

Developing International Cooperation Mechanism through Regulation and Infrastructure for Border Special Economic Zone.

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Abstract

Bordered SEZs are a relatively recent phenomenon, and it is still early to draw any definitive conclusions. Political support from all governments involved is key to their success, as is close coordination at both state and local levels. Such zones challenge zone developers and management companies to find innovative ways to work with governments on both sides of the border. This study focuses on developing mechanisms of international cooperation guideline in the dimension of regulation and basic infrastructure for Cross-border SEZs development. Combined quantitative and qualitative data were employed and both secondary and primary data are analyzed in details. In addition to desk studies on the policy and institutional set up for SEZs. This study will select a case study between Thailand and Laos and Thailand and Myanmar. Between Thailand and Laos will study between Chiang Rai SEZ and the Golden Triangle SEZ and between Thailand and Myanmar will study Tak SEZ and Myawaddy Industrial Zone as a case study by applying Soft Systematic Methodology such CATWOE analysis. The finding in this study shows that feasible mechanism fostering international cooperation among border SEZs is to embed the promoting policy in regional level and each country development plan in order to use these institutions to support the border SEZs cooperation activities.

Keywords: Special Economic Zone, International Cooperation Mechanism, SEZ's Regulations and Infrastructures

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I. Introduction

SEZs have been established in many countries as a mechanism for attracting foreign direct investment (FDI), accelerating industrialization and creating jobs. SEZs have the potential to create immense employment opportunities, directly, by firms invested in the SEZs, and indirectly, by local suppliers providing inputs to firms located in SEZs and by local businesses selling goods and services to workers employed by those firms. Also, SEZs are townships of their own, with shopping malls, restaurants, amusement parks setup around to attract people, thus resulting in more economic development in that area. Technology and knowledge transfers could be other benefit of SEZ development to a host country in particular a country which has a chronic shortage of skilled and qualified workers in order to keep up with its economic growth.

Deepening regional integration has also accelerated the development of border SEZs. Regional development initiatives and cooperation programmes have promoted the establishment of SEZs along regional economic corridors. The development of the Greater Mekong Subregion corridors, a regional economic cooperation programme that involves Cambodia, China, the Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam, has encouraged these countries to build SEZs in border areas to better utilize the improved connectivity along the corridors.

Recently, Thai Government has planned to develop 10 SEZs along the border areas with Cambodia, Myanmar and Laos to attract investors to the areas, and five will be located in the Thai provinces bordering Lao provinces, where Lao SEZs have already been set up and some are in operation. This will inevitably directly compete with Lao SEZs located right across the border. However, Thailand sees this strategy as crucial to accelerating border trade, which currently accounts for 12% of the country's total exports and it is projected to grow to 20-25 percent in 2015. Under this plan, Thailand has identified 13 target industries for those SEZs, including agriculture and fisheries; ceramics; garments, textiles and leather; furnishings and furniture; gems and jewelry; medical equipment, automobiles and parts; electrical appliances and electronics; plastics; pharmaceuticals; logistics; industrial estates and tourism-related to education, healthcare, retail, and hospitality. The planned new SEZs have completed the Environmental Impact Assessment within October 2015, and construction is expected to start in the end of 2016 and ready for space sales in 2019 (BOI, 2015a). To attract investors to these planned SEZs, Thai Government has proposed a new measure to facilitate cross border labor movements of both skilled and unskilled types. Also, the new Thai SEZs will allow investors to employ foreign unskilled workers, in addition to providing tax and non-tax incentives (BOI, 2015).

Bordered SEZs are a relatively recent phenomenon, and it is still early to draw any definitive conclusions. Political support from all governments involved is key to their success, as is close coordination at both state and local levels. Such zones challenge zone developers and management companies to find innovative ways to work with governments on both sides of the border. Therefore, the study in this section focuses on developing mechanisms of international cooperation guideline in the dimension of regulation and basic infrastructure for Cross-border SEZs development.

II. Literature review

Special Economic Zone (SEZ) is a designated estate where trade laws such as tariffs, quotas, or duties differ from the rest of the country. It includes export processing zones, Industrial Estate, Eco-industrial Parks, technology parks, and innovation districts (UNIDO, 2015). The oldest SEZs can be traced back to the form of free port in Italy in 1547. However, the SEZs that were manufacturing based were first established in the late 1920s in Spain. Since then, there were many complex types of SEZs emerge such as comprehensive SEZs, high tech parks, enterprise specific zones, service zones, country specific SEZs, hybrid zones, and so on (Aggarwal, 2010).

SEZs are important in today's context for the third world countries which have been in the race for rapid economic growth. There are many positives which emerge out of establishing an SEZ. By offering privileged terms, SEZs attract investment and foreign exchange, create employment and boost the development of improved technologies and infrastructure. To undertake any kind of massive development program, the Government requires a huge amount of funds. So, it looks out for potential partners to help carry out the program. For setting up an SEZ, the Government may partner with a private investor, who is willing to invest in that area, thus creating a win-win situation for both. As the Government gets the capital and expertise needed to establish the required infrastructure, the private investor, on the other hand, gets the right to market and use of the SEZs with relaxed tax laws. With such a partnership arrangement, the private company can increase its revenue generating capacity and grow in a more efficient way. Actually, SEZs with relaxed import tariffs help the import-dependent and export-driven industries to flourish by helping them develop manufactured goods at competitive prices.

SEZs have been established in many countries as a mechanism for attracting foreign direct investment (FDI), accelerating industrialization and creating jobs. In general, establishment of SEZs is aimed to attract FDI, alleviate large-scale unemployment, diversify exports, and experimental laboratories for the application of new policies and development approaches (Engman, 2011; White, 2011). SEZs offer many advantages to investors otherwise wary of dealing with an unfamiliar foreign regime. Those advantages include relaxed labor, environmental, registration and land use laws, along with lower taxes, less cumbersome procurement of materials and more streamlined negotiation of projects. SEZs have been proven in many developing countries to be an effective means to accelerate economic development (Farole and Akinci, 2011). Furthermore, as international trade and investment flows evolve, economic cooperation between neighboring countries to promote strategic cooperation for regional development has become increasingly more important, and at times through the SEZ framework (Koyama, 2011; Zhao and Farole, 2011).

Regarding international cooperation and regional development SEZs, there are major type of SEZ partnership. Foreign partnership SEZs, and border and cross-border SEZs. For Foreign partnership SEZs, there many SEZs development model such Zones developed by foreign developers or through joint ventures with local companies as private FDI, Zones developed through public-private partnerships with foreign developers, and Zones developed as government-government partnership projects. For border and cross-border SEZs, this type

of SEZs utilizes geographic advantage of border SEZs to target foreign investment. With higher level of regional integration, it can accelerate the development of border SEZs. During the 1960s, Mexico established an assembly plant near the United States border which parts were shipped into Mexico and the finished product is shipped back across the border. The border SEZs generally establish near borders, to offer better economic connection to neighboring countries. By taking advantage of border SEZs, Global Value Chain-based industrial development benefits from strong ties with supply bases and markets in neighboring economies. For instance, in the Mae Sot SEZ in Thailand, most of firms in the SEZs were Thai firms utilizing inputs and finance from Thailand to produce goods for the Thai market, while employing day labor from Myanmar to reduce their wage costs. On the other hand, Cross-border SEZs are physically straddle borders, under joint ownership by neighboring countries such as the Mohan/Boten Cross-Border Economic Zone between China and the Laos. Recently, Cross-border SEZs are interested by many governments. However, it is still early to draw any definitive conclusions. Political support from all governments involved is key to their success, as is close coordination at both state and local levels. Moreover, the institutional set-up of SEZs is rather complicated. The government is the key player in the domestic SEZ regime. It sets the overall economic development goals, adopts underlying industrial policies and implements them through the establishment of SEZs. Most countries have established a separate SEZ authority, Zone developer, and Zone operator respectively to support the government's policymaking functions for Zone user. For zone developer, in term of institutional model, there are public, private, and hybrid model (UNCTAD, 2019).

In the ASEAN, the very first Industrial Estate (IE) was established in Singapore in 1961, under the assistant of Dutch economic advisor. In this period, Philippines started IE development but with slower pace of industrialization than that of Singapore. Cambodia, Lao PDR, Myanmar, and Viet Nam started their IE development in the late 1990s and early 2000s. In, Thailand's SEZs goes back to the country's first five-year National Economic and Social Development Plan (1958-1963), when the groundwork was laid out in the country's industrialization strategy, which emphasized private sector-led, FDI-driven, and export-led growth economic development strategy. It took roughly 10 years before the country's first industrial estate, a state-owned project called Banchan Industrial Estate, was established, in 1969. Thailand's industries development is indicative of its rural-urban gap. However, at the onset of industries development, the gap between the urban core and the rural periphery expanded with the increase in the number of industries. That was partly because Government's development strategy did not pay much attention to regional economic disparities. Seeking private sector-led development resulted in centralization of industries in Bangkok and its outskirts given the accessibility to Laem Chabang port and Don Mueang international airport. Bangkok, as the capital city, with the largest population cluster, more developed infrastructure and market than elsewhere in the country, was an attraction for investment in Thailand. This has led Thailand's industrial development to be clustered within and around Bangkok, causing congestion within Bangkok and greater disparities between Bangkok and the rest of the country. Variables that created agglomeration effect include a large population (which

provided pools of labor supply for various specialized skills and consumers), business services (financial, legal, logistic, input chains, etc.), transportation and communication infrastructures, public services businesses need, and proximity to ports for surface and air transportations. These together created a favorable investment ecosystem that attracted businesses and people to Bangkok area. Newer industrial estates grew eastward out from Bangkok and its surrounding area and the Eastern Sea Board was established which had considerably contributed to Thailand's industrialization in the 1980s-90s. However, due to the rapid industrialization in the late 1980s, the gap between central with surround provinces are wilder especially in border areas. Zoning as a solution for bridging the gap to tackle these difficulties, as for Thailand, the establishment of SEZs is in terms of EPZs. Thailand has had Board of Investment of Thailand (BOI) since 1977 and BOI devised an investment incentive scheme called 'Zoning' in 1987. This scheme divided the country into three zones on the basis of the level of regions' economic development. Zone 1 comprises Bangkok and the bordering provinces, Zone 2 consists of the provinces around Bangkok, and Zone 3 covers the remaining peripheral provinces with low per capita income which included border provinces (ERIA, 2016).

Considering border special economic zones, ADB suggested strategic framework transform transport corridors according to the Greater Mekong Sub-region program (GMS) into economic corridors. As a result, Office of the National Economic and Social Development Plan (NESDB) initiated the frame work to develop Thailand's border SEZs in 2004. Also, On January 21, 2013, the Cabinet passed a resolution approving the draft regulations of the Prime Minister's Office. on special economic zones. Under bottom-up approach, a special economic zone can be proposed to the Policy Committee on Special Economic Development Zone. The government will support infrastructure development, one stop service consisting with ASEAN Single Window, and any necessary measures required for economic expansion. The SEZs are in border areas contiguous to Myanmar, at Kanchanaburi; Laos, at Chiang Rai, Mukdahan, Nhong Khai and Nakhon Phanom; Cambodia, at Sa Kaeo; and Malaysia, at Songkhla and Narathiwat. In the past 5 years (2010-2014), the trade value between Thailand and the four above mentioned countries has grown continuously to an average of 900,000 million Baht, and will continue to grow, especially after the formation of the AEC at the end of 2015. At present, distribution centers and labor-intensive industries are beginning to take interest in investing in these countries in order to access labor and to distribute goods to neighboring countries conveniently, as well as import goods, including raw materials or parts, from neighboring countries to Thailand (ADB, 2016).

Thailand's border economic zones (BEZs) date to 1993 when all border provinces were classified as investment promotion zones and tax and non-tax incentives were offered to businesses to invest in less developed areas. After the ADB promoted the establishment of SEZs along economic corridors in 1998 plans to upgrade Thailand's BEZs to border SEZs emerged under Thaksin Shinawatra's first administration in 2003, with Chiang Rai SEZ established as the first pilot project. In 2014, Thai government under the National Council for Peace and Order (NCPO) has approved the development of 12 Border SEZs in 10 provinces. As mentioned, they will be located in the northern, northeastern, eastern, western and southern

parts of Thailand along the borders with Cambodia, Laos and Myanmar. The purpose of promoting the 12 zones of Thai government is not only for economic interest, but also for national security. The committee states that the objectives of SEZs are to increase competitiveness, increase employment and people's well-being, solve a problem of illegal migrants to the central areas of the country, deal with smuggling of agricultural products from neighboring countries and reduce congestion at the border check points. With a change in domestic structure and regional policies, development of border SEZs becomes one of the important issues of Thailand. The Government provides supporting measures and other promotions for the development of basic infrastructure, including tax and non-tax incentives, setting up One Stop Service Center (OSS) and other facilitating measures. Suitable activities or industries suitable for investment SEZs include labor intensive industries, industries relying on raw materials from neighboring countries, border trading requiring the establishment of a bonded warehouse, and distribution centers to neighbor countries, tourism supporting businesses as well as various service activities to support community expansion around the SEZs. However, at present, there is no clear model and administrative frame work of SEZs in Thailand yet (BOI, 2015).

III. Methodology and Data

Combined quantitative and qualitative data were employed and both secondary and primary data are analyzed in details. In addition to desk studies on the policy and institutional set up for SEZs. This study will select a case study between Thailand and Laos and Thailand and Myanmar. Between Thailand and Laos will study between Chiang Rai SEZ and the Golden Triangle SEZ and between Thailand and Myanmar will study Tak SEZ and Myawaddy Industrial Zone as a case study by applying Soft Systematic Methodology such CATWOE analysis.

IV. CATWOE Analysis

Special Economic Zone Models and Regulation Framework

There are three main models of SEZs: Public SEZ, Private SEZ, and Joint Venture SEZ. Regarding Public SEZ, the government is responsible for all the aspects of an SEZ: regulation, ownership, development, and operation. In general, public SEZ is preferred when successful of the zone does not motivate by the profit alone. However, it requires a lot of public finance and technical expertise needed to run SEZs effectively which may not suitable for many developing countries. Most SEZs in China, Korea, Malaysia, and Singapore are publicly owned.

For Private SEZ or Build-Operate-Own, a private entity is responsible for all aspects of the zone. Moreover, the private company gets to keep the entire operating revenue from the SEZ. In some cases, the same private company could own, develop, and operate a zone. In others, the SEZ owner can subcontract the development or operation of the SEZ to another private company. Most developing countries now use the Build-Operate-Own model for SEZs (FIAS, 2008). This model is preferred when maximizing direct economic returns from the zone is of paramount importance and the government possesses strong regulatory capacity.

On the other hand, In the presence of limited regulatory capacity in the government, privately run zones might lack accountability. Furthermore, private SEZs might focus excessively on the “private” economic returns to the zone, rather than benefiting the economy at large.

Regarding Joint Venture SEZ, a host government gets into an agreement with another government or private company (either domestic or foreign) to run an SEZ. Either the Joint Venture company could be responsible for the development and operation of the SEZ, or it could decide to outsource these roles using PPP models, such as lease agreements or management contracts. Therefore, unless the development and operation of the SEZ is outsourced to a private company, the government may be partly involved in all aspects of the SEZ. Joint Venture SEZs represent a midway between public and private SEZs. They could be used when a government is unable to attract sufficient private investment to finance an SEZ. The Joint Venture SEZ model is considered an example of a Public Private Partnership (PPP). Some countries also classify private SEZs (or BOO SEZs) as PPPs because of an active role played by governments in supporting them, for example, by providing external infrastructure. However, Due to the presence of multiple agencies in a Joint Venture, there is a possibility that the progress of the SEZ could stall due to coordination issues.

In terms of SEZ regulator, generally the structure of SEZ regulator consists of National Committee, Working/managing committee, and SEZ management board. Many countries have instituted independent authorities to regulate SEZs that lie outside the purview of line ministries. Regulators should report to the highest possible level of government, such as the Prime Minister, the President, or any other influential central authority to minimize interference from line ministries. reporting to a high-level central body allows the regulator to coordinate policies across different ministries more effectively since an office such as that of a President would have equal access to all ministries. A regulator must have sufficient autonomy regarding its budget and other administrative tasks, such as recruitment. Government can also bolster a regulator’s independence by providing it with more flexibility with respect to labour regulations. Thus, removing restrictions on hiring, firing, salaries, and promotions can help a regulator become more effective. Decentralizing autonomy and policymaking can encourage competition between zones, which can help improve the business climate in a region and generate knowledge among policymakers about the impact of different policies (Khandelwal & Teachout, 2016).

Current status of Special Economic Zone Models and Regulation Framework in Laos, Myanmar, and Thailand.

For Myanmar, Laos, and Thailand, the SEZ’s regulation structure is similar to any other SEZs in other countries. Although, these three countries share similarity in term of SEZ’s regulation structure. There is no clear indication which level of regulator has direct responsible for international cooperation among other Border-SEZ in other countries. Therefore, a cooperation among their bordered SEZ only occasionally occurred through informal channel. This suppresses the benefit gain from cooperation among border SEZs through production network and other.

According to 2014 SEZ Law in Myanmar, the three-tier governance structure consisted of the Central Body; the Central Working Body; and Management Committees. The Central

Body and the Central Working Body would be under the supervision of the government level. The Central Body is the highest governing body for SEZs, formed by the Union Government. Members are Union Ministers, with a 'suitable person' as Chairperson for instant in 2016 one of the two Union Vice-Presidents became Chairperson, replacing the former President of the Union. Members of this inter-ministerial body are responsible for issuing national policies and regulations for SEZs, consistent with applicable laws, and submitting projects to the Union Government for final approval.

The Central Working Body sits a tier below the Central Body, formed by the Central Body with the approval of the Union Government. Its members include ministers and representatives from various ministries – mainly senior civil servants. The Central Working Body provides policy advice to the Central Body and relevant government departments, and act as intermediary between the Central Body and Management Committees. Unlike the other bodies, the Central Working Body cannot issue regulations.

Each SEZ has a Management Committee tasked with direct oversight of the development, implementation and governance of its respective SEZ. A Chairperson is selected from among these members. Management Committees have an extensive mandate to prepare development plans, propose projects and facilitate investment approvals. Management Committees are tasked with management of the One Stop Service Centers established in each SEZ. They also prepare development plans and may coordinate resettlement for people displaced by projects in SEZs. Any Management Committee may form a supporting body. The SEZ Law states that this body may include representatives of relevant government departments and government organizations as well as investors, developers, 'other suitable persons' and 'persons from organizations'. The SEZ Law does not provide further criteria for selecting its members.

Since the first SEZ decree in 2003, Lao Government has been trying to improve and create a good environment to support SEZs and, as a result, an investment promotion law was approved by the Parliament in July 2009. This followed, in October 2010, by the issuance of a Prime Minister Decree on Special Economic Zone that serves as a legal framework to promote SEZ investment until the most updated one in 2018. In 2010, the SEZ National Committee and the Secretariat Office to the National Committee for Special Economic Zone were established to lead the development and management of all SEZs in the country. These two governmental bodies are tasked to set up a competitive SEZ legal system and guidelines, open door policy for SEZ development in all sectors in the country, set up SEZ based on the Market-Driven Method, simplify process for investors to invest and operate by creating a One Stop Service a long side with SEZ Administrative Committee which including developer and vice governor in each zone, and develop SEZ based on equity, accountability, sustainability and preserving environment.

However, since the mid-2016, the SEZs were placed under direct supervision of the Ministry of Planning and investments and the National Committee for Special was dismissed and the National Secretariat Office was changed to SEZ Promotion and Administrative Office which equivalence to the department of Ministry of Planning and investments. Management structure of special economic zone provides an efficient service to investors intended to invest

in the SEZ, a One Stop Service was set up to work a long side with SEZ Administrative Committee. the One Stop Service Office is used at each special economic zone to provide land use right license, enterprise registration certificate, seal registration certificate, import-export certificate, construction license, environmental impact certificate, management of citizens and labor, and tax payment.

In Thailand, the NCPO announced a New Policy on Special Economic Development Zones to create economically productive areas in border cities and contribute to balanced development of border areas utilizing Thailand's good connectivity with neighboring countries. A Special Economic Development Zone Policy Committee was established under NCPO Order 72/2014 with six sub-committees responsible for overseeing development of SEZs. Under bottom-up approach, a special economic zone can be proposed to the Policy Committee on Special Economic Development Zone. The government will support infrastructure development, one stop service consisting with ASEAN Single Window, and any necessary measures required for economic expansion.

In order to find the potential mechanism of international cooperation among Border SEZs, this study focuses Chiang Rai and Gold Triangle SEZ, and Tak and Myawaddy SEZ as the case studies between Thailand and Laos, and Thailand and Myanmar respectively. For Border-SEZs between Thailand and Laos, Chiang Rai SEZ is the "Tourist Destination, Food Manufacturing Hub, Agro-Products and Multimodal Transport". The area located in 21 sub-districts in the 3 districts of Chiang Rai including Chiang Khong, Chiang Saen, and Mae Sai. The competencies and opportunities of Chiang Rai SEZ are including: located on the North-South Economic Corridor through which the North is connected to Southern China (Yunnan Province) both by land and sea. Industries located in the area include agro and food processing, furniture, and wood products, in which there is opportunity to increase the value chain. The competence activities of the Chiang Rai' SEZ are including: (1) in Mae Sai, the border checkpoint development to support trade, tourism, prepare the area for establishment of hotels, convention centers, duty free shops, mass transit station and tourist information centers; (2) in Chiang Saen, the Government develops free trade areas, free zones into international transportation center, prepare area for the establishment of seaport, cross dock warehouse, commerce, office and custom; and (3) in Chiang Khong, the trading, tourism, multimodal transportation prepare the area for logistic center, commerce, office and customs.

On the other hand, Golden Triangle SEZ was upgraded from Asian Triangle Golden Land integrated tourism project in 2014. Asian Triangle Golden Land integrated tourism project established in 2007, comprise of 827 ha at the beginning, with total cost of investment of 87 million US dollars which developed by DOK NGIOU KHAM Group LTD., Co (S-NCSEZ,2012). After upgrading to special economic zone, Golden Triangle special economic zone covers the area of 3,000 ha with land tenure of 99 years. The zone will focus mainly on residential and commercial areas, Office and business center, Sports and recreation center, and Cultural tourism. Now there are 235 companies are investing in the zone.

For Border-SEZs between Thailand and Myanmar, Tak Special Economic Zone is set to be Intermodal Facility, and Labor-intensive Industries. It is located at 14 sub-districts along the border area with total area of 1,419 square kms of Mae Sot. With the 2nd Thailand –

Myanmar Friendship Bridge across Moei/Thaungyin River, it is only 17.35 km from Myawaddy Industrial Zone. Tak SEZ is set to focus on Agro-industry, fishery industry, and related activities, Ceramic products manufacturing, Textile and garment industries, and manufacture of leather products, Manufacture of furniture or parts, Manufacture of gems and jewelry or parts, Manufacture of engine and vehicle parts, and manufacture of machinery, equipment, and parts, Electronics and electrical appliances industries, Logistics, Industrial zones / industrial estates, and Tourism promotion service and activities to support tourism.

For Myawaddy Industrial Zone, this project aims to create jobs in Myanmar by developing Myawaddy industrial zone with international standard types of facilities to invite not only Domestic Direct Investment but also Foreign Direct Investment (Japan Development Institute, 2014).

Table 1: Chiang Rai SEZ, Golden Triangle SEZ, Tak SEZ, and Myawaddy SEZ by economic activities

No.	Industry Focus	Chiang Rai SEZ	Golden Triangle SEZ	Tak SEZ	Myawaddy SEZ
1	Agricultural, fishery and related industries	✓	☐	✓	☐
2	Ceramic products			✓	
3	Textile, garment, and leather industries	✓	☐	✓	
4	Manufacture of furniture	✓		✓	
5	Gems and jewelry	✓		✓	
6	Medical equipment	✓		✓	
7	Automotive, machinery, and parts			✓	
8	Electrical appliances and electronics			✓	☐
9	Plastics	✓		✓	
10	Medicine	✓		✓	
11	Logistics	✓	☐	✓	☐
12	Industrial estates/zones	✓	✓	✓	✓☐
13	Tourism related industry	✓	✓	☐✓	☐

Source: SEZ Secretariat Office, 2016, and BoI, 2015b

After comparing industry focus in each zone (Table 1), the industries focus in each zone are more likely to complement each other rather than rivalry. As Golden Triangle SEZ focusing on Industrial estates/zones and Tourism related industry, and Myawaddy focusing labor intensive industries, Thailand can utilize their advantage on infrastructure and connectivity to the sea port as entry point of cooperation in border SEZ by promoting cross border value chains because most of SEZs in Laos and Myanmar are located in economic corridor of the regions (MI, 2018). By utilizing incentive in tax and labor cost, industrial value chain is partially curing between Laos and Thailand. There are many companies moved

production line to SEZ in Laos especially at Savan-seno SEZ leaving only sophisticated or higher tier of production and head quarter in Thailand (Phonvisay et al, 2016).

However, in order to promoting cooperation among border SEZs, there are still remain challenge such as lack of concrete strategy for jointly developing border areas across the region and border SEZ cooperation issue is not addressed in national development plans. Moreover, at policy level, there is lack of integrated and synchronised management of public and private sector and civil society in each country (ADB, 2016). To enhance international cooperation among bordered SEZ in each country, empowering and formalizing a cooperation platform among the border SEZs in the region is needed.

Table 2 CATWOE

C (Customers)	<input type="checkbox"/> Investors <input type="checkbox"/> SEZ's owner, <input type="checkbox"/> Local traders, <input type="checkbox"/> Enterprises, and <input type="checkbox"/> Civil society.
A (Actor)	<input type="checkbox"/> Border SEZ cooperation steering committee
T (Transformation)	<input type="checkbox"/> Practical cooperation regulation of border SEZs among neighboring countries. <input type="checkbox"/> Harness full potential of SEZs within country and border SEZs among neighboring countries through international cooperation.
W (Weltanschauung)	<input type="checkbox"/> Less cooperation among border SEZ within neighboring countries in order to achieve their full potential. <input type="checkbox"/> Lack of cooperation platform among border SEZ. <input type="checkbox"/> Lack of supported regulation for better cooperation.
O (Owner)	<input type="checkbox"/> SEZ steering committee in each neighboring country. <input type="checkbox"/> SEZ's policy makers.
E (Environmental Constraint)	<input type="checkbox"/> Different Governing structure of each country. <input type="checkbox"/> Specific SEZ policy in each country.

Source: author

Root definition and CATWOE analysis

An objective of this section is developing international cooperation mechanism regarding regulation and basic infrastructure for developing SEZs across the borders. The root definition is a cocreation platform created by SEZ's owner, Regulator, local traders, enterprises, and civil society in which chairman of the platform can deliver a practical policy and regulation. Moreover, the chairman of the platform should be able to initiate and enhance cooperation among border SEZ in neighboring countries in order to create inclusive benefit to SEZ's owner, local traders, enterprises, and local civil society regardless of the different between governing system in each country.

CATWOE includes a combination of intuition and stakeholders' views, and experience. The following table represents a description of CATWOE (Table 2).

International Cooperation Mechanism of Border Special Economic Zone

At regional level, there many platforms in regional integrations that feasible to use as mechanism for international cooperation of SEZs such as ASEAN, Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), Mekong River Commission (MRC) and even Lancang-Mekong Cooperation (LMC). However, there is no any clear policy and regulation to support the SEZs. So far, there is only guideline for SEZs collaboration was published in 2016 for increase ASEAN SEZ cooperation and collaboration. The guideline suggested SEZ cooperation and promotion across ASEAN through policy interaction and experience dialogues. For ASEAN point of view, an establishment of a mechanism to carefully assess policy interaction at the regional level is important in view of the complex interaction between free-trade agreements and SEZs. Moreover, the guideline further suggestion was exploring ASEAN cooperation on zone connectivity, particularly for zone in border region engaged in strong sub-regional trade. Thus, an investment in transportation infrastructure to connect regional producers to markets is also crucial (ASEAN, 2016).

Although these platforms have no clear policy and regulation promoting SEZ's cooperation, these platforms have a high potential to improving cooperation of border SEZ. Lao SEZ administrative board reported that the SEZ had chance to find cooperation with investors or other SEZs through a side meeting during the GMS, ASEAN-Japan, or LMC conference. Therefore, the cocreation platform created by SEZ's owner, Regulator, local traders, enterprises, and civil society would be a formal platform to utilize these international platforms to enhancing cooperation and initially setting up cooperation regulation among SEZs in the regions.

Regarding the SEZ management structure, there would not be so much different among SEZ in each country. Mostly the management structure would consist of two parts the central body at government level and zone developer. A prior survey and study on SEZ and Cross Border Economic Zone suggested that the successful border economic zones depend on increasing domestic and cross border consultation and the zone developer plays a key role. This needs to be inclusive of and responsive to the concerns of local traders, enterprises, and civil society. Inclusive strategies at the local and regional levels need to be developed to avoid harmful competition and encourage mutually beneficial development and integration. Each side of the border should identify areas to specialize in, perhaps through prioritization of logistics, industrial production, services, and clusters. Development of border areas requires integrated and synchronized management inclusive of public and private sector and civil society. Joint consultative mechanisms could be developed at the local level and include action plans, monitoring, and evaluation. Although a challenging issue politically and legally, decentralization of certain powers to authorities close to border areas would enable local officials to be more responsive to local realities (Hubert and Masato, 2019). There is also another survey conducted in 2016 with zone developer in Savan-seno SEZ. Most of international cooperation between were made by zone developer in through an informal discussion in Thailand before report discussion result back to the zone committee and provincial governor in order to enhance the result to formal cooperation among the two government such as setting the Dry-Port in Savan-seno SEZ (Phonvisay et al, 2016). Thus, this conceptual soft system model such the formal cocreation platform would be a feasible

mechanism fostering international cooperation among border SEZs is to embed the promoting policy in regional level and each country development plan in order to use these institutions to support the border SEZs cooperation activities. However, each policy and regulation must be carefully crafted avoiding violation the regional and international obligations such as ASEAN and WTO regulations.

This conceptual platform would empower private sector such a zone developer to play a key role for initiating and enhancing cooperation of border SEZ. The zone developer is among who has the most interest but lesser influence. While, government authority has high influence but the interest is ambiguous with limited and inflexibility budget regulation for initiating the cooperation. Thus, strategically involving the authority a long side with civil society in a formal platform driven by the zone developer would enhancing the cooperation among the border SEZs in the region. This sand box would be a facility and navigating platform among the SEZ zone developers, investors, zone authorities and other related authorities. This platform is also expected to be a platform to extend cooperation not only between border SEZs Thailand – Laos and Thailand – Myanmar but also Thailand and Chinese border SEZs with Laos and Myanmar.

Developers from each SEZs can be in a “process of discovery”, attempting to tailor SEZ offerings and coordination. This platform also will be able to function as Business Connections and Information Sharing Among SEZs in order to enhancing closely connectivity and cooperation among border SEZs. However, this platform will be challenged by the flexibility of government authority from both side of the border because the different between management system. For instant, at provincial level in Laos, the provincial governor has the highest decision authority within the province and line of provincial department will report directly to the provincial government. On the other hand, the provincial governor is still under the management of Ministry of Inertia and it is quite complicate to communicate with other provincial department which report directly to their ministries. Thus, translating discussion outcome from the cooperation platform to good policy enhancing cooperation between border SEZs would be more complicate.

V. Conclusion

Cooperation between each border special economic zone would bring the best benefit for both side of the border special economic zone. The feasible mechanism fostering international cooperation among border SEZs is to embed the promoting policy in regional level and each country development plan in order to use these institutions to support the border SEZs cooperation activities. However, each policy and regulation must be carefully crafted avoiding violation the regional and international obligations such as ASEAN and WTO regulations. Therefore, formal cocreation platform crafted by SEZ’s owner, Regulator, local traders, enterprises, and local civil society between border SEZ should be established. Developers from each SEZs can in a “process of discovery”, attempting to tailor SEZ offerings and coordination.

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