[14] Little progress has been made in recent years, probably due to the project dropping down the list of policymakers' priorities in the wake of a prolonged period of political conflict in Thailand.

The Mae Sai customs house is a relatively small part of the Chiang Rai SBEZ. As the site for processing Thai-Burma overland trade, the Mae Sai customs house accounts for 23.2 per cent of trade at the three Chiang Rai customs houses, while the Chiang Khong customs house (for trade with Laos) produces 14.7 per cent of trade, and Chiang Saen (for trade with China) is the largest at 62.1 per cent. In Mae Sai, overland cross-border trade takes place across the Friendship Bridge, with a 221 *rai*[15] site providing a site for customs processing. According to 2006 figures, exports to Burma far exceeded

imports to Thailand: THB 2,143 million compared to THB 457 million. Exports included refined oil, liquor previously imported to Thailand, instant coffee, steel, cement, tyres, and medicines. Imports included teak, agricultural products, clothes and jewellery.[16]

Since the R3B highway, the section of the NSEC that runs through Burma, connects Thailand to Yunnan China and to transport points in eastern Burma-namely Tachilek, Kengtung, and Mengla. These locations stand to gain not only from cross-border trade with Thailand, but as transit centres for trade involving China. The potential for Tachilek as a site for border trade is thus considerable, as it marks the gateway point for Thai imports to Burma, and a major transit point for Thai-Chinese overland trade. In Thailand, Mae Sai is a less crucial site for border trade, as it has only the fourth-highest cross-border trade volume with Burma, and the 16th highest in Thailand overall.[17]

2-2-2. Sangklaburi-Three Pagodas Pass

Sangklaburi is a border town in Thailand's western Kanchanaburi Province, with the Three Pagodas Pass the corresponding access point across the border in Burma's eastern Mon State. Like Mae Sot and Myawaddy, Sangklaburi and the Three Pagodas Pass were selected as a 'sister city' pairing under the ACMECS initiative. In 2006, the border town was the subject of some speculation regarding rail infrastructure, with a potential railway to pass through Thanbyuzayat in Mon State. Two objectives were suggested at the time to link the Three Pagodas Pass to the ADB's EWEC in Moulmein (Mawlamying), and to strengthen border trade with Thailand at the Three Pagodas Pass itself.[18]

More recently, the Three Pagodas Pass and its surrounding area has been the site of power struggles between the Burmese regime and Mon political leaders. The New Mon State Party (NMSP) has for long refused to become a State Peace and Development Council (SPDC) Border Guard Force (BGF), notably in the run-up to Burma's 2010 election. As a result, SPDC officials put pressure on the NMSP by appearing to cede control of an economic zone near the Three Pagodas Pass to more compliant ceasefire elements in Karen State, namely the Karen Peace Council (KPC). However, the status of the KPC's control of the zone is currently uncertain, as the KPC and the Democratic Karen Buddhist Army (DKBA), the largest ceasefire group in Karen State, have made signs that they will refuse BGF status themselves, thus unsettling the SPDC's power moves against the NMSP.

On the Thai side of the border, the Sangklaburi customs house registers the highest figures for Thai-Burma cross-border trade. In 2006 this amounted to THB 77.8 billion. This soaring figure is primarily down to the fact that this office processes natural gas imports from Burma by way of the Yadana Pipeline.[19] Mae Sot customs comes in second for Thai-Burma trade at a much lower THB 12.2 billion.[20] Unlike Mae Sot, however, Sangklaburi is not primarily an industrial site. Its small population of 25,000 (compared to 80,000 in Mae Sot, and upwards of 200,000 in surrounding areas) has enabled only limited growth of manufacturing industries. Employers commonly are subcontractors for Bangkok-based firms, who rely on workers from Burma, most of whom either cross the border daily to work or live on-site at their workplace.[21]

2-2-3. Prachuab Khiri Khan-Tennaserim

Prachuab Khiri Khan's status as a border-trade site owes much to natural resource processing and iron production. The Thai government, acting through the Industrial Estate Authority of Thailand (IEAT), has partnered up with the Sahawiriya Group to develop an iron production industrial estate in Bang Sapan district.[22] This public-private partnership aims to scale up iron production, which has become a major industry in the province. The other major industry in the area is agriculture processing, with pineapple and coconuts the most important produce.[23]

Cross-border cooperation in the region has focused on the development of transport and logistical systems to link industries in Prachuab Khiri Khan and neighbouring provinces with the development of the Tavoy (Dawei) deep-sea port in Burma. Natural gas from the Burmese side is

Photo courtesy of Omsin Boonlert

In Mae Sai, overland cross-border trade with Burma/Myanmar takes place across the Friendship Bridge.

crucial for these industries.[24] The strategy aims to promote a 'gateway to the Andaman' approach to seaboard trade with Burma, with a focus on six provinces: Kanchanaburi, Samut Sakhon, Ratchaburi, Petchaburi, Prachuab Khiri Khan, and Chumporn. Logistical development has had the effect of boosting cross-border trade in the region.[25] The Dan Singkorn-Maw Danung border checkpoint is one crossing that has the potential for further development. Both Burmese and Thai authorities have expressed interest in increasing the volume of trade moving between the countries at this point, although development in the past has been hindered by the Burmese military's conflict with the Karen National Union (KNU) in the area.[26] One estimate puts the volume of informal trade through the checkpoint at around THB 100 million annually, and this has the potential to increase with further construction of infrastructure linking the industries and ports in the area.[27] The opening of the checkpoint has also stimulated migration to the Maw Danung area on the Burmese side, with migrants possibly viewing the area as an additional entry point into Thailand.[28]

2-2-4. Kanchanaburi-Tavoy

Kanchanaburi is the largest of Thailand's central provinces, beginning about 130 km west of Bangkok and sharing a 374 km border with eastern Burma. The province has been given Zone 2 investment status by the BOI, meaning that there are greater incentives to invest there than in Zone 1 provinces, but lesser than Zone 3 provinces (such as Tak Province, where Mae Sot is situated).[29] Kanchanaburi has not seen industrialization on the scale of other provinces, and indeed there are currently no SEZ or SBEZ established in the province.[30]

Any industrial development in Tavoy (Dawei), the capital of Tennaserim Division in southern Burma, will undoubtedly benefit from its close proximity to this port. Tavoy has been the site of periodic large-scale economic development since at least the mid-1990s. In 1996, the Kanchanaburi chapter of the Federation of Thai Industries proposed a contract with the Burmese military regime to build an export centre in Tavoy. The project sought to connect Tavoy and surrounding areas to corresponding districts in Kanchanaburi province, namely through a Tavoy-based industrial zone and a highway connection between Tavoy and Kanchanaburi. Due to a lack of investors, the project downsized to a small-scale road linking Ban Bongti in Kanchanaburi to Tavoy.[31]

Attention has more recently turned again to Tavoy's deep-sea port. In May 2008, an agreement was reached between Burmese and Thai officials to develop the port and necessary related infrastructure, with eventual goods transport possible to points west of Burma, as well as to Laem Chabang in Thailand.[32] In November 2010 Thailand's largest construction company, Italian-Thai Development Public Co. Ltd., signed a 60-year Framework Agreement with the Port Authority of Burma to build a port at Tavoy, as well as an industrial estate on a 250 square km plot of land. This is to be done through the Dawei Development Company, a wholly-owned subsidiary of Italian-Thai, and is projected to cost USD8.6 billion. The project is to proceed in three phases. The first phase involved the construction of a 160 km eight-lane highway to the Thai border. This phase was completed in April 2011, with the

highway crossing the border at Ban Phu Nam Ron in Kanchanburi. The road is seen by governments as a crucial part of the SEC that stretches across Thailand and Cambodia and links with Vung Tau and Quy Nhon in Vietnam. It is thus integral to the development of Thailand as a logistics hub for trade within the GMS. The second phase is the construction of the Tavoy (Dawei) port itself. Positioned on the Indian Ocean coast, the port will have the capacity to quicken exports of Thai and Southeast Asian goods to South Asia, the Middle East, and beyond. The third phase involves the construction of an industrial estate that if fully realised will be the biggest industrial estate in Southeast Asia. Current project plans also call for a rail link between Tavoy and Bangkok-to some extent reviving the earlier discussions around the Thanbyuzyat railway-passing through Kanchanaburi province.[33] This plan has raised concern about the large number of people being displaced by the development and the effects on the environment.

3. Mae Sot-Myawaddy

3-1. Mae Sot Background

Mae Sot is a border district in Thailand's northwest Tak Province. Located on the Moei River, it is connected by the Thai-Myanmar Friendship Bridge to the adjacent Burmese border town of Myawaddy. Mae Sot and its neighbouring districts, especially Mae Ramat to the north and Phob Phra to the south is host to large numbers of migrants from Burma. It is estimated that in Mae Sot municipality alone, cross-border migrants account for about two-thirds of the official population of 80,000. Estimates that include undocumented migrants in Mae Sot and the surrounding border area suggest the total migrant population may exceed 200,000, with the area's many garment and textile factories providing the most common form of employment.

Mae Sot's significance as a site of cross-border trade, and subsequently as a major location for textile manufacturing and industrial production, can be traced back to the influential economic trends of the late 1980s when the Chatichai government in Thailand pursued constructive engagement policies with Burma, Laos, Cambodia, and Vietnam (see Thailand BEZ Overview and BEZ Regional Overview chapters).

Over time, the number of border area investors grew steadily, due to a number of factors. In the early 1990s, the BOI identified Tak Province as an Investment Promotion Zone 3, meaning industries were given strong incentives to relocate to the area. That designation was part of a growing policy consensus, often pushed by the National Economic and Social Development Board (NESDB). This involved decentralising economic growth and development, including moving away from core city development and pushing economic initiatives in border provinces. This would achieve roughly the same objectives that the ACMECS framework would later implement; i.e. closing urban-rural income gaps, and containing cross-border migrant flows in border areas through industrial relocation initiatives.[34]

At the same time, as the 1990s progressed, the Thai economy experienced rapid growth, and average wages increased at a rate of 8 per cent per year. The combination of government incentives, lower wages outside Bangkok, and easy access to migrant labour at the border saw rising numbers of factories either relocating to or opening in Mae Sot and Tak province to keep their production costs low.[35] Many of these factories were, and continue to be subcontractors working in partnership with companies based in industrial areas of central Thailand. When the economic crisis hit in 1997, economic stabilization measures emphasised export promotion as a component of recovery plans, such that by the late 1990s and early 2000s, industries working out of Mae Sot were decidedly export-oriented.[36]

The strong growth that would define Mae Sot's border trade through the 2000s took off in the early part of the decade. When the ACMECS Plan of Action was drawn up in 2003, Mae Sot was put forward as a potential border economic zone to be paired up in a sister city agreement with Myawaddy. In addition, under the ADB's GMS programme, Mae Sot was identified as a possible site for a Special Border Zone

Photo courtesy of MAP Foundation

In front of the office of employment recruitment, Mae Sod, where migrants working in Mae Sod renew their work permit.

(SBZ) for 'the import, temporary storage, processing, value adding, and re-export of agricultural products and other raw materials such as wood and precious stones'. Potential additional activities included the processing of household plastic items, and the assembly of bicycles, motorcycles, and agricultural equipment for re-export to Burma.[37]

On 19 October 2004, a resolution by the Thai cabinet signalled official national support for plans to establish a SBEZ in the Mae Sot area, with Mae Sot to be a centre for industry and Mae Ramat and Phob Phra districts to focus on agriculture. A draft bill for a larger-scale Special Economic Zone (SEZ) would follow, along with multiple feasibility studies and several SEZ-related projects, but the draft bill was withdrawn by early 2007.[38] Periodic discussions about revisiting the SEZ have taken place since then, but with few concrete results. Mae Sot's SBEZ status, by contrast, remains in effect.

The growth of trade in Mae Sot has been considerable since the early 1990s. On the Thai side of the border, a number of factors, such as BOI investment incentives and decentralising development policies, have helped create very favourable conditions for more formalised trading and labour-intensive manufacturing. On the Burmese side of the border, sustained political and economic stagnation has combined with protracted civil strife in eastern Burma to create and maintain a dense flow of cross-border migration. Between 1993 and 2000, the confluence of these factors made for a rise in registered capital investment in Mae Sot from USD 5.54 million to USD 24.21 million.[39] Then with the 1997 recovery dictating stronger reliance on the export-oriented industries commonly found in Mae Sot, growth rates continued to climb. Official Mae Sot border trade in 2007 was estimated at USD 360 million, with later government claims putting trade expectations at USD 515 million for 2009 and USD 606 million for 2010.[40] Unofficial trade is far higher, with the official border crossing mechanisms easily bypassed by any number of piers along the Moei River. Unofficial trade as of 2007 was estimated to be as much as USD 1.4 billion, more than four times the volume of official trade for that year.[41]

This pathway of capitalisation, it should be noted, coincides with the longstanding suppression of labour rights in Mae Sot, including a history of adversarial industrial-labour relations. Over the past decade, reports by NGOs and independent researchers have consistently documented the difficult conditions that characterise migrants' struggle to survive in Mae Sot. At times, migrants' everyday challenges have included outright violence and threats to their physical security. The Asian Human Rights Commission once described the situation in Mae Sot as follows:

> Burmese migrant workers on the Thai-Burma border are routinely subjected to abuses and violence by the employers. Law enforcement officials in Thailand have for years failed to investigate and prosecute such cases. For example, in January 2002, at least 17 Burmese migrants were killed and dumped in a stream (Mae Lamao massacre). In 2003, six Burmese men were extra-judicially killed by local authorities. In 2002, a Burmese migrant worker died after being beaten and set on fire by her employers. Migrant workers are also suffering from poor working conditions and underpayment.[42]

Indeed, violence and abuse against migrants are part of broad structural conditions whereby employers and local officials systematically work to maintain labour subordination, and thereby prevent the flight of firms and investors to more 'capital-friendly' locales.[43] Activists and labour rights organizations have been targeted as well, with one prominent leader surviving an attack in 2004 and going into hiding, reportedly due to the local employer federation's opposition to a labour case then working its way through provincial courts.[44] Eventually, multiple court victories for migrant communities increased the profile of labour rights concerns, helping to break the code of impunity that had for so long characterised the exploitation of migrant workers in Mae Sot.[45] Furthermore, with migrants and community activists more aware of how to access the justice system, more success in the courts followed, along with a general decrease in outright violence against migrants.[46]

Although migrants and activists have gained significant ground in protecting the rights of workers and their families, capital investment in Mae Sot has in many ways been a history of labour rights suppression. As investment figures continue to grow, even in the wake of the recent economic downturn, questions remain about the degree to which structural conditions will persist in incentivising downward pressure on labour standards, as a strategy of preventing capital flight. Recent estimates of the number of factories have tended to converge around three to four hundred as a total number.[47] In addition, 2011 figures for the registration of migrants put the total number in Tak province at 24,285, though the total migrant population in Mae Sot is thought to be more than treble that figure.[48] Further, it should be noted that despite the centrality of factory workers to border-area labour discussions, considerable numbers of migrants work in agriculture, domestic work and other sectors.

3-2. Myawaddy Background

Myawaddy is a Burmese border town in eastern Karen State. It is across the Moei River from Mae Sot, the Thai border district. Myawaddy's status as a trading centre has roots in several decades of political and economic change-and at times, stagnation-in Burma, Thailand, and the GMS. In 2005, those factors came together such that the regional ACMECS scheme highlighted Myawaddy as a priority location, in no small part due to its proximity to Mae Sot's thriving industries and strong service links. In 2006, construction began near Myawaddy on projects related to its ACMECS status, and in March 2008, state media in Burma officially announced the opening of the town's Border Trade Zone (BTZ).[49] It is the second largest such zone in Burma, after the Muse 105th Mile BTZ connecting Burma to China.

Reliable source material on Myawaddy-based border trade is scarce. However, two points in recent decades stand out as helping to create the conditions necessary for Myawaddy to become a major Burmese trading town: the 1988 student uprising of and the events that followed; and the early years of the Thaksin Shinawatra administration in Thailand (2001-2006), in which Thaksin's economic policies reshaped regional trade networks in the GMS. Indeed, the ACMECS scheme identified the promotion of border trade as a crucial component of regional economic planning. As a result, Myawaddy emerged both in the shadow of Mae Sot-the latter certainly the economically stronger of the two-and as its necessary 'sister city', a convenient transit point from Thailand into Burma and vice versa.

Before 1988, economic activity in the country's eastern border regions was almost entirely unofficial. Working with Burmese and Thai traders, armed rebel movements—based in Shan, Lahu, Pa-O, Kayah, Karen, and Mon areas-financed rebellions through a robust trade based largely on natural resources, controlling major trade routes and limiting the influence of the central Burmese state.[50] The post-independence period featured essentially no formal bilateral trade. Indeed, independence marked the onset of border-area rebellions, and the subsequent seizure of power in 1962 by General Ne Win and the Burma Socialist Programme Party (BSPP) established non-alignment and economic self-sufficiency as central policy priorities.[51] While unofficial trade flourished, the borders were officially closed.

The student uprising of 1988, and the events of the following few years, substantially changed the outlook of Burma's economic policies, including in border regions. Two processes achieved this effect: (1) the growth in strength of the Burmese *Tatmadaw* (armed forces), particularly after the annulled election of 1990, which allowed the new State Law and Order Restoration Council (SLORC)-then the new name for the Burmese regime, to expand and intensify its counterinsurgency campaigns against border-area rebel groups; and (2) the increased policy interest in establishing and promoting industrial zones as a cornerstone of official economic policy.[52] The Burmese military's renewed attacks on rebel movements paved the way to consolidating power, and formalising trade in previously insurgent-held border regions. By the mid-1990s, power relations had changed considerably in eastern Burma, alongside economic policies in Thailand that were increasingly focusing on border trade.

Meanwhile, changes were also underway in central Burma, as experiments in domestic industrialisation, brought in part by attempts to resolve sustained political tensions, combined with a more open approach to regional foreign and economic policy. The economic impacts of these moves proved uncertain at best, since despite official claims of double-digit GDP growth beginning in the late 1990s, household incomes and expenditures were effectively stagnant, and manufacturing as a share of GDP grew significantly slower than neighbouring countries'.[53]

Perhaps in recognition of the economic shortcomings of the 1990s and early 2000s, policymakers were receptive when the ACMECS initiative focused on Myawaddy as a 'sister city' to Mae Sot for cross-border economic collaboration. Border trade could escape the negative conditions restraining economic growth in central Burma: poor infrastructure and service links, a hostile investment environment, lack of access to dynamic markets. Like other BTZs in Burma, Myawaddy features substantial economic connectivity: closeness to Thailand's markets and service links (e.g. Bangkok's two deep-water ports) as well as a prime location on the EWEC.[54] Furthermore, within the ACMECS framework, Myawaddy served as something of a Burmese test case for cross-border economic cooperation. By 2007, with implementation of the border trade zone well underway, the town was seen as a successful demonstration of the benefits of cross-border integration, and reason to pursue similar activities in other border regions.[55]

In late March 2008, Burmese state media announced the official opening of the BTZ near Myawaddy. About 10 km outside of Myawaddy on the road to Moulmein (Mawamying), the BTZ would operate much like the SBEZ in Mae Sot. The zone features buildings for export and import inspection, warehouses and other storage space, and open plots of land for further factory and warehouse construction.[56] The export focus may be an attempt to address the official balance of trade, which at this border, like at other borders, has been solidly in Thailand's favour. For while trade expanded significantly between Mae Sot and Myawaddy over the last decade, the surplus has been in Thailand's favour; in 2006 alone, exports to Myawaddy were valued at THB 10.9 billion, while exports to Mae Sot were valued at THB 130 million.[57]

Items traded through the BTZ's export mechanisms vary, ranging from different marine products, to agricultural products, to natural resources. Facilitating the export of these products, including providing infrastructure for temporary storage, processing, and value adding is offered as the main purpose of the Myawaddy BTZ. The physical size of the zone is roughly 30 ha, with an additional 50 ha reserved for possible further expansion.

The opening of the BTZ points towards the kind of economic change that may account for significant reported population growth in Myawaddy. In 2005 the population of the town was cited as 57,535, while local authorities currently estimate the population to be closer to 150,000.[58] Nonetheless, while migrant workers are thought to account for as much as 80 per cent of the town's recent population growth, a 2008 study reported Myawaddy's labour force at only 6,000-well short of the projected 52,000 that the area would require at maximum capacity.[59] Still, the IEAT, a major actor in Thailand's border-area economic initiatives, cites lower wages in Myawaddy as one reason Thai firms may push

to relocate businesses in the BTZ, using the export focus of the zone to facilitate goods and products' re-entry into Thai, regional, and international markets.[60]

Though the lack of information makes the current status of the Myawaddy zone difficult to assess, there is reason to believe it may be in transition. In October 2009, the announcement of plans for a second Friendship Bridge north of the existing Mae Sot-Myawaddy bridge followed only a few months after a military campaign by the DKBA against the KNU, the longstanding rebel group holding territory in Karen State. This series of attacks, which resulted in the displacement of about 5,000 people, was reportedly linked to the DKBA's plans to consolidate space for an economic zone running north from Myawaddy through areas previously held by the KNU.[61]

3-3. Relevant Agreements and Policies

3-3-1. Myawaddy

Tracking the rise of border trade in eastern Burma yields few specific agreements and policies, especially on the domestic and provincial levels. Nonetheless, with border-area economic activity before 1988 effectively restricted to unofficial, albeit allegedly thriving, cross-border trade, it is the years following the people's uprising and subsequent reconsolidation of Burmese military power that show a move towards regularising trade in eastern Burma, alongside increasing attacks on the rebel groups who controlled major trade routes. Indeed, December 1994 saw the founding of the DKBA, a breakaway ceasefire group from the KNU.[62] The DKBA quickly became SLORC's proxy force in Karen State, capturing the KNU headquarters at Manerplaw by the end of January 1995.[63]

By the end of the following year, in late August 1996, the Department of Border Trade (DBT) was established under the Ministry of Commerce. Objectives of the DBT include strengthening bilateral relationships, normalising cross-border trade, and securing revenue for the Burmese state.[64] The founding of the DBT, the activities of which depend at least in part on military campaigns against rebel groups holding major trade routes, highlights a shift in Burma's foreign policy away from explicit non-involvement with neighbouring countries. That shift was first made public in 1992, when Burma joined the Greater Mekong Subregion Economic Cooperation. Neighbouring countries were subsequently receptive to this new approach.[65]

The foundation of ACMECS in 2003 significantly impacted Myawaddy's eventual status as a hub for border trade, as the agreement highlighted Myawaddy as a 'sister city' to Mae Sot for cross-border economic cooperation. In 2005, not long after Thai policymakers consolidated Mae Sot's status as a SBEZ, it was announced that Myawaddy would formally achieve status as a BTZ.[66] Construction began in 2006, and in March 2008, the zone officially opened.[67] No further border-specific (much less Myawaddy-specific) policy or agreements have emerged since this time, although a recent law governing SEZs in Burma may come to bear upon border-area economic ambitions at some point-although for now the law is very much targeted towards the Tavoy (Dawei) project far south of Myawaddy.

The thrust of these policies and agreements is notable for its pursuit, on the one hand, of regional integration, and its lack, on the other, of domestic or provincial level policies. The contrast highlights that, despite the arguable political and economic openings effected by the Burmese regime in the 1990s, the military very much retained its status as a largely isolated and secretive regime, its domestic activities more often the subject of speculation rather than information. Still, extensive bilateral cooperation with Thailand, beginning in the early 1990s period when Burma reshaped its approach to its neighbours, compliments the regime's pursuit of regional relations through the 1990s.

3-3-2. Mae Sot

In Thailand beginning in the late 1980s, concerted moves were made to regularise trade relations, with cross-border trade agreements increasing in number as a result. The administration of Chatichai Choonhavan in Thailand (1988-1991) showed great interest in this policy movement, part of broader regional trajectories, proposing a 'battlefields to marketplaces' approach to post-conflict growth and development. Industrial decentralisation was a key component of this approach.

A series of influential domestic initiatives were designed to encourage industries to relocate to border areas, including Mae Sot. In 1993 three investment promotion zones were created, administered by the BOI. Zones 1 and 2 included provinces mostly in central Thailand where industrial production was already strong. Zone 3 provinces, mostly rural regions and border areas featured the most attractive investment incentives, a reflection of the government's efforts to redistribute economic growth and development throughout the country.[68] Tak Province, notably, falls into Zone 3, which means that for more than fifteen years Mae Sot investors have benefitted not only from a large and un-unionised labour force, but also formal investment incentives designed by national policymakers explicitly for the potential of their provincial impact.

The broad approach for these investment zones was outlined in the 7th and 8th National Economic and Social Development Plans (1992-1996 and 1997-2001 respectively).[69] According to the 8th Development Plan, 'opportunity of industrial development should be created by setting up SEZs and tax-free zones along the borders to promote trade and investment both inside Thailand and with neighboring countries'.[70]

Amidst the formal incentives for rural and border-area investment, bilateral trade and migration policy also retained importance. In 1996, with the expansion of Thailand's approach to migrant worker registration, Thailand and Burma signed the 'Agreement on Border Trade', designed to facilitate economic cooperation.[71] The next year, the 'Agreement on Border-Crossing between the Two Countries', signed by Thailand and Burma on 16 May 1997, sought to create easier procedures for cross-border travel and so set up a border pass system.[72]

In 2001, the arrival in Thailand of Thaksin Shinawatra's administration signalled an increasingly proactive approach to GMS economic integration, with Thailand taking a regional leadership role in promoting economic growth strategies. The first sign of border-relevant regionalist policy was the NESDB's 9th Economic and Social Development Plan (2002-2006), which calls for prioritising economic growth in areas that fall along the NSEC and the EWEC. Then on 1 August, 2003, Thailand hosted the summit that would launch the ACMECS scheme. This wide-ranging initiative was guided by two central objectives, to contain and exploit low-wage migrant labour in Thailand's border areas; and to address regional GMS income disparities by prioritizing economic growth in relatively isolated rural and border areas.[73]

The ACMECS did include some specific priorities, including calling for the establishment of four SBEZs, one of which was the Mae Sot SBEZ. As an administrative status, SBEZs are of a somewhat smaller scale than SEZs, which are fully integrated projects with administrative channels that bypass local and provincial governmental mechanisms.[74] As ACMECS came into focus during this time, policymakers were quick to consolidate Mae Sot's status as an SBEZ via a Cabinet decision on 19 October, 2004. But when, a few months later, on 11 January, 2005, the Cabinet moved to formalise Mae Sot's SEZ status, the draft bill approved then-the bill would have established the full-scale SEZ project, including plans for construction and implementation-did not proceed any further after it was blocked by the Council of State. The bill, which had support particularly from the NESDB and IEAT, was withdrawn by early 2007, and periodic calls for re-approaching SEZ status have gained little support.[75]

Following the announcement of Cabinet approval for a border-focused plan in October 2009, Thailand's Deputy Minister of Commerce travelled to Burma and secured an agreement with his counterpart about strengthening trade relations, especially cross-border overland trade.[76] The agreement comes alongside the arrival of the ASEAN Free Trade Agreement (AFTA), which came into force in January 2010 and erased all cross-border import tariffs. With AFTA and the new Ministry of Commerce Plan, the Deputy Minister of Commerce expects border trade to double over the coming years.[77] In addition, Mae Sot's status as a Zone 3 BOI investment promotion zone remains active, all of which suggests Mae Sot's prominent position as a border town does not hang on its SEZ status alone, or more precisely its SEZ non-status. Reflecting the BOI's history of combining tax-based and non-tax-based investment incentives, current Zone 3 incentives include: exemption of import duties on machinery and raw materials for export production; income tax exemption for eight years with international certification of a given project's operation standards; and several further incentives related to reductions in income tax and import duties.[78] These incentives suggest a continued belief at the policy level that the relocation of firms to Mae Sot remains a positive trend.

3-4. Current Stage and Future Plans

3-4-1. Mae Sot

Mae Sot's SBEZ status owes much to the early stages of the ACMECS framework, when Thaksin's leadership on the scheme ensured political support for related projects at high levels.

On 11 January 2005, the Cabinet approved a draft bill that, upon passage by the Council of State and Parliament, would have drawn on Mae Sot's new SBEZ status to establish a full-scale SEZ, a more comprehensive and ambitious program of policy integration with a degree of administrative autonomy.[79] However, the bill was never passed and was officially withdrawn by early 2007.[80] Subsequent mention has been made of restarting the SEZ plan, but without effect. Mae Sot's SBEZ status, on the other hand, remains in effect.

Despite the non-passage of the draft bill, activities related to the SBEZ plan have taken place in the last few years. These have included a comprehensive survey, conducted for the Tak provincial government by Chiang Mai University, which involved a feasibility study, an environmental impact survey, and plans for agricultural restructuring. At least one other feasibility study took place as well: the Ministry of Transport's study on building a truck terminal in Mae Sot, part of broader transportation logistics considerations.[81]

The above activities and projects appear to have been concentrated between 2005 and 2007, i.e. in the years directly following first the Cabinet Resolution and then the Cabinet approval (without later passage) of the related draft bill. This is certainly the case for the studies and feasibility surveys; the water and road projects likely began in that period, too, though their current status is uncertain. But it seems clear that with support for the draft bill never fully materialising, initial enthusiasm around these projects began to wane. High-level political turmoil, including several changes in national administrations during these years, perhaps left little possibility for policy continuity, such that Thailand's domestic policy alignment with ACMECS and the ADB GMS Programme appears to have fallen by the wayside as a set of official priorities.

Plans were revisited in 2009 under the Abhisit administration-though current plans suggest it is unlikely to amount to a large-scale integration of a full SEZ project, but rather a scaling up of policies around Mae Sot's existing SBEZ status. Nevertheless, the Cabinet is reported to have approved a proposal by the Ministry of Commerce to establish a cross-border economic zone along the Thai-Burma border, with Mae Sot as the base on the Thai side. The Cabinet also approved construction of a second Thai-Burma Friendship Bridge, which will be located to the north of the existing bridge, in order to further service the EWEC and increasing cross-border trade.[82]

Another change of note is the increasing role of the Ministry of Commerce in directing border development in and around Mae Sot. Previously the key national actors were the IEAT and the NESDB.[83] This has further underlined the renewed enthusiasm for Mae Sot's economic status, reports in June 2010 suggest Mae Sot municipality may gain special administrative status (similar to Pattaya City), and with it greater local policy autonomy for handling cross-border trade issues.[84]

Thus, the likelihood of Mae Sot gaining official and full-scale SEZ status is anything but certain, despite multiple indications that cross-border trade and cooperation will continue to grow in the future.

Indeed, trade figures themselves are illuminating. In 2000, bilateral trade between Thailand and Burma amounted to THB 30.7 billion. By 2007, that number had grown steadily to THB 113 billion, at an annual growth rate of 20.5 per cent. In 2008, bilateral trade reached THB 156.3 billion, about a 38 per cent increase from 2007. Border trade has always accounted for a very high percentage of total bilateral Thailand-Burma trade. In 2008 that percentage was 92 per cent, or THB 144 billion; in 2007, it was 95 per cent, or THB 108 billion. Border trade thus increased a full 33 per cent between 2007 and 2008.[85] In 2009, trade at the Mae Sot-Myawaddy crossing increased 27 per cent to about THB 24 billion.[86] Given these growth figures, a certain incentive remains to scale up and consolidate formalised economic plans in Mae Sot, though the form of any such plans remains as yet very much uncertain.

Although the development of SEZ plans is uncertain, the context of industrial decentralisation remains relevant. Thailand, starting at least in the late 1980s and early 1990s, has pushed to relocate industrial production to its border areas. The NESDB's 10th Development Plan (2007-2011), for example, reflects a consistent policy interest, if not always concrete action, in focusing on border regions for economic development initiatives.[87] In this sense, the Thaksin administration's leadership in formulating the ACMECS scheme, which emphasises the development of GMS border areas, remained alive through subsequent administrations. The broad vision of regional integration has not been matched by dynamic policy implementation, but the vision still seems to command significant enthusiasm and attention.

While policymakers and private-sector advocates have as yet been unsuccessful in formalising a SEZ in the Mae Sot area, the relevant trends and trajectories seem overwhelmingly to dictate increasing regionalisation of trade and economic cooperation, including bilateral cross-border trade, for Thailand as for other GMS countries. With or without an official SEZ policy from the Thai Government, cross-border integration appears to be a continuing reality, unlikely to be dramatically affected by policy fluctuation.

3-4-2. Myawaddy

The current stage of the Myawaddy BTZ is more unclear than that of the Mae Sot SBEZ. Since the officially announced opening of the BTZ in March 2008, news of border-area economic activity has not included mention of the formal BTZ, despite plenty of news and information about trade activity in general in the areas around Mae Sot and Myawaddy. Further complicating the situation is the fact that the BTZ, officially open since 2008, may not be the same project as the SBZ named by the ADB for the Myawaddy area. The former has been operational for years, while the latter has been stuck with its 'proposed' status. In addition, the BTZ's reported focus on fish and other marine products contrasts with the SBZ's emphasis on agriculture and natural resources.[88]

Given the apparently very low profile of the BTZ, it is difficult to assess either its current status or any possible future plans that may be related to it. Other events and considerations are far more significant for the economic situation-and its social impacts-in Myawaddy and the surrounding area, including the second Friendship Bridge, and the economic motivations behind DKBA attacks on the KNU and civilian communities.[89] It is also significant that formal bilateral economic integration appears safe for the foreseeable future, as shown by the agreements made when Thailand's Deputy Commerce Minister visited Burma in December 2009.[90]

The new legislation on SEZs, geared towards the Dawei project, may positively impact the efficiency of doing business in potential economic zones in eastern Burma, insofar as it signifies a strengthening of the country's legal infrastructure around economic issues. Burma's negative business climate is often cited as a reason for limited investment. This move to the contrary, however limited, could be cause for greater economic interest by foreign investors. On the other hand, the surge in border-area armed clashes since the election suggests that predictions of a more stable post-election border area, particularly for the revisiting of economic projects in eastern Burma, will not come to pass in the short term. The Myawaddy BTZ remains small-scale and relatively insignificant, little more than a symbol of broader trends, while the prospect of renewed attention to other economic zones seems unlikely while conflict persists.

3-5. Impact on Migration Flows and Migrants

3-5-1. Impact on Migration Flows in Mae Sot

The Mae Sot SBEZ was established on 19 October 2004. At this point in time, Mae Sot was already a well-established destination community for cross-border migrants from Burma, as well as a hub for trade and labour-intensive light manufacturing. The SBEZ initiative owes much to this convergence of trade and migration dynamics in the border area.

Two key phases characterise border-area migration flows in recent decades. The first phase began in the 1970s and 1980s, when civilians displaced by conflict in eastern Burma chose to seek refuge and assistance in Thailand. These flows increased in the early and mid-1990s due to the Burmese regime renewing border-area offensives.[91] The second phase began with a diversification of source communities around the mid-1990s, as refugees from eastern Burma were increasingly joined at the border by people from elsewhere in the country. The ten refugee camps along the Thai border, supporting some 140,000 displaced people from Burma, owe much to the earlier migration stream, as well as conflict-induced elements of the second phase. By contrast, the many people from Burma who work and live in Mae Sot-area factories, fields, shops, construction sites, and other industries, have their roots more exclusively in the second phase.[92]

The two most prominent migration streams that account for cross-border flows into Mae Sot are thus (1) economic migrants and forcibly displaced people from conflict-ridden eastern Burma who have chosen to migrate as an active 'protection strategy';[93] and (2) migrants from elsewhere in Burma who have responded to protracted political and economic stagnation by crossing the border, sometimes as individuals and sometimes in groups with friends or family. A series of refugee camps along the border have for roughly two decades housed a substantial population of people considered to have been forcibly displaced due to border-area conflicts. The current refugee situation includes ten camps with a total population of about 141,000.[94] Longstanding regulations prevent camp residents from seeking work outside of the camps, effectively excluding this substantial group from the labour migration trends taking place along the border, including in the Mae Sot area.[95]

Mae Sot's two-fold migration history as a destination community correlates approximately to the industrialisation of the border area. The early to mid-1990s, the time when sending communities in Burma diversified towards what we find today. It also marks the period when Thai policymakers began to focus on growth in the national hinterlands.[96]

By the early 2000s, light manufacturing industries had become well established in Mae Sot. As bilateral trade between Thailand and Burma grew stronger over subsequent years, Mae Sot came to occupy a significant place in policy discussions.[97] In this context, Mae Sot's relatively small-scale SBEZ status is hardly a major factor with respect to investment figures and growth prospects, with government officials expressing uncertainty as to its current stage and migrant workers unaware that such status exists at all.[98] In this sense, SBEZ status has had little if any effect on cross-border

migration flows, though it symbolizes the broader trends that have confirmed Mae Sot's position as a major destination community.

Still, a number of factors could soon affect the impact of the Mae Sot SBEZ, including on migration flows. For example, there have been suggestions that the post-election political landscape in Burma may lead to policymakers and investors revisiting projects inside Burma, in particular in eastern Burma, that were previously considered undesirable due to political and human rights concerns. More attention to economic projects in eastern Burma would raise the profile of the Mae Sot SBEZ as a partner location and logistics hub. However, the upsurge in violence in eastern Burma since the election suggests that at least in the short term, this particular scenario is unlikely to unfold. In addition, Mae Sot's recent shift to special administrative status could include a reconsideration of its SBEZ status. If strengthened, the SBEZ could then exert a stronger impact on migration flows.

3-5-2. Impact on Migration Flows in Myawaddy

The expansion of formalised economic activity in the Myawaddy area over recent decades-much of it achieved through the militarisation of eastern Burma, and the attendant campaigns against insurgent groups along the border-has helped draw internal migrants to Myawaddy and its surrounding areas.

According to government officials interviewed for this research in Myawaddy, the town's population and its vicinity has increased dramatically over this time, with the current population estimated to be about 150,000.[99] Migrant workers are thought to account for about 80 per cent of that increase. Yangon is a major source community, but not the only one; Kawkareik, Pa'an, and Thaton are other sending communities, with migrants also coming from other parts of Burma.[100] Still, few of these migrants are likely to have moved specifically due to the Myawaddy BTZ.

Like the Mae Sot SBEZ, Myawaddy's state-designated economic status has had in itself limited impact on migration flows in the area, and yet it is part of a broader trajectory of economic change and transformation that has had tremendous effects on the areas around Mae Sot and Myawaddy. On the Myawaddy side of the border, impacts to migration flows emerge relatively clearly. The labour migration trend noted above is one such impact, though it has been noted that if full-scale implementation of formalised economic projects in the Myawaddy area takes off, a serious labour shortage will hamper results-even if significant internal migration has indeed taken place.[101]

A lack of data means that precise claims about sector and industry distribution remain unclear, as are claims regarding the gender breakdown of migrants. With few manufacturing firms opening in Myawaddy for its cheaper labour, even an informed estimate about factory work versus agricultural work is difficult to ascertain.[102]

The impact of forced migration has been a subject of greater concern. In various parts of eastern Burma, the SPDC reportedly used economic incentives to encourage ethnic ceasefire groups-insurgent groups who have signed ceasefire agreements with the military regime—to become BGFs, particularly in the run-up to the 2010 election. This dynamic has created tension between ceasefire and non-ceasefire rebel groups, with likely negative impacts for civilians who would be affected by any resulting armed clashes. For example, in areas around the Three Pagodas Pass, well south of Myawaddy, tensions rose between Karen and Mon groups when the KPC, a ceasefire group based closer to Myawaddy, was apparently given the opportunity to administer an 'economic development zone' in the Three Pagodas area, subject to the KPC becoming BGFs under the SPDC. The economic zone was seen as a reward for the KPC and other ceasefire groups-the DKBA was also included in negotiations-for their expected cooperation as BGFs, and a move to marginalize Mon groups, namely the NMSP and Mon National Liberation Army (MNLA), for their resistance to the BGF plan. Later, the KPC and DKBA both proved hesitant to act as BGFs, jeopardising SPDC relations along the border and stalling related economic projects.[103]

Several months after these developments in the Three Pagodas area, the DKBA routed the border camps of the main Karen rebel group, the KNU, establishing authority in the Ler Per Her area long held by the KNU.[104] As a consequence, several thousand refugees swept into northern Thailand's Tak province, while border-area media reported that the fighting resulted from the DKBA seeking to seize KNU territory for the purpose of establishing SEZs on behalf of the SPDC. Thai authorities refused these refugees integration into the formal camp system. Some returned to areas in eastern Burma, while others quietly dispersed within Thailand, becoming part of a substantial population of unofficial refugees in the border area.[105]

It is clear from these events that economic plans in Burma's border regions, if not economic zones specifically-the vocabulary of these news reports is not consistent-have impacted on forced migration, and will continue to do so, in accordance with the extent that economic plans move forward in the post-election landscape. Certainly the dynamics around new economic zones are just a small part of a much broader history in which economics, rebellion, and counterinsurgency have all been closely tied to each other.[106]

Persistent instability in eastern Burma may help explain why few manufacturing firms have taken advantage of the cheaper labour Myawaddy offers compared to Mae Sot. In addition, a difficult business and investment climate on the Myawaddy side of the border means firms would have to contend with unclear and continually shifting regulations, undesirable foreign currency transactions, and logistical problems regarding transport and electricity. As a result, migrant workers continue to view Myawaddy as a transit destination en route to Mae Sot. If any of the various economic zone projects in eastern Burma begin to be implemented, effects on civilians and migrant communities moving through affected areas could significantly alter migration flows along the border. In the short term, the revisiting of these projects is unlikely, due to continued armed clashes between the Burmese government and various rebel groups.

3-5-3. Impact on Migrants in Mae Sot

Mae Sot continues to feature as a significant location for cross-border trade and policy initiatives. Recent Ministry of Commerce plans to further promote Mae Sot's economic profile have occasioned claims that border trade will double over the coming years. Strong growth trends, geographical proximity to Burma, and persistent political and economic push factors inside Burma mean cross-border migration flows remain strong, and will likely remain so for some time. Yet there are reasons to be concerned as local health and social service provisions in Mae Sot are ill-equipped to handle substantial growth in the migrant community.

In interviews conducted for this research, respondents in local government, civil society, social services, and police expressed the view that the arrival of more migrants from Burma on the back of rising trade would place a strain on the few social services that currently exist. According to the Director of Mae Sot Hospital:

> 'More and more migrants will flow into Thailand and become more and come out of the registration system. The hospital will not be able to respond on the increased budget. Recently the hospital has had to handle on migrants who don't have health insurance and this has cost up to 50 million baht per year'.[107]

This budget shortfall is one example of how sustained migration has pushed the limits of local health service capacity. The chief medical officer for Tak province pointed to an inadequate budget and the lack of a systematic approach in handling migrant health issues. In a similar vein, a senior official from the Thai Ministry of Public Health (MoPH) put these issues in a national perspective, describing migration as a burden to health services all over the country.[108]

Education in Mae Sot may pose similar challenges if public services cannot keep pace with increases in migration flows. According to the director of a migrant school in Mae Sot, over fifty migrant schools provide education to about twelve thousand migrant children in Mae Sot, a situation possibly set to change with the implementation of new government guidelines. In November 2009, the Thai Cabinet approved a Ministry of Education (MoE) plan to enable migrant schools to register as private schools, but in doing so schools must adhere to various oversight rules. For example, all curricula must be explicitly approved by the MoE, and teachers must be graduates of Thai educational institutions. Migrant education leaders welcomed the move to formalise migrant schools, but they have expressed concern over losing some of their autonomy, and having to contend with more oversight from Thai authorities. At least in the short term, positive impacts are expected to be limited.[109]

Concern over social services has been echoed by other local actors in Mae Sot. In a focus group discussion with local civil society representatives, the prospect of an increase in migration elicited strong reactions. According to one participant,

> 'Migrants/migration from Burma will become a burden on the city. The space in the municipal area is 27 square kilometres but we have to host a large number of migrants who come with their families. We should limit the number of new born children'.[110]

In additional interviews, further concerns were expressed about how an increase in migration would be managed. According to a police officer, economic plans will prove beneficial for migrants, but it will also be 'difficult to maintain or control the number of migrants.'[111] The local governor offered a similar viewpoint, specifically referencing a formal economic zone: 'The major concern is about state security. We don't have clear policies on migrants in special economic zone plans'.[112]

As commentary from the police and government suggests, Mae Sot's heavy-handed state security apparatus, often reported as a source of abuse and intimidation for migrant communities, will only become stronger over the coming years. Migrants' access to justice and legal protection may face challenges as a result. This dynamic, whereby government and police officials seek to secure and consolidate local business investment by maintaining a flexible, and readily exploitable, labour force, has already received some attention.[113] Insofar as growth in trade may provide further incentives to maintain flexibility in the labour force, the need for holding relevant actors accountable for labour law violations will likely remain strong.

Low wages are a crucial component of the flexibility required by investors in Mae Sot. A recent study by MAP Foundation found that wage increases for migrants in and around Mae Sot have not kept pace with increases in goods prices in recent years, meaning that the real value of wages has in fact declined.[114] According to one factory worker,

> 'At this time wages are so low. I just get 30 to 90 baht per day. And spending costs have increased, so I cannot save money right now'.[115]

Comments from another factory worker and a construction worker echo this claim.

> 'Spending costs are more than income, so recently I have not been saving money… Now everything is expensive, but workers' wages are not increasing, so workers are in trouble'.[116]

> 'I am not saving money, because the spending costs are more than income'.[117]

Thus, while positive impacts for migrants may arise from continued trade growth in Mae Sot, a number of factors point to accompanying adverse effects: strained public services, an empowered security apparatus, and wage values that have declined in real terms despite Mae Sot's rapid economic growth. Additionally, a significant body of recent research has highlighted how the regularisation of trade along Thailand's borders has resulted in restricted space for people working within informal economies.[118] Moreover, the further marginalisation of informal workers is a dynamic that impacts women workers disproportionately, given their over-representation within the informal sector.

It is worth noting that without exception, migrants interviewed for this research were unaware that Mae Sot has the status of an SBEZ. That jobs are available that allow remittances to be sent home is well-known, but the circumstances of Mae Sot's formal administrative status has not become common knowledge within migrant communities.[119] This information gap indicates the broader problem of migrants' lack of access to official information in Thailand. Moreover, it is also indicative of the fact that the scale of the SBEZ is not large enough to significantly affect conditions for migrant communities. However, migrants remain as ever very much attuned to significant and locally relevant changes in the economic landscape.[120]

BOX 2: Mae Sot Migration Policy

Mae Sot Migration Policy 5 June 2012

Mae Sot's Department of Employment has recently issued, Guidelines to Check the Documents of Migrants Who Entered the Country Illegally Who Travel Outside of the Province, which severely restricts the freedom of movement for migrants working in the 5 border provinces. It restricts migrants, even those with temporary passports, from travelling to other parts of Thailand in order to reduce the outflow and avoid a labour shortage in the region. Migrant workers are attempting to leave the region in order to escape the poor working conditions and find better work opportunities elsewhere in Thailand. The Mae Sot authorities are attempting to stop such movements through discriminatory practices. Migrants registered in the Mae Sot region are treated differently from migrants registered in other parts of Thailand. Mae Sot Migrant workers are restricted from travelling despite the national regulation that migrants holding Temporary Passports can travel freely.

Instead migrants in Mae Sot are reporting that they are being stopped and turned back at the Huay Hin Fon checkpoint even if they are holding a Temporary Passport, a valid visa, and a valid work permit. The officials at the Huay Hin Fon checkpoint have been instructed to only allow migrants with the proper travel documents to travel if they also have the necessary documents to change employers. This practice indicates that the travel restriction is for the purpose of controlling and maintaining the decreasing labour supply. Other migrants have reported that they have been asked for bribes to continue on their travels, also indicating that this new restrictive migration policy is creating more opportunities for corruption and brokers.

The decrease in labour supply may be due to the poor working conditions in Mae Sot or simply better ones else where in Thailand. What is conclusive however is that this policy is both unjust and discriminatory. In order to reduce the outflow of migrants from the Mae Sot region, employers should improve working conditions through the provision of working wages and improved occupational health and safety.

3-5-4. Impact of Migrants in Myawaddy

Similar to the Myawaddy BTZ's impacts on migration flows, the very small scale of the zone limits the effect it has on migrants and migrant communities. Moreover, there is a lack of information and data available about the zone. Local officials cite migrants-including traders and business people-as a significant part of the town's population growth, but indicators like working conditions, living conditions, access to health and social services, and access to legal justice mechanisms are all uncertain at best.

In addition, unverified claims about Myawaddy's population growth do not necessarily indicate that new arrivals settle in Myawaddy, or that Myawaddy is a final destination community at all. That is, there is reason to believe it may be more of a transit community than a destination community, with local population growth due to a steady stream of migrants in transit rather than a stable pool of labour migrants. The lack of significant industrial development in Myawaddy, leaves high-volume employment sectors very much across the river in Thailand.

That Myawaddy may be more a transit community than a destination community does not imply a poor economic profile. Even before the opening of the Myawaddy BTZ, in fact, the town was already considered a success story for border-area economic development-in particular as a foothold for regularizing border trade and scaling up official economic activity in the area.[121] The non-arrival of extensive manufacturing has not damaged the achievement of those objectives; it remains unclear the extent to which securing investment from labour-intensive sectors was a part of plans for the area in the first place. The formalisation of trade, which has long been the central goal of policymakers for the Myawaddy area, is more an exercise in administration and regulation, and in the case of eastern Burma, military campaigns to wrest control of trade routes from rebel groups. Promoting industrialisation per se has not been a top policy priority, except within longer term plans about potential SEZs. As a result, the dynamic linkages that connect the Mae Sot situation to regional and global economic trends are not as pronounced in Myawaddy.

Migrant communities in the Myawaddy area frequently face low-level extortion, which is a common problem for those who travel the Asia Highway between Myawaddy and Rangoon. Burmese authorities extract unofficial tolls and payment from people in transit along this route, including migrants and their families, businesspeople, and traders travelling to and from the border. This situation represents one set of attempts by the regime to exert some form of control over economic change in the region, financially and in terms of restricting movements of people.[122]

3-6. Impact on Local People

3-6-1. Mae Sot

Measuring the impact on the pre-existing community living and working in the SBEZ in any depth was beyond the scope of our research. Nevertheless we interviewed a small number of residents in order to provide at least a snap shot of the impact when one's hometown becomes the site of a SEZ.

Mae Sot has been the subject of special economic and trade policies for almost two decades. The three business people we interviewed had all been living and working in Mae Sot for over 30 years and were able to speak of the changes they had experienced.

Developing the Policies

Outside their participation as voters in local and national elections, interviewees had had little or no involvement in the development of economic policy or inclusion in decision-making. Although they stated that such inclusion was warranted they showed little expectation that this would occur. They feel that the SEZ Policy did not refer to them and policy decisions were made in Bangkok.

> 'No, it's nothing to do with us. It's about the big factories they build out of town, not a small business like us'.

As small local business owners they have been excluded from the special economic benefits of operating in the zone. They saw increased employment opportunities in factories but blamed migrant workers from Burma for taking these jobs at salaries so low they could not compete. Older or less educated locals were thought to be at a particular disadvantage because with so many migrants available, Mae Sot had become an employers' market.

> 'It used to be easy to find work but not now. The Burmese take our jobs. We can't compete…employers only want to hire young strong foreigners…we haven't got a chance, especially if you're old'.

There was no reflection on why and how employers were permitted to pay workers at a rate well beneath the national legal minimum wage. Neither did they question whether it was really possible for migrant workers to achieve a decent standard of living on sub-standard wages when they themselves could not. Apart from occasional announcements or notices, detailed information about the zone and its policies do not reach local communities. None had ever heard of the expression 'Special Economic Zone', none knew details of any development plan. They have noted some improvements however, as in the last five years most people have been able to access cable TV bringing news from Bangkok, including information about economic policy and development.

> 'I never hear anything because we open at night-time. Now I watch cable I know more'.

Business

All interviewees felt that any increase in the number of potential customers had been offset by an equal increase in competition. They felt little impact as yet from large chain stores but rather complained that they found it hard to compete with the increasing numbers of smaller unregulated family businesses like their own. Small businesses, whether a corner store, a monk supply shop or a karaoke bar require little start up capital and running costs can be kept very low, especially if you have no paid staff or are able to exploit undocumented migrant workers.

> 'Anyone can open a store nowadays...get a table, a few things and start to sell right in front of their home'.

Despite the increase in population this proliferation of competing small businesses has not resulted in corresponding economic benefits.

> 'I used to employ 20 women here but now I can only employ 5. There are so many small places like this now it's not profitable like it was before'.

They predict that things will deteriorate if small businesses continue to increase unchecked, especially if there is also an increase in the number of chain stores and larger businesses as well.

Daily Life

The interviewees reported that over the last 20 years local people's daily way of life, or culture has changed little. Most obvious changes are due to technological changes such as people being more likely to ride a motorbike than walk and in the evenings they are more likely to watch TV than talk together. Life still revolves around family, community, work and the temple.

However they also report that many people have taken advantage of high land prices to sell their land and move away. Areas where people have sold their land must have resulted in the break up or weakening of some community bonds.

There was a sense of fear and mistrust among the interviewees. They perceive a crime rate out of control, especially crimes against property like theft. Once again they did not look at government as a source of blame or for solutions, but again blame migrant workers from Burma.

Composition of the Community

The make-up of the Mae Sot community has altered considerably over the past 20 years. There has been an influx of people from Burma into the town. Currently migrants from Burma make up at least two thirds of the town's population, although Thai nationals hold all positions of authority and influence. In addition foreign businessmen, traders and transport drivers have become regular visitors to Mae Sot. At the same time there has been an outward migration of Mae Sot people. Many local residents have sold their land and moved to the surrounding villages or in some cases to other provinces. The local schools only provide middle high school education. Those children wishing to complete their studies move to other cities like Tak, Bangkok or Chiang Mai. Our interviewees report that these young people seldom return permanently to Mae Sot, but rather find work or further studies in other places. They noted that a new Vocational School was being built but were not sure whether study would lead to real employment opportunities for the youth of Mae Sot. No one reports any long-term migration of Thai nationals into Mae Sot. One would expect that if this trend continues Mae Sot's original community could disappear entirely within a few decades.

Infrastructure and Services

Interviewees showed little expectation that the government would, or even perhaps should, develop infrastructure at the same rate as other development. Indeed, interviewees were quick to blame migrant workers rather than government or local council for problems such as water pollution; lack of garbage collection; loss of trees; increased traffic problems; overcrowded hospitals and schools. Each one mentioned that the only increase in services they had seen in Mae Sot were education and health services provided by NGO's for the migrants from Burma. They seemed resentful of this. However once again, their resentment was reserved for the migrants, not their own government or local councils.

In conclusion we believe the original community of Mae Sot is largely disconnected from its SBEZ. They are not included in policy or decision-making, are not adequately informed and do not directly benefit from such policies. Even secondary benefits of increased employment and trade are not realised by existing small local businesses.

There has been little or no attention paid to increasing infrastructure to support the increases and changes to community composition. Care of the environment has been similarly neglected.

Perhaps one of the most serious areas of concern is that there is no evidence that local authorities or central government has paid any attention to easing misunderstandings, resentments, fear and tension between local Thai residents and migrant workers from Burma. The divisions between migrants from Burma and local Thais threatens the well being of both communities and the future of Mae Sot.

3-6-2. Myawaddy

Once again, the limited scale of the Myawaddy BTZ means its impacts are at most small, including on local people. While traders and businesspeople operating with state sanction have likely benefitted from greater economic activity in the region, Karen communities, especially rural villages, have confronted a rather different and more negative set of impacts: namely, land confiscation from contract farming, forced displacement from military campaigns to secure trade routes and natural resources, and development-induced impacts from infrastructure projects.

The issue of contract farming, and related land confiscation and dispossession, has its recent roots in a December 2005 Memorandum of Understanding (MOU) that was made operational in June 2007.[123] The bilateral agreement opened the way for Thai contract farmers to cultivate more than 7 million hectares of land in eastern Karen State along the Thai border, including in the area north of Myawaddy that is reportedly part of DKBA-backed plans to establish a SEZ. Managed by Thailand's NESDB, these large-scale farming ventures were set to focus mostly on sugarcane, oil palm, cassava, beans, and rubber production. However, rights groups reported that small-scale farmers were being forcibly dispossessed of land to make way for contract farms, the creation of which also involved the use of forced labour to build access roads and locally extorted money to cover related project costs.[124]

These local impact dynamics are tied to broader trends, insofar as the contract farming projects were linked to the Mae Sot-Myawaddy 'sister city' relationship within the ACMECS framework.[125] Consistent with Thailand's approach to ACMECS, Thailand was to act as the main financial backer of the BTZ and the contract farming projects, in so doing setting itself up as a regional donor country. All of this economic activity sits squarely on the ADB's EWEC. Even at the far peripheries of their reach, regional growth frameworks are able to produce appreciable impacts on local communities in their midst. Land confiscation has been documented in some detail, as have negative impacts from SPDC-backed road and hydropower projects in eastern Burma.[126] The DKBA has been the main local actor implementing projects. Multiple dams in eastern Burma have resulted in further difficulties for local communities: large-scale displacement without compensation, for example, and the destruction of local livelihoods through flooding of agricultural land, the wiping out of villages, and the resulting collapse of river-based ecosystems. The Weh Gyi, Dagwin, and Hat Gyi dams, all on the Salween River in Karen State, are likely the most prominent examples of negative hydropower-induced impacts for local communities.[127]

These adverse impacts to local people and local communities are not insignificant, and they reflect the reality of a military regime trying to do business in areas where substantial civilian and rebel populations resent their encroachment. Still, the basic approach reflects essentially top-down developmental dynamics that are not unique to Burma's pursuit of economic change and transformation. Thailand's own heavy-handed pursuit of border-area growth and industrialisation has included few attempts to limit resulting negative impacts, and little genuine engagement with local stakeholders, whether Thai citizens or migrant workers.

4. Conclusion

The Mae Sot-Myawaddy BEZ has great potential to formalize border trade, and improve local and regional economic networks as the sister cities are located at strategic points on EWEC. Other BEZs between Thailand and Burma are located on the NSEC, an example of the integral part these two countries play in linking regional economies. Burma and Thailand began to pursue BEZ development in the interest of turning 'battlefields into marketplaces', as was the trend in the GMS.

Burma benefits from border trade as much of the country's interior has poor infrastructure, poor investment climate, and lack of access to dynamic markets. Myawaddy is close to Thailand's markets and service links, therefore if implemented correctly the BEZ would stimulate regional economic growth, and provide a point on the border for migrants to cross the border safely and legally. However,

the challenge of establishing a successful BEZ has been the inability to formalise relevant trade and associated policies in both Mae Sot and Myawaddy. Despite the lack of formalisation, trade continues to increase, but the surplus has tended to be in Thailand's favour.

Because migration has occurred at significant levels before the establishment of the BEZ, the Mae Sot-Myawaddy BEZ is seen as a reflection of trends rather than as a driver. Thailand's more developed economy combined with conflict inside Burma has fuelled emigration out of Burma prior to the creation of the BEZ. It is hoped that the BEZ will improve migration, living, and working conditions for those situated in the area. However, the influx of migrants to the area has raised some concerns. There is fear that social services will not be able to keep up with increase in migrants. Services such as sanitation will deteriorate, and healthcare and education may not be adequately available. Migrants are blamed for the deterioration of social services that may well be the result of the government's inability to develop infrastructure as fast as they develop factories.

Other tensions arise as migration increases. Local people report that that they do not benefit from increased employment opportunities as migrant workers from Burma take the jobs at lower salaries. Local Mae-Sot people have moved out of the area selling their land to relocate in near by towns. Thai nationals do not migrate long term to Mae Sot. Myawaddy locals have had issues with forced displacement without compensation due to contract farming, and destruction of land due hydropower projects.

Like many other economic zones, the benefits will inevitably be accompanied by problems. Burma and Thailand must continue to work together to increase services to improve the lives of both migrants and local people, as well as to formalise trade to strengthen the regional economy.

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[51] See Toshihiro Kudo, 'Border Industry in Myanmar: Turning the Periphery into the Center of Growth, above, p. 3.

[52] See Guy Lubeigt, 'Industrial Zones in Burma and Burmese Labour in Thailand' above, pp. 161-165.

[53] See Toshihiro Kudo, 'Border Industry in Myanmar', above, p. 4.

[54] Ibid., p. 1.

[55] See Guy Lubeigt, 'Industrial Zones in Burma and Burmese Labour in Thailand', above, p. 163.

[56] See Wai Moe, 'Border Trade Zone to Open on Armed Forces Day', above.

[57] See Takao Tsuneishi, 'Development of Border Economic Zones in Thailand', above, p. 27.

[58] Interview with Myawaddy authorities conducted by Myanmar country research team, January 2009.

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[61] Brian McCartan, 'Victory over KNU, New Order on Thai-Burma Border' in *Mizzima,* 05/07/2009. Available at http://www.mizzima.com/news/inside-burma/2405-victory-over-knu-new-order-on-thai-burma-border.html (accessed 23/03/2012).

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[64] See Department of Border Trade (Myanmar) website. Available at http://myanmargeneva.org/e-com/Commerce/moc_web/bodertrade/fsbodertrade.htm (accessed 12/07/2010).

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[66] See Guy Lubeigt, 'Industrial Zones in Burma and Burmese Labour in Thailand', above, p. 162.

[67] See Wai Moe, 'Border Trade Zone to Open on Armed Forces Day', above.

[68] See Board of Investment (Thailand), 'BOI Privileges by Location'. Available at http://ns.boi.go.th/english/about/boi_privileges_by_location.asp (accessed 23/03/2012).

[69] See Dennis Arnold, *Capital Expansion and Migrant Workers,* above, p. 35.

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[72] Pitch Pongsawat, *Border Partial Citizenship, Border Towns, and Thai-Myanmar Cross-Border Development: Case Studies at the Thai Border Towns,* Unpublished PhD dissertation, 2007, p. 264, n. 56.

[73] See Dennis Arnold, *Capital Expansion and Migrant Workers,* above, pp. 37-38.

[74] See Dennis Arnold, *Administration, Border Zones, and Spatial Practices in the Mekong Subregion,* unpublished PhD thesis, 2010, above.

[75] Ibid. For the early procedural history of the SBEZ and SEZ projects (2003-2005) see Dennis Arnold, *Capital Expansion and Migrant Workers,* above, pp. 40-41.

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[77] Chatrudee Theparat, 'Thai-Burmese Border Zone Wins First Nod from Cabinet' in *Bangkok Post,* 10/07/2009.

[78] See Board of Investment (Thailand), 'BOI Privileges by Location', above.

[79] See Dennis Arnold, *Capital Expansion and Migrant Workers,* above, p. 40.

[80] See Dennis Arnold, *Administration, Border Zones, and Spatial Practices in the Mekong Subregion,* above.

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[88] See Wai Moe, 'Border Trade Zone to Open on Armed Forces Day', above.

[89] See, respectively, 3-4-1(Current stage and future plans: Mae Sot), 3-5-1. (Impact on Migration Flows in Mae Sot), and 3-6-2 (Impact on Local People: Myawaddy) in this chapter.

[90] See Chatrudee Theparat, 'Thai-Burmese Border Zone Wins First Nod from Cabinet', above.

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[98] Interviews conducted with local authorities and migrants by the Thai CRT, 30 September 2009 (2), 1 October 2009 (2).

[99] Interview with Myawaddy authorities conducted by Burma CRT in January 2009.

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[113] See Dennis Arnold, *Capital Expansion and Migrant Workers,* above, Chapter IV.

[114] See Khun Aung and Soe Lin Aung, *Critical Times* above.

[115] Ibid., p. 26.

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[121] See Guy Lubeigt, 'Industrial zones in Burma and Burmese labour in Thailand' above, p. 163.

[122] See Karen Human Rights Group, *Tollgates upon Tollgates: En route with Extortion along the Asian Highway,* above, p. 2.

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Photo courtesy of LSCW

Entrance of the Koh Kong Special Economic Zone.

In-depth study on Border Economic Zones and Migration: Thailand-Cambodia

1. Overall Background

In the 1960s, cross border trade between Cambodia and Thailand was mainly informal in nature, with commerce between the countries frequently carried out by friends and neighbours crossing the porous border.[1] Cross border trade declined in the late 1960s and early 1970s as the Thai government put in place tighter controls in response to the growing political instability in Cambodia. As violence spilled over from the Vietnam War, General Lon Nol seized power in 1970 and Cambodia descended into a civil war between the US-backed Lon Nol regime and the Communist Khmer Rouge, supported by the North Vietnamese. In 1975 the Khmer Rouge took Phnom Penh and established their rule throughout the country. The country's borders were closed and foreign trade all but ceased, the exception being the exchange of Cambodian rice for Chinese weapons, as the Khmer Rouge, renaming the country Democratic Kampuchea, tried to establish a self-sufficient, agrarian society.[2] After fierce Khmer Rouge provocation, Vietnam invaded in late 1978 and deposed the Democratic Kampuchea regime and installed a compliant new government, the Kampuchea People's Republic Party. Foreign trade resumed with official trade in rubber crepe, timber, red maize, soybeans, sesame and tobacco. This trade was mainly carried out with eastern bloc countries such as Hungary, Bulgaria, East Germany, the USSR and the government's sponsor, Vietnam. As such, this official trade had a limited impact on border trade. However, unofficial trade also resumed along the Thai-Cambodian border.[3]

The Vietnamese invasion and subsequent fighting between Vietnamese-backed Cambodian forces and remnants of the Khmer Rouge in Thai border areas created a massive outpouring of refugees into camps in Eastern Thailand. The flight of these populations was motivated by the murderous treatment of the civilian population at the hands of the Khmer Rouge during the latter's attempts to turn the whole country into a vast agrarian collective. The presence of these camps spurred unofficial, black market trade across the border. The arrival of large numbers of aid workers created new economic opportunities for locals, and aid given in the form of rice and other foodstuffs frequently found its way onto the black market and was exported to Cambodia.[4] Aside from food, trade in clothing, medicines, housing materials, seed rice and agricultural tools was also common. Thai traders also established links with leaders of the rebel movements fighting the Cambodian government, especially the remnants of the Khmer Rouge, in order to traffic timber, wooden furniture, guns, antiques and precious gems.[5]

The adoption of the 'battlefields into marketplaces' policy of the Thai Government in the late 1980s signalled the beginning of formal trade relations between the two countries. Formal trade agreements were signed and both formal and informal border trade expanded quickly, facilitated by the opening of numerous checkpoints along the Thai-Cambodian border, including Aranyaprathet-Poipet, in the early 1990s.[6]

From 2006 to 2008, trade volume between these two countries increased significantly from USD 1,270 million in 2006 to USD 2,130 million in 2008. While trade has been increasing rapidly, growth slowed in 2008 due to the global economic crisis and the renewed border dispute between the two countries over the Preah Vihear temple. According to a 2009 report by the Royal Thai Embassy, trade between Cambodia and Thailand subsequently fell by 22 per cent to USD 1,658 million.[7] Fighting in the area surrounding Preah Vihear broke out once again in early 2011. This again had a dampening effect on trade along the border, even at points that were at some distance from the fighting.[8] In the first half of 2011, border trade between the two countries saw a mere 1.4 per cent increase over the same period the year before, significantly lower than the rate of increase in previous years.[9] The second half of 2011 however saw an improvement in bilateral relations after the election victory in Thailand of Yingluck Shinawatra of the Pheua Thai Party. Yingluck is the sister of former Thai Prime Minister Thaksin Shinawatra, who has had close relations with the Cambodian government.[10] These more cordial relations correlated with a rebound in trade volume growth in the latter half of 2011. Total Cambodia-Thailand border trade reached USD 3.08 billion in 2011, a 21 per cent rise from USD 2.54 billion in 2010. Thai officials also expected another 20 per cent jump in bilateral trade due to the improved political relations between the two countries.[11]

Table 15: Cambodia Trade with Thailand 2006-2008[12]

Year	USD millions		Total	Annual Growth
	Export	Import		
2006	34.66	1,235.47	1,270.13	n/a
2007	48.76	1,355.62	1,404.38	10.56%
2008	89.97	2,040.8	2,130.04	1.7%

Under the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) scheme, Cambodia and Thailand are attempting to further develop bilateral border trade. This cooperation has a number of aims: '(a) enhancement of competitiveness along the borders and promotion of growth, (b) relocation of agriculture and manufacturing to the places where relative economic advantage exists, (c) reduction of income disparity and creation of employment'.[13] Along the Thai-Cambodia border, the Cambodian government has designated Special Economic Zones (SEZs) in Koh Kong, Pailin and Poipet.[14]

1-1. Koh Kong, Cambodia and the Eastern Seaboard Industrial Estate, Trat, Thailand

Koh Kong Province is located along the Asian Development Bank's (ADB) Southern Economic Corridor (SEC) which passes through Bangkok and Trat in Thailand, Koh Kong and Kampot in Cambodia, and Ha Tien-Ca Mau-Nam Can in Vietnam.[15] On the Thai side, the industrial estate lies 300 km from the Eastern Seaboard Industrial Estate. This is a major Thai industrial zone on Route 318, the existing stretch of road which comprises part of the SEC along the narrow coastal area in Trat Province. Koh Kong and Trat were set up as 'sister cities' along with other towns along the border area including: Siem Reap-Sisaket; Oddar Meanchey-Surin; Banteay Meanchey-Sakaew (Poipet-Aranyaprathet); and Pailin-Chantaburi.[16]

1-2. Pailin, Cambodia

Pailin in Cambodia borders Thailand's Trat Province. Although Pailin is listed as a Border Economic zone (BEZ) under the ACMECS scheme, few concrete steps have been taken to develop it into a SEZ. As of October 2010, the only development in the Pailin area has been in casinos and hotels, with one company, Entertainment Gaming Asia, projecting the completion of a large casino there by the second quarter of 2012.[17]

The anticipated Pailin SEZ is to be located about 15km from the border crossing point and is expected to cover 2,000 hectares. In May 2008, a signboard designed to promote the area to foreign investors in neighbouring provinces was erected on the outskirts of the partially cleared Pailin SEZ.[18] As of December 2011, according to a local businessman, 'plans' are in place but concrete developments have yet to emerge, aside from the casino project.[19]

1-3. Poi Pet, Cambodia and Aranyaprathet, Thailand

A key crossing point between Cambodia and Thailand is the town of Poipet, located in O' Chhrov District, Banteay Meanchey province, across the border from Aranyaprathet in the Thai province of Sa Kaew. Poipet is located along the SEC which links Bangkok to Vung Tau in southern Vietnam through Phnom Penh and Ho Chi Minh City. Poipet was one of the first areas located along the border with Thailand to be developed into a SEZ. One of the self-professed objectives of the Poipet SEZ is to 'address the [Thai] government's policy to promote the relocation of Thai industries to neighbouring countries which will help Thai businesses lower production cost ... and facilitate export to the European and US markets'.[20]

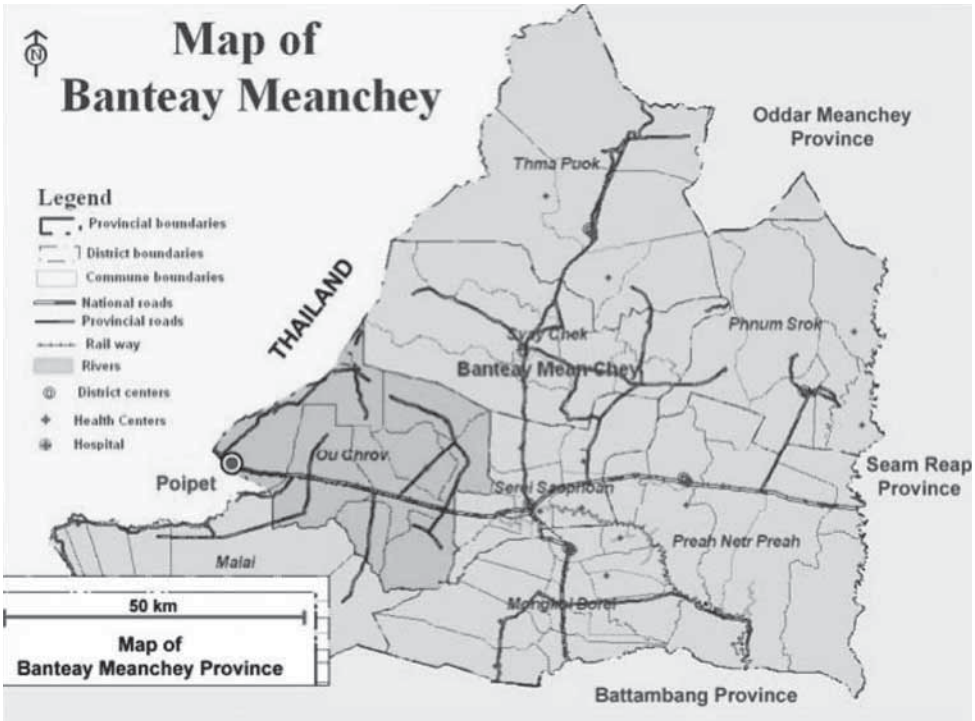
The border crossing point between Poipet and Khlong Leuk in Aranyaprathet district has been in operation since 1991, attaining a more formal status with the opening of a customs office in 1993.[21] Poipet, along with a number of other checkpoints along the border, was opened to trade, with cross-border trade growing more quickly than in other markets.[22] In June 1994 Poipet gained official status as the Poipet International Border Checkpoint and since 1998 has witnessed a rapid increase in cross-border activity due to the end of hostilities with the remaining forces of the Khmer Rouge in the area.[23] Poipet and Aranyaprathet were selected to test the single-stop customs inspection, which facilitates cross-border traffic and contributes to deeper economic integration across the border between Poipet SEZ and Sa Kaew Province of Thailand.

The opening of the Poipet International Border Checkpoint has since led to the development of a lucrative casino industry on the Cambodian side, employing thousands of Cambodians. Casinos are outlawed in Thailand and gambling is tightly regulated. As a consequence thousands of Thai gamblers cross into Poipet on a daily basis to gamble. In addition to casinos, there has been rapid growth in related businesses such as restaurants, guesthouses, and hotels.[24]

In 2004, one local zone developer, the Chay Chay Investment Group, began to develop the zone.[25] The zone developer named the zone the Poipet O'Neang SEZ and estimates that the project will cost around USD 90 million. The construction is projected to be completed in 2012.[26] Land has been cleared

and significant amounts invested by the developer in the construction of roads linking the zone with nearby highways. The developer also predicts that the zone will be an attractive location for further growth in the Cambodian garment manufacturing industry.[27]

Map of Banteay Meanchey Province: Poipet International Border Checkpoint



In 2006, the Export-Import Bank of Thailand (EXIM) declared itself ready to support the development of the Poipet SEZ with support ranging from consultation on project funding to promoting investment among high-potential Thai business enterprises interested in relocating to the SEZ.[28] EXIM's stated goal in being involved is to 'push forward the setting up of this first industrial park along the border of Thailand and its neighboring countries', and to 'play a role in job creation for the local community, production cost reduction for Thai investors, provision of better access to raw materials, labour and tax benefits not only for business operations in this zone but also exports to European and US markets'.[29] The project also complements EXIM's strategy of expanding Thai investments overseas, including promotion and industrial relocation to neighbouring countries.[30]

The Poipet SEZ welcomes any type of business although it has been reported that the first prospective Thai investors were from industries including food processing, artificial flower making, garment and paper manufacturing.[31] These types of investment were in accordance with the plans of the Cambodian government to turn the area into a large industrial and trade centre focusing on textiles, garments and processed agricultural products, although other targeted industries include consumer products, agricultural equipment, motorcycle spare parts and glass mirrors. A border customs checkpoint and a One Stop Service centre for visas and work permits are planned for the zone,[32] as are 'residential areas, supermarkets, parking areas, wholesale and export markets for vegetables, fruits, dried food, rice, fish, seafood and plants'.[33]

Photo courtesy of LSCW

Local community near the Koh Kong SEZ, Cambodia.

In order to boost the implementation of the Poipet SEZ, the Ministry of Commerce of Cambodia also proposed that the ADB develop an industrial estate in Poipet. According to the proposal the industrial estate would cover 6 sq km and land-use within the industrial estate would be 'organized into 12 zones, namely areas designed for: (i) industrial factories, (ii) offices, (iii) truck parking, (iv) container yard, (v) probationary goods storage, (vi) power generator, (vii) telephone and telecommunication centre, (viii) garbage and industrial waste disposal plant, (ix) water treatment facility, (x) water reservoir, (xi) park and recreational area and (xii) residential area. The area allocated for factories would be around 2520 ha? for each industrial zone'.[34]

The construction of the Poipet SEZ has not been given top priority by the Cambodian government, with the development of Koh Kong often taking precedence.[35] No licence from the Council for the Development of Cambodia (CDC) was granted until 7 October 2005.[36] Construction started in the months following in an area lacking any infrastructure including electricity and water supply.

As early as March 2008, it was reported by the Cambodian Commerce Ministry's Foreign Trade Department that 'some 380 Thai companies had expressed interest in investing in projects in the export processing zone'.[37] As of March 2012, Poipet SEZ was still awaiting investment.

2. Koh Kong SEZ

2-1. Background

Since November 2002, development of the Koh Kong SEZ has been carried out by a Cambodian developer, Koh Kong International Resort Club Co. Ltd, a subsidiary of the Ly Young Phat Group, which runs a hotel and resort facilities on the site.[38] A feasibility study on the establishment of the Koh Kong SEZ, originally named the Koh Kong Industrial Estate, was conducted by the Industrial Estate Authority of Thailand (IEAT) in 2004 following the introduction of the ACMECS scheme. The study was made public in January 2005 at a seminar organized by the Cambodian Ministry of Commerce for overseas investors.[39]

There are four SEZs in Koh Kong Province, namely: the Koh Kong SEZ, the Souy Chheng SEZ, both located 2 km from the international border crossing point; the Oknha Mong SEZ located in Sre-Ambel District; and the Kirisakor Koh Kong SEZ in Kirisakor District. All four SEZs in Koh Kong Province are still in the process of infrastructure development. The Koh Kong SEZ is the only SEZ of the four that has full authorisation by the Cambodian government under the Special Economic Zone Sub-Decree.[40]

2-2. Relevant Agreements and Policies

Cambodia began to liberalise its economy in the 1980s. This initially focused on agriculture but attention soon expanded to the industrial and tourism sectors. The National Poverty Reduction Strategy (NPRS) 2003-2005 was the first policy to specifically mention SEZs and the plan to establish industrial and export processing zones to attract investment. Particular provinces were also identified, notably Banteay Meanchey and Koh Kong on the border with Thailand.[41] The National Development Plan

(NSDP) 2006-2010 expanded on this by stating its intention to create SEZs to attract foreign direct investment and provide jobs for local people.[42] The push for BEZs in regions bordering Thailand (and Vietnam) has become a well-entrenched policy position of the Cambodian government over the past ten years. Despite the slow progress of developing SEZs along the Thai border, Cambodia is still firm in its intent to create liberalised zones which can attract investment from their larger neighbour and take advantage of their proximity to Thailand's dynamic economy. For more details on relevant policies see the chapter on In-depth Study on Cambodia-Vietnam Border Economic Zones Chapter.

2-3. Current Situation and Future Plans

Several investors have been secured for the Koh Kong SEZ as of March 2012. This includes the Ly Young Phat Group (LYP Group), the SEZ's developer and more recently KKN Apparel, a Thai garment company. A site measuring 336 hectares has been developed and the relevant management office has been completed. Electricity is to be supplied from the Thai side, and water is sourced from a nearby reservoir. The developer has plans for 2005-2015 period in which development will gradually progress in keeping with market forces and the actual response from investors.

Camko Motor Co. is a joint venture between South Korea's Hyundai distributor KH Motors and LYP Group. The company has invested USD 60 million in building a Hyundai vehicle assembly plant in Koh Kong that is able to assemble 300 cars per year.[43] This plant began operations in late 2010.[44]

In late 2011, Thai company KKN Apparel signed a deal to construct four garment factories in the zone, which could potentially employ as many as 10,000 workers. The first factory was scheduled to begin manufacturing in early 2012, with the remaining three factories gradually coming online over the period 2012-2017.[45]

The LYP Group is a Cambodian enterprise that was established in 1997 in Mondul Seima District, Koh Kong Province. Members of the LYP Group in that area run many businesses and services including casinos, hotels, roads, bridges, and electricity and water supplies to the local population. In 2009, around 700 employees from different locations in Cambodia were employed by LYP Group in various business sectors in this area. Most of the group's employees are Cambodian; 60 per cent male and 40 per cent female. A number of foreign professionals from Thailand, the Philippines and Malaysia are also employed by LYP Group.

The zone currently offers a package of tax and investment policies with which it hopes to attract future investors. These includes: nine year tax holidays; zero per cent VAT; access to the Generalised System of Preferences (GSP) scheme;[46] and the unrestricted repatriation of profits.[47]

2-4. Impact on Migration Flows and Migrants

The development of casinos in the Koh Kong SEZ has stimulated labour migration into the area. This has taken the form of both transnational migration and also Cambodian inter-provincial migration. Some Thai workers have been employed in the zone and Cambodians from different provinces have also moved to the area in order to obtain jobs in Koh Kong's casinos.

In this study, 40 workers of LYP Group were interviewed. Among the 40 workers, 35 of those interviewed were from Cambodia and five were Thai. Four Cambodian workers were hired for construction work and the rest were working in casinos. The Cambodian Country Research Team (CRT) also interviewed the manager of LYP Group.

2-4-1. Reasons for Migration

Workers have been drawn to Koh Kong mainly by the lure of higher wages than those that are available elsewhere. The promise of better wages at the casinos emerged as the main pull-factor in the course of the research. Even though factory jobs had yet to transpire at the time of the research, it also seems that the possibility of this type of work also acts as a pull-factor. The rumour that Koh

Kong was being established as a SEZ and that there were many factories in place providing local jobs caused many migrant workers to migrate to this area. However when migrants arrived their hopes were not fulfilled because the economic zone was still in the planning stage and there were no industrial jobs. Many such migrant workers did not want to return to their home provinces, so they continued to migrate to work in the neighbouring province of Thailand, Trat Province. Some migrants tried to use local recruiters to help them find jobs in Thailand.[48]

All five Thai workers interviewed said that they decided to work in Koh Kong because of the high wages available and because they were able to save more money than was possible in Thailand. Three of them received more than THB 40,000 (USD 1,341) per month because they had technical skills and were hired in senior positions in the casinos. They said that they found their jobs on websites, through friends and family, and had applied directly to the casinos for work.

Among the 35 Cambodian workers, before they came to work for the LYP Group in Koh Kong eight had never previously had any work experience, two were motor-taxi drivers, two were domestic workers, five were construction workers and three were farmers. Their origins were from many provinces in Cambodia, including Kampong Cham, Phnom Penh, Banteay Meanchey, Takeo and Sihanoukville, and they said that they came to Koh Kong because they wanted to work in the casinos having heard that casino staff earned high salaries. Most of them found their employment with assistance from their friends and relatives.

Both the Cambodian workers and the Thai workers appeared to be happy with their work in the casino as they had been able to get jobs, earn higher incomes than before, and they were able to improve their livelihoods, as well as help their families.

However, all of the Cambodian workers stated that they would resign from their jobs in the next few years with the intention of opening their own businesses; working in the casino was only a way to save money for their own business in the future. They did not consider casino work as sustainable work, although many workers said that their family's situations had improved since they had been working in the casinos.

Photo courtesy of LSCW

Casinos run by LYP Group, a Cambodian investor. They are the largest casinos in Koh Kong.

2-5. Working and Living Conditions

2-5-1. Wage and Working Hours

There are various types of work available in casinos. Thai workers were generally hired in higher positions, as mechanics, in charge of monitoring the betting and controlling the warehouse. Cambodian workers were hired as dealers, dealing inspectors and cleaners. The average wage of Cambodian workers was THB 3,000-4,500 (USD 100.7-151.1) per month, while Thai workers were earning up to THB 50,000 (USD 1,679) per month. According to the LYP Group manager, workers work six days a week with one day off. Fifteen days of sick leave are allowed per year. Ninety days of maternity leave are allowed with only 30 days paid and the remaining 60 days unpaid, as per the 1997 Labour Law. Construction workers were paid daily, and they earned THB 100-300 (USD 3.4-10.1) per day.

2-5-2. Contracts of Employment and Job Descriptions

According to the manager, all employees had employment contracts and job descriptions, which were written in both English and Cambodian for Cambodian workers, in Thai and English for Thai workers, and English only for Malaysian workers. However all of the workers interviewed said that they had been given neither job descriptions nor contracts of employment. Most of the workers reported that when they were hired by the casino they had to complete their application forms and were only told orally by casino managers about the work that they had to do.

2-5-3. Medical Insurance and Occupational Health and Safety

Workers interviewed for this study said that the company has its own clinic for consultation in case they had health problems. Safety equipment was provided, but the workers had never been trained in how to use this equipment in cases of emergency.

2-5-4. Accommodation

The casino employers provided free accommodation to their single staff. All single workers interviewed said that their employer provided them with food three times per day, as well as free accommodation, water and electricity with no deduction from their wages. However, married workers had to rent rooms from the employer or local people at a cost of THB 800-1,000 (USD 26.8-33.5) per month including water and electricity.

2-5-5. Savings

Fifteen of the interviewed Cambodian workers said that they could not save any money, as their salaries were only sufficient to cover the cost of living in Koh Kong. However, 10 of them said that they could save and transfer money to their families in their home town. Every month, four workers were able to save THB 1,000 (USD 33.6); three workers could save THB 2,000 (USD 33.5); two workers could save about THB 5,000 (USD 167.7) and the other could save about THB 6,000 (USD 201.2).

2-5-6. Channels to Solve Labour Issues

According to the manager interviewed by the CRT, the LYP Group has ‘always provided a forum in which to resolve issues raised by the workers’. These include: wage related issues, working hours, Occupational Health and Safety (OHS) issues, and issues related to relations or conflicts among the workers or between the workers and supervisors. There was no union or any workers’ representatives to protect the interests of company employees. Most of the issues raised by employers and employees in discussion were related to wages and working conditions. The method of resolving such problems is based on mutual agreement between employer and employee. Foreign workers were entitled to enjoy the same rights as Cambodian workers.

2-5-7. Social Life

Both Cambodian and Thai workers said that the LYP Group allowed them to organise religious ceremonies, for example at Khmer New Year and most of those interviewed said that they were able to hold parties to celebrate special events.

Both the Cambodian and the Thai workers said that the relationship between them and resident local people was good. Both Cambodian and Thai workers said that it was very easy to communicate in the Thai language around their work place and they felt free to speak Thai in public. Both Cambodian and Thai workers were able to freely access information in Thai from the television due to their location in the border area. Some local shops also displayed signs in Thai, making them easily accessible to the workers.

2-6. Impact on Local People

In-depth interviews and focus group discussions were carried out with local people by the Cambodia CRT in order to find out their responses to the establishment of the Koh Kong SEZ.

Most local people knew about the Koh Kong SEZ. They received information from their friends and family. However, they did not have a good understanding about what exactly the SEZ was. Seven people said that they were not able to participate in the development process nor were they approached by any local officials, given an opportunity to provide feedback or invited to any forums or public consultations. However, three local people said that they had been approached by the village head and invited to a discussion, although they felt that this was insufficient.

Local people who were interviewed reported that they had observed the zone surrounded with a fence for many years. In actuality, the zone had been in the development stage for nearly ten years although investment has to-date has mainly been in the form of new casinos. Most of the local people interviewed had hopes of working in the zone after it is further developed with factories and other industries.

The recent development of the SEZ has provided local people with some jobs in casinos and other related service businesses. With the population increase in the area, new schools, hospitals and clinics have been opened. Newly created jobs and developed social infrastructure has encouraged young people to stay in the community. Local people can also run small businesses for casino workers such as renting space for selling food.

However, there are concerns regarding land rights. The acquisition of land to establish the SEZ has caused serious issues between the LYP Group and local people. Some compensation was paid to local people in order to persuade them to move out of the developing zone, but the amount of compensation was not fixed at the market price. Local authorities have confirmed that they have been involved in the process of resolving land conflicts in that area. They said that the solution to the land conflict is based on mutual understanding between the company and local people.

Some local people identified that a large area of land had been set aside for the zone, but that there was no benefits coming back to the community in the form of job creation, and that the land was unused for many years. Some people had sold their land for what they thought was a good price, but had since spent all the money and now faced financial difficulties because of the lack of job opportunities.

Stories of land grabs and disputes between high ranking people, investors and the local people were raised during the interviews.

> ‘Because of the development of this area, my land was taken by high ranking people and then when I raised a complaint to the authorities, nobody responded’ (Fisherman, male, 50 years old)

> ‘Since the establishment of the special economic zone in this area people have had to face land grabbing from rich and powerful people and, although they received compensation, it was only a small amount and lower than the market price. Most people who lost their land migrated to Thailand in order to work’. (Deputy village head, female, 40 years old)

Some local people said that they were afraid of further land grabs. They did not know the exact area where the zone is located, and so they were reluctant to build a new house for fear of eviction by the local authorities or a zone developer.

3. Trat (Thailand)

3-1. Background

Trat has a permanent border immigration checkpoint at Baan Had Lek, Klong Yai District which is located opposite Baan Jam Yiam, Sima District in Koh Kong Province, Cambodia. The area is used as a transit point to transport goods to Cambodia and has become a border trading channel between two private ports: Chalalai port and Kalpangha port. Both piers are only a distance of 10 km from Baan Had Lek.

Trat Province is a major fruit-growing and fishing area, as well as being a popular tourist destination.[49] Since April 1993, the Board of Investment (BOI) in Thailand has created three investment promotion zones in Thailand. Trat is located in a Zone 3 investment area; investments in this zone are therefore entitled to special tax and import duty exemptions.[50]

In May 2010, the export volume from Trat Province to Cambodia was THB 1,725.74 million (USD 57.4 million) and the import volume was THB 4.88 million (USD 0.16 million). The main export commodities were agricultural products, industrial goods and vehicle components.[51]

Table 16: Trade Activity at the Thai-Cambodia Border (Trat Province) in 2009

Ranking	2009		2009	
	Imports	Value of Imports (Thai baht)	Exports	Value of Exports (Thai baht)
1	Finished Wood Products	16,156585.17	Brown sugar	3448,381593.54
2	Radio Wave Magnifier	6.084,376.45	Milk and supplementary foods	1232,801336.88
3	Telecommunication appliances	4,045773.04	Snacks	943,647107.41
4	Wicker	3,123500.00	Mobile Phones	567,306360.05
5	Dried squid	2,660000.00	MSG flavouring	550,524079.08
6	Coconut	1,744500.00	Soda Drinks	478,338012.26
7	Frozen Crabs	1,260000.00	Car Tyres	477,033712.69
8	Clam	1,132500.00	Fishing Net	409,715252.84
9	Paper	892,709.78	Vehicles	312,548299.45
10	Fish	821,500.00	Steel	310,236252.75
Total		37,921444.44		8730,532016.95

Source: Office of the Permanent Secretary, Ministry of Industry, Thailand, 20 July 2010

3-2. Current Stage and Future Plans

Since 2007, trading along the Trat border has been growing continually. Border trade has increased largely due to the existing and improved transport links. Trat has the capacity to facilitate transportation by water into Cambodian and Vietnamese markets. More recently, Road No. 48, the new road which links Thailand to the Koh Kong SEZ and Phnom Penh in Cambodia opened in May 2008, thus further stimulating border trade.

Photo courtesy of CWCC

After coming to work in Trat, Cambodian migrants mainly work in the fisheries processing sectoc on shrimp farms.

Road No. 48 is a coastal route and serves as an economic artery between Thailand and Cambodia, with importance for both trade and tourism. The road runs from Laemchabang Port in Thailand to Sihanoukville in Cambodia. According to a business owner interviewed by the Thailand CRT in May 2009, Thai investors are interested in relocating their textile industries or seafood processing industries to Koh Kong province in expectation of receiving taxation benefits or GSP export privileges to third countries. Thus far, as of March 2012, only KKN Apparel, a garment company with existing factories in central and southeastern Thailand, has begun the process of setting up manufacturing operations in Koh Kong province.[52] However, there is still no investment in any of those industries. This might be due to the fact that there is no clarity on investment law or benefits for investors as well as an unstable political situation in Cambodia. However, several parties in Trat Province from both the public and private sectors have expressed their hope that this project can boost Trat's economy, both directly and indirectly.

3-3. Impact on Migration Flows and Migrants

The Thailand CRT conducted interviews with 21 Cambodian workers in Klong Yai, Trat Province, including 13 males and 8 females. The migrants were aged between 18 to 43 years old. Thirteen of those interviewed had only achieved primary school level education. Eleven of them had no children, and the remainder had between one to four children each.

3-3-1. Reasons for Migration to Trat

While the Trat border zone has not been developed into a designated SEZ by Thai authorities it has certain characteristics that act as pull-factors for Cambodian migrants. It offers both higher incomes and a wider variety of jobs to incoming Cambodian workers. It is possible that an increase in border trade through the area has provided greater opportunities for local Thais and Cambodian migrants alike. Furthermore, it is possible that the presence of the Koh Kong zone on the other side of the border has also stimulated some migration to Trat, as some migrants seeking rumoured work in the SEZ have continued on to Trat when they found that none was yet available.

The Cambodian migrants interviewed in Trat came from a number of provinces: Phnom Penh, Sihanoukville, Kampot, Kampong Speu, Kampong Cham, Kampong Thom, Takeo, Prey Veng, Svay Rieng, Pursat, Kandal, and Koh Kong. Some of the Cambodian migrants had first come to work in Trat in 1993. However, most of them had come relatively recently in the period 2002-2008.

Before working in Trat, the majority of the interviewees worked in the agricultural and service sectors, including domestic work, casinos or selling fruit in Cambodia. The main reasons stated for migrating to work in Klong Yai District were that they faced financial problems at home and could not earn a sufficient income when working in Cambodia. More than half of them decided to work in Klong Yai District to increase their income. The rest of them decided to work there because of unemployment at home and the expectation of better job opportunities in Klong Yai District. Nine of the interviewed Cambodian migrants in Klong Yai District reported that they were the main breadwinner in their families. Some interviewees stated to the CRT that they had more choice of work and better wages in Klong Yai, although they had to leave their family for long periods of time.

3-3-2. Finding Jobs and Traveling to Trat

Thirteen migrants interviewed reported that they received information about job opportunities from their friends and families. Some of them used agents, but none of them paid agents in order to find jobs in Trat.

Migrants spent between THB 2,000 and 3,000 (USD 67-100) in order to travel to Trat. Thirteen interviewees travelled from Cambodia by boat. Some of the interviewees who asked agencies to arrange their trip paid an extra THB 3,000-4,000 (USD 100-133). These costs included the cost of transportation, a visa, passport, the border pass fee, and other expenditures that agents incurred on their behalf.

One interviewed construction worker said:

> 'I travelled by myself. My travelling expenses from Koh Kong to here were around THB 400 (USD 13.3). Then I had to pay THB 1,300 (USD 43.3) for my border pass, THB 50 (USD 1.7) for the car fare, THB 300 for the boat fare (USD 10) and THB 150 (USD 5) for food'.

A female worker told the CRT:

> 'I took a bus from Kampot to Sre Ambol District in Koh Kong, then took a speed boat for THB 500 (USD 16.7) and paid THB 1,300 (USD 43.3) for my border pass'.

Another fishing boat crew member reported that he travelled with a broker by taking a bus from Phnom Penh to Koh Kong. He then took a boat to Khao Wong by walking through Klong Yai, followed by a one hour walk through the jungle. The broker was paid around THB 2,500 (USD 83.3).

Most of these migrants are unregistered migrant workers. Some of them have border passes which allowed them to stay for seven to fifteen days. Despite these restrictions, almost all of them had stayed in Thailand for longer than one year.

3-4. Working and Living Conditions

3-4-1. Types of Employment in Trat

Before coming to Trat, most of the Cambodian migrants were unemployed or worked in the agricultural and fishery sector, or worked as merchants. However, after coming to work in Trat, Cambodian migrants mainly work in the fisheries processing sector or shrimp farms performing tasks such as cleaning squid, peeling shells and crabs, as fishing crew, or in fermented fish production factories. Some also work as day labourers in the agricultural sector. Some of them work as chefs or street vendors selling fruit and food. Among those who were interviewed, seven were agricultural workers, three were working in the fisheries sector, three were construction workers, two were unemployed and seven were unclassified.

3-4-2. Migrant Registration

Nine of the Cambodian migrants interviewed had a migrant registration card. Most of the migrants did not go to government offices by themselves; their employers, people posing as their employers, brokers or village headmen did conducted this transaction on their behalf. The operation cost for obtaining a registration card is around THB 3,800-5,500 (USD 127-183). Some of the employers advance money to obtain registration cards for their workers and then deduct the fee from their salary.

3-4-3. Wages

The wages of migrants are paid according to the selling rate and the quantity of the product they are working with. For example, if more squid are caught, the migrants working on squid cleaning will receive a higher wage. Migrants' wages also depend on the minimum wage in each area. Although it is known that migrants should get at least the minimum daily wage, in practice, it is common for the wages paid to be lower than the minimum. Some of the migrants received just 20-30 per cent of their wage at a time. Construction workers were paid around THB 7,000-9,000 (USD 233-300) per month. Fishing crews were paid THB 7,000 (USD 233) per month while workers in the shrimp farms were paid THB 4,000 (USD 133) per month. Although some migrants worked overtime, none received overtime payment.

Although these wages are not particularly high, migrants were able to save and remit money to their families in Cambodia. Migrants working in Trat can save anything from between THB 1,000 to THB 5,000 (USD 33.3-166.6) per month. Fifteen interviewees said that they sent remittances to their families. Remittances from migrant workers ranged from THB 1,000-10,000 (USD 33-333) per year. Almost all of these remittances were used to support family expenditures.

3-4-4. Health and Safety and Support Services

Access to health and support services and the guarantee of safe working conditions are limited in Trat. Some workers report that they are able to access health services more easily because they are insured, while others, especially undocumented workers, have more obstacles to overcome if they fall sick. Many workers depend on support networks of family and friends when they have problems but there is low awareness of other organisations, such as NGOs, that may be able to offer assistance. There are inadequate systematic measures in place for workers' healthcare in the Trat border zone.

Workers interviewed in the fishing industry, involved in tasks such as peeling shells, had received on-site safety training and equipment, including a mask, hat and gloves. Agricultural workers also received masks and boots for their safety. Some of the employers had also taken migrants to get medical treatment in cases where they fell sick or had accidents.

Nine of the interviewees in Trat had health insurance. When they fell sick or required medical treatment, those with health insurance can go directly to the hospital and pay just THB 30 in order to receive medical care. Migrants not in possession of health insurance have to pay the health care cost by themselves. Many migrant workers purchase medicine when they get sick. In case of serious illness, they will go to a clinic instead of going to hospital due to fear of arrest.

One public health officer interviewed expressed optimism that, even though there are many undocumented migrant workers in Klong Yai District, these migrants are all treated equally. However, he believed that the government should provide a better public health system for all workers and should also set up a policy for new-born migrant babies in the zone.[53]

When migrants face any problems, around 57 per cent of them will seek support from their friends and family. Very few migrants expect to get support from the police, labour officers or other local authorities and employers. It is also interesting to note that very few migrants expect to get support from their home country's embassy. More than 40 per cent of Cambodian migrants know that there have been people or organisations disseminating information about their rights, including Foundation for AIDS Rights (FAR), Rakthai, and officials from the Public Health office. These organisations provide suggestions for the Cambodian migrants where necessary.

3-4-5. Quality of Life before and after Migration

The majority of migrant workers interviewed found that working in Trat had a positive impact on their lives. Many of them mentioned that they could earn more, and with their better wages were able to support their children's education. However, more than half of the migrants would not recommend

working in Trat to a friend because it is difficult to find a job and get a good wage when compared to previous times. Furthermore, migrants felt that they could not trust the brokers and found it hard to adjust to their new environment. Undocumented workers are at risk of arrest and have less freedom when compared with staying in Cambodia. As one migrant worker mentioned, since coming to work in Trat, his family and their quality of life had improved. They were able to save to build their own house and could buy gold and ornaments for themselves. However, most workers would not encourage their relatives to work there since they face more difficulties in earning their living than before.

3-5. Impact on Local People

Key informant interviews were conducted with five local business owners (a restaurant owner, shrimp-farm owner and two fishing boat owners), five government officials (police officers, district officer, public health officer and an officer of the Federation of Thai Industries) and ten local people including the vice-mayor of Had Lek Sub-district, village headmen, assistant headmen, and public health volunteers. The interview results are summarised below.

Police officers from Klong Yai District Immigration believed that the establishment of the BEZ will facilitate legal migrant employment because it will provide a better system of controlling inbound migrants. They also believed that it will improve the economic situation and increase money circulation in this province. Low wage migrants can get jobs, earn their living and have better living conditions because the economic conditions in the BEZ are mutually dependent on both Thai and migrant workers. Local government can also earn more revenue and investors can get more privileges for their investment. In addition, Thai villagers can earn income by trading with migrant workers.

However, the public health officer interviewed expressed his concern that:

> ‘The current policy on migrant workers registration does not fit with the trend of migration flows. In Trat, we need migrants not only in industry, but also in agriculture and fishing. For the agricultural sector, employers want short-term contract employees, for example, during the planting and harvesting season. These categories of migrants are not in the registration system. Regarding the public health services, we have to find out what will be the best solution for migrants’ health services’.

4. Conclusions

SEZs have the potential to offer significant pull-factors to migrants, most notably high wages. This is the case in Koh Kong even though there has not yet been any investment in the economic zone-our research found that there had been significant migration to the area in search of jobs based on what was obviously imperfect or simply incorrect information about the availability of employment. Clearly, the pull of such an economic zone is strong even if the possibility of finding employment is speculative.

Cross border economic zones also have the potential to develop significant additional businesses and industries around them as investment trickles down and as investors not involved in the CBEZ directly see opportunities to leverage the success of the zone. This is apparent in Koh Kong where the involvement of the zone developer and the promise of the area as a destination for visitors have resulted in the building of a casino and hotel. These businesses have, themselves, created jobs and become a pull for external migration, showing that CBEZs will not only give rise to direct pull factors, but also indirect pull factors as infrastructure and job creation locally expand (or are perceived to expand).

CBEZs also affect local populations by providing direct and indirect sources of local employment that may reduce the need for and extent of migration from the CBEZ region, causing a decline in push factors driving migration from a particular region. The casino and hotel in Koh Kong clearly provides jobs for local people, reducing their need to migrate elsewhere to find work.

The effect of the BEZs in Trat is less clear as it is at a much lower level of official implementation. However the fact that it has been designated a 'sister city' of Koh Kong appears to have impacted on migration flows to the area. The Koh Kong economic zone may have had some impact on migration to Trat, as it has been reported that workers who found that no jobs were available in Koh Kong often moved on to Trat in search of work instead of returning home. In addition, at the later stages of implementation many locals and officials in Trat expect there to be more migration into the area as more jobs are created and better systems put in place to regularise the flows.

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Photo courtesy of NUOL

Construction of infrastructure on site D, June 2009.

In-depth Study on Border Economic Zones and Migration: Mukdahan (Thailand)-Savan-Seno (Lao PDR)

1. Overall Background

The development of the East-West Economic Corridor (EWEC), also known as Route 9, is providing opportunities for increased economic cooperation between Thailand and Lao PDR. In particular, trade has been significantly boosted since the opening in 2006 of the Second Thai-Lao Friendship Bridge between Mukdahan in Thailand and Savannakhet in Lao PDR.

The Second Thai-Lao Friendship Bridge Project, as well as the Mukdahan-Savannakhet Sister City Agreement, was launched in March 2004 when the two countries held a joint cabinet meeting, the first ever of its kind.[1] The Sister City Agreement was established under the Thailand-led Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), which seeks to boost economic cooperation and the development of infrastructure in the region, especially along the EWEC and the North South Economic Corridor (NSEC). This strategy aims to establish Border Economic Zones (BEZs) along these corridors by linking towns in sister city agreements to facilitate trade and the transportation of goods.

Savannakhet is a major city that lies along the Lao PDR section of the EWEC and was thus the obvious choice for a hub for logistics, trade and industrial development.[2] The city of Mukdahan lies just across the Mekong River from Savannakhet. It is the capital of Mukdahan Province, one of Thailand's poorest.[3] The pairing of the city with Savannakhet and its designation as a BEZ is intended to achieve the Thai policy aim of decentralising growth and diversifying the economy in peripheral areas of Thailand.[4] Actual cross-border cooperation in developing the BEZ has been limited and Mukdahan and Savannakhet are developing their respective zones independently. For this reason the two areas are treated separately within this chapter, although it should be stressed that the Sister City Agreement and the location of the two cities at a strategic point on the EWEC, have had a role in policymakers' decisions to establish Special Economic Zones (SEZ) in these locales.[5] In addition, the present limited cooperation does not rule out the possibility of the Thai and Laotian cities working together more closely as the zones reach a higher states of development.

The Thai prime minister at the time of the creation of ACMECS, Thaksin Shinawatra, stated that the Second Thai-Lao Friendship Bridge would become a significant land-link in the region, connecting Mukdahan, Savannakhet and major Vietnamese ports including Da Nang. The land-link was aimed at boosting trade, investment and tourism between the three neighbouring countries. Roads linking Lao PDR and Vietnam had already been built, thus the construction of the Second Thai-Lao Friendship Bridge was expected to complete the major land transport link between the three countries. At the joint cabinet meeting, the two countries agreed that a visa exemption deal would be signed between the Thai and Laotian governments by 2005. The two sides also discussed upgrading border checkpoints and Thailand agreed to provide a THB 320 million (USD 10.7 million) loan to Lao PDR to renovate the airport in Vientiane, with work undertaken by Thai firms.[6]

In January 2010, Thailand and Lao PDR agreed to increase economic cooperation by utilising the EWEC.[7] In bilateral discussions between the Foreign Ministers of the two countries, a number of agreements were reached, including: joint cooperation on fisheries; promotion of tourism; reduction of sub-regional socio-economic inequalities; and the development of economically and environmentally sustainable economic zones.

Photo courtesy of NUOL

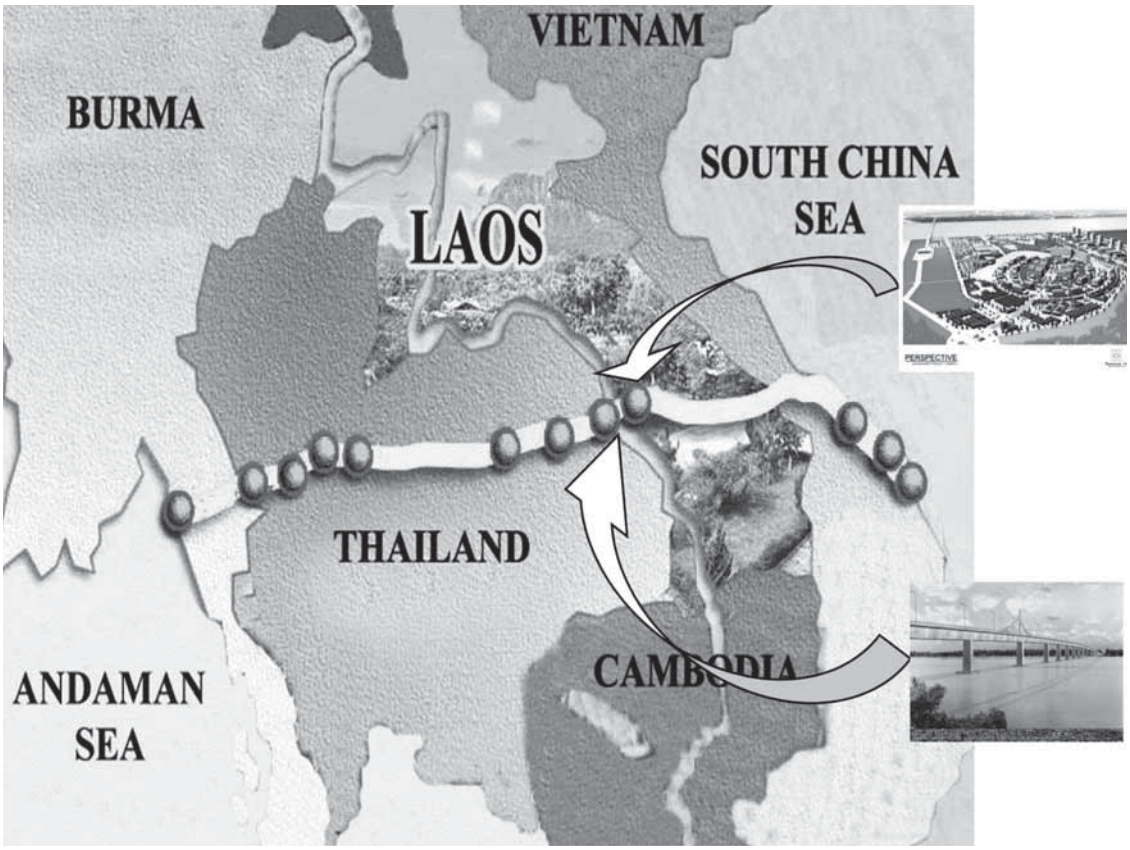
One of houses of local residents in site A of the Savanaseno SEZ, January 2009. Residents were later relocated.

The ACMECS agreement has also helped to create a favourable environment for contract farming. As a method of bolstering food security, Thailand has commenced contract farming in Lao PDR. Agricultural production is outsourced to other countries-in this case Lao PDR-in order to take advantage of cheaper natural resources and labour, with goods then transported back to Thailand under the special tariff privileges that exist between neighbouring ACMECS countries.[8]

In June 2010, Thailand, Lao PDR and Vietnam signed a Memorandum of Understanding to increase cooperation on the promotion of tourism along the EWEC between Quang Tri Province in Vietnam, Savannakhet Province in Laos and Mukdahan Province in Thailand. Measures that have already been implemented to increase tourism cooperation in the region have involved investment in a chain of restaurants and souvenir shops along the EWEC.[9]

Both Thailand and Lao PDR have been trying to maximise their geographic strategic advantages in order to promote economic development along borders and reduce the income disparity within the two countries.

Map of Lao PDR and the Economic Corridor



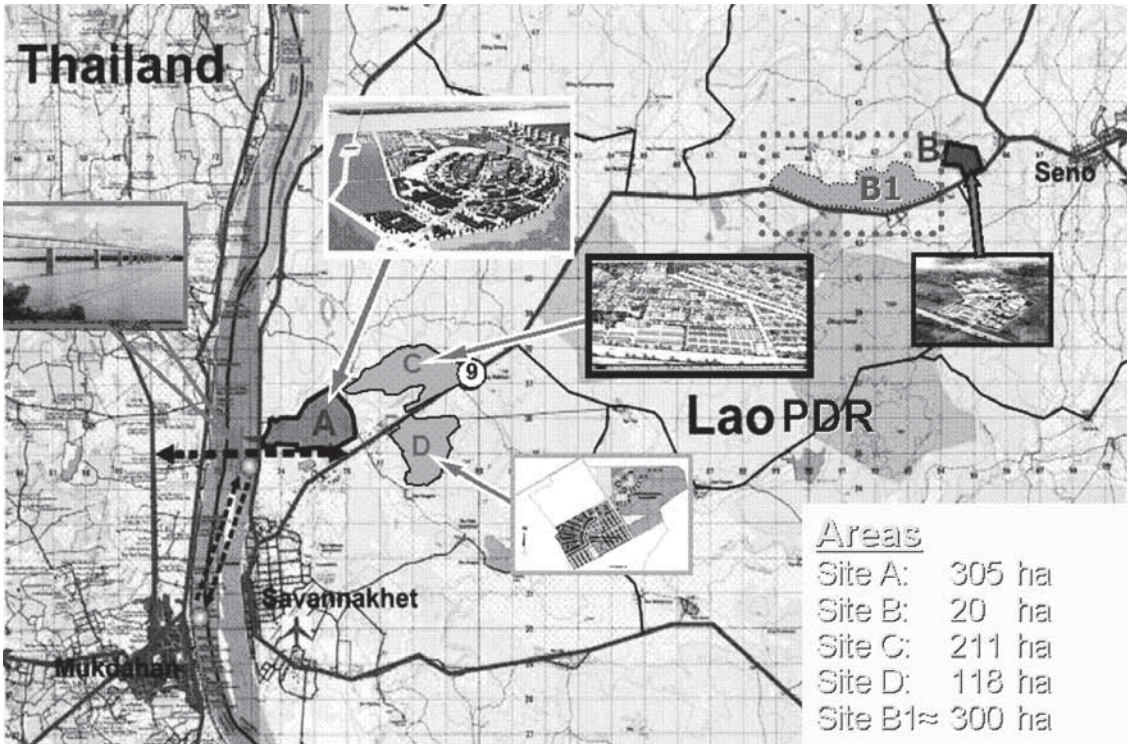
Source: Executive committee for Savan-Seno Special Economic Zone

2. Savan-Seno SEZ

2-1. Background

Savannakhet Province is the largest province in Lao PDR. Spanning an area of 21,774 square km, it is rich with natural resources such as forests and minerals and has a population of approximately 1 million, making it the most populated province in Lao PDR. The main sectors contributing to the province's GDP are agriculture (60 per cent), services (22 per cent) and industry (18 per cent). The province's major exports are garments, natural dyeing textiles, wooden and forest products, and gypsum.[10]

Map of the Savan-Seno Special Economic Zone, Lao PDR



Source: Executive committee for Savan-Seno Special Economic Zone

The area of Lao-Thai bridge and Nakae village, Kaisonphomvihanh district before constructing any building of the project for Savan-Seno Special Economic Zone (Source: Executive committee for Savan-Seno Special Economic Zone)

Photo courtesy of NUOL

Customs at the Mukdahan checkpoint.

The Savan-Seno SEZ (SASEZ) is located on four different sites in and around the provincial capital Kaysone Phomvihane (also known as Khantabouly, and simply Savannakhet city). The zone is the most advanced of all the zones as it was the first to be established. The Savan Industrial and Commercial Park section of the zone (also known as Zone C) was officially opened on 22 November 2011, with five companies already undertaking manufacturing operations and business activities. A total of 21 companies had registered to build factories and conduct business in the area by the time of the zone's opening.[11] By May 2012, the number of companies had grown to 34.[12] The zone differs from the other two SEZs established so far in Lao PDR (in Luang Namtha and Bokeo provinces) in that it is under direct government management.

Back in 2001, the Lao PDR government issued a decree to establish SEZs in order to increase border trade and cooperation with China, Thailand and Vietnam. Savannakhet Province was selected as the priority area to be developed into an SEZ in southern Lao PDR because of its strategic location as a connecting point between Lao PDR, Mukdahan province of Thailand and Vietnam.

According to Decree No. 177/PM, issued on 13 November 2003, the purposes for establishing the SASEZ include:

- To build the conditions for re-orientating the economy towards industry and modernity, by using the location of Lao PDR as a land-link country in the sub-region. This development of the market economy would help to integrate the country with the sub-region and world economy, thereby accelerating the development of the Lao PDR economy.
- To encourage and attract internal and external investors, including Lao investors who live in other countries, to invest in the SASEZ.
- To improve the knowledge, skill level and experience of local workers by creating occupations and training programmes.
- To build a cooperative centre of economy, industry, commerce, finance, and service of technological development between Lao PDR and other foreign countries.

See Box 3 and Box 4 below for additional details on Decree No. 177/PM

BOX 3: Objectives of Decree No.177/PM

Objectives of the creation of the SASEZ, Article 4, No.177/PM, 13 November 2003[13]

(1) To create the prerequisites for gradual industrialization and modernization by using its vantage ground as a transit place within the sub-region, for developing the Lao PDR market economy so as to integrate it into the Regional and Global economies, and for fostering faster growth of national economy bases, on which material and spiritual conditions of existence of the Lao multi-ethnic people shall be raised up;

(2) To put into use and develop real estates within the SASEZ for providing services and settling those facilities needed in the business operations of domestic and foreign investors, notably the land use settling and public facilities' building such as roads, drainage canalization, waste water treatment, electric power, water supply and telecommunication systems;

(3) To encourage and attract domestic and foreign investors, including overseas Laotians, to come and invest in the SASEZ;

(4) To protect and encourage both domestic and foreign investors from all economic sectors, operating in the SASEZ, to compete and cooperate among themselves in the development of their productive activities and business operations on the basis of equality before the Law;

(5) To encourage domestic and foreign investors to invest in the different business sectors, which are spelled out in the list of SASEZ-promoted business activities;

(6) To create a supply source of employment opportunities and a training ground for employees and workers who shall be able to acquire further know-how, competence, lessons and experiences in the fields of high level management and skills;

(7) To create a Center of Cooperation between the Lao PDR and foreign countries in the fields of economy, industry, trade, finance, services, and modern technology;

(8) To create a Zone which grants special privileges as regards customs duties on imported and exported commodities, and which is, however, a part of the Lao PDR territory, and under the Lao PDR Constitution.

BOX 4: Article 7 of Decree No. 177/PM

Promoted activities inside the SASEZ, Article 7, No.177/PM, 13 November 2003[14]

1. Production and manufacturing businesses, such as finished-product manufacture for export; parts assembly for production of finished products; processing of imported goods for further sales in domestic and foreign markets; agro-industry products manufacturing; handicraft products manufacturing; goods and finished products packaging enterprise;

2. Trade businesses, such as duty-free shops/centres; customs duty-free wholesale trade for transit goods to neighbouring countries; wholesale trade for domestic commodities and products, such as handicraft works, sweet-scented wood products, precious stones, etc.; centres/halls of goods exhibition; supermarkets and retail stores; convention and seminar centres for the promotion of wholesale activities and export; export, import and in-transit commodities trade;

3. Services and logistics businesses, such as general commodities warehousing and freezing/refrigerating warehouses systems; services in logistic and goods distribution; goods handling/freight terminals for loading and unloading heavy commodities; transport enterprises; hotels; apartments; housing real estates; office-for-rent buildings; tourist package-tour travel organizations; leisure centres development; sport practicing sites/centres; entertainment parks; tourist sites development; banks/financial institutions; insurance's; social welfare funds; skills upgrading and vocational schools; general primary and secondary education schools; universities/university-level institutes; hospitals; restaurants; post offices;

4. Representative's offices and company branches, such as offices of the representative of the trade company for the encouragement of export; offices of the tourist travel agencies; branches of international consulting firms; branches of air companies; branches of international transportation companies.

2-1-1. Management Structure of the SASEZ

The main management entities responsible for the SASEZ are the Savan-Seno Special Economic Zone Authority (SEZA) and Savannkhet's provincial authorities. The SEZA plays the leading role, whilst provincial authorities assist and support their activities. A notable omission from the decrees establishing the SASEZ is any attempt to include a wider group of stakeholders to participate in the establishment and management of the zone.

The administrative framework of the SASEZ is outlined in the Decree on Savan-Seno Special Economic Zone, No. 148/PM, promulgated on 28 September 2003,[15] and the Decree on the Management Regulations and Incentive Policies Regarding the Savan-Seno Special Economic Zone, No. 177/PM, issued on 13 November 2003.[16] In reality, the management body, the SEZA, is a government agency that functions under the Prime Minister's Office. Under Article 55 of Decree No. 177/PM, a 'One-Stop Service Bureau or Unit' is to be established for the efficient operation of the SASEZ regarding investment licences, registration of business, export and import licences etc. The duties of the provincial authorities in this scheme are listed in Article 7 of Decree 148 and comprise: (1) assisting SEZA to settle land acquisition issues and security matters, (2) coordinating with SEZA for recruitment of workers, and (3) contributing to attracting investors to the SASEZ.

Photo courtesy of FOW

Bus connecting Mukdahan and Savannakhet.

In neither decrees is consideration given to the wider group of stakeholders affected by the zone. The decrees focus solely on the powers, rights, duties and responsibilities of the government agencies and the investors. The decrees make no mention of establishing a participatory framework that could incorporate the interests of villagers resident in the area, especially those who will be displaced by the construction work, local traders or members of community-based organisations. In addition, no requirements are made regarding the performance of environmental or social impact assessments. These omissions in the legal framework mean that there is plenty of scope for the rights and interests of local people to be infringed by the development of the zone. (See details in the Lao PDR country overview of BEZ)

2-2. Relevant Agreements and Policies

Decree No. 177/PM sets out a large number of policies pertaining to the zone which seeks to attract investors by providing a deregulated and profitable business environment. The Lao PDR government has determined policies in the SASEZ as follows:[17]

2-2-1. Basic Policies of Investment in the SASEZ

1) The government encourages all companies, including state-owned enterprise and private domestic companies, to invest in infrastructure development and management facilities in the SASEZ;
2) Business entities undertaking investment for the development of the SASEZ may take the following form: 100 per cent privately owned domestic or foreign investment; joint venture investment between domestic and foreign enterprises; state-owned enterprise; and joint venture investments between the state-owned, domestic and foreign-owned enterprises;
3) The economic zones promoted in the SASEZ include an export processing zone, free trade zone, and free service and logistics centre;
4) The government grants domestic and foreign investors of the SASEZ preferential duty and tax treatment, multiple entry visas, land lease and other incentives. This preferential treatment and incentives will be determined individually;
5) For the land allocation in the SASEZ the government defined three main rules:
   - The land owned by individuals or organisations, and used by them before establishment of the SASEZ, shall be reclaimed to conform to the development of the SASEZ: this shall be done in accordance with the land law, and other related legal acts.
   - The factories and enterprises located inside the SASEZ, before the creation of the SASEZ, can enjoy the investment incentives of the SASEZ by improving their business to conform to the conditions, standards and development principles set up by the SASEZ.
   - The land area located in the SASEZ is the property of the nation. Individuals, judicial persons, domestic and foreign investors can lease, use, inherit and transfer such land ownership according to the specific related laws and regulations.

2-2-2. Tax Exemption Policies

The government has defined tax exemptions and special tax rates to SASEZ-registered enterprises as follows:

Turnover[18] ***and utilisation tax*:**[19] In the SASEZ, turnover and utilisation tax are exempt for goods or commodities imported from foreign countries. Furthermore, SASEZ-registered enterprises in the fields of production, trade, services and commodities import are exempt from these taxes for any further transactions in the country outside the SASEZ.

Tax deduction:[20] An enterprise, operating in production or commodity processing inside the country, shall be granted exemption or deduction of turnover tax and consumption tax of its sales transactions with business entities opening inside the SASEZ.

***Profit tax*:** The various forms of profit tax exemption designated for SASEZ-registered enterprises are outlined in Box 5 below).

BOX 5: Profit Tax Exemptiom Definitions

Profit tax

Production business category:[21]

The production and manufacture of goods for export to foreign countries shall be either exempted from profit tax or granted a deduction rate of profit tax, depending on the proportion of export in the total production quantity, as follows:

1) For proportion of export equal to 70% or more of the total production quantity, or for the manufacture or assembly of high technology equipment, instruments and products, the business entity shall be exempted from profit tax for a period of 10 years; then it shall be subject to a rate of 8%.

2) For proportion of export between 30% and 69% of the total production quantity, the business entity shall be exempted from profit tax for a period of seven years; then, it shall be subject to a rate of 8%.

3) In the case of a general production business, or a business producing for export less than 30% of the total production quantity, the business entity shall be exempted from profit tax for a period of five years; after that, it shall be subject to a rate of 8%.

4) Apart from the tax policies mentioned above, a special tax privilege shall be granted to production businesses which utilise domestic/local raw materials at a proportion higher than 50% of the total quantity of raw materials, for the first two years of profit tax payment application.

Trade business category:[22]

Decree No. 177 defines many types of trade business such as commodity import-export business, in-transit trade business, duty-free shopping, commodity wholesale business etc. These trade businesses are granted various forms profit tax exemption. For example:

1) A business enterprise exporting domestic products and commodities shall be granted profit tax exemption for a period of five years, and then it shall be subject to a 10% rate of profit tax.

2) A business enterprise which imports foreign country merchandises for sale in third countries shall be exempted from profit tax for a period of three years. After that, it shall be subject to a rate of 10% profit tax.

3) Apart from the trade business activities mentioned above, a trade business enterprise operating inside the SASEZ shall be exempted from the profit tax for a period of two years, and then it shall be subject to the rate of 10% profit tax.

Service business category:[23]

Decree No. 177 defines service businesses such as transport, warehousing, housing construction, tourism, banking, insurance, universities, and public service businesses, such as entertainment parks, tourist site service business etc. These service enterprises are granted various profit tax exemptions and deductions, depending on the amount of their investment as follows:

1) An investment with a value of USD 50,000-149,999 shall be exempted from profit tax for a period of two years and then it shall be subject to a rate of 10%.

2) An investment with a value of USD 150,000-299,999 shall be exempted from profit tax for a period of four years and then it shall be subject to a rate of 10%.

3) An investment with a value of USD 300,000-499,999 shall be exempted from profit tax for a period of six years and then it shall be subject to a rate of 10%.

4) An investment with a value of USD 500,000-1,999,999 shall be exempted from profit tax for a period of eight years. After that, it shall be subject to the rate of 8% profit tax.

5) An investment with a value of USD 2,000,000 or more shall be exempted from profit tax for a period of 10 years and then it shall be subject to a rate of 8%.

2-2-3. Land Lease Policy

Investors may lease land inside the SASEZ for a maximum period of 75 years. The period of a lease has to be equal to the authorised period of investment, or equal to the remaining time of the authorised period of investment, and is extendable upon consideration and approval by the SASEZ committee. The SASEZ committee are responsible for issuing regulations concerning the rules, conditions, standards and period of land leased for each category of investment.

Decree No. 177/PM establishes that an investor who leases land inside the SASEZ for a period of 30 years or more shall be exempted from rent for a period of 12 years. Also established are preferential rates and discounts for advance payment.[24]

2-2-4. Employment of Foreign Workers

To promote job opportunities for Lao PDR nationals, Decree No. 177/PM restricts the number of foreign workers that SASEZ-registered enterprises may employ at the management level. As such, foreign nationals may not exceed 30 per cent of the total number of employees hired at the managerial level.[25] It is possible that this regulation may limit international investment into the zone, as foreign investors are deterred from hiring their own nationals and bringing them to work in the zone. Whether this law will be strictly enforced remains to be seen and may be influenced by how quickly Laotian workers can be trained in the necessary skills to be employed at the managerial level. Indeed, Article 45 Decree No. 177/PM also stipulates that the number of foreign employees must be revised and updated every three years, which indicates that the Laotian government will be responsive to how effective local training programmes are for local workers.

2-2-5. Training

In line with the purpose of establishing the SASEZ to promote capacity building of Laotian nationals, the decree encourages SASEZ-registered enterprises to pay the schooling and training fees for their employees and have these expenses deducted from their profit tax. Moreover, all SASEZ-registered businesses must make efforts to reduce the number of foreign employees by arranging vocational training and making provisions for technology and knowledge transfer available to Laotian nationals.[26] At the time of writing, there appeared to be an inadequate amount of training provided by

local authorities and the skills standards of the local labour force remain low. While the University of Savannakhet has the potential to provide the necessary training to boost local skill levels and contribute to the viability of the zone, so far, insufficient linkages have been made between this institution, the zone authorities and the labour pool.[27]

2-2-6. Labour Protection

All Laotian labour laws apply within the SASEZ. However, the inadequacies of these laws mean that the protection of labour rights within the zone is by no means guaranteed.

The SEZA is tasked with monitoring labour conditions within the zone.[28] Salaries of employees of SASEZ-registered enterprises may not be lower than the amount set by the Laotian Labour Law.[29] In 2005, the minimum wage was LAK 290,000 (USD 35.9) per month. The wage was increased to LAK 348,000 (USD 43.1) in 2009.[30] In October 2011 the government announced that it was going to raise the minimum wage by 80 per cent to LAK 626,400 (USD 78) a month.[31] This took effect on 1 January 2012.[32] Employers are required to compensate workers for accidents.[33] Written employment contracts are required.[34] The hours of work in a labour unit shall be six days per week, and may not exceed eight hours per day or 48 hours per week, in any form of salary or wage paid.[35]

The rights to organise and join mass and social organisations are protected under Article 3 of the Laotian Labour Law. However, it should be noted that workers are prohibited from organising independent trade unions. All unions must be under the direction of the state-affiliated Lao Federation of Trade Unions. Union activity is heavily circumscribed. Unions can 'present claims' and 'negotiate' but are not allowed to engage in collective bargaining.[36] The extension of privileges to investors and deregulation within the zone has not been matched by a loosening of restrictions on labour to organise to protect their own interests.

A 'Labour Service Centre' is to be established to assist SASEZ-registered enterprises for recruitment, labour protection measures and labour disputes.[37] Decree No. 177/PM also establishes a tripartite negotiation mechanism to resolve employer-employee disputes. This body is composed of representatives from either the Ministry of Labour and Social Welfare or SEZA, the labour force and SASEZ-registered business enterprises and it is intended to promote 'peace and order' in the SASEZ.[38] The exact details of how this mechanism will work are not stipulated, nor does it specify how representatives of the different groups are to be chosen. A vague notion of 'negotiation' does not provide a guarantee that the views and concerns of labour will be adequately represented and their rights secured.

2-3. Current Situation and Future Plans

The SASEZ project is expected to encompass a total area of 654 hectares and will incorporate four zones (Zone A, Zone B, Zone C, and Zone D).

Zone A is the largest site with a total area of 305 hectares and covers the area of Nakae village, Kaisone Phomvihane district. It is located at the edge of the Second Thai-Lao Friendship Bridge, the connecting point between Savannakhet Province of Lao PDR and Mukdahan Province of Thailand. Zone A is multi-purpose and includes residential housing (particularly for elderly people), hotels, a duty free shop, a park, a shopping centre, and a healthcare centre.

Zone B is a small site with a total area of 20 hectares. It is located near Seno, Outhumpone District, Savannakhet Province. There are plans to build a new area called B1 with a total area of 300 hectares to the west, close to Zone B. There are also plans to build warehouses for cargo storage within Zone B.

Zone C is located at Nongdeun village, Kaisone Phomvihane district and has an area of 211 hectares. An industrial park is planned for Zone C, which will include factories for the production of electronic equipment, a biodiesel factory, textiles and garments factories, and also commercial companies such as import-export and real estate. Savan Pacifica Development Co. Ltd. is a joint company established

by the Laotian Government and Malaysia-based Pacifica Streams Development Co. Ltd. After the company was set up in February 2008, the Lao PDR Government and Savan Pacifica Development Co. Ltd reached an agreement on developing the Savan Park Economic Zone.[39] This company has initiated the development of Zone C as an industrial zone and residential/commercial zone. The industrial zone has 153 industrial plots of 5,000 to 21,000 square metres, which have already begun to be sold.[40] The target industries are garments, shoes and toys manufacturing.[41] The table below provides further details regarding the division of Zone C.

Table 17: Development Plan for Commercial and Residential Area in Zone C

	Plots	Area (acre)	%
Residential			
Sub-total	207	10.93	17.25
Commercial			
Sub-total	232	25.98	40.98
Infrastructure/utilities			
Sub-total	3	26.48	41.77
Total	442	63.39	100.00

Source: Savan Pacifica Development Co. Ltd.[42]

Zone D is located at Nongpheu village, Kaisone Phomvihane district, occupying an area of 118 hectares. A resettlement village is planned for Zone D to house local people relocated from other zones in the SASEZ. This zone will include housing, schools, a health centre, market, commercial buildings, a public park, and recreation area.

In January 2009, at the time when fieldwork for this research was conducted, there were still few investors operating within the SESAZ. The following companies were in operation as of January 2009:

- Zone A: Savan City Company Ltd (Thailand);
- Zone B: Hua Jia International Ltd (China), Logitem Lao GLKP Company Ltd (Lao PDR), Double A Inter Transportation Company Ltd, Recycle Tyre Group, and Nanon Logistic Laos Company Ltd;
- Zone C: Savan Pacifica Development Company Ltd (Malaysia), Mekong Agro Industry Ltd (Lao PDR/China), DKLS Properties Development Company (Malaysia), Lao Tin Smelting Company Ltd (Japan) and OM (LAOS) Company Ltd;
- Zone D: Lao Patthana Company, Sengthavy Constructing Company, Hongkham Constructing Company (Lao PDR), and Savan City Company Ltd.

Investors in Savannakhet are also targeting the agriculture sector and a number of large companies have obtained land concessions and pumped capital into the development of contract farming. In 2008, Mekong Agro-Industry Ltd, which is jointly run by Laotian and Chinese investors, agreed with the Laotian Government to start *jatropha* tree plantations for bio-fuel production.[43] The obtained bio-fuel is intended to be used in Lao PDR and also to be exported. In addition, Thailand's Charoen Pokphand, is a major promoter of contract farming in the SASEZ. Mitr Phol Sugar Corporation is another significant investor in contract farming in this SEZ, having signed a 40-year lease on 19,200 hectares of land in Savannakhet to establish a sugar plantation.[44] In March 2010, Lao PDR and Mongolia agreed to cooperate on agriculture. Lao PDR will lease up to 10,000 hectares of farmland to Mongolia and in the SASEZ, Mongolia will establish a 'Mongolian Agriculture Cooperation Centre'.[45]

As of January 2009, all zones of the SASEZ were constructing offices and other buildings in accordance with the master plan. In Zone A, one of the 352 households who planned to move out of their village had already moved to another village. In Zone B, a household has relocated to another village. For Zone C, the area designated for the project site has been cleared and the office has been completed, while other building construction continues. In Zone D, 66 houses are under construction, with a few of them nearing completion.

In June 2010, the future development plan was disclosed by the Party Secretary of the SASEZ.[46] According to the plan, by 2013 the SASEZ aims to have attracted investment worth more than USD 465 million, and to create over 6,000 jobs.[47]

2-4. Impact on Migration Flows and Migrants

Due to the slow development of the SASEZ, there has not yet been much inward migration, although both Laotians from other provinces and company employees from Malaysia have relocated to work in the zone. Working conditions and wages differed dramatically according to nationality and skill level, with Laotian construction workers earning far less than the Malaysian company employees. In addition, Laotian workers face harsh living conditions and insecure employment due to informal work arrangements.

Since the Second Thai-Lao Friendship Bridge was opened in 2006, a new town has been built and people from other parts of Savannakhet have moved into the area. People in Savannakhet Province received news that a 'world market' would be built in Zone A of the SASEZ and subsequently decided to move nearby, despite not knowing its precise location.[48] This indicates that even before construction on the SASEZ began it was already having an effect on population movements in Savannakhet. Investors from Malaysia, the United States, Vietnam, Thailand and China hire non-Laotian workers in positions such as supervisors, mechanics and technicians. This leaves Laotian workers to take up positions such as construction workers, drivers, cleaners and guards.

Photo courtesy of NUOL

Casinos are built between the sites of the SASEZ.

2-5. Working and Living Conditions

Interviews were conducted with 22 workers, including 19 Laotians and three Malaysians, in the SASEZ. Fourteen Laotian interviewees were from Champasack, two were originally from Savannakhet, and three were from other provinces in Lao PDR.

Ten workers moved to the SASEZ on the advice of their friends or family members. Eight workers were persuaded to move by their employers. Two workers were assisted by recruitment agencies. About half of the workers interviewed were farmers before moving to the SASEZ. Some of them came to this area temporarily and said that they would return home when the projects were finished or when the farming season began in their home area. The establishment of the SASEZ project has thus given rise to at least some temporary migration into the area.

Among the 19 Laotian interviewees, 15 were male workers hired as construction workers to clear land. One male worker was hired as a driver, two female workers worked as accountants, and one female worker was employed as a housekeeper. Malaysian workers were hired as supervisors and operators. All six companies which employed the interviewees, either directly or through contract work, were construction or property development companies.

Construction workers form groups of up to five workers and receive contract-based work from those construction companies. Only the heads of the groups had written contracts of employment with the companies. The group members had oral agreements with the head of the group; workers are familiar with this practice in the construction industry in Lao PDR and they generally trust each other, although this does not preclude the possibility that their labour rights can be violated and that workers will be unable to access safe working conditions and healthcare (see below).

Construction workers faced harsh conditions, living in very basic camps with little or no facilities. Each morning, workers would travel by motorbike to small markets nearby to buy rice, vegetables, meat and fish. Some team leaders had small trucks and took workers to a larger market from time to time.

While the permanent workers were entitled to receive sick pay or accident compensation from their employers, temporary workers, including the construction workers in contract-based work, were not able to claim medical expenses from their employers. Instead, the temporary workers had to help each other in the same way as other temporary workers in Lao PDR. While workers did not seek any compensation from companies, the heads of the groups responded to their team's needs including living conditions, daily food and also sick pay or accident compensation.

Most workers in the SASEZ are men who are the main income earner of their families. They perform seasonal work to support their families at home. None of the workers had brought their children to the work-site. Since the SASEZ is not yet fully in operation, the future provision of education for children and the demographic composition of migrant workers are yet to be determined.

In sum, working conditions, including security of contract, and wages were better for the more skilled Malaysian workers who occupy roles as supervisors and operators. Laotian migrants working to construct the physical infrastructure of the zone were subject to difficult living conditions, insecure employment, lack of benefits relating to health and safety and lower wages. Migrants from other areas of Lao PDR have been attracted to work in the SASEZ on a temporary basis but have been met with difficult conditions and employment practices that can violate their labour rights.

2-6. Impacts on Local People

Local communities have been impacted by several problems related to the development of the SASEZ. Relocation of village populations from the various sites and a general lack of participation and consultation in the development and relocation process are major issues confronting local people. A limited amount of information has been provided by the authorities to locals about the zone at the outset of the project but there has been a subsequent lack of communication from local authorities regarding the schedule and conditions of relocation. This has caused uncertainty among villagers, particularly regarding the livelihood strategies that they should adopt. Land prices and local economic activity have also been affected by the implementation of the C.

Interviews with local people were conducted as part of this research in Nakae village, located in Zone A of the SASEZ, and in Nongdeun village, located in Zone C. At the time that the fieldwork was conducted in January 2009, the people who originally lived in Nongdeun village had already been relocated, while the Nakae villagers had yet to move and had not been informed when they would be relocated.

Among the 20 local people who were interviewed, six of them had little idea about the SASEZ. They had heard about it informally but did not understand exactly what the SASEZ was or its purpose. However, 14 interviewees reported that they did know about this project from information provided

by local authorities or the head of the village. The SASEZ authorities came to meet with them at the beginning of the project.

Twelve local people who were interviewed stated that they had agreed to move to a new place, but five of the interviewees said they felt forced. Three local people reported that the authorities did not force them but that they had no real option because if they did not move, then the development project would be carried out in their area regardless.[49] (See Table 18 below)

Table 18: Local People's Attitude Towards Relocation

	Nongdeun village	Nakae Village
Local people who felt forced to relocate	0	5
Local people who agreed to relocate	8	4
Local people who did not feel forced, but had no other options	2	1
Total	10	10

2-6-1. Nakae Village

The housing construction project in Zone D of the SASEZ-built for residents who were relocated from their original homes-was far behind the planned construction schedule in January 2009 when this fieldwork was conducted. This led to hesitation from locals to take measures to expand their household economy while they were waiting to move. The delays in relocation affected local people's livelihood in Nakae village in the following ways:

- Many households halted construction work on residential buildings and other village infrastructure.
- Many households ceased to start new long term business ventures, or plant fruit trees.
- Farmers stopped expanding paddy rice field, farms and fish ponds.
- The SASEZ project did not give detailed information on the relocation schedule and the new locations. The concerns of villagers were varied, from the value of houses and agricultural land to the development of irrigation systems and schools for children in the relocation area.
- While Nakae villagers were waiting to be relocated they felt that they were wasting time, which could better spent contributing to the household. Reduced income as a consequence has led some villagers to seek employment in other places.
- Since Nakae villagers were not able to expand their businesses or farming, their household income declined. They often relied on their savings to maintain themselves.

At the time when this fieldwork was conducted, local people still wanted to know when they would be moving to their new residences, how they could receive compensation for their present properties and what was the condition of the new houses or new villages provided by the project developers. The Nakae villagers had not received any exact or firm answers to their questions.

The Nakae villagers expected to have improved living conditions and better economic opportunities for their family whenever the SASEZ project is completed. They hoped to have increased employment options and to be able to earn more income. In addition, they hoped to receive new technology that will allow them to develop economically, especially from neighbours who share Road No. 9, including Thailand, Vietnam and China. This would facilitate changes in employment and increase their incomes.

2-6-2. Nongdeun Village

The residents of Nongdeun village in Zone C of the project have also experienced changes to their lives since construction on the SASEZ begun. These include:

- A rapid increase in the price of land, with some villagers cashing in by selling their land at these new higher prices.
- Villagers had a new expectation of future employment opportunities. However, in the meantime some were willing to take construction jobs on the SASEZ as it would take a long time before these new opportunities materialised.
- Many shops have been newly opened and there were many more bicycles, motorbikes and cars travelling through the area.
- The consumption patterns of local people have changed, with a greater concern about maximising income.

Overall, the SASEZ had a negative impact on local people at the beginning of the construction period, especially those who have had to move due to the construction at sites A and C. This is because people had to drop their immediate economic plans for their households. Concerns were also raised about access to appropriate compensation for relocating. Of course, whenever the construction has been completed, local people could get jobs and benefit from this project and increased economic activity in the area, and eventually their situation might change for the better. At the time of our fieldwork, local people still hoped to participate in the construction of the project as much as they could.

2-7. Other Possible Impacts

Local authorities have become increasingly concerned about social problems associated with the development of the SASEZ. These problems include: increased criminality, such as robberies, drug offences, human trafficking; quality of life issues such as high living expenses, and over-crowding; and new environmental problems in the form of increased levels of pollution, waste disposal issues and the dust and noise created by construction work.[50]

Only two local people among 20 interviewees thought that this project was not an important factor leading to change in their community, whilst 90 per cent thought that this project might lead to economic, social and cultural changes in the community. Most of them believed and hoped that the SASEZ would change their community for the better, bringing new, modern living conditions that are more comfortable and cleaner, with good social management, and improved safety.

However, they were also worried about the changes that might occur in the process of development. For instance, if relocated, they might have to live with other people who come from different villages or other towns, who have different customs and traditions; as a result their children might have to learn complex customs and traditions, losing their cultural identity in the process.[51]

One example of a possible factor in social-cultural change which appeared at the beginning of the project was the establishment of the Savan-Vegas casino, located between the sites of the SASEZ. Many local people have already started to gamble at the casino and this has the potential to bring changes to social values concerning gambling and debt.[52]

3. Mukdahan, Thailand

3-1. Background

Mukdahan Province, located directly across the Mekong River from Savannakhet, is one of the poorest provinces in Thailand. Its Gross Provincial Product (GPP) per capita in 2009 was just USD 800, which is approximately only a quarter of Thailand's national average.[53] The province's economy

was however given a boost in December 2006 when the Second Thai-Lao Friendship Bridge across the Mekong was opened. This increased the volume of trade possible between Mukdahan and Savannakhet and trade between the two provinces jumped by 70 per cent in 2007.[54] Mukdahan Province now has the second highest trade volume with Lao PDR after Nong Kai province which greatly benefits from its proximity to Vientiane, the capital of Lao PDR. In 2008 the export volume from Mukdahan to Lao PDR was THB 10,298 million (USD 343.6 million), and the import volume was THB 13,738.71 million (USD 458.4 million) in 2008.[55]

The Mukdahan Industrial Federation reports that, at the end of 2008, there were 367 factories in Mukdahan, which include 205 agricultural plants (55.85 per cent) and 35 (9.53 per cent) connected to the transport industry. In 2009, newly registered businesses included asphalt production, car and tractor repair garages, fertiliser production, paper and metal recycling, cassava chips, wooden furniture, and cold storage factories. The total amount of investment in 2009 was THB 44.7 million (USD 1.5 million), up from THB 21.6 million (USD 0.7 million) in 2008.[56]

According to the Mukdahan Development Plan 2010-2013, Mukdahan Province is to be developed as a trade and tourism centre, and act as a 'gateway to Indochina and beyond'. In collaboration with three neighbouring provinces, namely Sakon Nakhon, Kalasin and Nakorn Phanom, Mukdahan has developed a subregional plan, which promotes the area as a transport and logistics hub.[57] However, Mukdahan still faces numerous challenges that inhibit the expansion of large industries in the province. These include a lack of adequate infrastructure, a lack of commercial airports; and a lack of a railway transportation system. The different laws and regulations that exist in Thailand and Lao PDR, such as driving on opposite sides of the road, and rules covering loading volumes, insurance, and tariffs etc., also obstruct expansion of Mukdahan's position as a logistical and economic hub.[58]

3-2. Relevant Agreements and Policies

Several Memorandums of Understanding (MOU) have been signed which are relevant to the promotion of trade and economic development in Mukdahan. In addition, the Sister City Agreement under the ACMECS programme confirmed Thailand and Lao PDR's commitment to bilateral economic cooperation in the area. At the time of writing however, there have been no laws or agreements which have significantly advanced the establishment, implementation and governance of the Mukdahan BEZ as a separate administrative entity and economic reality.

An MOU on the Initial Implementation at Mukdahan, Kingdom of Thailand and Savannakhet, Lao People's Democratic Republic was agreed by the governments of Cambodia, China, Lao PDR, Burma, Thailand and Vietnam for the 'facilitation of cross-border transport of goods and people'. The MOU was originally signed on 26 November 1999, coming into force on 31 December 2003 and amended on 30 April 2004. According to the MOU, a single-stop inspection at the Mukdahan-Savannakhet border crossing point was to be put in place by 31 December 2005 and parties to the MOU were to coordinate the operating hours between 0600 hours and 2200 hours seven days a week, including on holidays.[59] Parties to the MOU also agreed to 'streamline and limit documents, procedures, and formalities' by 31 March 2006 and to harmonise the requisite documents. The Sister City Agreement of March 2004 under the ACMECS scheme further cemented national level plans for the development of the Mukdahan-Savanakhet border area as an important trade and logistics hub and site of bilateral economic cooperation.[60]

With regard to visas, the MOU states that each party will make up-to-date information on the visa process available through their embassies or consulates and exempt visa requirements for a period of up to 30 days for passport holders of the participating countries. The MOU also makes it easier for drivers from both countries to cross the border. For example, there is now mutual recognition of vehicle registration certificates and international transport permits, in accordance with the Bilateral Road Transport Agreement. Each Party to the MOU has agreed to grant temporary admission to

vehicles registered in another party country to the MOU without payment of import duties and taxes for up to 15 days.[61]

3-3. Current Stage and Future Plans

Despite the formulation of the numerous plans discussed in the section above, the implementation process has been slow and few concrete advances have been made in terms of building infrastructure (aside from the bridge across the Mekong), attracting investment and establishing a legal and regulatory framework for the administration of a BEZ. The pace of the development of Mukdahan into a fully functioning BEZ is likely to be determined by the extent to which the Thai central government supports the project and channels funding and investment into the province.

Following a feasibility study conducted in 2006, the Industrial Estate Authority of Thailand (IEAT) plans to establish a logistics centre and a small scale industrial estate in Mukadahan. The study proposed a distribution centre of eight hectares for container yards, warehouses, and services companies as well as an industrial estate of eight hectares which would include an economic processing zone and a small scale distribution centre. This would be located near the Second Thai-Lao Friendship Bridge.[62] According to the Asian Development Bank (ADB), the following business sectors should be encouraged: agricultural and food processing, manufacturers of household consumer items, automotive parts, and agricultural machinery and equipment for export to the Lao PDR and Vietnam. They would also welcome the 'institutionalisation of informal trade' in the zone in order to promote cross-border trade and investment.[63]

As part of the plan to develop Mukdahan as a trade and tourism town, two studies are to be conducted: 1) a study on establishing an industrial zone; and 2) a study on developing the town as a trade hub. Each study has a budget of THB 300,000 (USD 10,000) for three years over the period 2010-2013. Mukdahan Province is trying to attract new business, by promoting developments that can give rise to business opportunities, including the opening of the Second Thai-Lao Friendship Bridge, and the agreement for promoting collaborative development with Savannakhet province of Lao PDR and Quang Tri province of Vietnam.[64]

The implementation of these plans has been extremely sluggish and little progress has thus far been made. In early 2012, two government agencies, the Joint Standing Committee on Commerce, Industry and Banking and the National Economic and Social Development Board, once again made proposals to kick-start the development of the area. This time as part of a wider plan to boost the trade and industrial infrastructure of Thailand's upper northeast.[65] This includes plans for the development of Mukdahan, together with the nearby provinces of Nakhon Phanom and Nong Khai as SEZs. These plans also included the construction of high speed rail lines to serve a number of cities, including Mukdahan.[66] A joint private committee of the three provinces has been formed in order to perform a feasibility study for establishing potential industries.[67] The cabinet of Prime Minister Yingluck Shinawatra has in principle approved the establishment of this wider economic zone, inclusive of Mukdahan, but implementation is at a very early stage and it is possible that progress may once again be slowed or halted, by, for instance, a change of government or national level political conflict.

3-4. Impact on Migrants and Migration Flows

3-4-1. Demographics of Interviewees

Twenty two migrant workers from Lao PDR were interviewed by the Country Research Team (CRT) for the purpose of this study. Most of the Laotian workers in Mukdahan have a low level of education and were employed in agriculture prior to coming to Mukdahan. Of the 22 workers, around 37 per cent had a primary or secondary school level of education, with 36 per cent having completed high school. Around 27 per cent of Laotian migrants interviewed in Mukdahan have never completed

primary level education. When referring to in-bound migration to Mukdahan, the head of the Labour Office and Office of Employment in Mukdahan Province stated that 'most of the illegal migrant workers from Lao PDR who enter into Mukdahan Province are the poor from impoverished towns in Savannakhet Province, such as Vilaburi, Sepon, Muang Nong, Ta Pang Tong, Chonbuli, Palansai, and Aadsapon, and also from Khammuan Province'.[68] Results from the interviews with migrant workers showed a similar geographic representation, with most migrants coming from Savannakhet, while a few others came from Khammuan and Vientiane provinces.

The migration of Laotian workers to Mukdahan is not a new phenomenon. The Laotian workers interviewed in this study came to work in Mukdahan between 2001 and 2009. The number of incoming Laotian migrants, however, seems to have increased since the opening of the Second Thai-Lao Friendship Bridge in 2006. This bridge has enabled people to cross the border more easily. Prior to the opening of the bridge it was necessary to make a crossing of the Mekong by boat. The number of investors coming to Mukdahan has also increased. Incoming migration from Lao PDR, as well as from other provinces of Thailand has increased as a result of expanding economic activity in the area. From initial observations, it appears that outgoing migration from Mukdahan has decreased as there are more opportunities to establish businesses in the local area.

3-4-2. Reasons for Migration

With regard to reasons for migration, the development of the BEZ was not explicitly mentioned as a motivating factor for migrating to the area. Instead a more general view that employment in Mukdahan could provide higher levels of incomes was expressed. More than 70 per cent of Laotian migrants interviewed reported that the main reason for migrating to work in Mukdahan was to increase their income, with around 63 per cent of these migrants bearing the responsibility of being the main income earner for their family. Some of them faced financial problems when they worked in Savannakhet Province because they had to earn their living as day labourers in paddy fields, and this did not provide a wage sufficient for their survival. More than 65 per cent of those interviewed had previously worked in the agricultural sector before coming to work in Mukdahan. Others had worked in grocery stores, restaurants, construction work, or as hair dressers or were unemployed.

3-5. Working and Living Conditions

3-5-1. Employment

Laotian labour migration to Mukdahan is largely informal, undocumented and oriented towards providing cheap workers for low-skill employment sectors. Given the low stage of implementation of the planned BEZ, migrants did not work in jobs which were directly related to the zone's development or implementation.

When travelling to Mukdahan, most of the workers crossed borders through informal channels. Some of them had temporary border passes, but subsequently overstayed their permit's expiry date. Once in Mukdahan, migrants worked in agriculture, construction, retail, domestic work and the hospitality sector, including massage parlours. While most of them had not signed any written contract of employment, all of them mentioned that their employers had an oral agreement with them. The oral agreements covered contract terms or work arrangements and the wages of the migrants.

Only 23 per cent of interviewed migrants had a migrant's registration card. The amount paid for getting a registration card ranged from THB 1,900 (USD 63.2) to THB 3,000 (USD 100), and they paid these fees to their employer by accepting a deduction from their wages.

3-5-2. Wages

In keeping with the difficult, manual nature of much migrant employment, wages in Mukdahan are low. The interviewed migrants received their wages at various intervals, including on a daily, weekly or monthly basis, or irregularly based on piece-work. Construction workers received THB 150-170 (USD 5-5.6) per day. Sugarcane harvest workers received THB 5,000 (USD 166) a month. Factory workers received THB 3,000-5,000 (USD 100-166) per month. Sex workers earned THB 3,500-6,000 (USD 116-200) per month, while restaurant workers' monthly wages were around THB 3,000 (USD 100). Only a few of those interviewed received overtime payments, despite most workers reporting that they worked more than eight hours a day.

The contribution these migrant workers make to the source community is evident through the support they provide for their families back home in Lao PDR. Despite their low wages and the various deductions from wages, most of the interviewed migrants sent remittances of around THB 1,000-4,000 (USD 33-133) per month back home to support their families. Most of the migrants and their families spent these remittances to meet basic needs such as food, utilities, and the education of their children.

3-5-3. Labour Conditions

Around half of the interviewed migrants in Mukdahan reported that their employer allowed visits to worksites by social workers and labour inspectors. It remained unclear, however, if there have been concrete cases in which such visits led to improvement of the labour conditions and the Occupational Health and Safety (OHS) standards in these worksites. Most of those interviewed reported that they were not allowed to join a labour union and there appeared to be a gap in their awareness about the role of a labour union. The inability to join unions and lack of knowledge about the role of unions may have led to the infringement of workers' rights. As noted above, although most worked for more than eight hours a day, they did not receive overtime wages and insurance and childcare services were also absent. If workers were more aware of the role of a trade union and were permitted to join them, then it is possible that some of these problems in their working conditions could be corrected.

Despite difficulties, most of the interviewed migrants said they found that working in Mukdahan had had a positive impact on their livelihood. In general their economic situation had improved, with wages, OHS, quality of accommodation and job opportunities better in Mukdahan than in their previous place of work. While almost 90 per cent of interviewed migrants said they would like to continue working in Mukdahan, only 47 per cent would recommend that their friends come and work there, as they observed that there were fewer job opportunities compared to when they first arrived in Mukdahan.

3-6. Impact on Local People

A number of stakeholders expressed the view that the establishment of the BEZ in Mukdahan could have advantages for the province and for local people in several ways. For example, it could improve economic conditions and accelerate trade exchange and investment, generate more work and income, quicken the development of the tourism sector, improve transportation systems, and urbanise the province. Local government would benefit by increasing their tax base, while simultaneously, import taxes would be reduced. Local people could have more job opportunities as the BEZ will become a centre for distributing and transporting goods and products between Thailand and Lao PDR. Moreover, local people also expected that Mukdahan would continue to benefit from the rise in border trade that followed the construction of the Second Thai-Lao Friendship Bridge and they hoped to gain from the increased price of land in the province.

While the Second Thai-Lao Friendship Bridge has become a significant land-link in the region, connecting Mukdahan, Savannakhet and major Vietnamese ports including Da Nang, and has boosted trade, investment and tourism between the three neighbouring countries, Mukdahan has not yet signed a contract to become a distribution centre with Vietnam. However, it is expected that this province will become a significant logistics centre once such a contract is signed.[69]

Meanwhile, some of the interviewed stakeholders expressed concerns over the negative impacts that the development of Mukadahan may bring, such as an increase of undocumented migrants from Lao PDR and Vietnam, illegal trade, crime, environmental damage, land usage, and local governments' insufficient capacity to provide sanitary and health services to an increased population.[70]

4. Conclusion

Progress in establishing and implementing the BEZ in Mukdahan and the SEZ in Savannakhet has been slow despite long-standing proposals and plans for the development of this section of the Thai-Laotian border. The Savan-Seno SEZ is by far the more advanced of the two projects in its implementation and it has thus been possible to discern clearer effects upon migration related to the BEZ in Savannakhet than in Mukdahan. The future development of the Mukdahan BEZ has the potential to reinforce the trends observed in migration flows and labour conditions in the area, and observation and further research of the project will need to be undertaken to track these effects.

In Savannakhet the construction of the zone has already had an impact on migration to the area. Workers have moved from other provinces in Lao PDR to work on construction sites and Malaysian workers have taken up positions as supervisors in foreign companies investing in the zone. The research demonstrated that although migrant flows have not been large, issues of labour rights and OHS have already arisen. Laotian migrant workers were living in harsh conditions, had no secure contracts and no formal guarantee of access to healthcare. Further research is needed to ascertain whether these employment conditions have continued in the enterprises that have started to operate inside the zone. It is likely that Laotian workers will find themselves in a weakened position relative to state authorities and owners of enterprises despite provisions for labour rights and secure contract-based employment in the decrees establishing the zone. Authorities and employers will be aided in the control over workers by the weak provisions for presenting labour grievances and the bans on collective bargaining and work stoppages which are contained within national labour law. With the Lao PDR government promoting the zone as a low-cost production site for exporters it is conceivable that the pressure to keep costs down coupled with weak legal protection will result in the violation of core labour rights.

Local people have also been affected by the construction of the zone and although many locals viewed the zone as a positive development for the area which would eventually bring more jobs and prosperity, many expressed uncertainty about their futures. This stems from a lack of participation in relocation decisions, with some residents feeling that they were being forced to leave their homes, compounded by the poor communication from authorities about the details of relocation. The latter issue has led to difficulties in planning for the future in many households. This top-down approach to development and the poor treatment of local villagers raises the possibility that the zone will be run for the convenience of the government and to the benefit of a small group of investors and officials, with adverse social impacts ignored or given insufficient attention.

Migration of Laotians to Mukdahan seems to be based on the ability to earn higher wages than in Lao PDR rather than the plans for a BEZ per se, plans which are still in the early stages of formulation. Further progress in establishing a BEZ in Mukdahan in conjunction with the increased cross-border infrastructure are likely to result in further migration from Lao PDR. If higher wage levels remain a significant pull factor, employment in Mukdahan may become a more attractive prospect than employment in the SASEZ and so it will require careful observation to discern the effects of the development of the BEZ on migration to both Mukdahan and Savannakhet. If migration to Mukdahan does increase as a result of BEZ development, then the research indicated that several issues must be addressed. First, there is the trend of undocumented migration that was observed in Mukdahan. With undocumented workers more vulnerable to labour and human rights abuses, it is imperative that the Thai and Laotian governments cooperate to improve the framework for safe, legal, affordable and secure migration and employment in Mukdahan. Second, there remain the concerns of local people

regarding the ability of local sanitary and health infrastructure to cope with an increased migrant population in the area. This indicates that the national government and local authorities should invest adequately in improving health and sanitation services in the area, as a crucial counterpart to investment in promoting industry and trade.

In sum, it should be stressed again that both Savannakhet and Mukdahan are still in the early stages of establishing their BEZ and so their effects on migration are emerging only slowly. Some emerging trends are however a cause for concern and the cross-border area requires further investigation as economic plans are implemented.

Endnotes

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Photo courtesy of CWPD

Road No.1 to the Bavet-Moc Bai international check point.

In-depth Study on Border Economic Zones and Migration: Cambodia-Vietnam

1. Overall Background

1-1. Cambodia-Vietnam Bilateral Border Trade and Economic Cooperation

Cambodia and Vietnam share a long border along the southern tip of the Indochina Peninsula. Since 1994, the two countries have entered into numerous trade agreements, most of which focus on the promotion of bilateral trade, and business in the regional and global markets. These include the Agreement on Commercial Transactions, Exchange of Goods and Services in the Border Areas that was signed by both countries in 2001.[1] The preamble of the agreement states that the aim of the document is to: strengthen the friendly relations between the two neighbouring countries, promote commercial transactions; help facilitate the exchange of goods and services in the border area; contribute to, and upgrade, the living standards of residents in the border area; and develop the economy of each country based on the principles of equality and mutual benefits.[2]

The total trade volume between Vietnam and Cambodia increased rapidly from USD 935 million in 2006 to USD 1.19 billion in 2007, and reached USD 1.64 billion in 2008. The governments of both countries agreed to try and increase trade to USD 2 billion by the year 2010.[3] However, during the last 10 months of 2009, trade volume reached only USD 1.04 billion, reflecting the global economic crisis.[4] In 2010, the USD 2 billion trade target was similarly not reached, with the volume falling to USD 1.53.[5] However, 2011 saw a strong recovery, with USD 2.8 billion worth of goods traded

Photo courtesy of CWPD

Most of workers at the SEZs in Svay Rieng are internal migrant workers.

between the two countries in that year.[6] Even though the overall trade volume between the two countries is growing rapidly, Cambodian exports to Vietnam are low compared to imports in the other direction. Given Cambodia's traditional role as an exporter of raw materials, the majority of their exports tend to be agricultural products such as rubber.

Vietnamese Prime Minister, Nguyen Tan Dung recently approved the creation by 2025 of a new Border Gate Economic Zone (BGEZ) with Cambodia, with the proposed site 150 km from Ho Chi Minh City and 300 km from Phnom Penh in southern Binh Phuoc Province. These plans highlight the positive attitude that the Vietnamese government have taken towards economic zones. Binh Phuoc is part of a larger plan approved by the Prime Minister in 2009, to build a vast economic zone that will eventually extend through 10 provinces that border Cambodia. Provinces that will form part of this super BEZ include: Gia Lai, Kon Tum, Dac Lak, Dak Nong, Binh Phuoc, Tay Ninh, Long An, Dong Thap, An Giang and Kien Giang.[7]

Along the Cambodia-Vietnam border, the Royal Government of the Kingdom of Cambodia has licensed six Special Economic Zones (SEZs). According to the Cambodian government's Sub-Decree 148, SEZs refer to designated areas for the development of the economic sectors which bring together all industrial and other related activity and may include general industrial zones and /or export processing zones.[8]

Bavet-Moc Bai is an international border crossing between Svay Rieng (Cambodia) and Tay Ninh (Vietnam) and was completed in November 2004. Other border gates along the Bavet-Moc Bai BGEZ between Cambodia and Vietnam include Phuoc Chi border gate and Long Thuan border gate.[9]

Previously, this international border area was strewn with mine contaminated paddy fields. However, following the development of National Road No. 1, developed under the Asian Development Bank's (ADB) Bangkok-Phnom Penh-Ho Chi Minh City-Vung Tau Road Improvement Project, this area became a more popular destination for business. Many casinos, hotels, guesthouses, banks, supermarkets, shops, restaurants and other economic enterprises have moved into the area.[10] Bavet was originally a small border town in Svay Rieng Province. However since the establishment of the SEZ, the population of the area has now increased.[11] The area is fast becoming one of Cambodia's most important industrial border towns: five of the 21 SEZs already granted approval are located in Bavet.[12] The establishment of a BEZ in this area is intended to attract both Vietnamese and international investors, and to increase trade with Vietnam. A number of casinos also exist which primarily host Vietnamese patrons.[13]

1-2. Flows of People through Moc Bai-Bavet

Each day, around a thousand Vietnamese people cross into Cambodia for work, with hundreds of Vietnamese earning their income close to the international border gate. Simplified border procedures (i.e. regulations made at the central and provincial levels) are now in operation, which has made crossing the border much easier. Local residents of border communities, such as the population of Loi Thuan, now have designated identification documents marking them out as locals living adjacent to the border. Vietnam's border population therefore find it much easier to commute daily or migrate to Cambodia on a temporary or long term basis. In the opposite direction, there are now an increasing number of Cambodian labourers hired to work in the sugarcane fields of Ben Cau District (Tay Ninh Province, Vietnam), where there is a shortage of farm hands at harvest time.[14]

According to the motorbike drivers at the Moc Bai-Bavet check point, the fee for crossing the border is VND 2,000 (USD 0.1) for the Vietnamese checkpoint, and VND 20,000 (USD 1.0) for the Cambodian checkpoint. However it was reported that if the people crossing are familiar or on friendly terms with the border guards, there is often no charge. Some people also cross by motorcycle or bicycle through small checkpoints, or across fields where there are no border controls.[15]

2. Bavet (Cambodia)

2-1. Background

There are two SEZs inside the Bavet BEZ: the Manhattan SEZ and the Tai Seng SEZ. Three more SEZs remain at the early stages of development.[16] The Manhattan SEZ was established in 2005 and officially recognised on 29 November 2006 by the Cambodian government's Sub-Decree No. 135. The Manhattan SEZ comprises 157 hectares alongside National Road No. 1, and includes Tranh village, Bati commune, and also a part of Tapep village, Bavet commune, Bavet town, in Svay Rieng Province. This area is only 6 km from the border crossing, about 80 km from an international port, and 65 km from Ho Chi Minh City airport in Vietnam. Electricity is supplied to the factories in the SEZ by the Vietnamese grid, which is cheaper and more reliable than its Cambodian counterpart.[17] The Tai Seng SEZ was officially recognised on 4 April 2007 by Sub-Decree No. 29 of the Cambodian government. The Tai Seng SEZ comprises 99 hectares.[18]

Photo courtesy of CWPD

A primary school in Bavet town. After the establishment of the BEZ, social infrastructure in Bavet town has been developed to meet the increased population.

In order to discover some of the reasons why investors have chosen to relocate to these zones, the Mekong Migration Network's Cambodia Country Research Team (CRT) conducted interviews with the representatives of companies in the following manufacturing businesses: a shoe manufacturer, two bicycle manufactures, and two clothing manufacturers. All of which are located in the SEZs, save for the Svay Rieng Cambodia Garment Company, which is located outside the SEZ.

The principal reasons given by those interviewed for investment in the area were:

1. Ease of transport to important markets in Vietnam. Transport to and from Vietnamese ports is also cheaper than through Sihanoukville port in Cambodia.
2. Cheap labour.
3. Duty free import and export.
4. The One Stop Service for document processing. Factories located in the SEZ can process trading, custom, tax, immigration, labour registration and environmental permits through a one-stop service. The Svay Rieng Garment Company, on the other hand, identified difficulties in the administration process outside the SEZ which required it to deal with the relevant ministries in Phnom Penh.
5. The cost of electricity is lower than in Phnom Penh.
6. There is a large workforce available.
7. The zone is safe and has good security.

The purpose of the Bavet BEZ was to create job opportunities for the people of Bavet and the surrounding areas. It was hoped that attracting Vietnamese and international investors would contribute to an improvement in people's living standards, as well as bringing improved infrastructure such as roads, electricity and water supplies. According to local officials interviewed as part of this study, Bavet has become more popular as a destination for investment and employment, while the local population now enjoy an improved standard of living.[19]

According to the authorities, most of the workers in the SEZs are internal migrant workers, of whom 90 per cent are people who were already living in Svay Rieng Province, while the other 10 per cent are attracted to the area from other nearby provinces.[20] In addition to Cambodian workers, there are also migrant workers from Vietnam and some from China.[21]

There appears to be little or no involvement of local or provincial government in the planning, implementation and assessment of the BEZ. The zone was planned by the central government, and the local and provincial authorities did not know by what process the central government identified this area as a BEZ. The entire decision-making process was conducted by the central government and there was no assessment on the socio-economic impact of the zone before the central government issued a licence to the zone developer.[22]

Photo courtesy of CWPD

As of 2010, 11 casinos in total are open in Bavet.

2-2. Relevant Agreements and Policies

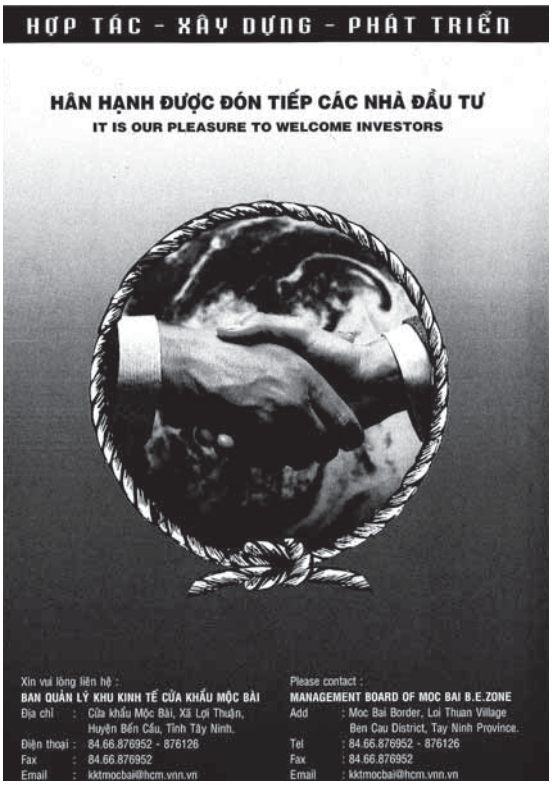
There are presently no provisions that allow the provincial authorities power over these SEZs. The provincial level is supposed to provide support and collaboration to a SEZ administration, rather than have overriding control over it. Therefore, the regulation of SEZs is maintained at the national level. This organisational management is not without problems. Lack of involvement of local authorities has resulted in weak management, degradation of the local environment, and delays in development plans for social infrastructure and public services. In addition, residents have less participation in the development of SEZs as they find it more difficult to access central authorities.

Many incentives are provided to zone developers and investors in this area, as stipulated by Article 6 and 7 of the Cambodian Sub-Decree No. 148. Incentives include a five year exemption on corporation tax for firms investing in the zone; exemptions from import tax on equipment, parts and construction materials; no Value Added Tax (VAT); 99-year leases; and a single window to undertake export and import processes.[23]

Laws such as the labour law and immigration law nonetheless apply to recruitment and employment within the zone. However, the 'One Stop Service' mechanism was set up for smooth business operations and the SEZ administration unit has been given full authority by the line ministries and institutions for handling registrations, licensing etc.[24]

2-3. Current Stage and Future Plans

Infrastructure for the Manhattan SEZ has been completed on the first 70-hectare phase of the development. The SEZ is probably one of the most successful in the country and can boast of attracting Taiwan-based Kingmaker, one of the largest footwear manufacturers in the world.[25] There are now 22 companies who have invested in the zone; details of whom can be found in the table below.



A promotional brochure to attract investors to the Moc Bai BEZ.

Table 19: Companies Invested in the Manhattan SEZ, Cambodia[26]

	Company	Product
1	Ally S.S Screw Co. Ltd. (Taiwan)	Screws
2	Ampack Packaging (Cambodia) Ltd. (USA)	Plastic bags
3	Angkor Springs Co. Ltd. (Vietnam)	Mattress springs
4	Bestway Industrial Co. Ltd. (Taiwan)	Bicycles
5	Eastern Industrial Enterprise Inc. (China)	Garments
6	Elite (Cambodia) Co. Ltd. (Singapore)	Garments
7	Forest Packing (Cambodia) Co. Ltd.	Bags
8	Front Packaging (Cambodia) Ltd.	Plastic bags
9	Grandy Crafts Co. Ltd. (Taiwan)	Handcrafts
10	J.F. Industrial (Cambodia) Co. Ltd. (Taiwan)	Umbrellas
11	Kaoway Sports Ltd. (Taiwan)	Shoes
12	Kingmaker (Cambodia) Footwear Co. Ltd. (Hong Kong)	Shoes
13	Leegrow Plastic Packaging Co. Ltd. (China)	Bags
14	Long Bright Electric Enterprise Co. Ltd. (Taiwan)	Electrical parts
15	Morofuji Packaging (Cambodia) Co. Ltd. (Japan)	Bags
16	Pique Garment Co. Ltd. (Russia)	Garments
17	Sheico (Cambodia) Co. Ltd. (Taiwan)	Diving suits
18	S.Y.G. Steel International (Cambodia) Co. Ltd. (Taiwan)	Screws
19	Top Sport Textiles Ltd. (Taiwan/Malaysia)	Textiles and garments
20	Visca Plastics Joint Stock Company (Vietnam)	Plastic bags
21	Wally Packaging (Cambodia) Co. Ltd. (China)	Plastic bags
22	Y Company (Taiwan)	Home accessories

The Tai Seng SEZ has invested USD 37 million in infrastructure including fencing, landfill and electricity.[27] Three companies have so far invested in the Tai Seng SEZ as detailed below.

Table 20: Companies Invested in the Tai Seng SEZ, Cambodia[28]

	Company	Product
1	Atlantic Cycle Co. Ltd (Taiwan)	Bicycle manufacturer
2	LA More Ltd (Taiwan)	Footwear
3	Doko Inc (Japan)	Garments

More than 800 workers, including two Taiwanese and 30 Chinese employees, work for the Taiwanese bicycle manufacturer, Atlantic Cycle Co. Ltd. This manufacturer has operated a factory near Ho Chi Minh City in Vietnam since 2002, but after exports to Europe fell, the factory reduced production and now produces special components only, while the factory in Bavet BEZ imports those parts. LA More Ltd, the Taiwanese footwear company, has 200 workers and exports shoes to Japan and Taiwan. The company launched its business in Ho Chi Minh City in Vietnam in 1996 and in Bavet in 2007.

Both Taiwanese companies operating in the Tai Seng SEZ believe that total production costs are more expensive in Vietnam than Cambodia. The footwear company says that in Cambodia the average monthly salary is USD 65 per worker, including overtime payments. As of December 2011, the minimum wage in Cambodia was USD 61 per month and USD 66-77 per month in Vietnam (depending on location of employment).[29] At the company LA More Ltd, 90 per cent of workers are local residents commuting from their homes, while 10 per cent are migrant workers housed in dormitories.[30]

In the town of Bavet, there are currently 11 casinos, with the customers predominantly from Vietnam. There are around 300 to 400 persons employed in Bavet's casino industry. Their work includes sourcing and receiving guests, money changing and working as croupiers, with typical salaries between USD 110 to USD 130 per month.[31] In total, 27 casinos are already in operation in Cambodia, and more companies have been waiting for licences to be granted from the Ministry of Economy and Finance.[32]

Table 21: Number of Employees in Factories in the Bavet BEZ and Casinos in Bavet City, 2009

2009						
Factory					Casino	
Number of factories	Tai Seng SEZ		Manhattan SEZ		11	
Shoe factory	1		1			
Clothes factory	1		1			
Bicycle factory	1		1			
Machine parts factory	0		1			
Wrapping materials factory	0		2			
TOTAL	3		6		11	
Employees	M	F	M	F	M	F
Amount	524	1,060	874	3,117	3,036	3,067
TOTAL	1,584		3,991		6,103	

Source: Svay Rieng Department of Labour and Vocational Training

2-4. Working and Living Conditions

2-4-1. Cambodian and Vietnamese Workers Interviewed in Bavet

Table 22: Interview Results Cambodian and Vietnamese Workers Interviewed in Bavet

Type of industry	Number of companies	Cambodian workers		Vietnamese workers	
		Male	Female	Male	Female
Garment	2	13	5	3	0
Bicycles	2	1	7	2	0
Shoes	1	1	0	5	2
Construction	1	1	0	0	0

In order to study the impact on migration flows and migrants in the Bavet BEZ, the Cambodia CRT interviewed 40 workers. They included 12 Vietnamese workers (ten male, two female), aged 25-37 years old and, 28 Cambodian workers (16 male, 12 female), aged 18-40 years. Comparisons of the two groups showed that the Cambodian workers had a lower standard of education than their Vietnamese counterparts and provided a higher proportion of their income to their families.[33]

Among the 12 Vietnamese workers interviewed, 10 were previously employed in Vietnam. Nine of them said that they were offered work in Cambodia by companies that needed more highly skilled labour. Three others said they were attracted by higher wages on offer, ease of access to Vietnam, and the ability to save more money than if they remained in Vietnam.

Twenty-one Cambodian interviewees had previously worked in Phnom Penh's industrial sector. The primary reason they gave for migrating to Bavet was the high wages on offer, and the low cost of food and accommodation. Seven also said that their factories in Phnom Penh had closed and one worker said that they no longer had access to jobs as domestic workers in Malaysia.

Photo courtesy of Huynh Thi Ngoc Tuyet

Office building of the Moc Bai Management Board. The Management Board is tasked with on-site management and provides information and support to investors.

Whilst all of the Cambodian workers interviewed obtained information about the opportunities available in Bavet from friends and family, three quarters of the Vietnamese workers obtained this kind of information directly from business owners. The Cambodian workers had previously been unaware of the BEZ and had generally only heard about the casino. Furthermore, the Vietnamese workers had been transported to Bavet by the factory owners, whereas the Cambodian workers arrived independently using their own money. Only two Cambodian workers out of all the workers interviewed reported making any payment to a recruitment agency or administrator in relation to their new jobs. In these two cases, a USD 20 fee was paid to an administrative officer to complete a job application form and a USD 25 fee paid to a friend for processing a job application with a company.

2-4-2. Reasons for Migration

Among those interviewed, Vietnamese and Cambodian workers show distinct differences in their migration experiences, although both groups put their decision to migrate, down to the higher wages on offer. However, the Vietnamese workers interviewed were a more highly skilled group and were largely introduced to the BEZ directly by business owners. The considerable perks and benefits on offer, including accommodation and food, were also pull factors for the Vietnamese workers. The fact that these benefits were mostly available only to skilled foreign workers may make the BEZ proportionately more attractive to those workers than to the less skilled.

The location of a BEZ in a region with a significant history of external migration might be expected to cause a decrease in future migration from the region, as people take up jobs locally in the BEZ rather than having to travel further afield. For example, people living in Bavet, Svay Rieng Province used to migrate to Vietnam before the area was developed as a BEZ, but since this has happened and factories and casinos have begun operating, migration from this area has decreased.

As Svay Rieng Province large pool of workers (58 per cent of the area's 550,795 population are between 15 to 64 years[34]) can satisfy much of the employers' demand within the BEZ, large in-flows of migrant workers from other provinces are not expected. In the case of the Bavet BEZ, this can, to an extent, be seen from the fact that 90 per cent of the migrants come from within the province. However, as the BEZ requires skilled labour that the local population is unable to meet, there will remain a strong pull factor for external skilled labour. Whether this proves to be beneficial to the local, less skilled population remains an open question.

If the differences between Vietnamese and Cambodian workers from the Bavet example are typical of a wider pattern, it may be that more highly skilled Vietnamese workers who are prepared to travel to work in the BEZ will keep local or Cambodian workers out of the job market to some extent. However, an upper limit has been set for employing foreign personnel, which may not exceed 10 per cent of total personnel.[35] Zone developers are also required to cooperate with the Ministry of Labour and Vocational Training (MLVT) to provide skills training to Cambodian workers.[36]

Photo courtesy of Huynh Thi Ngoc Tuyet

Duty Free Supermarket in Moc Bai BEZ. Most shoppers are from other districts in Tay Ninh or from other provinces of Vietnam.

2-4-3. Working Conditions

Eight of the 12 Vietnamese workers interviewed by the Cambodia CRT had a formal job description, compared to only three of the 28 Cambodian workers. This would appear to relate to the different treatment workers are afforded according to their different skill levels. Of the Vietnamese workers, 10 had written contracts of employment, one had an oral contract and one had no contract at all. Whilst the duration of employment for the Vietnamese migrant workers' is typically for one year (or in one case, five years) they may be terminated by their employers at will. Only three Cambodian workers had written contracts of employment and 16 had oral contracts. The Cambodian workers' wages ranged from USD 43 to USD 110 per month, whereas the skilled Vietnamese, who worked as designers, team leaders or trainers, earned between USD 150 and USD 250.

The employers interviews described the three types of employment contracts typically used: (1) training contracts of around 15 days for new workers; (2) three month probation contracts; and (3) six month labour contracts. They say that the contracts do not fix wages because this will depend on the period and nature of the work. The wage level will typically be agreed verbally in advance between employers (or their representatives) and employees. The companies stated that men and women earn equal wages, although there were some limitations on the heavy labour that women were allowed to carry out. The Cambodia CRT did not find any significant wage gap between the male and female workers interviewed. The Cambodian workers appeared to be encouraged by the possibility of acquiring new skills, since the factories in the SEZ are new and advanced, compared with the factories in Phnom Penh and other locations.

The interviewees reported that all of the work places provide access to a clinic. The companies said that clinics provide health check-ups, while emergency cases are referred to public health services and to a hospital in Vietnam.[37] Eight Vietnamese workers reported having an insurance card entitling them to free treatment in a Vietnamese hospital. None of the Cambodian workers said that they had medical insurance, although the employers had stated that workers could access a hospital in Chipho, 10 km from Bavet town, or use the on-site clinic for minor illnesses.[38]

Workers interviewed also confirmed the existence of fire-extinguishing equipment, and that basic safety training on how to use the fire-extinguishers, fire exits and protective shoes was provided. Basic hygiene standards appeared to be in place with toilets, hand washing and drinking-water facilities provided. However, there seems to have been little attention paid to workers' privacy, with no changing rooms or coin lockers provided. None of the worksites provided childcare. Workers reported visits by health workers to provide tetanus vaccinations to female workers.

One worker who had worked in the area since 2005 said that an inspector from the Ministry of Labour visited during the working day, one to two times per year, for discussions with the factory administrator and manager.

Vietnamese workers reported that they were not part of, or allowed to form, a union, whereas Cambodian workers were allowed to form a union, and seven of them knew of the unions. They identified the role of a union as being to educate workers about the Labour Law, and make complaints about wages, overtime and labour issues. Those Cambodian workers who did not join a union explained gave reasons for not doing so, including: they had never had a problem with their company; they were new; and they did not understand the advantage of being a union member.

The companies that were interviewed stated that their employees' working hours and leave entitlement policies were in accordance with relevant Cambodian laws. The companies further stated that they had monthly meetings with employee representatives to discuss issues relating to their employment, such as overtime, wages and termination of employment. If the parties were not in agreement on resolving a problem, it could be delegated to the One Stop Service for facilitation in accordance with the Cambodian laws. The companies reported that they had received no complaints about environmental issues, noise or other problems.

All of the Vietnamese workers reported that their employers had provided them with accommodation, water, electricity and food with no deductions taken from their wages. All of the Cambodian workers interviewed were responsible for their own living expenses.

Table 23: Interview Results: Breakdown by Nationality and Gender and Monthly Wages

USD	Garment factory				Bicycle factory				Shoe factory			
	Cambodia		Vietnam		Cambodia		Vietnam		Cambodia		Vietnam	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
30-49					5	1						
50-69	1	4		1	1	1					1	1
70-89	1	6										
90-109	3	2								1		
110-149										1		
150-199								1				3
200 or more				2				1				
No answer									1			

Most of the workers reported that they were able to save money and remit it to family members at home. Both sets of workers were broadly positive about the impact of the BEZ and thought that overall things were better compared to where they had moved from.

> 'Working hours here are less than the company I worked for in Phnom Penh and the salary is much higher than Phnom Penh. There is a health centre. We are allowed to use mobile phones.' (Cambodian, male, 26 years old, worker in the ironing section of a garment factory)

> 'I can earn more than I could working in a garment factory in Phnom Penh and I can pay medical expenses.' (Cambodian, female, 20 years old, worker at an assembling section in a bicycle factory)

> 'My company here provides me with food and accommodation, which did not happen in Vietnam.'(Vietnamese, female, 37 years old, a team leader at a shoe company)

While interviewed workers found wages and most benefits attractive, a significant exception was healthcare and maternity protection, which the Vietnamese workers thought was better in Vietnam. Three of the Vietnamese workers felt that they could have improved their lives more by staying in Vietnam, and one Cambodian worker was concerned that if the factories closed, the loss of agricultural land would mean that there would be no future opportunities for work in the area.[39]

2-4-4. Rights and Welfare

The immediate impacts of the BEZ on the welfare of workers appear to be positive, in that the workers almost universally reported higher wages that enabled them to save money and enjoy a better standard of living. The level of organisation and administrative structure of the BEZ also appears to offer opportunities for wider welfare benefits such as the health clinics available to workers in Bavet town.

Information about wider welfare issues suggests that a number of positive steps have been taken but there remain other areas for possible improvement. For example, most of the Vietnamese workers had contracts of employment but most Cambodian workers did not. This contrasted with the employers' assertions that a number of different types of formal employment contracts were provided.

Twenty four of the 28 Cambodian workers reported that they would encourage friends or relatives to come to work there.

> 'I used to work in Vietnam as a domestic worker. Here, there are many companies and it is easy to find a job.' (Cambodian, female, 18 years old, polishing section in a bicycle company)

> 'My company pays me overtime payment. Security in this area is good.' (Cambodian, female, 23 years old, a worker in a sewing section in a garment factory)

There were no reports of significant labour or human rights abuses tied to the BEZ. As such, it appears that the welfare position of workers moving to the BEZ is generally good, at least in the short-term. A critical question in the medium-term, particularly during a serious economic downturn, is whether BEZ employers maintain good labour relations and respect labour rights. Another critical issue is whether the structure of the BEZ and the involvement of government authorities enable the authorities to protect labour rights in a more structured manner than would be the case with employers outside the BEZ.[40]

2-4-5. Vietnamese Workers in Bavet (Casinos and Informal Sectors)

Every day Vietnamese workers, both daily commuters and temporary migrants, travel through the Moc Bai border gate to work in Bavet town market, the Chomtopu district town market or Bavet Manhattan Casinos.[41] Many Vietnamese immigrants have been in Cambodia for a long time and have a close relationship with Cambodian people or have close kinship with Cambodian people living in Vietnam. Many are wholly integrated into Cambodian society: they speak the Cambodian language fluently, have stable jobs and incomes, and their children study in Cambodian schools.

A number of these long term Vietnamese immigrants in Cambodia are traders in the Bavet town market. Most are from Phnom Penh and can speak both the Cambodian and Vietnamese languages fluently. They had been eagerly waiting for the upgrading of Bavet commune to city status-as planned and approved in 2008 by the Cambodian Government. They hope that the Bavet market will be further expanded, and attract more investors and clients.

Most unofficial money changers in Bavet's casinos are females who work under the supervision of casino managers. They are often referred to as 'floating migrants' by local residents and authorities, and receive commission depending on the number of clients they attract to gamble.

'Floating workers' in Bavet casinos are unregistered and informal workers. Some migrants are perceived as 'floating workers' in Bavet casinos because they can work in multiple roles, including: mobile money changers, helpers, informal promoters, guides, and drivers of motorbikes or shuttle vans. These migrants believe that the working conditions are quite good for them, since work time is flexible and their jobs provide a relatively easy mode of income.[42] In so doing, they are able to help their family avoid, or escape from, poverty, especially those who do not have much land and capital for income generating activities. Some floating workers are looked down upon and criticised by their neighbours and community leaders for their role in attracting customers to gamble as this can lead people into poverty, indebtedness, and social evils; with some gamblers committing suicide when they are unable to pay their large debts. The floating money changers and dealers have verbal agreements with casino managers regarding the strict regulations they operate under including their activities, roles, and task limitations. Their income, at USD 100-110 per month, is much higher than what they could earn in agricultural production or in manufacturing. However, their income is not fixed and is dependent on the numbers of gamblers, how much the gamblers win, and how much the gamblers tip.

The children of Vietnamese people in Bavet must study in Cambodian schools if they have not kept their household registration book (*So Ho Khau*).[43] If they can show where they are originally from in Vietnam and if they possess residence registration papers, they may register and study in schools within Vietnam. Parents are eager for their children to study Vietnamese, because fluency in the language will assist their future in business.[44]

2-5. Impact on Local People

Just under half of the local people interviewed indicated that the local authorities invited them to planning discussions about the building of the SEZs, before they were built.[45] There were no reports of forced land acquisitions for the casino or the SEZs, although one respondent said that he saw some (unspecified) complaints to the casino. Local people stated that where land was used for construction purposes, compensation was paid to the owners and the land used for the SEZ was generally poor agricultural land far from the homes of those who used it.

The interviewees discussed a number of positive and negative impacts of the casino and the SEZs. Seventy per cent said that the high prices being paid for land led people to sell and obtain money to build a new house. Their living conditions also improved as a result of jobs becoming available in the casino. Electricity, water supply and road infrastructure improved, and people were able to obtain further income by providing accommodation and selling goods to workers in the BEZ and casino staff. This also meant that they could afford to send their children to school. They can use a health centre and a private clinic. There is now a village health support group, water system and vaccination programme. Antenatal care is available for pregnant women and toilet facilities had been provided for the poor by the commune council.

The increased availability of local jobs reduced the need for local people to migrate out of the area. The economic zone was also perceived to be increasing the wealth of local people and the government, as well as enabling people to obtain new skills.

One local person said that this area was previously empty land and there was nothing to do, but when the government developed it as an international cross-border area - together with the building of the new casinos and hotels-the area became busier. Much infrastructure had been developed, such as electricity, roads, a hospital and a water system.

On the negative side, the increased cost of land has led to a higher incidence of land disputes. The increased traffic caused more road accidents, and there was an increase in robbery and drug abuse in Bavet. Waste management is poor, leading to an increase in the amount of rubbish on the streets; complaints to the local authorities about this had brought no improvement. Some people who had sold land had wasted their money and become poor, as many did not have skill or experience in financial management. Farmers working near the casino complain of skin problems and problems with the agricultural water supply, caused by pollution from the casino. People also complained of smoke from the burning of waste, and that the noise from the factories and logging for construction were destroying the environment. There seemed to be an increase in flies and mosquitoes, leading to fears of disease such as diarrhoea in children.

People complained that the availability of work in the casino and factories was causing students to drop out of school early (at 9th grade). Most of the students dropping out of school were doing so in order to find jobs as casino workers in the area. Some people also raised cultural concerns, such as the increased number of young people who were inappropriately dressed and the fact that gambling is not traditionally a Cambodian practice.

3. Moc Bai (Vietnam)

3-1. Background

One of Vietnam's 28 BGEZs,[46] the Moc Bai BGEZ is located in the southern province of Tay Ninh and shares 240 km of international borders with three provinces of Cambodia. The Moc Bai BGEZ is situated on the Trans-Asian Highway linking Burma/Myanmar, Thailand, Lao PDR, Cambodia, Vietnam and Guangxi Province in China, 70 km from Ho Chi Minh City in Vietnam and 170 km from Phnom Penh in Cambodia. Considered a gateway to other Southeast Asian markets, it covers 21 hectares, spans the two districts of Ben Cau and Trang Bang, and borders Cambodia's bustling Manhattan SEZ and Bavet's casinos.[47]

The Moc Bai BGEZ was established in 1998. The five years, until 2003, were spent on land clearance, acquisition and compensating farmers and those affected by the construction of the BGEZ. The construction of primary infrastructure at the Moc Bai BGEZ was not complete until 2004. Since then, the BGEZ has been developed with the establishment of a duty free supermarket which hosts a free trade centre. Other trade companies, such as Nam Hiep Thanh, were set up in 2005. In response to the lack of interest from companies in the industrial sector, there was a shift of priorities, which has seen a shift into commerce.

In early 2005, it was observed that insufficient investment in infrastructure facilities, especially transportation, was impeding the implementation of projects.[48] The first phase, worth USD 1.6 million, was officially opened for operation in early 2005 with a 16,500 square metre compound and a 2,000 square metre main building. These projects were funded by the ADB using surplus money from the USD 145 million Trans-Asia Highway project.

The Moc Bai BGEZ was not officially inaugurated until March 2006, that is, after the completion of the largest bridge on the Trans-Asia Highway and the opening of the Ben Thanh-Moc Bai bus route to carry people from Ho Chi Minh City and Tay Ninh Province to the zone.

3-2. Relevant Agreements and Policies

Many agreements and policies have been set down by the Vietnamese government concerning the Moc Bai BGEZ.

Decision No. 144/2004/QD-TTg, issued on 12 August 2004, set out a number of economic privileges, which apply to all commercial and industrial parks, including those located inside BGEZs. Policies in the Decision include a VAT rate of 0 per cent for goods and services exported from the parks overseas, as well as for those imported into the parks from other areas within the Moc Bai BGEZ and from other areas of the country. Special consumption tax for goods and services produced and consumed in the parks is also exempted, as is the tax on those imports coming from overseas into the parks. Maximum preferences, applicable to investments located in the areas which the government considers as facing special socio-economic difficulties, also apply to all investment projects in the parks. Lastly, the Decision states that the President of the People's Committee of Tay Ninh Province is authorised to licence investment projects capitalised at under USD 40 million.[49]

In accordance with the Decision of State management for projects with foreign direct investment capital in Tay Ninh Province, at a provincial level Decision No. 4855/2004/QĐ-UB of the Tay Ninh People's Committee, dated 6 December 2004, sets out the State administrative regulations for projects that have foreign direct investment (FDI) capital in Tay Ninh Province. In this Decision, the Tay Ninh People's Committee has been assigned responsibility for mobilising, enhancing, monitoring and controlling FDI into the province, including the Moc Bai BGEZ.

Briefly, other relevant policies include: Circular 08/2005/TT-BTC on Financial Regulations applied for the Moc Bai Border Gate Economic Zone, dated 26 January 2005, and issued by the Ministry of Finance; Circular 92/2005/TT-BTC on Amendment and Additions to Financial Regulations applied for the Moc Bai BGEZ as identified in Circular 08/2005/TT-BTC, dated 20 October 2005, and again issued by the Ministry of Finance. Both these policies identified the privileges for businesses applying for investment in the Moc Bai BGEZ such as: (i) the exemption of import tax for products and services imported into the Moc Bai BGEZ from foreign countries as well as from other places in Vietnam; (ii) the products in Commercial-Industrial Areas of the Moc Bai BGEZ, if they are produced, processed, outworked, recycled or assembled from Commercial-Industrial Areas of the Moc Bai BGEZ without materials and/or components, and spare parts imported from foreign countries, will not pay import tax; and if products do contain materials, components and/or spare parts that originate from foreign countries, business will pay an import tax only for those components. Decision 140/2007/QD-TTg, dated 24 August 2007, on Implementation Regulations of the Moc Bai BGEZ, Tay Ninh province;

and Decision 236, dated 26 February 2008, on the establishment of the Moc Bai BEZ Management Unit and its roles and responsibilities.

A more recent policy is Decision 22/2008/QD-BYT, issued by the Ministry of Health on 2 July 2008. This requires the Moc Bai BGEZ Management Unit to be responsible for the supervision of the quality of cosmetics sold in the Trade and Industrial Areas.

The Vietnamese government wants to closely combine economic development along the border with human resource development, in conformity with planning on social infrastructure works, such as schools, healthcare, cultural and sports establishments, and residential areas, while taking into consideration the environmental issues and defence and security concerns.

3-3. Current Stage and Future Plans

The zone includes the 105 hectare Sun Industrial Zone, the 286 hectare Mat Troi City new urban town, and a further 405 hectares which are reserved for additional investment projects. The first phase of the Mat Troi City new urban town, with enough housing for 40,000 people, was due to begin in 2005 and finish in 2010. It is hoped that it will become an economic hub for the south-west region of the country. The 220 hectares of the Mat Troi City new urban town will house an international trade and service centre, an industrial park, a bonded warehouse area and a residential area. Local authorities have requested that the Vietnamese government turn the zone into a duty free area in order to better develop industry in the area. Over 1,430 hectares of land have been leased for a total registered capital of USD 300 million.[50]

As of October 2011, 46 projects worth USD 219.2 million had been licensed but of these projects only 16 had begun operating. The majority of these were duty-free stores.[51] Phi Long Company, the first investor in the Moc Bai BGEZ in 2004, has completed housing development, and plans to build cinemas and entertainment parks.[52] Hiep Thanh Trading Complex have invested VND 376 billion (USD 23.5 million) in housing, restaurants and supermarkets.[53] In late 2005, The Ky Vang Co. (Golden City) invested VND 120 billion (USD 7.5 million) and opened a duty-free supermarket selling 40,000 types of goods.[54] A border market was inaugurated on 2 March 2006, with investment capital from the Saigon Trade Co., Vietnam's leading retailer, and Saigon Co-op,[55] trading electronics and high quality products, which are mostly imported goods from developed countries such as Japan, USA, France, Australia, and Switzerland. Imported products include: wine, perfume, milk and cosmetics.[56] Most of the investment projects within the zone were related to industrial infrastructure, housing, and trade and services but the site is also home to a steel rolling mill and a transport joint venture between Vietnam and Cambodia.[57] However, as of October 2011 an official at the zone admitted that Moc Bai had not attracted as much industrial investment as initially planned.[58] For transportation, Phuong Trinh Passenger Transport Joint Venture Co. operates a bus service with eight trips per day between Ho Chi Minh City's Ben Thanh to Moc Bai.[59]

In 2008 the Ministry of Construction submitted a plan to create a 30,000 square kilometre metropolitan area around Ho Chi Minh City, through the urbanisation of seven provinces surrounding the capital of Vietnam. If the plan is implemented, Moc Bai will be developed into a provincial tourist hub.[60] Also, in 2009 Tay Ninh's provincial authorities announced plans to turn Moc Bai into a tourism hub for both Tay Ninh Pprovince and the south-eastern region.[61] However, at the moment, Moc Bai remains an industrial and commercial zone.

From April 2008, the Moc Bai BGEZ developed faster than in previous years, with more investors registered than in previous years. This growth may be put down to the following reasons: (i) Greater economic privileges under the legal framework for the BGEZ implemented under Decision No. 144/2004/QD-TTg issued on 12 August 2004, and Decision 52/2008/QD-TTg, dated 25 April 2008, on the master plan for BGEZs up to 2020; (ii) the establishment of the Southern Economic Corridor (SEC), making goods transportation and tourism more convenient; (iii) visa exemptions for Vietnamese

Photo courtesy of Huynh Thi Ngoc Tuyet

Tricycles are used by Vietnamese customers for transportation from the border area on the Cambodia side to casinos in Bavet.

and Cambodian citizens, applicable from 4 December 2008, which led to increased numbers passing through the Moc Bai border gate. This increase was from an average of 300 people every day to an average of 3,000 people per day; and (iv) the increase of goods imported into the duty free trade centre.[62]

At the time of the fieldwork in April 2009, the Moc Bai BGEZ had only developed about 2,000 hectares of the potential 21,000 hectares that was identified in the master plan. Local leaders believed that the master plan was overly ambitious and that it would badly affect local residents who would have to be resettled.[63]

In April 2009, industries had still not developed and not as many investors as expected were being attracted. There were only a few factories for garments and construction materials. Trade, however, had developed quickly and was concentrated among three main actors: a duty free supermarket; a border market; and Nam Hiep Thanh Trade Centre. The duty free supermarket is a wholesale establishment, redistributing goods to Cambodia, mainly through Moc Bai–Bavet border gate and Xa Mat border gate. Several companies have invested in housing by contracting houses and apartments, but the process has been beset by barriers such as: (i) obstacles in negotiations for compensation-without consensus among investors and affected people-the former pay at a low rate/price, the latter ask for a higher rate/price; (ii) the economic slowdown within the land market; and (iii) investors of the Moc Bai BGEZ are medium or small, not large, so they cannot mobilise enough investment loans.[64]

The Vietnamese government has repeated the country's plan to further develop the Moc Bai BGEZ. The government hopes that it can be transformed into a tourism and trade centre serving the nation's economic, cultural, and political ties with neighbouring Cambodia and other ASEAN countries.

A revised development plan for the zone was released in 2008 for the period until 2020. The plan received approval from the prime minister and aims to turn Moc Bai into an economic, cultural, scientific and technological centre for the entire southeast region.[65] Furthermore, according to the adjusted plan, the Moc Bai zone will cover 21,284 hectares of land, with 305 hectares reserved for residential areas, 250 hectares for trade and service centres and 300 hectares for a concentrated industrial zone.[66] By the year 2020, the zone is expected to have a population of 100,000 people in which the urban population will account for 60 per cent.[67]

A free trade centre, which operates inside a duty free supermarket, has been officially reported as providing 1,500 to 1,800 jobs. If statistics also take into account the informal job sectors that have flourished following the establishment of the free trade centre-such as catering services, transportation, buying and reselling of tax free goods, and room rentals-it can be said that these establishments have led to the creation of at least around 3,000 jobs.[68]

Workers inside the Moc Bai BGEZ are employed in trade and industry as well as in the property and housing sectors. The education and skill levels of those workers vary depending on their job requirements. Most highly skilled staff are from Ho Chi Minh City or Tay Ninh town, the provincial capital; the medium skilled workers are from Ben Cau district town or other district towns of the same province; and the lower skilled workers are from on-site communities,[69] or other neighbouring communes of Ben Cau district.

3-4. Impact on Migration Flows and Migrants

3-4-1. Impact on Migration Flows

The Moc Bai BGEZ has contributed to the creation of job opportunities in the province and the border region specifically. For many years, the soil of the area was seriously polluted by aluminium and acid sulphate, hence the productivity of rice cropping was low; allowing only two to three tons per hectare to be cultivated per year. During the 1980s and early 1990s, before the establishment of the Moc Bai BGEZ, usually at least one member of each family in communes in the surrounding area had to migrate to Ho Chi Minh City to seek employment, since people could not rely on the limited production from the land.

Nowadays, largely due to the Moc Bai BGEZ, the outflow of migrants, especially to big cities such as Ho Chi Minh City, has been reduced significantly since local people, especially the younger generations, are able to find jobs locally in the industrial sector, trade sector or the informal sector.[70]

There are a number of internal migrant workers, originating from other southern provinces, who have close relations with local residents via kinship, marriage or friendship. Many do not have much land in rural areas or do not have many resources for income generation in urban areas. Even those who have land in other provinces, or in Tay Ninh Province, agree that cash income in agriculture is much lower than income in the trade, services and industry sectors.

According to interviews conducted with the Moc Bai BGEZ Management Unit, local authorities and local people, as well as the observations of the Vietnam CRT in April 2009, there were no workers from countries outside Vietnam.

3-5. Working and Living Conditions

3-5-1. Vietnamese Workers Interviewed in Moc Bai

Regarding the working conditions for local Vietnamese workers at Moc Bai, the Vietnam CRT interviewed employees of the Satra Trade Company (duty free trade and service) and the Vuong Kim Long Garment Factory. The information obtained suggested that working conditions were largely in accordance with the standards set down by the Vietnam Labour Law.[71]

All interviewees had been issued with a job description in which working time, tasks, and wages were identified and agreed between managers and workers. All employers are required by law to enter into written contracts of employment with workers. All workers interviewed in this study had already signed such a labour contract with durations of between one and three years.

Social security and health insurance is stipulated in the labour contract for the workers in the Vuong Kim Long Garment factory. If a worker falls sick, he or she is cared for by a health section inside the factory; if the sickness is more serious then they will be treated by the general hospital. The cost of sickness treatment is covered by healthcare insurance.

In general, wages vary depending on skills, products and duration of work. In the trade sector, the monthly wage is around VND 1.8-2.0 million (USD 110), which was higher than the country's monthly minimum wage of USD 60.[72] In garment factories, the wage was only a little higher than the minimum wage of USD 60 per month at around USD 70-75. Workers were being treated a little bit better than workers in other industrial zones, due to the shortage of labour in the Moc Bai BEZ, where there was a relative gap between labour force supply and demand.

Wages for informal workers in the duty free supermarket vary depending on the number of clients they serve. As service providers, they receive VND 20,000-30,000 (USD 1.0-1.5) per client when they help customers to buy VND 500,000 (USD 25.7) worth of duty free goods.[73] In addition, workers can negotiate a fee for carrying goods inside the supermarket and out to the shuttle bus or bus station.

3-6. Impact on Local People

The positive impacts of the BGEZ on local people of the Moc Bai area include: increased employment, greater levels of income, diversified livelihoods, and a contribution to the poverty reduction programme of related communes and the province. Social mobility is another benefit; the result of simple migration procedures is that there has been an increase in incoming migration flows. The population of the commune selected for primary research has doubled in size in five years, from 2,000 residents in 2004 to 4,000 in 2009, although 50 per cent were temporary as they came from other communes.[74] Another positive impact has been the change from being a remote and impoverished area to being a developed area with all the associated advantages, such as better infrastructure, more job opportunities and greater potential for income generation for local people. Lastly, as mentioned earlier, there has been a reduction in migration to urban areas such as Ho Chi Minh City from families in communes within the Moc Bai BGEZ area, as more employment is available locally due to job opportunities created by the BGEZ.

According to the interviews conducted by the Vietnam CRT there have also been negative impacts on local people. Many farmers have lost their land to the development of the BGEZ. Their land was acquired with some compensation but the price of land identified by the government was much lower than the actual market price. As a result, it is hard for farmers to buy new plots for the same quality and size in the area. Thus they must buy new plots of land that are of smaller size or further away. These land owners have had to move into areas far from their previous communities, losing community networks and changing jobs to occupations that they perceive as temporary or as a substitute to their previous work in farming. Such jobs include: motorbike drivers, porters, cleaners, security personnel, street vendors, and food sellers. Some farmers reported that although the new jobs in services or trade may not be as stable as farming, their incomes are a little bit higher, while other farmers felt that the new jobs were much more stable in the long term. Therefore, although they complained about the loss of land through compulsory purchase, the affected people interviewed by the Vietnam CRT seemed to agree with the development of the Moc Bai BGEZ and reported that there were opportunities resulting from the development of the Moc Bai BGEZ.[75]

Other than land issues, local authorities reported more cases of students dropping out of school early because they are attracted to the perceived easy cash on offer through employment in the duty free supermarket complex.

4. Conclusion

The development of BEZs in Bavet and Moc Bai has brought benefits to both migrant workers and local people. These benefits are however tempered by a number of factors, such as insecure labour rights and lack of local participation in the planning and implementation of the zones.

The SEZs in Bavet have been able to offer people in Svay Rieng Province opportunities to obtain employment with higher wages that provide them with a higher standard of living. Cambodian workers in the zones also gained opportunities to upgrade their skills by working in the zones. The availability of jobs is thought to have had an effect on migration away from Svay Rieng; fewer local people were subsequently migrating to Phnom Penh or Vietnam because there were now jobs available in the locality. Indeed, the zones had actually stimulated migration from both within Cambodia and also Vietnam. While there were no reports during the research of significant labour or human rights abuses, the labour rights situation in the Bavet BEZ was far from ideal, and there was a marked inequality between the Cambodian and Vietnamese workers. A greater number of Vietnamese workers had formal, written contracts and also added benefits such as free accommodation and food. This contrasted with Cambodian workers, few of whom had formal, written contracts and had to source their own accommodation and food. An area where Cambodians were better off was their freedom to join unions, although awareness and membership of unions was not universal. Vietnamese workers were unable to join unions. As such,

there is considerable room for improvement in terms of employing all workers on formal, written contracts which will make their jobs more secure and clearly establish labour rights and benefits, and also in allowing all workers in the zone, regardless of ethnicity or nationality, to join unions which can negotiate with employers for better pay and conditions. The Cambodian government has a role to play in this by establishing a legislative framework for the operation of SEZs in Bavet that has clear-cut, effective and just mechanisms for dealing with disputes and labour rights issues.

That the central Cambodian government implemented the zone with little or no local input is also a matter of concern. There has been a lack of provincial control over the project and local people have found it harder to access a distant, central authority in Phnom Penh. It is possible that this has led to a more adverse impact on the local environment and communities than was necessary, with delays in plans for social infrastructure and social development. In addition, inadequate compensation was paid to landowners. If the Cambodian government is intent on developing SEZs along its borders then it is important that the impact on local people be assessed properly and sufficient weight given to social development objectives in addition to economic objectives.

Moc Bai in Vietnam has also managed to create jobs and stem out-migration from the area. The BGEZ has been a relative failure however, as it has not attracted the industrial capital that the Vietnamese government expected. More jobs have been created to provide greater incomes and contribute to poverty reduction which is to be welcomed. However, some farmers have been paid below market rates for the acquisition of their land and have moved away from the area, thus disrupting community networks. Moreover, while the zone has provided jobs, it is uncertain how stable and long-lasting these jobs will prove, especially given the zone's failure to develop anything more than duty-free wholesale and retail positions. The availability of these jobs may also have some negative effects in the long run as young people forsake education and the chance to obtain higher skills in order to drop out and work in the duty-free supermarkets. The Vietnamese government must try to ensure that the adverse impacts of BGEZs on local people are lessened, by, for example, paying fair rates for their land, and also by using BGEZs as a tool to skills and capabilities of those working in them.

Endnotes

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[36] Ibid., Article 12.

[37] Information based on the interviews conducted by the Cambodia CRT. No documentary evidence was supplied to verify this policy.

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[39] Interviews conducted in February 2009.

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[74] Based on the information provided in interview with the local authority, the Loi Thuan Commune People Committee, in April 2009.

[75] Ibid.

Photo courtesy of MAP Foundation

The banner reads: "Migrant workers contribute in building the Thai economy", Lam Phun, Thailand.

Regional Recommendations

Participation of All Stakeholders in the Process of BEZs Establishment

Based on in-depth research conducted by the MMN research team, people in local communities where the BEZs are located are generally little informed about policies and planning of the zones. In Koh Kong ,Cambodia, local people are aware of the presence of a "Special Economic Zone", as they have observed the zone enclosed with a fence for many years, but they do not know further details. None of the interviewees among local residents in Mae Sot, Thailand had ever heard the term "Special Economic Zone (SEZ)", but after cable TV became widely available, they learned about the national economic policy on TV and learned relevant information and that the government is considering to give Mae Sot a formal status as the SEZ.

Except for a few limited cases, prior consultation for the establishment of a BEZ has not been conducted with local people. In some cases where consultation was done, only a few residents were invited, or limited information was provided. In Moc Bai,Vietnam, Mae Sot, Thailand, Bavet and Koh Kong , Cambodia, the central government has designed the respective BEZs, and there seems to have been little capacity and space provided for the local government to get involved in the decision making process. The lack of coordination between the central and local governments has caused a misallocation of the provision of public services and the increasing population. In Mae Sot, Thailand, Bavet and Koh Kong Cambodia, for example, public services such as waste management and garbage collection have been poorly maintained.

In light of these issues, we recommend the following:

1) For concerned government bodies to disclose information on the plans and impact of BEZ;
2) For the managing bodies of BEZs to hold an inclusive, transparent, and informative consultation with all people affectced by the establisment of BEZs; and
3) For governments to ensure that local authorities are consulted in the decision making process for the design of BEZs.

Protection of Land Rights in Establishment of BEZs

Some of the interviewees of the MMN research expressed their discontent regarding land acquisition for establishment of BEZs. In Moc Bai, Vietnam, there was compensation for the farmers who lost the land, but it was far below the market price. Thus, the farmers were not able to find new land with the equivalent quality for farming with the small amount of compensation. Some of them gave up farming and started to engage in some unstable work at/around the BEZ. In Savan-Seno, Lao PDR, residents informed MMN researchers that they felt forced or had no other choice but to relocate. In Koh Kong, Cambodia, several interviewees shared their experiences of land grabbing by high-ranking people. There was no forced relocation reported, but in Bavet, Cambodia, the increased price of land has led to a higher incidence of land disputes. Also research published by other institutions show prevalent land confiscation and forced relocation in Burma. The residents who lose their land need to seek new income sources, and unfair land acquisition leads to more outflow of migration from the area.

In order to reduce the negative externalities of BEZ establishment, specificially the abuse of property rights, MMN recommends the following:

1) For the government to ensure that lands are acquired fairly and that there is no forced relocation by requiring that residents be fairly and adequately compensated such that their sources of income and livelihood will not be threated ;
2) For the Overseas Development Aid (ODA) donor countries to ensure that safeguard mechanisms concerning the land rights of local people are in place before providing ODA;
3) For the investing countries to communicate clear guidelines concerning the land rights of local people to the companies who are considering investing in the GMS BEZs;
4) For the investors to conduct thorough investigation concerning the land rights or other rights abuses in the area where they are planning to invest;
5) For Employers' Associations to refrain from investing in the zones built on land which has been forcibly confiscated; and
6) For Provincial Governments to set up a desk where local people who have unfairly lost their land to an investment area can make a complaint to and receive appropriate follow-up.

Moreover, MMN would like to recommend thatthat Coperate Social Responsibility (CSR) campaigners and Free Trade (FT) critics monitor the land on which factories are built and verify that those lands were not confiscated from local people unfairly. In order to further this goal, we recommend CSR and FT campaigners to include a principle of fair land acquisition in the CSR guidelines.

Rights and Welfare of Migrants and Workers in BEZs

In Mae Sot (Thailand), the growth of trade and the wage increase have been observed, but the wage increase did not meet the increase of living cost, according to the interviewees of the MMN research. Migrant workers, despite their hard work, without which the industires in Mae Sot would not survive, are treated as a flexible and exploitable labor force and receive wages and labour protection far worse

than other parts of Thailand. In Moc Bai, Vietnam and Bavet ,Cambodia, Vietnamese worker have been engaged in jobs newly created by the establishment of BEZs, such as money exchangers, motor cycle taxi, food stalls, carriers at duty free market etc. They can earn cash easily but some interviewee pointed out that this type of work is unstable and unsustainable compared to farming, which has been a traditional livelihood for most people coming from the neighbouring communities.

The construction workers in Savan-Seno, Lao PDR have endured poor living conditions. They are housed in very simple huts and food was not sufficiently provided.

The rapid increase of population around the BEZs requires the expansion of various social services. However, lack of garbage collection and poor waste management are pointed out by local residents in Mae Sot. Thailand and Bavet, Cambodia and Moc Bai, Vietnam. Furthermore, the deficit of the local hospital has increased, since the hospital may have to handle migrants without any documents and who do not have health insurance in Mae Sot, Thailand. Also access to education for migrant children, despite the national policy on education for all which allow migrant children despite their immigration status go to a public school, tends to rely much on migrant schools run by NGOs.

The concern for the restrictive policies towards migrants was also raised in Mae Sot,Thailand. Many migrants continue to come to Thailand outside the formal channel. Migrants who have gained a formal status are also not necessary able to enjoy much better protection and benefits. This reality limits migrants' access to social services, to adequate wages, to labour protection, freedom to join trade unions, and access to justice.

In light of these issues, MMN recommends the following:

1) For the government bodies in charge of labor protection to monitor working conditions in BEZs;
2) For the investors to be responsible employers and provide appropriate living wages, social security, health insurance, and occupational health and safety measures.;
3) For the governments to ensure that the BEZ legislations not restrict on workers from organising, or acessing for trade unions;
4) For the trade unions to play a more active role in organizing workers and promoting their rights in the BEZs;
5) For the governments to design and implement long term urban planning which enable relevant bodies to provide sufficient social services;
6) For governments to ease restriction regarding cross-border migration, so that workers can work legally and safely; and
7) For the government bodies responsible for labor protection and for the employing companies to both work to increase the protection of worker contracts and avoid the cazualization of workers.

BEZs and Sustainable Development

Many interviewees shared their concern for the uncertainty of future development of BEZs for various reasons. Time gap between relocation and creation of new job opportunities due to the delay of operation of industries was reported as a significant concern in Savan-Seno, Lao PDR and Koh Kong, Cambodia. In some cases, BEZs have created new jobs and reduced outflow of migration, but available work is still unstable, as in reported in Bavet, Cambodia.

The discrepancy between required skills and the skills of local workers has continually pushed people to migrate out in Bavet, Cambodia. Though the upper limit has been set for hiring foreign personel, and developers are required to cooperate with Ministry of Labour and Vocational Training (MLVT) to provide vocational training for Cambodian workers. Currently Vietnamese workers with

higher skills are paid better than local Cambodian workers. If the situation continues, Cambodian workers may move out to search better paid jobs in other towns, and migration-outflow will increase.

In Mae Sot, Thailand, some local residents complained that only business enterprises benefited from BEZ, and that local residents did not benefit. For example, the projected increase of customers due to the population increase resulted more opening of small businesses, eg. a corner store, a monk supply shop, or a karaoke shop to newly open, but competition offset the increase of the customers.

Also the increasing formalization of border trade has resulted in restricting space for people working in informal sectors in Mae Sot.

The deterioration of the environment is a serious issue such as the pollution of water and the noise and logging for construction. Also increased traffic has caused more road accidents in Bavet.

The lack of initiative from the local governments for creating harmony between new residents, including migrants, and local residents cause some misunderstandings and tensions. Local residents fear that young migrants will take job opportunities in Mae Sot. There is a sense of fear and mistrust and the increase in crime, especially theft, is blamed on the increase of migrants. Pollution of the river, the lack of garbage collection, the loss of trees, and the increased traffic are significant issues in Mae Sot.

Furthermore, there is reportedly an increase in school drop outs in Bavet and Moc Bai, due to ease and availability of jobs at casinos and factories.

In light of these issues, we urge the following:

1) For governments to provide necessary and timely support for the livelihood of people who are affected by establishment of BEZs;
2) For concerned government bodies to conduct prior assessment of impacts on environment and livelihood of community in the area where BEZ is planned and make the information publicly accessible;
3) For local authorities to assess regularly the social and environmental impacts on communities after BEZs are established and to design measures for the investors to mitigate any negative impacts;
4) For investors to contribute to preserving natural resources and improving environment in the community;
5) For concerned government bodies to be responsible for overseeing vocational training provided for workers in BEZ to ensure the quality of such training and that adequate training on occupational health and safety is included;
6) For local governments to provide vocational training that are designed to upgrade workers' skills which will enhance their potential and equip them with greater future employment options;
7) For local governments to facilitate workers' access to the continued education; and
8) For local governments to facilitate integration of migrants into the local community.

Appendix I

Members of Mekong Migration Network (MMN)

The following is the list of MMN member organizations as of October 2012.

CAMBODIA

1. Banteaysrei
2. Cambodia Human Rights and Development Association (ADHOC)
3. Cambodian Women for Peace and Development
4. Cambodian Women's Crisis Center (CWCC)
5. Coordination of Action Research on ADIS and Mobility (CARAM) Cambodia
6. KHEMARA
7. Khmer Kampuchea Krom Human Rights Organization (KKKHRO)
8. Legal Support for Children and Women (LSCW)

CHINA

9. Migrant Workers' Education and Action Research Centre (MWEAC)
10. Ruili Women and Children Development Centre
11. Society of Strengthening Capability of Women and Communities Development in Yunnan
12. Women Migrant Education Research Professional Association (Yunnan Floating Population)
13. Yunnan Health and Development Research Association
14. Institute of Contemporary Observation (ICO)-associate member

LAOS

15. Faculty of Social Sciences, National University of Laos
16. Lao Women Union

THAILAND

17. Empower Foundation
18. Federation of Trade Unions-Burma (FTUB)
19. Foundation for AIDS Rights (FAR)
20. Foundation for Education and Development (FED)
21. Foundation for Women (FFW)
22. Friends of Women (FOW)
23. Human Rights and Development Foundation (HRDF)
24. Institute for Population and Social Research (IPSR), Mahidol University
25. Maryknoll Thailand Migrants Ministry
26. Mekong Ecumenical Partnership Program-Christian Conference of Asia (MECC-CCA)
27. National Catholic Commission on Migration (NCCM)
28. Migrant Assistance Program (MAP)
29. Pattanarak Foundation
30. Peaceway Foundation
31. Raks Thai
32. Shan Women's Action Network (SWAN)
33. Studio Xang

34. Thai Action Commmittee for Democracy in Burma (TACDB)
35. Young Chii Oo Workers Association (YCOWA)
36. ADRA Thailand-associate member
37. Action Network for Migrants (ANM)-associate member
38. Human Security Alliance (HSA)-associate member

VIETNAM

39. Center for Research and Consultancy for Development (CRCD), Southern Institute of Social Sciences
40. Social Work and Urban Community Development Center-Ho Chi Minh City
41. Social Work and Community Development Center
42. Social Work and Community Development Unit
43. Sunflower Vocational Training Unit

REGIONAL

44. Asian Migrant Centre (AMC)

Appendix II

Burma/Myanmar
Annual Socio-Economic Data and Migration Flows

Indicators	2006	2007	2008	2009	2010	2011
Population (million)	56.5	57.5	58.4	59.13	59.78	
% Population living below poverty line		32.7				
Economic growth: real GDP (%)	7	5.5	3.6	5.1	5.3	5.5
GDP per capita, current prices (USD)	256.66	350.14	479.4	459.37	468.6	
Per capita GDP: purchasing power parity (current international dollar)	983.44	1,110.02	1,151.38	1,197.33	1,244.00	1,300.00
Inflation rate: CPI (% annual average)		32.9	22.5	2.2	7.7	8.9
Exchange rate (Kyats per US Dollar: Average of period)	5.784	5.560	5.388	5.519	5.578	
Total foreign debt (USD million; as of end of year)	7,011.70	7,261.90	8,237.20	8,001.70		
International reserves (USD million; calender year)	1,247.80					
Foreign direct investment, net inflows (BoP, current USD billion)		717,255,596	872,657,374	1,090,198,481	910,345,755	
Trade balance (million Kyats; fiscal year beginning 1 April)	13,191.00	16,878.00	12,154.00	18,452.00	13,598.00	
	27.95	28.50	29.02	29.54		32.53
Labour force (million)	4.0	4.0	4.0		5.7	5.5
Unemployment rate (% of labour force)						
Workers' remittances and compensation of employees, received (USD)				116,345,200	132,994,500	
HIV/AIDS adult prevalence rate (adult PLHA as % of adult population)				0.6		
# People living with HIV/AIDS (estimate)				240,000		
# AIDS death during the year (adults+children)				18,000		

Appendix III

Cambodia
Annual Socio-Economic Data and Migration Flows

Indicators	2006	2007	2008	2009	2010	2011
Population (million)	13.5	13.7	13.9	14.1	14.3	14.95
% Population living below poverty line		31		30.1		
Economic growth: real GDP (%)	10.8	10.2	6.7	0.1	5.9	6.7
GDP per capita, current prices (USD)	512.87	648.58	825.09est.	774.95est.	805.43est.	
Per capita GDP: purchasing power parity (current international dollar)	1,626.76	1,949.26	2,082.47est.	2,014.98est.	2,084.02est.	2,300.00
Inflation rate: CPI (% annual average)		7.7	25	-0.7	4.0	5.0
Exchange rate (Riels per USD: annual avg.)	4,103.3	4,056.2	4,054.2	4,139.3	4,184.9	4,085.9
Total foreign debt (USD million; as of end of year)	3,526.70	3,760.90	4,215.00	4,364.00	3,802.10	
International reserves (USD million; as of end of period)	1,410.70	2,143.20	2,640.60	3,288.40	3,802.10	
Foreign direct investment, net inflows (BoP, current USD)		867,288,539	815,180,218	539,113,440	782,596,735	
Trade balance (USD million; calendar year)	-1,078.90	-1,343.40	-1,800.40	-1,634.20	-1,714.80	
Labour force (million)					8.80	
Unemployment rate (% of labour force)		3.5				
Workers' remittances and compensation of employees, received (USD)	297,440,000	352,570,000	325,222,000	337,824,000	369,458,000	
HIV/AIDS adult prevalence rate (adult PLHA as % of adult population)				0.5		
# People living with HIV/AIDS (estimate)				63,000		
# AIDS death during the year (adults+children)				3,100		

Sources: ADB, WB, WDI, UNDAIDS, UNDP, Global Economic Data

Appendix IV

China (Yunnan Province)
Annual Socio-Economic Data and Migration Flows

Indicators	2006	2007	2008	2009	2010	2011
Population (million)	1,314.5	1,321.3	1,328.0	1334.7	1,339.7	1,343.2
% Population living below poverty line			2.8			
Economic growth: real GDP (%)		14.2	9.6	9.2	10.5	9.2
GDP per capita, current prices (USD)	2,021.98	2,559.95	3,403.52	3,677.86est.	3,999.41est.	
Per capita GDP: purchasing power parity (current international dollar)	4,659.15	5,388.45	5,998.81	6,567.00est	7,239.91est.	8,400.00
Inflation rate: CPI (% annual average)		4.8	5.9	-0.7	3.6	5.4
Exchange rate (local currency per USD: annual avg.)	7.9734	7.6075	6.9487	6.8314	6.7695	6.4614
Total foreign debt (USD million; as of end of year)	325,260.00	373,773.00	378,245.00	428,442.00		
International reserves (USD million; calender year)	1,072,563.00	1,534,357.00	1,953,334.00	2,425,856.00		
Foreign direct investment, net inflows (BoP, current USD billion)		160,051,835,203	175,147,650,312	114,214,527,413	185,080,744,436	
Trade balance (USD million; calendar year)	177.5	261.8	298.1	196.1		
Labour force (million)	782.4	786.5	792.4			795.5
Unemployment rate (% of labour force; refers to urban area only)	4.1	4.0	4.2	4.3		6.5
Workers' remittances and compensation of employees, received (USD)	27,440,370,000	38,587,270,000	48,406,540,000	48,852,430,000	53,038,460,000	
HIV/AIDS adult prevalence rate (adult PLHA as % of adult population)				0.1		
# People living with HIV/AIDS (estimate)				740,000		
# AIDS death during the year (adults+children)				26,000		

Sources: ADB, WB, WDI, UNDAIDS, UNDP, Global Economic Data
It should be noted that these statistics are not specific to Yunnan Province, but rather reflect the socio-economic state of affairs of the entire Chinese state.

Appendix V

Lao PDR
Annual Socio-Economic Data and Migration Flows

Indicators	2006	2007	2008	2009	2010	2011
Population (million)	5.7	5.9	6.0	6.1	6.23	6.59
% Population living below poverty line			33.5		26	
Economic growth: real GDP (%)		7.8	7.2	6.5	7.0	8.3
GDP per capita, current prices (USD)	591.47est.	688.20est.	849.09est.	877.97est.	964.04est.	
Per capita GDP: purchasing power parity (current international dollar)	1,803.42est.	1,963.24est.	2,120.97est.	2,266.00est.	2,400.82est.	2,700.00
Inflation rate: CPI (% annual average)		4.5	7.6	0	5.6	7.8
Exchange rate (local currency per USD: annual avg.)	10,160	9,603	8,744	8,516	8,259	8,044
Total foreign debt (USD million; as of end of year)	3,377.00	4,388.20	4,954.50	5,538.9		
International reserves (USD million; as of end of year)	335.8	539.9	638.7	712.8	806.1	
Foreign direct investment, net inflows (USD billion)		323,520,000	227,770,000	318,598,209	278,805,903	
Trade balance (USD million; calender year)	-178	-142	-311	-408	-314	
Labour force (million)					3.69	
Unemployment rate (% of labour force)				2.5		
Workers' remittances and compensation of employees, received (USD)	4,237,233	6,203,733	17,774,600	37,576,340	40,854,840	
HIV/AIDS adult prevalence rate (adult PLHA as % of adult population)				0.2		
# People living with HIV/AIDS (estimate)				8,500		
# AIDS death during the year (adults+children)				< 200		

Sources: ADB, WB, WDI, UNDAIDS, UNDP, Global Economic Data

Appendix VI

Thailand
Annual Socio-Economic Data and Migration Flows

Indicators	2006	2007	2008	2009	2010	2011
Population (million)	65.6	66.0	66.5	66.9	67.31	
% Population living below poverty line				8.1		
Economic growth: real GDP (%)	5.1	5	2.5	-2.3	7.8	4.5
GDP per capita, current prices (USD)	3,174.43	3,758.91	4,107.79	3,939.63est.	4,402.63est.	
Per capita GDP: purchasing power parity (current international dollar)	7,407.28	7,935.92	8,232.45	8,059.80est.	8,478.66est.	9,700
Inflation rate: CPI (% annual average)		2.2	5.4	-0.9	3.5	3.8
Exchange rate (local currency per USD: annual avg.)	37.88	34.52	33.31	34.29	31.69	30.18
Total foreign debt (USD million; as of end of year)	45,893	48,644	54,858	58,755		
International reserves (USD million; as of end of period)	66,985	87,455	111,008	138,418	172,129	
Foreign direct investment, net inflows (BoP, current USD billion)		11,362,925,302	8,538,342,442	4,853,961,111	9,678,888,214	
Trade balance (Bahts billion; year end)	34.3	439.1	-14.3	670.0	439.6	
Labour force (million)	36.43	36.94	37.70	38.43	38.64	39.62
Unemployment rate (% of labour force)	1.5	1.4	1.4	1.5	1.0	0.5
Annual outflow of migrants workers	103,505	99,986	93,600	78,717	79,792	90,237
Workers' remittances and compensation of employees, received (USD)	1,333,073,000	1,635,036,000	1,897,940,000	1,637,093,000	1,763,509,000	
HIV/AIDS adult prevalence rate (adult PLHA as % of adult population)				1.3		
# People living with HIV/AIDS (estimate)				530,000		
# AIDS death during the year (adults+children)				28,000		

Sources: ADB, WB, WDI, UNDAIDS, UNDP, Global Economic Data

Appendix VII

Vietnam
Annual Socio-Economic Data and Migration Flows

Indicators	2006	2007	2008	2009	2010	2011
Population (million)	82.85	83.76	84.67	85.6	86.48	86.93
% Population living below poverty line				28.9		
Economic growth: real GDP (%)	8.2	8.5	6.3	5.3	6.8	5.8
GDP per capita, current prices (USD)	724.05	835.08	1,042.38est.	1,059.94est.	1,168.45est.	
Per capita GDP: purchasing power parity (current international dollar)	2,364.70	2,607.15	2,793.76est.	2,942.11est.	3,104.18est.	3,300.00
Inflation rate: CPI (% annual average)		8.3	23	6.9	10.0	18.6
Exchange rate (local currency per USD: annual avg.)	15,994.30	16,105.10	16,302.30	17,065.10	18,621.00	20,585.60
Total foreign debt (USD million; as of end of year)	18,610	22,737	24,964	28,674		
International reserves (USD million; as of end of period)	13,591.01	23,747.75	24,175.87	16,803.13		
Foreign direct investment, net inflows (BoP, current USD billion)		6,700,000,000	9,579,000,000	7,600,000,000	8,000,000,000	
Trade balance (USD million; calender year)	-5,065	-14,204	-18,029	-12,853	-12,609	
Labour force (million)	46.2	47.2	48.2	49.3	50.4	
Unemployment rate (% of labour force)	2.3	2.0	2.4		2.9	2.3
Workers' remittances and compensation of employees, received (USD)	3,800,000,000	6,180,000,000	6,805,000,000	6,020,000,000	8,260,000,000	
HIV/AIDS adult prevalence rate (adult PLHA as % of adult population)				0.4		
# People living with HIV/AIDS (estimate)				280,000		
# AIDS death during the year (adults+children)				14,000		

Sources: UNHCR, UN DESA, UNICEF, Global Migrant Origin Database, Overview of Migration in Vietnam (www.abdi.org)

Appendix VIII

Currency Exchange Rates (as of January 2013)

Country	Currency & Symbol	Value per USD
Burma/Myanmar	Kyat (MMK)	8,554
Cambodia	Riel (KHR)	3,983.17
China	Renminbi (RMB)	6.23
Lao PDR	Kip (LAK)	7,933.66
Thailand	Baht (THB)	29.78
Vietnam	Dong (VND)	20,808.19

Mekong Migration Network (MMN)
Web: www.mekongmigration.org
Email: info@mekongmigration.org

Asian Migrant Centre (AMC)
Web: www.asian-migrants.org
Email: info@asian-migrants.org