

MEKONG CONNECTION

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Economic cooperation is central to the development of nations but perhaps more so for the countries in the Lancang-Mekong region. In the region, such cooperation has especially been given focus in the development of the economic corridors, designed to improve mobility and connectivity and more importantly, liven up economic activity. A certainly promising venture that offers great returns particularly if strategically positioned along these economic corridors are special economic zones (SEZs). First introduced by P.R. China as part of its open door policy in the 1980s, the concept was later adopted by Vietnam and Thailand and more recently, by the remaining countries in the region – Cambodia, Lao PDR and Myanmar.¹

While its development may require considerable investment, its long-term benefits are hard to discount. SEZs raise production competitiveness with the

presence of more efficient operations infrastructure, and can attract foreign direct investment by offering business-friendl(ier) services, while at the same time serving as a hub for cultivating world-class firms and business practices. On a broader magnitude, SEZs help in reducing regional inequalities, according to the Asian Development Bank, as they push populations and economic activity off mega-cities and capitals and to budding periphery regions instead.

The establishment of cross-border economic zones (CBEZs) further amplifies these benefits as economic activities become even more strategically concentrated in the border between countries, creating a more conducive operational and administrative environment for business on both sides. This makes CBEZs more promising and attractive for foreign investors as they stand to gain more benefits from doing business with a more expanded market. In the GMS,

the economic corridors linking border provinces between Thailand and Myanmar, Lao PDR and Thailand or Myanmar and China, offer perhaps the most convenient position for the setting up of CBEZs.

A Mekong Institute-commissioned study on the challenges and prospects of SEZs and CBEZs² established that its success in the region is dependent on various infrastructural and policy mechanisms, hence reaping its benefits likewise takes time. The study, conducted as part of MI's three-year project, **Joint Development of Cross-Border Economic Zones** with the Ministry of Commerce, Thailand and funded by the Lancang-Mekong Cooperation Special Fund, also revealed the need for capacity building on a host of issues including import-export procedures, investment promotion, establishing management committees, developing framework agreements, and trade negotiations with bilateral partners.

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Dr. Watcharas Leelawath
Executive Director

Special economic zones (SEZs) are one of the most promising economic mechanisms for boosting commerce and trade. At a time when connectivity becomes even more integral to developing economies, SEZs can be likened to the gateways of global commerce as they bring in foreign investments to a region and connect the local workforce to a diverse array of employment opportunities. As a mechanism

that connects local industries to the benefits and gains of a larger market, SEZs can also pave the way to the development of physical infrastructure and the strengthening of much-needed policy mechanisms that can boost domestic and cross-border trade.

As our banner article in this issue mentions, the countries of the sub-region are in an excellent position to maximize our economic corridors as sites for the development of special economic zones and cross-border economic zones (CBEZs). But this task of setting up SEZs and CBEZs is not an overnight task, and MI's study on this subject (part of our five-year project on Joint Development of Cross-Border Economic Zones) attests to them as a resource-intensive investment. Besides the need for physical structures such as one-stop service centers, there is also great demand for technical capacity building of the people and agencies engaged in the management and development of SEZs and CBEZs.

This is a gap that MI's project, supported by the Lancang-Mekong Cooperation Special Fund and implemented together with Thailand's Ministry of Commerce, seeks to fill. Already we have organized a modular training on the models and best practices of SEZ management. This, along with joint research, structured learning visits and promotion activities that we will be carrying out in the months to come, is geared toward enhancing the knowledge base and technical skills of the concerned sectors and facilitating cooperation in the development of SEZs and CBEZs in the Mekong countries.

In fact it seems fitting that MI's work straddles both the level of enterprise and the government/public sector. Our engagement with enterprises to help them improve their production systems to meet international standards (as in the case of our second story on our work with Cambodian enterprises) aptly complements the work we do with government agencies in building their technical capacity on SEZ and CBEZ management. Ultimately, we share in the objective and vision of the governments of the Mekong countries for the benefits and gains of SEZs and CBEZs to spill over to the local industries and small and medium enterprises and foster a more dynamic regional economy.

"SEZ is a very new concept for Myanmar," shares Dr. Htein Lynn of the Myanmar Trade Promotion Organization, Ministry of Commerce, Myanmar, and one of the participants of the MI training course on the management of special economic zones practices in September 2018. "There are currently three SEZs in Myanmar but it is important for us to know the concepts, policies and practices of other countries when it comes to their own SEZs," he adds.

Dr. Shwe Hein, another Myanmar participant in the training and who works in the Thilawa Special Economic Zone, concurs. "SEZ is very new in Myanmar," he notes. "When we attended the training at MI, we felt that we are responsible for sharing the knowledge we learned so we decided to hold a national workshop in Yangon on the management practices of SEZs in Myanmar," he additionally explains.



This national workshop engaged mostly relevant government agencies such as the ministries of commerce, finance, industry and foreign relations, as well as the private sector. Dr. Shwe Hein remarks: "I think it's the first workshop held inviting the public and private sectors so it was very interesting for the participants to learn the idea of SEZs and CBEZs. We used the modules and lessons learned from the MI training we attended."



¹ Asian Development Bank. 2016. *The Role of Special Economic Zones in Improving Effectiveness of GM*
² From the report "Joint Study and Survey of Special Economic Zones (SEZs) and Cross Border Economic

Dr. Htein Lynn adds: "One of the lectures I delivered at the workshop that I especially learned from the training at MI was the concept of cross-border economic cooperation zone. In Myanmar, we have industrial parks and SEZs but we are also now working towards the implementation of cross-border economic cooperation zone, and it's important to clarify to the government officers and the businesses how they differ from each other, and more importantly, what policy should be directed for industrial parks, SEZs or CBEZs."

Myanmar is only one case in the GMS where enthusiasm over SEZs and CBEZs is high, and as Drs. Htein Lynn and Shwe Hein have pointed out, technical knowledge is an integral ingredient in pushing forward SEZs and CBEZs development.

“ *It is important at this stage that we also make aware to the local community why the setting up of an SEZ in their region is important and what it can bring to them, otherwise they can easily misunderstand its purpose.* **”**

"Changes in management have yet to be reflected but we have broadened our knowledge and we have a better idea now how to deal with investors and their needs," Dr. Shwe Hein shares. "We have one-stop service centers in Yangon, and once the implementation of the Dawei and Kyaukphyu SEZs are done, they will also have these one-stop service centers. The people who joined our national workshop will be working in these one-stop service centers in these SEZs and so it is important to have a good understanding of foreign investor

requirements," he explains of the value of the needed technical knowledge on SEZs and CBEZs.

Dr. Htein Lynn also underscores the importance of knowledge and awareness about SEZs and what they can bring to the community. "When we implement SEZ in a region, there are many things that go into it, such as holding surveys for environmental and social impact assessment. It is important at this stage that we also make aware to the local community why the setting up of an SEZ in their region is important and what it can bring to them, otherwise they can easily misunderstand its purpose."



Indeed, as negotiations with Thailand and China continue to advance for the development of the Dawei and Kyaukphyu Special Economic Zones, respectively, both Drs. Htein Lynn and Shwe Hein believe that there is an even more need for information and capacity building. Dr. Shwe Hein remarks: "After the national workshop that we organized, many of the participants are interested to know more information about SEZs and CBEZs in the region, and they want to have a more regular training or session."

This is, certainly, one of the areas that organizations like MI hope to address. ■



IS Economic Corridors. Zones (CBEZs) to Match Complementary SEZs and Identify Prioritized Areas" available at www.mekonginstitute.org

CROSS-COUNTRY ACTIVITIES

- Business to Business meetings (Khammouane, Lao PDR and Nakhon Phanom, Thailand; and Tak, Thailand and Myawaddy, Myanmar)

THAILAND

Trainings

- Capacity Development Program on Strategic Management to Labor Migration in the GMS: Addressing the Challenges through Good Practices
- Postharvest Safe Food Handling
- Green Freight and Logistics Management (2nd Round)
- Training of Trainers on Food Safety Promotion
- Coordinated Border Management
- Rural E-commerce Development in Lancang-Mekong Countries (2nd Round)

Workshops

- Synthesis and Evaluation Workshop for Training Program on Special Economic Zone Management

Meetings, Forums and Other Activities

- MOU Signing with the Ministry of Foreign Affairs, Thailand
- MOU Signing with National Innovation Agency, Thailand
- Forum on Sustainable Partnerships and Cooperation in the Lancang-Mekong Region

LAO PDR

Trainings

- Enterprise Competitiveness
- Brand Development and Marketing
- Good Manufacturing Practices for Food Safety and Pest Control Management for Rice Mills

Meetings, Forums and Other Activities

- Field inspection of GAP standards
- Coordination meetings with project stakeholders and financial institutions and input companies
- Partner meeting with agriculture agencies on GAP implementation

MYANMAR

Trainings

- Good Management Practices in Maize Production

Meetings, Forums and Other Activities

- Roundtable meeting with Myawaddy business sector
- Meetings with local microfinance enterprises and farmer groups
- Monitoring of maize production

VIETNAM

Meetings, Forums and Other Activities

- Review meetings with rubber farmer groups

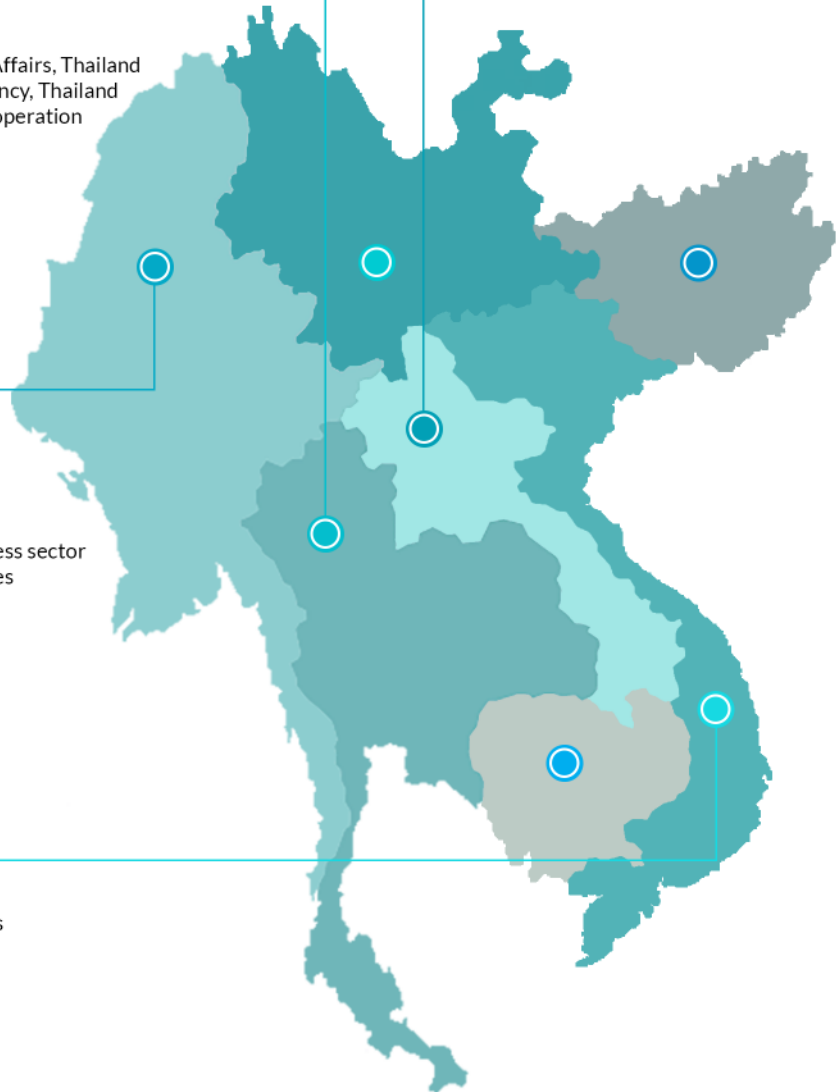




PHOTO CREDIT: KIRIROM FOOD PRODUCTION

FOOD SAFETY MANAGEMENT SYSTEM: CAMBODIAN SMES' COMPETITIVE ADVANTAGE

Small and medium enterprises (SMEs) are said to be the new drivers of economic growth, and this could not be any truer in Cambodia with its more than 530,000 SMEs according to a 2011 report. Of this number, a staggering 82 percent are accounted for by SMEs in the food and beverage sector. Serving both domestic and international markets, these SMEs acknowledge that food safety control systems are a *must*, and not simply an *option*. The close association between food safety regulations and control and the overall competitiveness of their products is not lost on them.

The lack of knowledge on technologies in product packaging and labeling, the inadequate food safety laws and regulations, and improper processing facilities are among some of the common problems that SMEs in the food sector of Cambodia bemoan. In the inception workshop of MI's PROSAFE Project in Cambodia in July 2018, a group of SMEs has pointed out the need for technical support in product development and the implementation of Food Safety Management System (FSMS), while at the same time suggesting the establishment of a central laboratory with full capacity for food testing and better food control systems at cross-border checkpoints.

Recognizing the pivotal role of the SME sector in Cambodia, MI's Food Safety Project continues to engage these businesses and food enterprises in capacity building initiatives that will encourage SMEs' compliance to national and international food safety standards and ultimately, promote widespread understanding of food safety.

Since the launch of the Project in 2016, 79 Cambodian SMEs have been trained so far (via regional and localized training programs) to

adopt food safety management systems such as Good Manufacturing Practices (GMP) and Hazard Analysis Critical Control Point (HACCP). Application of the knowledge and skills gained from these trainings has been enthusiastic and quick, with many of the SMEs that received training and hands-on support at their factory sites now currently implementing food safety programs. Two of them have even received their HACCP and ISO22000 certifications.

Kirirom Food Production (KFP), a dried and frozen mango processing firm, is one of these SMEs. The involvement of its staff members in MI's trainings on GMP, HACCP and inspection and audit served well in further improving the implementation of KFP's existing food safety management system. In 2017, the company successfully passed the audit and received its HACCP certification from Bureau Veritas.

Mr. Ly Heng, KFP Deputy QA Executive, remarks, "Implementing food safety management systems was our goal from the outset because food safety is the consumer's greatest requirement today. This system has not only enabled us to convince our customers that our food is safe, but it has also helped us export our products to international markets, making our presence in the Cambodia market more known, and overall, increasing our sales and improving our competitiveness." In August 2018, KFP managed another major milestone when they received their ISO22000 certificate. "MI has been very instrumental in helping us make this possible," Mr. Heng adds. Leveraging on its relationship with New Zealand experts, MI linked KFP to food safety experts to provide technical support on their dried mango product.

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MI Organizes Capacity Development Program on Labor Migration

MI held a two-week Capacity Development Program on *Strategic Management to Labour Migration in the Greater Mekong Subregion: Addressing the Challenges through Good Practices* on January 14-25, 2019. Supported by the Thailand International Cooperation Agency, the program was attended by 24 participants from labor ministries, recruitment agencies, civil society organizations and the media from Cambodia, P.R. China, Lao PDR, Myanmar, Thailand and Vietnam.



Business to Business Meetings Seek to Advance Cross-border Trade in EWEC Border Provinces

Some 40 members of the private sector from the twin provinces of Khammouane, Lao PDR and Nakhon Phanom, Thailand met on January 26, 2019 for a Business to Business (B2B) meeting to discuss ways forward to advance cross-border trade in the border crossings. A similar B2B meeting was also held on February 21 in Mae Sot, Thailand, gathering 30 key stakeholders from Tak, Thailand and Myawaddy, Myanmar.



New Zealand Ambassador Visits MI

MI welcomed H.E. Mr. Taha Macpherson, Ambassador of New Zealand to Thailand and Mr. James Andersen, Deputy Head of Mission last January 28, 2019. He and Dr. Watcharas Leelawath, MI Executive Director, talked about the New Zealand Aid Programme-supported Food Safety Project as well as other potential ways to further the New Zealand-MI relationship.



PROSAFE Project Kicks Off 2019 with Training on Postharvest Safe Food Handling

The PROSAFE Project hosted 28 participants from the public and private sectors of Cambodia, Lao PDR, Myanmar and Vietnam in the regional training program on *Postharvest Safe Food Handling* on February 28 – March 1, 2019. Participants were introduced to key concepts and standard operating procedures in postharvest safe food handling. The PROSAFE Project is supported by the New Zealand Aid Programme.



MI Inks MoU with Thai Ministry of Foreign Affairs

On March 18, MI formalized a cooperation agreement with the Thai Ministry of Foreign Affairs for a new project supported by the Mekong-Lancang Cooperation Special Fund. The five-year project on *Capacity Building for National Coordinators of Mekong-Lancang Cooperation* aims to strengthen the capacities of agencies engaged in the MLC mechanism framework.



MI Forum Highlights Mekong-Lancang Cooperation's Role in Fueling Regional Sustainable Development

More than 60 government officials, experts and academics joined the forum entitled “Bridging Sustainable Partnerships and Cooperation in the Lancang-Mekong Region” on March 20, 2019 in Bangkok, Thailand. Organized by the Embassy of P.R. China in Thailand with Mekong Institute, the half-day event tackled the achievements of initiatives under the Mekong-Lancang Cooperation framework. The activity was organized as part of the celebrations of the 2nd Mekong-Lancang Cooperation Week.



Customs and Border Officers Join Training at MI

Twenty-four officers from the Customs General Department and Ministry of Agriculture from Cambodia, P.R. China, Lao PDR, Myanmar, Thailand and Vietnam joined the regional training program on *Coordinated Border Management* at MI on March 25-27, 2019. Supported by the Lancang-Mekong Cooperation Special Fund, the training oriented the participants on international practices in trade facilitation and coordinated border management and the concept of single window as part of customs modernization for trade facilitation.



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Another SME, Leang Leang Enterprise (LLE), a fish sauce processing business, currently holds three food safety management systems certifications – HACCP, ISO9001-2015 and ISO22000 certification. These certifications, attests Mr. Tuy Sokheng, FSM team leader of LLE, are evidence that their business has done everything possible to earn the confidence of their customers, particularly in Cambodia where consumers have less trust when it comes to local products.



As with KFP, MI provided LLE a local food safety consultant who advised on the certification process. Mr. Sokheng further explains that improving the internal controls and providing extensive training to their staff have resulted in better qualified and more effective personnel who will carry out and maintain their food safety programs. Its improved presence in the Cambodian market has paved the way to bigger dreams in the future: exporting their products regionally and globally.

While receiving these certifications are indeed a major company boost, changing mindsets and practices in relation to GMP requirements is also equally critical. This is what Mr. Lim Phara of New Idea Enterprise (NIE) has committed to following a training he joined at MI. Since his introduction of a Good Manufacturing Practices program in his company

in 2017, Mr. Phara admits to seeing the potential benefits, most notably the potential access to premium markets. Application for certification is certainly a major goal in the future, but even now, NIE is already enjoying access to a prime market when it started displaying its products at the Phnom Penh International Airport and major supermarkets and minimarts in the capital because of its premium quality and attractive packaging.



“We are now convinced that food safety is our competitive advantage and we continue to work on this. With food safety certification, we have a better chance of putting our products on shelves in premium tourist shops, at the same time earning us the trust of our customers,” he adds.

Incorporating food safety systems offers immense benefits to Cambodian food SMEs. More than a guarantee to their consumers that the products they place on market shelves are safe for consumption, FSMS enable these small business players to better manage operational risks, build their company confidence and strengthen their position in the market. As more SMEs learn about food safety control and take on the initiative of introducing food safety management systems in their companies, the future of the Cambodian food SME sector looks bright. ■

ALUMNI TESTIMONIALS



Mr. Le Hoang Ha

Officer, Department of Overseas Labour, Ministry of Labour, Invalids and Social Affairs, Vietnam

Activity: *Strategic Management to Labor Migration in the Greater Mekong Sub-region: Addressing the Challenges through Good Practices*

This workshop is very informative and relevant for me since I work at the department working with Vietnamese who are working in other countries. What I liked about the programs were the things shared by my fellow participants and the good practices of other countries in the Mekong region. It's very good to have people from six different countries sharing their experiences and good practices. I must say that the friendships I built with the participants of this program would be the thing I like the most from this experience. I plan to maintain the connections I made with the people from this program when I go back to my country.

Ms. Xaysomnuk Souvannavong

Deputy Director, Division of Green Freight and Logistics,
Department of Transport, Ministry of Public Work and Transport, Lao PDR
Activity: *Green Freight and Logistics Management in Mekong Countries (2nd Round)*



This program on green freight and logistics management complements logistics strategies, and joining this training made me realize that we should also focus on green freight strategy. Our government signed the Paris Agreement on Climate Change and so this training program from MI is helpful to help Lao pave the way for it to better implement our commitment to this agreement. It is a good program to ensure the private sector can follow the directions we have set out.

I like the group discussions and daily recaps because more than being group activities, these allow us to collaborate and share ideas and learn from each other. As for the resource persons, I really like that MI brings people who work in the industry and gives us on-the-ground knowledge.



Ms. Alouny Chanthavong

Deputy of Food Safety Inspection Division, Bureau of Food and Drug Inspection, Ministry of Health, Lao PDR
Activity: *Training of Trainers On Food Safety Promotion*

This training is fun and effective because it offers activities that get the participants involved, not just let them listen to presentations. Activities like the role play allows us to brainstorm with each other, discuss and also share with other participants. Two thumbs up to the resource persons who are very organized and always willing to support us.

MI CALENDAR

APR

1-5 3rd Modular Training on Green Freight and Logistics Management

**29-03
MAY** Training on Basic Facilitation Skills and Regional Cooperation Concepts

MAY

13-17 Regional Training Program on Food Hygiene and Sanitation for Food Handlers

20-31 International Training on Green Freight and Logistics Development

JUN

3-7 Regional Training Program on Raising Public Awareness for Safe Food Consumption

24-28 Modular Training on Enhancement of Business Connections and Information Sharing on One-Stop Service Centers and Business Centers between SEZs in Lancang-Mekong Region



**MEKONG
INSTITUTE**

123 Mittraphap Rd., Muang District Khon Kaen 40002, Thailand
+ 66 (0) 43 202 411 to 2, +66 (0) 43 204 041 to 2, + 66 (0) 43 203 656
information@mekonginstitute.org | www.mekonginstitute.org
f /mekonginstitute.org | t /MekongInstitute