



**PATTERNS OF TRADE AND INVESTMENT IN THAI SPECIAL
ECONOMIC ZONES (SEZS), COMPARISON BETWEEN
MUKDAHAN AND TAK SEZS ON EAST-WEST ECONOMIC
CORRIDOR (EWEC)**

BY

MISS JANJIRA EKAREEJIT

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS (ASEAN
STUDIES) PRIDI BANOMYONG INTERNATIONAL COLLEGE
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2016
COPYRIGHT OF THAMMASAT UNIVERSITY**

**PATTERNS OF TRADE AND INVESTMENT IN THAI SPECIAL
ECONOMIC ZONES (SEZS), COMPARISON BETWEEN
MUKDAHAN AND TAK SEZS ON EAST-WEST ECONOMIC
CORRIDOR (EWEC)**

BY

MISS JANJIRA EKAREEJIT



**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ARTS (ASEAN STUDIES)
PRIDI BANOMYONG INTERNATIONAL COLLEGE
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2016
COPYRIGHT OF THAMMASAT UNIVERSITY**

THAMMASAT UNIVERSITY
PRIDI BANOMYONG INTERNATIONAL COLLEGE

INDEPENDENT STUDY

BY

MISS JANJIRA EKAREEJIT

ENTITLED

PATTERNS OF TRADE AND INVESTMENT IN THAI SPECIAL ECONOMIC
ZONES (SEZS), COMPARISON BETWEEN MUKADAHAN AND TAK SEZS ON
EAST-WEST ECONOMIC CORRIDOR (EWEC)

was approved as partial fulfillment of the requirements for
the degree of Master of Arts (ASEAN Studies)


on July 31, 2017

Advisor



(Associate Professor Kriengkrai Techakanont, Ph.D.)

Member



(Professor Prapat Thepchatree, Ph.D.)

Dean



(Assistant Professor Nitinant Wisaweesuan, Ph.D.)

Independent Study Title	PATTERNS OF TRADE AND INVESTMENT IN THAI SPECIAL ECONOMIC ZONES (SEZs), COMPARISON BETWEEN MUKDAHAN AND TAK SEZs ON EAST-WEST ECONOMIC CORRIDO (EWEC)
Author	Miss Janjira Ekareejit
Degree	Master of Arts (ASEAN Studies)
Major Field/Faculty/University	ASEAN Studies Pridi Banomyong International College Thammasat University
Independent Study Advisor	Associate Professor Kriengkrai Techakanont, Ph.D.
Academic Year	2016

ABSTRACT

Envisioning a shortfall of achieving the AEC goals, especially the one on becoming a region of equitable economic development caused by a significant problem of economic growth and development disparity within individual ASEAN member countries and between member countries, the Thai government has established 10 SEZs bordering four neighbor Cambodia, Lao PDR, Malaysia and Myanmar since 2015, as part of overall regional actions to relieve and fade out the remaining challenge. They include those in Tak, Mukdahan, Sa Kaeo, Trat, Songkhla, Chiang Rai, Nong Khai, Nakhon Phanom, Kanchanaburi and Narathiwat.

This study, however, focuses on the Mukdahan SEZ, bordering Savannakhet Province in Lao PDR, and the Tak SEZ, bordering Myawaddy Town in the Kayin or the Karen State of Myanmar, with the objectives of examining and comparing the patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ, which are located on the

GMS-EWEC in its eastern side and its western side respectively, as well as exploring the assumed causes of the different patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ.

This research has found that the patterns of trade and investment are difference between the Mukdahan SEZ and the Tak SEZ, in which there have been more trade potential in the Mukdahan SEZ with a more progressive trend in both Thai exports and imports to and from Lao PDR through Mukdhahan over the past decade, when compared with the cross-border trade between Thailand and Myanmar through Tak, but there has been more investment potential in the Tak SEZ when compared with the investment trend in the Mukdahan SEZ.

This study has learned that the varied levels of the development of transport infrastructure and supply chains, as well as inter-country political security and wages should be major factors behind the different trade and investment patterns between the Mukdahan SEZ and the Tak SEZ although both of the Thai border SEZs are located on the same GMS-EWEC and its regional links.

This study has also found that the changing supply chains or production networks by the Japanese MNCs, coupled with their strategy on the spatial division of labor and their specialization are the assumed causes of the different patterns of trade and investment between the Mukdahan and the Tak SEZs.

Keywords : SEZs, GMS-EWEC, Japanese MNCs, Supply Chains

ACKNOWLEDGEMENTS

I would like to wholeheartedly express my deepest gratitude and sincere appreciation to my supervisor, Associate Professor Dr. Kriengkrai Techakanont, for his hearty supervision and attention to contributing his insights in Economics and worthy analytical guidance throughout the course. I am also profoundly grateful and faithfully appreciate my internal examiner, Professor Dr. Prapat Thepchatree, for his hearty advocacy in contributing his valuable comments, suggestions and in-depth authoring expertise to advance my research work in a professional standard.

I am highly grateful and have heartfelt appreciation to Assistant Professor Dr. Sunida Aroonpipat and all other ASEAN Committee Members, instructors and Faculty Members of Pridi Banomyong International College (PBIC) and the Center for ASEAN Studies, library officers and other personnel of Thammasat University for supporting, directly or indirectly, my two-year academic dedication and fulfillment at the ASEAN Studies Program at PBIC.

I would also like to faithfully extend my heartfelt gratefulness to Assistant Professor Veerawan Vararuth, Dean of the Faculty of Communication Arts and Design, Stamford University, Bangkok, who used to work at the MCOT Company Limited, in a position of Vice President and the Director of the Thai News Agency, overseeing all news production for Modernine TV, MCOT Radio Network and MCOT Website, for her dedication in helping and providing a double-check support and editing the content of this Independent Study (IS) through her notable proficiency in both spoken and written English.

My sincere thank is also extended to the incumbent Head of the International News Department of MCOT, Vice President Wannalak Sucharit, for her kind support. My thanks also go to the Human Resources Department, for its full support for allowing me to take frequent leaves over the past two years in order to fulfil and complete my academic assignments for my independent Study.

I would like to express my heartfelt gratitude to my beloved parents, without their far sighted vision and full support for me during their life time, I would never have gained higher education at post graduate level despite my physical challenge. They always encouraged and inspired me to rely on myself and cheered me up during my hardship to cope with various kinds of challenges during my life.

I would also like to send my warmest regards and appreciation to all my siblings, kins and true friends for their care, understanding and moral support and my deepest thank to “Nong Khaolam”, Sirinporn, for her being there, always “by my side” for full physical and mental support towards completion of my academic journey my and graduation.

Miss Janjira Ekareejit

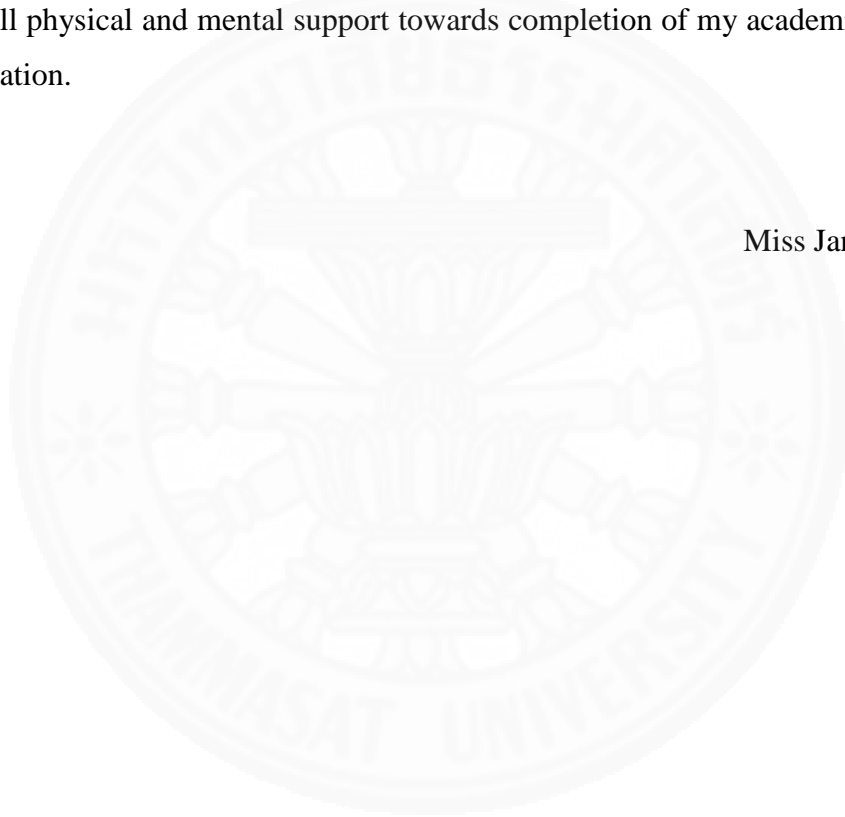


TABLE OF CONTENTS

	Page
ABSTRACT	(1)
ACKNOWLEDGEMENTS	(3)
LIST OF TABLES	(8)
LIST OF FIGURES	(10)
LIST OF ABBREVIATIONS	(11)
CHAPTER 1 INTRODUCTION	1
1.1 Background	1
1.2 ASEAN Progress Towards AEC	2
1.3 Problem and Significance	4
1.4 Related Development	5
1.5 Rationale for Establishment of Thai SEZs	7
1.6 Research Title and Research Questions	10
1.7 Objectives of IS	10
1.8 Research Methodologies	12
CHAPTER 2 LITERATURE REVIEW	14
2.1 Rational for Establishment of Mukdahan and Tak SEZs	14
2.2 Advantages of SEZs	18
2.3 Disadvantages of SEZs	21

CHAPTER 3 CONCEPTUAL FRAMEWORKS FOR RESEARCH ANALYSIS	23
3.1 International Trade	23
3.2 Trade and Investment Liberalization	24
3.3 Regional Economic Integration	25
CHAPTER 4 ANALYTICAL COMPARISON BETWEEN MUKDAHAN SEZ AND TAK SEZ ON GMS-EWEC	27
4.1 Thai SEZs : New Hope for Disparity Alleviation in AEC	27
4.2 Evolution Towards SEZs in New Regionalism in ASEAN	29
4.2.1 Development of Trade Liberalization and Economic Integration	30
4.2.2 Changing Patterns of Trade and Investment in ASEAN	32
4.2.2.1 Pre-Asian Financial Crisis Period (1970s-mid-1997)	32
4.2.2.2 Post-Asian Financial Crisis Period (Mid 1997-Present)	37
(1) Establishment of Separate FTAs	37
(2) Establishment of Special Economic Zones (SEZs)	38
4.3 Analytical Discussions	41
4.3.1 Rational Potential of Ten Thai Border SEZs	41
4.3.2 Patterns of Trade and Investment in Mukdahan and Tak SEZs	44
4.3.3 Comparison of Trade and Investment Patterns between Mukdahan SEZ and Tak SEZs	65

4.3.3.1 Progressive Cross-Border Business Transactions	66
4.3.3.2 Infrastructure	70
4.3.3.3 Strategic Location	75
4.3.3.4 Wages	75
4.3.3.5 Inter-Country Political Security	77
4.3.3.6 Incentives	78
4.3.3.7 Timing of SEZs Establishment and Warm-Up Period	80
4.3.3.8 Supply Chains or Production Networks	82
4.3.4 Assumed Causes of Different Trade and Investment Patterns Between Mukdahan SEZ and Tak SEZ	86
CHAPTER 5 CONCLUSION	94
5.1 Problem and Significance of IS	94
5.2 Objective of IS	96
5.3 Research Process of IS	96
5.4 Summarized Outcome of IS	107
5.5 Observations and Proposals	109
BIBLIOGRAPHY	113
BIOGRAPHY	123

LIST OF TABLES

Tables	Page
4.1 GDP Per Capita of ASEAN Member Countries at Current Price	28
4.2 Net Inflows of FDI in Thailand (1970-1990)	36
4.3 Thai SEZs, Areas and Investment Funds	46
4.4 Border Trade-Mukdahan (Mukdahan Checkpoint) Fiscal 2008-2016	47
4.5 Border Trade-Tak (Mae Sot Checkpoint) Fiscal 2008-2016	47
4.6 Top Ten Export-Import Items at Mukdahan Checkpoint 2016 Fiscal Year (October 2015-September 2016)	48
4.7 Top Ten Export-Import Items at Mukdahan Checkpoint 2015 Fiscal Year (October 2014-September 2015)	49
4.8 Top Ten Export-Import Items at Mukdahan Checkpoint 2014 Fiscal Year (October 2013-September 2014)	50
4.9 Supply Chains Between Thailand and Lao PDR Through Mukdahan (2008-2016 Fiscal Years)	51
4.10 Border Trade-Tak (Mae Sot Checkpoint) 1993-2002 Fiscal Years	55
4.11 Top Ten Export-Import Items at Mae Sot Checkpoint 2016 Fiscal Year (October 2015-September 2016)	60
4.12 Top Ten Export-Import Items at Mae Sot Checkpoint 2015 Fiscal Year (October 2015-September 2016)	61
4.13 Top Ten Export-Import Items at Mae Sot Checkpoint 2014 Fiscal Year (October 2015-September 2016)	62

4.14 Top Export Items at Mae Sot Checkpoint 2008-2016 Fiscal Years	63
4.15 Top Import Items at Mae Sot Checkpoint 2008-2016 Fiscal Years	64



LIST OF FIGURES

Figures	Page
1.1 GMS-Economic Corridors	7
4.2 Net FDI Inflows in ASEAN 2010-2015	35
4.3 Net FDI Inflows in Thailand 1980-2015	36
4.4 Trans Thai Territorial GMS Economic Corridors	71
4.5 Second Thai-Lao Friendship Bridge	72
4.6 Second Thai-Myanmar Friendship Bridge	73
4.7 Asian Highway (AH1)	74

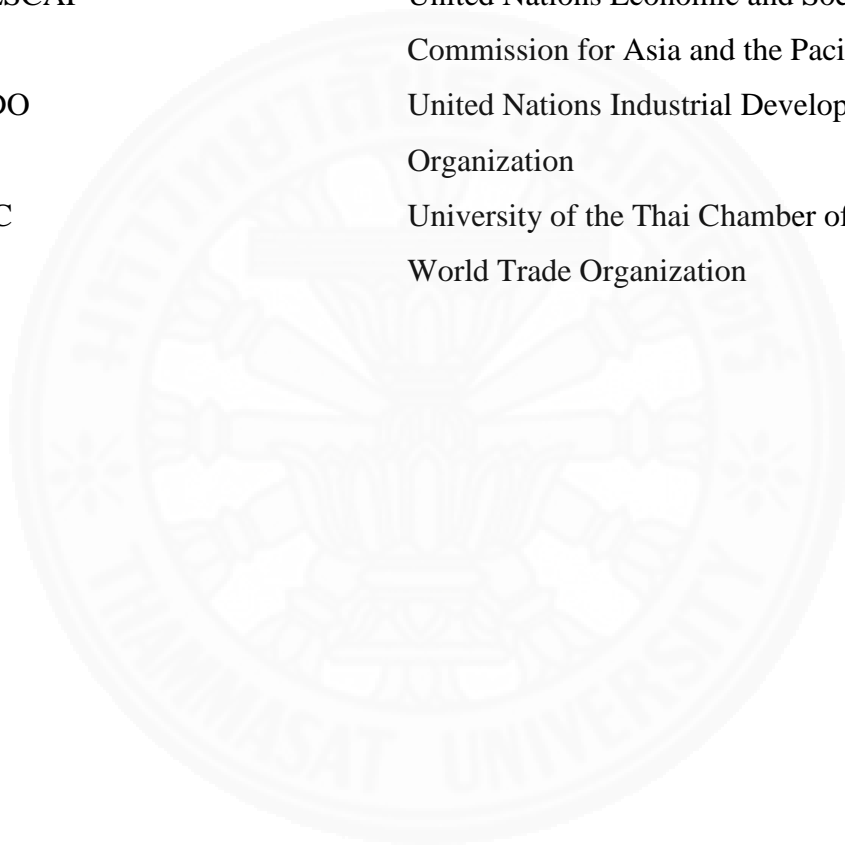


LIST OF ABBREVIATIONS

Abbreviations	Terms
AANZFTA	ASEAN-Australia-New Zealand Free Trade Area
AC	ASEAN Community
ACFTA	ASEAN-China Free Trade Area
ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
AIFTA	ASEAN-India Free Trade Agreement
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AKFTA	ASEAN-Korea Free Trade Agreement
AIA	ASEAN Investment Area
APSC	ASEAN Political-Security Community
ASA	Association of Southeast Asia
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
ASW	ASEAN Single Window
ATIGA	ASEAN Trade in Goods Agreement
BOI	Board of Investment of Thailand
CEPT	Common Effective Preferential Tariff
CLMV	Cambodia, Lao PDR, Myanmar, Vietnam
ECSC	European Coal and Steel Community
EEC	Eastern Economic Corridor
EEC	European Economic Community
EMEs	Emerging Market Economies

EZs	Enterprise Zones
EPZs	Export Processing Zones
EWEC	East-West Economic Corridor
EU	European Union
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
FTA	Free Trade Area
FTI	Federation of Thai Industries
FTZs	Free Trade Zones
GDP	Gross Domestic Product
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GMS	Greater Mekong Subregion
ICT	Information Communication Technology
IEAT	Industrial Estate Authority of Thailand
IGA	Investment Guarantee Agreements
IMF	International Monetary Fund
ILO	International Labour Organization
MAPHILINDO	Malaysia, the Philippines and Indonesia
MNCs	Multinational Corporations
NAFTA	North American Free Trade Area
NCPO	National Council for Peace and Order
NC-SEZ	National Committee on Special Economic Zone Development
NESDB	National Economic and Social Development Board
NSEC	North-South Economic Corridor
NSW	National Single Window
OSSC	One-Stop Service Center

SEATO	Southeast Asia Treaty Organization
SEC	Southern Economic Corridor
SEZs	Special Economic Zones
SMEs	Small and Medium-Sized Enterprises
TAC	Treaty of Amity and Cooperation in Southeast Asia
UN	United Nations
UN-ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
UTCC	University of the Thai Chamber of Commerce
WTO	World Trade Organization



CHAPTER 1

INTRODUCTION

1.1 Background

The Association of Southeast Asian Nations (ASEAN) was established by the ASEAN Declaration, also known as the Bangkok Declaration, signed in the Thai capital on August 8, 1967 by five founding member countries, including Indonesia, Malaysia, the Philippines, Singapore and Thailand. ASEAN has continually evolved to become a growing regional bloc with increased member states to ten currently, starting with Brunei Darussalam in January 1984, followed by Vietnam in July 1995, Lao PDR and Myanmar in July 1997 and Cambodia in April 1999.

Based on the Declaration of ASEAN Concord II (Bali Concord II) signed at the 9th ASEAN Summit on Bali Island, Indonesia, in October 2003, ASEAN leaders eyed to develop the 10-member bloc into the ASEAN Community (AC) by 2020. However, the ASEAN leaders later agreed at the 12th ASEAN Summit in Cebu Island Province of the Philippines in January 2007 to accelerate the establishment of the AC by 2015.

The ASEAN Community (AC) has, therefore, become active since January 1, 2016, with its three pillars of the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC), after leaders of the 10 ASEAN member states endorsed the “Kuala Lumpur Declaration on the Establishment of AC” issued at the 27th ASEAN Summit and related forums in the Malaysian capital during November 18-22, 2015 (ASEAN Secretariat, 2015).

1.2 ASEAN Progress Towards AEC

The Chairman's Statement issued at the 26th ASEAN Summit, held in Kuala Lumpur in April 2015 and released by the ASEAN Secretariat, indicated that 90.5 per cent of the 2015 AEC Blueprint's targets had been met through the implementation of the set of agreements and plans by member countries (Tham, 2015). The major ones include the ASEAN Free Trade Area (AFTA), the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN Framework Agreement on Services (AFAS), the ASEAN Single Window (ASW), the ASEAN Comprehensive Investment Agreement (ACIA) and the Master Plan on ASEAN Connectivity 2011-2015.

AFTA was concluded in 1992 by leaders of then six ASEAN member countries of Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand, called ASEAN 6, at the 4th ASEAN Summit in Singapore, aimed at liberalizing intra-ASEAN trade in goods through eliminating tariffs and non-tariff barriers. To help meet the objective, the *Common Effective Preferential Tariff (CEPT) Agreement*, as part of *AFTA*, was also signed, requiring that import tariffs imposed on most manufactured and agricultural products traded within the region to be steadily reduced to 0-5 per cent by 2003 for the ASEAN 6, while those of four new ASEAN member countries by 2006 for Vietnam, by 2008 for Lao PDR and Myanmar and by 2010 for Cambodia (ASEAN Secretariat, 1999).

However, the *CEPT-AFTA* was later replaced by *ATIGA*, which was finalized in Cha-am of Thailand's Petchaburi Province in February 2009 at the 14th ASEAN Summit and effective in May 2010. *ATIGA* consolidates and streamlines all provisions in *CEPT-AFTA*, while also formalizing several new provisions, aimed at helping achieve free flow of goods in the region as targeted under the 2015 AEC Blueprints. Through *ATIGA*, the so-called ASEAN 6 have eliminated import tariffs on 99.65 per cent of their tariff lines since 2010, while four new ASEAN member countries, including Cambodia, Lao PDR, Myanmar and Vietnam, referred to in short as CLMV, have reduced their import tariffs to 0-5 per cent on 98.86 per cent of their tariff lines so far. The ASEAN

Secretariat reported that CLMV have continually reduced their import tariffs under *CEPT-AFTA* and *ATIGA*, to 1.8 per cent in 2013 from 7.8 per cent on average in 2000, as they were set under *ATIGA* to eliminate their import tariffs by January 2018 (ASEAN Secretariat, 2015).

For intra-ASEAN trade in services, on the other hand, *AFAS* was signed at the 5th ASEAN Summit in Bangkok in December 1995, aimed to liberalize trade in services and to enhance cooperation in service trade among member countries in order to boost efficiency and competitiveness, diversify production capacity, supply and distribution of services of suppliers within and outside ASEAN. *AFAS* is based on rules and principles of the General Agreement on Trade in Services (GATS) under the World Trade Organization, but its scope of service liberalization has been deepened and expanded beyond GATS, aimed at realizing a free trade area in services eventually (ASEAN Secretariat, 2015).

Ten years after *AFTA* was completed, *ASW* was concluded at the 11th ASEAN Summit in Kuala Lumpur as a regional mechanism, in which the National Single Window (NSW) system of each ASEAN member country operates and integrates based on the principles of consistency, simplicity, transparency and efficiency. NSW and ASW make use of information communication technology (ICT) to facilitate the single submission of customs information, single customs clearance and single decision-making on customs processes to save costs and time, based on the international standards and cooperation with the business sector. ASEAN 6 and CLMV were separately set to establish and implement their NSW systems to integrate with the ASW mechanism by 2008 and by 2012 respectively (ASEAN Secretariat, 2005).

At the 17th ASEAN Summit in Hanoi, Vietnam's capital, in 2010, the *Master Plan on ASEAN Connectivity 2011-2015* was adopted, aimed to boost regional economic growth, support the AEC's building up process and integration, deepen social and cultural understanding and promote more inter-country mobility of people, as well as narrow any development gap, enhance ASEAN competitiveness and connect ASEAN

with the world community through infrastructure development (ASEAN Secretariat, 2011).

Later, *ACIA* was concluded at the 21st ASEAN Summit in 2012 as a regional instrument to promote a free and open investment atmosphere in order to attract more foreign direct investment (FDI) into AEC and to support AEC as a single investment destination in the region amid rising global competition. *ACIA*, has replaced the ASEAN Investment Area (AIA) and Investment Guarantee Agreements (IGA), earlier implemented by ASEAN member countries, and has reaffirmed the national treatment and most-favored-nation treatment obligations, in which products of a nation and of foreign countries are treated equally (ASEAN Secretariat, 2013).

1.3 Problem and Significance

Having been established since the end of 2015, the AEC, in which there are a total of over 600 million consumers and the combined GDP of nearly 3 trillion US dollars, has, however, had a remaining major problem. That is a set of existing challenges caused by a shortfall to fully achieve the AEC goals stated in the Declaration of the AEC Blueprint 2015 by ASEAN member countries. They include becoming a single market and production base with free movements of goods, services and skilled labor, as well as freer movements of capital. AEC also has three other goals of becoming a highly-competitive region, a region of equitable economic development and a region that is fully-integrated to the world market (ASEAN Secretariat, 2008).

Although the first and the fourth goals of the AEC have considerably progressed, based on the Chairman's Statement in April 2015, providing more trade and investment opportunities for member countries to enjoy intra-regionally and extra-regionally, thanks to a large pool of resources and expanding infrastructure and technological connectivity within the 10-member bloc and windfalls from the globalization, much more challenges need to be handled by ASEAN member countries to

make substantial progress for the remaining AEC goals, especially the one on becoming a region with equitable economic development.

1.4 Related Development

In a correlated regional development, five ASEAN member countries, including Thailand and CLMV, which are also member countries of the Greater Mekong Sub-region (GMS) formed in 1992 with China's southern Yunnan Province and Guangxi Zhuang Autonomous Region being another member, agreed on the development of three Economic Corridors in 2008 with financial and technical support provided by the Asian Development Bank (ADB), aimed to boost their business transactions and promote economic growth, development and cooperation through improved transport systems and other relevant infrastructure, which would reduce poverty and raise people's quality of life.

The three GMS-Economic Corridors include the East-West Economic Corridor (EWEC), the North-South Economic Corridor (NSEC) and the Southern Economic Corridor (SEC). The EWEC connects Da Nang Port in Vietnam, Lao PDR, Thailand and Mawlamyine Port in Myanmar as a continued land route linking the South China Sea in the Pacific Ocean with the Andaman Sea in the Indian Ocean, intersecting the North-South Economic Corridor in Thailand's Lower Northern Tak and Phitsanulok Provinces. EWEC passed through potential commercial areas, including Mawlamyine and Myawaddy in Myanmar, which connects with the large Yangon market; Mae Sot in Tak, Phitsanulok, Khon Kaen, Kalasin and Mukdahan in Thailand; Savannakhet and Dansavanh in Lao PDR and Lao Bao, Hue, Dong Ha and Da Nang in Vietnam.

The North-South Economic Corridor (NSEC) is divided into three routes, namely the Western Subcorridor connecting Kunming in southern China with Chiang Rai Province and Bangkok in Thailand, Lao PDR and Myanmar; the Central Subcorridor connecting Kunming with Hanoi and Hai Phong in Vietnam, which also links with the existing Highway No. 1 spanning between northern and southern Vietnam, and the

Eastern Subcorridor connecting Nanning in southern China with Hanoi in Vietnam through the Youyi Pass or Fangchenggang and Dongxing in China and the Mong Cai route in Vietnam. NSEC helps Yunnan Province in southern China and Northern Lao PDR to be accessible to major sea ports, while also creating a road network from Singapore, Malaysia to Chiang Rai in Northern Thailand, from Kunming to Beijing and from Lao PDR's Bokeo Province to Thailand's Chiang Rai Province through the 4th Thai-Lao Friendship Bridge.

The Southern Economic Corridor (SEC) comprises the Central Subcorridor linking Bangkok, Phnom Penh, Ho Chi Minh City and Vung Tau in Vietnam; the Northern Subcorridor linking Bangkok with Siem Reap, Stung Treng, Rattanakiri-O in Cambodia, Yadov, Pleiku and Quy Nhon in Vietnam and the Southern Coastal Subcorridor connecting Bangkok and Trat in Thailand, Koh Kong and Kampot in Cambodia and Ha Tien, Ca Mau City and Nam Can in Vietnam and the Intercorridor Link connecting Sihanoukville, Phnom Penh, Kratie, Stung Treng, Dong Kralor (Tra Pang Kriel) in Cambodia and Pakse and Savannakhet in Lao PDR, which links the three SEC Subcorridors with EWEC, (ADB, n.d; Siam Intelligence, 2011), as shown in the Figure 1.1 below.

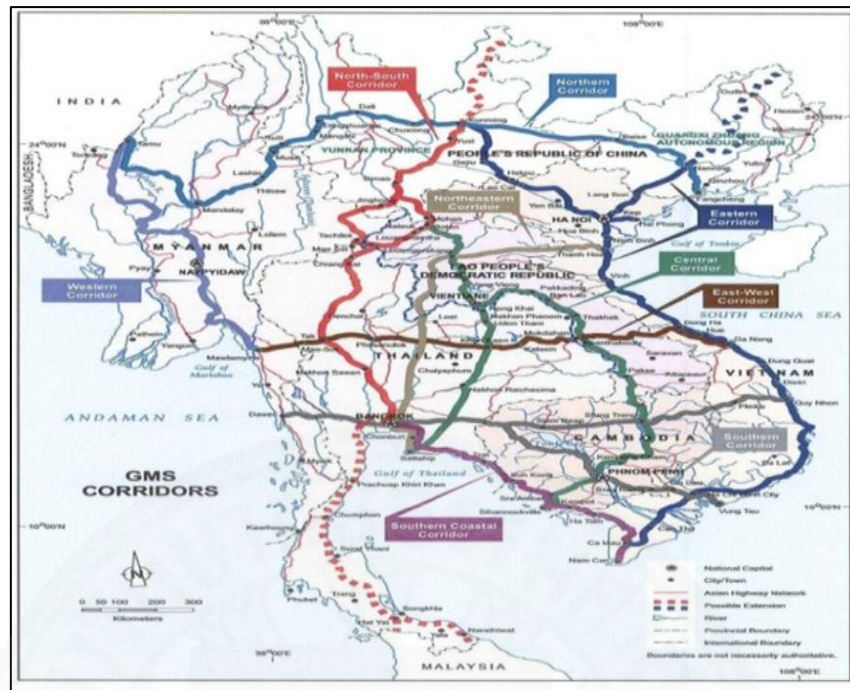


Figure 1.1. GMS-Economic Corridors

Adapted from “Border Economic Zones and Development Dynamics in Thailand: A Comparative Study of Bordering Countries,” by C. Krainara, 2016, *Asian Institute of Technology School of Environment*, p. 2. Retrieved May 21, 2017, from <https://www.scribd.com/document/335121054/Border-Economic-Zones-and-Development-Dynamics-in-Thailand-A-Comparative-Study-of-Bordering-Countries>

1.5 Rationale for Establishment of Thai SEZs

In response to the envisioned challenges, caused by the economic growth and development disparity within and between most ASEAN member countries, the Thai government has, therefore, assigned the Office of the National Economic and Social Development Board (NESDB) to work out and introduce a policy on establishing SEZs along the common border with the four neighboring countries of Cambodia, Lao PDR, Malaysia and Myanmar since 2013. The policy is aimed to be part of overall regional

actions and decisions to relieve and fade out the challenges for Thailand and, expectedly, for the fellow ASEAN member countries through increased border trade and investment promoted by the Thai government in the special zones.

The Thai government's policy, which is in line with the universal policy on the establishment of SEZs worldwide, is focused on drawing in new investment, especially FDI projects, boosting cross-border trade, creating more jobs for workers, raising income for both workers and investors, stimulating economic growth and promoting development in the special enclaves, covering the reduction of poverty and the improvement of quality of life for people living and working in the zones.

Besides, the Thai SEZs along the border will provide a good opportunity for small and medium-sized enterprises (SMEs), apart from large-scale firms, to run their businesses and even expand their investment into neighboring countries and for workers to further develop their skills and expertise.

The National Committee on Special Economic Zone Development (NC-SEZ), set up by the Thai army-led National Council for Peace and Order (NCPO) in June 2014, officially announced the establishment of the first five Thai SEZs along the border, as proposed by NESDB, in January 2015. The first five Thai SEZs along the border include the Lower Northern Tak Province bordering Myanmar, covering a total area of 1,419 square kilometers in 14 Sub-districts of Mae Sot, Phop Phra and Mae Ramat Districts, the Northeastern Mukdahan Province bordering Lao PDR, covering a total area of 578.5 square kilometers in 11 Sub-districts of Muang, Wan Yai and Don Tan Districts, the Eastern Sa Kaeo Province bordering Cambodia, covering a total area of 332 square kilometers in four Sub-districts of Aranyaprathet and Wattana Nakhon Districts, the Eastern Trat Province bordering Cambodia, covering a total area of 50.2 square kilometers in three Sub-districts of Klong Yai District, and the Southern Songkhla Province bordering Malaysia, covering a total area of 552.3 square kilometers in four Sub-districts of Sa Dao District with the inclusion of Sadao and Padang Besar Checkpoints.

NC-SEZ, chaired by NCPO Chief and Prime Minister General Prayut Chan-ocha, announced the establishment of another five SEZs along the border in April 2015. They include the Northern Chiang Rai Province bordering Myanmar and Lao PDR, covering a total area of 1,523.63 square kilometers in 21 Sub-districts of Mae Sai, Chiang Khong and Chiang Saen Districts, the Northeastern Nong Khai Province bordering Lao PDR, covering a total area of 473.67 square kilometers in 13 Sub-districts of Muang and Sakhrai Districts, the Northeastern Nakhon Phanom Province bordering Lao PDR, covering a total area of 794.79 square kilometers in 13 Sub-districts of Muang and Tha Uthen Districts, the Western Kanchanaburi Province bordering Myanmar, covering a total area of 260.79 square kilometers in two Sub-districts of Muang District, and the Southernmost Narathiwat Province bordering Malaysia, covering a total area of 235.17 square kilometers in five Sub-districts of Muang, Su-ngai Kolok, Tak Bai, Wang and Yi Ngo Districts (NESDB, 2015).

The ten Thai SEZs are all located along or in the radius of three Economic Corridors of the Greater Mekong Sub-region (GMS), in which Cambodia, Lao PDR, Myanmar, Vietnam, Thailand and China's southern Yunnan Province and Guangxi Zhuang Autonomous Region are members, all of them, except the Chinese southern parts, are also in the AEC. Supported by the Manila-based ADB, the strategy on the development of the three GMS-Economic Corridors were agreed by the members in 2008, aimed to boost their business transactions and promote economic growth, development and cooperation through improved transport systems and other relevant infrastructure, which would reduce poverty and raise people's quality of life.

This Independent Study (IS) will, however, focus on the Mukdahan SEZ bordering Lao PDR and the Tak SEZ bordering Myanmar, which are both on the GMS-EWEC, looking into their differences in trade and investment patterns and what are the causes of the differences, together with making relevant comparisons, after an initial observation from official statistics showing that there is more trade potential in the Mukdahan SEZ, but more investment potential in the Tak SEZ. The official data,

reported by the Mukdahan Customs Checkpoints, have also shown similar import and export items across the Thai-Lao border through Mukdahan.

1.6 Research Title and Research Questions

The Research Title of this paper is, therefore, constituted accordingly: “Patterns of Trade and Investment in Thai Special Economic Zones (SEZs), Comparison Between Mukdahan and Tak SEZs on East-West Economic Corridor (EWEC)” and the Research Questions are : (1) What are the patterns of trade and investment of the Mukdahan SEZ and the Tak SEZ?; (2) What are the differences of the patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ?; (3) What are the causes of the differences of the patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ?

1.7 Objectives of the IS

Based on the Research Title and the Research Questions, this study will first explore the patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ, which are both situated on the GMS-EWEC, but at the opposite sides. The Mukdahan SEZ is located on the eastern side of the EWEC, where the about 1.6-kilometer Second Thai-Lao Friendship Bridge is also located. The Tak SEZ is, on the other hand, seated on the western side of the EWEC, where the about 0.4-kilometer First Thai-Myanmar Friendship Bridge is located, together with the 0.76-kilometer-Second Thai-Myanmar Friendship Bridge once its construction is completed over the next couple of years (DOH, 2017).

This research will then compare the patterns of trade and investment between Thailand’s Northeastern Mukdahan SEZ, bordering Lao PDR’s Southern Savannakhet Province across the Mekong River where the Savan-Seno SEZ is located, and the Lower Northern Tak SEZ, bordering Myanmar’s Southern Myawaddy Town in

the Kayin or Karen State across the Moei River where two Myanmar SEZs, the Myawaddy Industrial Zone and the Myawaddy Trade Zone, are located.

This study will later look into the assumed causes of the different patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ based on what have been found from the earlier exploration. This study will then conclude with some observations and proposals on progress, potential and sustainable growth of the two Thai border SEZs, taking their related essence with the universal objectives of SEZs and those of the Thai government on the establishment of the emerging SEZs into main consideration.

The objectives of the establishment of SEZs include drawing-in new investment, especially FDI projects, boosting cross-border trade, creating more jobs for workers, raising income for both workers and investors, stimulating economic growth and promoting development in the special enclaves, covering the reduction of poverty and the improvement of quality of life for people in the zones. Besides, this study will observe whether the Mukdahan SEZ and the Tak SEZ on the same GMS-EWEC would have the potential to relieve and fade out development disparity in the AEC through the diffusion of production and economic growth to their neighborhoods in the country and across the border to neighboring Lao PDR and Myanmar and vice versa.

While observing the progress, potential and sustainable growth of the Mukdahan SEZ and the Tak SEZs, this study will look into wages and other factors considered to be related to trade and investment in Mukdahan and Tak, taking adjacent SEZs across the border in neighboring Lao PDR and Myanmar into account, to see whether they should have impacts on the patterns of trade and investment of the Mukdahan SEZ and the Tak SEZ, including those of small and medium-sized enterprises (SMEs) and large-scaled firms, as well as on the differences and causes of their patterns of trade and investment.

Besides, this study will observe whether there are opportunities for cooperation between the Mukdahan SEZ and the Tak SEZ and the adjacent SEZs in neighboring Lao PDR and Myanmar to become more co-ordinated forces as part of joint

attempts and actions of all ASEAN members to relieve and fade out remaining economic and development disparity within individual ASEAN member countries and between member countries in order to realize the AEC goal of bringing about equitable economic development to the 10-member AEC.

This study considers the challenging AEC goal, if achieved, it should be related to the achievement of other goal of turning the AEC in becoming a highly-competitive region, after the two other AEC goals of becoming a single market and production base with free movements of goods, services and skilled labor, as well as freer movements of capital, along with becoming a region fully-integrated to the world market have established a positive progress.

1.8 Research Methodologies

Mixed research methods will be used in this study, including the Historical Research Method to describe the background of the evolution of economic development and integration in ASEAN, as well as the development of the AEC, GMS and SEZs. The Quantitative, Comparative and Qualitative Research Methods will also be used to explore, compare and observe the patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ and the assumed causes of the differences in their patterns of trade and investment.

This study will be based mostly on secondary data publicly reported by relevant government agencies, including NESDB, the ASEAN Secretariat, the Mukdahan Customs Checkpoints and the Mae Sot Customs Checkpoints, as well as the Bank of Thailand (BOT), the Ministry of Foreign Affairs, the Ministry of Commerce, the Board of Investment of Thailand (BOI) and the Department of Industrial Works (DIW), under the Ministry of Industry, and the Department of Highways (DOH), under the Ministry of Transport.

This study will also be based on other reliable documents and information published by international academics or reported by government officials of some

relevant agencies in direct telephone interviews, including those at the Mukdahan Customs Checkpoint and the Mae Sot Customs Checkpoint. This research project will also resort to some other reliable sources, including the Federation of Thai Industries (FTI), the Thai Chamber of Commerce (TCC), its provincial offices and the University of the Thai Chamber of Commerce, as well as international media reports with their grounded references.



CHAPTER 2

LITERATURE REVIEW

2.1 Rationale for the Establishment of the Mukdahan and Tak SEZs

Following the Asian Financial Crisis in mid-1997, the collapse of the Doha Round multilateral trade talks under the World Trade Organization (WTO) in 2003 and the latest World Financial Crisis during 2006-2009, caused by the Sub-prime crisis in the United States, the establishment of Special Economic Zones (SEZs) has proliferated as stated by the United Nations Industrial Development Organization (UNIDO) that there have been more than 4,000 formally registered SEZs around the world so far, more than 1,000 of which are located in ASEAN alone (UNIDO, 2015).

This paper views the changing situation should, thus, be a key reason for the rising SEZs in the recovering economies in East Asia and ASEAN in the wake of the regional and global economic crises, as it is also in accordance with what the World Bank (World Bank, 2011) has stated that unlike the period before the 1970s when most of the SEZs were located in industrial countries, the majority of SEZs are now in export-driven, labor-intensive developing countries where there are a large number of manufacturing plants of textile, electronic and electrical products, as well as a variety of models and types of automobiles.

According to the World Bank (World Bank, 2011), SEZs, where liberal economic activities are promoted through a special set of more favorable laws or measures like tax incentives, have played a pivotal role to boost trade, investment, industrial and global economic expansion since 1959, when the first SEZ in the industrial free zone model was established in Shannon, Ireland.

This study considers that the Thai government's policy on establishing the Mukdahan SEZ and the Tak SEZ, as well as the other eight Thai SEZs along the border with neighboring Lao PDR, Myanmar, Cambodia and Malaysia since 2015 are in line with the universal objectives of SEZs stated by the World Bank, UNIDO and even ADB

(ADB, n.d.). They include attracting investment, especially FDI projects, for the production of goods and services to serve domestic, regional and global trade, creating jobs and, thus, generating income of both workers and business operators in order to stimulate economic growth and development in the areas, with the benefits expected to spread to the vicinity of the special enclaves including, probably, adjacent areas across the border and vice versa.

If the expectedly-successful scenario is realized, the Mukdahan SEZ and the Tak SEZ, which are the focus point of this study, can also eventually contribute, partly, to national economic growth and development, including poverty reduction and improved quality of life of local people. The Mukdahan SEZ and the Tak SEZ should then help relieve and bridge regional disparity gradually, approaching the goals of the developing AEC to become a region of equitable economic development, which links to all other AEC goals as were mentioned in Chapter 1.

The expectation above complies with the UN Millennium Project (2005), quoted by Choen Krainara in his academic paper (Krainara, 2016) that the liberalization policy for economic activities can be a powerful force propelling and sustaining economic growth, resulting in national and regional development with poverty reduction in the near future.

This paper views it is, thus, rational for the Thai government's decision on establishing the Mukdahan SEZ in the Northeastern Mukdahan Province, bordering Lao PDR's Savannakhet Province, and the Tak SEZ in the Lower Northern Tak Province, bordering Myanmar's Myawaddy Town in the Kayin or Karen State. This is because, according to a latest report released by the One Stop Service Center (OSSC) of the Mukdahan SEZ (Mukdahan SEZ OSSC, 2015), cross-border trade between Thailand and Lao PDR, both are member countries of the 10 nation-ASEAN bloc, through Mukdahan, which has also catalyzed investment projects in both the Thai and the Lao side, has become flourished, reaching 67.79 billion baht and 76.35 billion baht in 2013 and 2014 (January-December). At that time, the formation of the AEC by the end of 2015 was approaching, with Thailand's exports and imports to and from Lao PDR through

Mukdahan rising to nearly 35 billion baht and 32 billion respectively in 2014 alone, from the cross-border trade value of less than 30 billion baht 5-6 years earlier

This research also agrees with the statement of the OSSC of the Mukdahan SEZ that Mukdahan is a strategic gateway of Thailand to neighboring markets in the region through the Second Thai-Lao Friendship Bridge and the well-planned GMS-EWEC on its eastern side, which connects with NSEC and SEC and other provincial and regional transport networks, linking the Northeastern Thai Province with Lao PDR's Savannakhet Province, where the growing Savan-Seno SEZ is located, as well as Vietnam, China and other markets in the region.

This paper has also learned from the OSSC of the Mukdahan SEZ, with more positive expectation, that the Northeastern Thai province plans to further develop provincial and inter-provincial transport facilities, including the expansion of all main roads to be four-lane routes across the province and the development of a dual-track railway project to facilitate public and goods transport between Mukdahan and the adjacent Nakhon Phanom, Yasothon, Roi Et, Maha Sarakham and Khon Kaen Provinces.

This study has learned similarly from the Tak Special Economic Development Zone Office (Tak SEZ, 2017) with official data indicating that cross-border trade between Thailand and Myanmar, both of which are also member countries of the 10 nation-ASEAN bloc, through Tak, rising to over 39 billion baht, 46 billion baht and 57 billion baht in 2012-2014 (January –December), from the cross-border trade value of less than 25 billion baht 5-6 years earlier.

This paper has also realized from the SEZ provincial office with grounded references that Tak Province is also another strategic gateway of Thailand to neighboring markets in the region, linking the Lower Northern Thai province through Mae Sot District with Myawaddy Town in Myanmar's Kayin or Karen State, where the Myawaddy Industrial Zone and the Myawaddy Trade Zone are located, through the First Thai-Myanmar Friendship Bridge and the western side of the GMS-EWEC, connecting to the Andaman coastal region in South Asia and further to Europe through the Asian Highway 1 (AH1) and to Lao PDR and China, where AHI also passes through and links

with other East Asian and Southeast Asian nations in the eastern side of the GMS-EWEC, namely Vietnam and Cambodia.

As trade always goes along with investment, this study has found more prospective data for Tak Province from an official research project (MOL, 2017) that there have been at least 670 labor-intensive factories opened in Tak so far with their combined capital of more than 17 billion baht, excluding new projects in the Tak SEZ, thanks to a large pool of labor source supplied by Myanmar migrant workers. This is because about three times higher minimum wages in Thailand over the past couple of decades, from less than 500 factories in the early 2000 (Techakanont, 2014; Krainara, 2016).

The large number of labor supply from Myanmar has relieved the labor situation in Tak, in which there has been the problem of shortage of unskilled labor, like many other areas in Thailand, as this study has learned that Thailand's labor force that completed only the primary educational level decreased from 66 per cent of the total labor force of 33.81 million in 2001 to 51 per cent of the total labor force of 39.31 million in 2013. The labor forces that completed the junior high school, high school and higher educational levels increased, on the other hand, from 13 per cent, 7 per cent and 8 per cent of the total labor force of 33.81 million in 2001 to 17 per cent, 11 per cent and 13 per cent of the total labor force of 39.31 million in 2013. Therefore, Thailand's unemployment rate, which stood at about 3.3 per cent in 2001, had reduced to 0.6–0.9 per cent by 2015 and to 1 per cent in 2016, far below the natural unemployment rate of 3 per cent (Techakanont, 2014; BOT, 2017).

Like Mukdahan, the Tak SEZ office has also reported plans on further developing provincial and inter-provincial transport infrastructure systems, including the Second Thai-Myanmar Friendship Bridge and more road and rail networks to facilitate provincial and cross-border public and goods transport with the Myanmar side.

This paper agrees with Krainara's findings in his research which declared that geographical proximity and connectivity, along with well-placed infrastructure, strategic location and sufficient labor supply have always supported cross-border trade and

investment between neighboring countries. In case of labor supply, the fact has been more articulated between Thailand and Myanmar through Tak, where the two Myanmar SEZs in Myawaddy have not been fully operated, but there has been more trade and investment activities on the Thai side over the past few decades.

2.2 Advantages of SEZs

This study also views as rational what Krainara has stated in his research paper that the ultimate goals of border SEZs are not only promoting the establishment of production bases along border areas to support cross-border trade, but they are also reducing inter-regional and intra-regional economic and development disparity and coping with the problem of labor shortage.

Both the UNIDO and ADB (UNIDO, 2015; ADB, n.d.) also mention that economic growth that is stimulated by SEZs is bolstered by improved productivity and increased competitiveness. This study has observed that the Thai government has also expected the Mukdahan SEZ and the Tak SEZ, as well as the country's eight other border SEZs, will help boost the competitiveness and then economic growth in the special enclaves.

This research considers relevant to also mention the definition of competitiveness. UNIDO has quoted the World Economic Forum (WEF) as explaining that:

Competitiveness is a set of institutions, policies, and factors that determine the level of productivity of a country and the level of productivity, in turn, sets the level of prosperity that can be reached by an economy. The productivity level also determines the rates of return obtained by investment in an economy, which are harbingers of its GDP growth rates. In other words, a more

competitive economy is one that is likely to grow faster over time
(WEF, 2015, p.4).

According to UNIDO, Michael Porter, whose papers were greatly credited by the World Economic Forum (WEF), has also suggested that competitiveness is not a “zero-sum game”, meaning that competitiveness, reflecting in productivity and efficiency, in different countries can be integrated and mutually supported. Competitiveness is also a main source of development and prosperity because a nation’s prosperity derives from the productivity of its economy, measured by the value of output per unit of input, or by the value of goods and services produced per unit by the country’s labor and capital.

Besides, productivity of a nation is also a fundamental of its standard of living in the long-run and its gross domestic product (GDP) per capita. A nation’s standard of living, in turn, depends on the capability of domestic businesses to achieve high levels of productivity and on the country’s ability to raise national productivity over time. Porter explained that because prosperity is created and not inherited, a nation’s competitiveness also relies on its capability of innovations, acknowledging that a nation’s competitive advantages go along with its progressive development.

If carefully examined, Porter’s analytical statement, quoted by UNIDO as mentioned above, could provide more details on how a country would achieve its economic growth and development and, this paper views, it could be applied for generating growth and development in the Mukdahan and the Tak SEZs, as well as in the other eight Thai border SEZs, mainly through the government’s management policy.

UNIDO quoted Porter as suggesting that there are four stages of achieving national competitiveness. They include factors of production driven, investment driven, innovation driven and wealth driven, the first three of which are successive steps towards upgrading a nation's competitive advantages that are related to its progressive economic prosperity. The fourth stage is the step that a nation has achieved its national

competitiveness and should sustain the status to avoid its declining economic growth and prosperity.

This study considers it is reasonable to agree with Porter's view, as conveyed by UNIDO, that the government of any nation has a crucial role to support and maintain national stability and healthy status through its appropriate and effective economic, political, social and legal policies, including those on promoting and supporting the business sector in its country to enhance and uphold its productivity and competitiveness to help foster and sustain national economic and development.

As different nations have achieved different levels of economic growth and development with different challenges, including ASEAN member countries, this study views it is rational to also consider Porter's suggestion that individual countries need to deal with different priorities, including infrastructure development and the introduction of incentives and other measures to deal with and bridge the disparity. The suggestion apparently implies the additional pivotal role of the governments.

For this research project, Porter's suggestion on the infrastructure development and the introduction of incentives and measures, through the roles of the governments of individual countries, should also be applied to deal with and bridge the disparity within Thailand. Porter has noted that appropriate transport infrastructure systems are among the requirements if SEZs are established in order to generate economic growth and development in the special enclaves with their benefits expected to spread to the whole economy of a nation eventually.

This study, thus, views that the Thai government has been on the right track for its move on developing the Mukdahan and the Tak SEZs, as well as the other eight border SEZs, as the administration has paid attention to infrastructure projects as key components of the policy, along with tax incentives and financial support it is offering to business operators interested in investing in the special enclaves.

2.3 Disadvantages of SEZs

However, this research paper also proposes that the Thai government should also take some negative issues of the SEZs into account. The World Bank (World Bank, 2011) has already cautioned although there have been several examples that SEZs have played a catalytic role in supporting adjustment processes and generating economic growth and development, like the cases of the then newly-industrialized economies, also called “tiger economies” in Asia, during the 1970s-1980s, including Singapore, Hong Kong, South Korea and Taiwan, there have also been many other SEZs that have failed to benefit their neighborhoods, or SEZs where businesses have taken advantages of tax incentives without creating substantial jobs or stimulating economic growth, or SEZs that have been unable to sustain their success in attracting investment and creating local jobs in the long-term, due to higher labor costs.

The ADB (ADB, n.d.) has also warned that SEZs could fail to comply with social and environmental safeguards, as there could be a serious risk that people in the areas might become vulnerable to human rights violations, forced eviction and loss of livelihoods without proper compensations, citing cases of displaced villagers in Cambodia and Lao PDR as examples, if laws and regulations are not in good place or only emphasize on the interest of investing firms.

The ADB (ADB, n.d.) has particularly raised the Sihanoukville Special Economic Zone (SSEZ) in Cambodia as a case study, indicating that the UK-based Amnesty International (AI) and the Cambodian League for the Promotion and Defense of Human Rights (LICADHO) had reported on 117 Cambodian families having lost their houses in one day and some having been arrested due to a forced eviction by local police in 2007 without any formal investigation. A year later, SSEZ, the largest SEZ in Cambodia, was opened by the private sector, a Cambodian-Chinese joint venture, beneficial mainly from the GMS-SEC and targeted to welcome 300 manufacturing plants and to create up to at least 80,000 jobs.

Besides, the ADB (ADB, n.d.) has stated that improper labor conditions and practices, breaching the guidelines of the Organization for Economic Cooperation and Development (OECD)¹ for multinational enterprises and/or ILO Conventions on workers' rights, were observed at many SEZs, in which workers, including migrant ones, often worked overtime hours but earned just cheap wages and they were not protected or provided any insurance against illnesses or injuries from their employers, while in many countries, local people in areas designated to be SEZs were not allowed to share their opinions on the establishment of SEZs in their local areas.

While developing the Mukdahan SEZ and the Tak SEZ, as well as the eight other border SEZs, the Thai government is, thus, proposed to carefully implement and handle the policy for the sake of its effectiveness and efficiency within a certain period of time and to avoid the negative issues concerning stakeholders of the SEZs, including people in the special enclaves and their neighborhoods, the private sector and the government itself, as cautioned by both the World Bank and the ADB (World Bank, 2011; ADB, n.d.).

¹ OECD Guidelines for Multinational Enterprises (Guidelines) recommend good practice for all on a voluntary basis consistent with applicable laws, including respecting the human rights of those affected by their activities consistent with the host government's international obligations and commitments (<http://www.oecd.org/corporate/mne/1922428.pdf>).

CHAPTER 3

CONCEPTUAL FRAMEWORKS FOR RESEARCH ANALYSIS

Before going through the main research analysis in detail in Chapter 4, this paper will present the conceptual frameworks relevant for the analysis. They include international trade, trade and investment liberalization and economic integration, all of which are inter-related. This paper will also present the advantages of the adoption of modern technologies to the production of goods and services to promote and support international trade, trade and investment liberalization and economic integration in the globalization presently.

3.1 International Trade

Reduced barriers through regional trade, service and investment agreements as stated in Chapter 1, including AFTA, ATIGA, AFAS and ACIA, coupled with steady flows of benefits from technological development globally, have rapidly driven the economic expansion in ASEAN as a whole over the past two decades, thanks to international trade in the 10-member trade bloc. The more opening of an economy for international trade is, the more it gains advantages from liberal opportunities for economic development through trade in goods and services(IMF, 2001).

According to the IMF, benefits from international trade also include having a variety of goods for domestic, regional and global consumption, as international trade brings about different varieties of products from different production bases, leading to more efficiency in the allocation and the utilization of resources. This is because when economies focus on products they have a comparative advantage, it prevents any wasteful duplication of resources and protect onthe environment, while also promoting efficiency in production, as the economies try to develop their production to cut costs and to further improve quality of their products in order to gain more market share and to maintain or boost their competitiveness.

In addition, benefits from international trade include creating more jobs through expanding businesses to serve consumers' demand of goods and services, relieving the problem of trade fluctuations and supporting more stable prices of goods and services. This is because liberal international trade promotes economies of scale² and specialization³ in the production of certain products and services by manufacturing firms, while enabling individual economies to trade their surplus products with each other in order to earn foreign exchange revenues and also promoting peace and sound cooperation and relations among trading partners.

3.2 Trade and Investment Liberalization

International trade normally goes along well with the trade and investment liberalization policy of individual economies or a regional economic integration, like the AEC. According to the IMF, a major benefit of trade liberalization, which always comes together with investment liberalization, is to be a springboard towards sustainable economic growth and increased comparative advantages in certain products in the long term of an individual economy or an regional economic integration, along with poverty reduction and improved living conditions and quality of life of its people.

This is because countries that have opened their economies, through reduced trade and investment barriers, have been found to experience a far faster growth. Besides, the liberalization policy leads to expanding trade and investment with ample opportunities for multinational corporations (MNCs) to gain from a region's comparative advantages (IMF, 2001).

²“Economies of Scale” is achieved when more units of goods or services are produced in a larger scale, the average cost, including labor and capital costs, for the production of the goods or service is lower to an optimal level ([http //www. fpo.go.th](http://www.fpo.go.th)).

³“Specialization” is achieved when the production of a kind of goods or service becomes productive efficiency due to accumulated skills over time (<http://www.investopedia.com>).

3.3 Regional Economic Integration

A regional economic integration, like the AEC, makes member countries to have pooled resources to be tapped, more downstream industries to be created and several infrastructure projects to be developed, as well as intra-regional and extra-regional demands to be explored and met (Techakanont, 2014).

However, the IMF suggests that an individual economy or a regional economic integration needs practical policies to effectively integrate its trade and investment with the rest of the world for the sake of its sustainable growth, namely those on a further reduction of trade barriers in the farm sector in particular, while modern technologies should also be used to upgrade its production and to ease its development disparity, especially for labor-intensive firms.

The IMF suggests that the adoption of modern technologies also helps further develop not only products of an economy or a regional economic integration, but also the pattern of its trade and investment to the elevated downstream lines in the regional and global supply chains. The use of more technologies also helps manufacturers to become more capital-intensive and to be less dependent on wages amid rising competition among business rivals (IMF, 2011).

According to the IMF, more use of modern technologies, which is a shift of technology content, also promotes technological transfer to emerging market economies (EMEs), like most of the member countries in the AEC, with cheaper prices, thanks to trade and investment liberalization with vertical specialization of an economy or a regional economic integration. The circumstances will result in an increase in higher technological production of goods and exports for EMEs and a change in regional and global supply chains, with products from EMEs contributing more to the regional and global supply chains at the elevated downstream production processes, namely computer sets and other electronic products (IMF, 2011).

Besides, the concept of regional economic integration, which has been widely adopted in the region after the Asian Financial Crisis in mid-1997, helps promote

regional stability through closer cooperation among stakeholders, including member countries in an economic integration and trading partners, preventing any repetition of the crisis and enhancing business competitiveness of member countries and a regional economic integration as a whole.



CHAPTER 4

ANALYTICAL COMPARISON BETWEEN MUKDAHAN SEZ AND TAK SEZ ON GMS-EWEC

4.1 Thai SEZs: New Hope for Disparity Alleviation in the AEC

As stated earlier, despite the formation of the AEC at the end of 2015 and the considerable achievement in the first AEC goal of becoming a single market and production base with free movements of goods, services and skilled labor, as well as freer movements of capital, it will apparently take more time for ASEAN member countries to fully achieve all the AEC goals indicated in the AEC Blueprint 2015. The AEC goals also includes becoming a highly-competitive region, a region of equitable economic development and a region fully-integrated to the world market.

A root-cause deferring the ASEAN member countries to fully achieve the AEC goals, in spite of the progressive implementation and results of the fundamental agreements and plans in terms of reduced trade barriers, appears mainly to be economic growth and development disparity within individual ASEAN member countries and between member countries. This has occurred even though the combined GDP growth of all ASEAN member states stood at 6.6 per cent in 2007 and remained at about 4.7 per cent in 2014-2015, which should be considered satisfactory levels (ASEAN Secretariat, 2016).

Taking the inter-country perspective as a more articulated example, this research paper presents official figures that were reported in the ASEAN Economic Chartbook 2016 in Table 1 below, showing a wide range of differences in the GDP per capita at the current price of individual ASEAN member countries in 2015, the year that the AEC was established.

The figures in Table 4.1 clearly show the disparity in the GDP per capita of each ASEAN member country. Singapore had the highest GDP per capita in 2015 at 52,744 US dollars, followed by Brunei Darussalam at 30,942 US dollars, Malaysia at

9,657 billion US dollars, Thailand at 5,737 billion US dollars and the Philippines at 2,850 billion US dollars. This research project has, thus, learned that even among the so-called ASEAN 6 group, comprising the older member countries, the disparity in their GDP per capita is at a wide range.

For the four new ASEAN member countries of Cambodia, Lao PDR, Myanmar and Vietnam, which are referred to as the ‘CLMV group, their GDP per capita in 2015 ranged from 1,198 US dollars in Cambodia, 1,246 US dollars in Myanmar, 1,831 US dollars in Lao PDR and 2,109 US dollars in Vietnam, respectively.

Table 4.1

GDP Per Capita of ASEAN Member Countries at Current Price Rates

Unit : US Dollars

Country	Year:2015
Brunei Darussalam	30,942
Cambodia	1,198
Indonesia	3,357
Lao PDR	1,831
Malaysia	9,657
Myanmar	1,246
Philippines	2,850
Singapore	52,744
Thailand	5,737
Vietnam	2,109

Note. Adapted from “ASEAN Economic Chartbook 2016, by ASEAN Secretariat, 2016, ASEAN Secretariat, p. 8. Retrieved May 1, 2016, from <http://www.aseanstats.org/wp-content/uploads/2016/11/AEC-Chartbook-2016-1.pdf>

The GDP per capita generally demonstrates the income per head of people in individual countries. This research study considers a wide gap of the GDP per capita among the ASEAN member countries, which should imply the remaining economic challenges in the post-AEC formation.

This research study has learned that an AEC goal on becoming a region of equitable economic development, which could be buoyed through expanding intra-regional and extra-regional trade and investment, would be achieved if the 10-member bloc could attain the so-called “*quality economic growth*” that could also link to its achievement of the remaining two goals of becoming a region fully-integrated to the world market and becoming a highly-competitive region amid the stronger globalization trend and economic interdependence among regional and global economies currently. This is because when the economies of countries are developing, they normally enhance their integration with the global economy through their exports (Techakanont, 2014; Krainara, 2016).

As stated in Chapter 2 and Chapter 3, economic growth and development, which result in reduced poverty and disparity, as well as the peoples’ better quality of life in an economy or in an economic integration, can be driven more effectively and efficiently by liberal international trade and investment activities.

To deal with the disparity, the Thai government has officially established the Mukdahan SEZ in the Northeastern Mukdahan Province bordering Lao PDR, where the Savan-Seno SEZ is located, and the Tak SEZ in the Lower Northern Province bordering Myanmar, where the Myawaddy Industrial Zone and the Myawaddy Trade Zone are located, along with eight other Thai SEZs bordering Cambodia, Lao PDR, Malaysia and Myanmar since 2015.

4.2 Evolution Towards SEZs in New Regionalism in ASEAN

This research study has observed that the Mukdahan SEZ and the Tak SEZ, along with the other eight emerging Thai SEZs, have been established to be beneficial

from the New Regionalism in contemporary times. They are aimed mainly, as mentioned earlier, to generate growth and development in the special enclaves through creating more jobs and income for both workers and international investing firms, including SMEs. The economic growth and development, if achieved, would reduce poverty and upgrade the quality of life of people in the zones, with an anticipated diffusion of the economic growth and development to their neighborhoods, including those across the border and vice versa, which would, hopefully, bridge disparity in AEC in the future. This study views that the Thai border SEZs could also promote more interactions and closer ties and cooperation between Thailand and the four ASEAN neighboring countries.

Prior to the spanning SEZs in the present New Regionalism period, especially after the Asian Financial Crisis in mid-1997, there has been along time cross-continental evolution of international trade, trade liberalization and regional economic integrations, in which trade always goes along with investment to produce various goods and services to serve domestic, regional and global markets, as generally presented in the following section.

4.2.1 Development of Trade Liberalization and Economic Integration

After the end of WWII in 1945, three international organizations were established to support the development of the world economy and to prevent conditions that could trigger a new world war, including the widespread trade protectionist policy with high tariffs of up to about 50 per cent imposed against industrialized countries. The three organizations included the International Bank for Reconstruction and Development (IBRD), or more commonly known as the World Bank, and the International Monetary Fund (IMF), both of which are located in the United States and have become major sources of financial assistance to member economies worldwide, as well as the third, which is the International Trade Organization (ITO), which led to more global trade and investment liberalization through multilateral talks under the General Agreement on Tariffs and Trade (GATT). The Uruguay Round, the eighth and last round under GATT

(1986-1994), paved the way for the establishment of the World Trade Organization (WTO) in Geneva on January 1, 1995 (USI, n.d.).

In the wake of WWII, there was also a historic milestone of regional economic integration, based on the expanding liberalization of international trade and investment taking place in 1958 when the European Economic Community (EEC) was incepted by the 1955 Treaty of Rome. The EEC was developed from the European Coal and Steel Community (ECSC) which was signed by six founding European countries of France, Germany, Belgium, the Netherlands, Luxembourg and Italy in 1951, four years after GATT was launched.

The EEC was later renamed the European Union (EU), based on the Maastricht Treaty in late 1993, after it had successfully developed to become a Single Market with free movements of goods, services, labor and capital, as well as the adoption of a common currency, known as the Euro, and common economic policies. These have paved the way for the EU to further develop to become a full-fledged regional integration with common economic and political policies, co-administrated by the governments of all member states through the institutional supranational system and the government of member states that had increased to 28 by 2013,⁴ including a cluster of former socialist Eastern European nations after the collapse of the Soviet Union and the end of the Cold War in the early 1990s (Wisaweisuan, 2016).

In North America, the United States and Canada first signed the Canada-US Free Trade Area in 1988, which was aimed to reduce the costs of trade and investment and enhance the competitiveness of the North American region amid the growing globalization and stronger competition in the wake of WWII. The Canada-US Free Trade Area was later transformed to be the North American Free Trade Area (NAFTA) in early 1994, after Mexico joined the trilateral trade bloc. Prior to the establishment of NAFTA, US products shipped to Mexico were imposed with import tariffs with up to about 250 per cent, higher than those levied on Mexican products shipped to the US market (USI, n.d.).

⁴Britain had decided in a public referendum in mid-2016 to leave the EU with the so-called “Brexit” campaign.

In Southeast Asia, Thailand, which was the only country in the region that remained independent from powerful Western nations in the pre-World-Wars and colonial era, joined four newly-incepted neighboring countries that had gained independence from their Western colonists in the wake of WWII, including Indonesia, Malaysia, the Philippines and Singapore, in forming the Association of Southeast Asian Nations (ASEAN) in Bangkok on August 8, 1967 through the ASEAN Declaration, or the Bangkok Declaration. Under this treaty, the member countries agreed on promoting and supporting regional peace and stability through their cooperation on issues of mutual interests, covering those areas of economics, transport, science and technology, as well as socio-cultural spheres for the sake of regional economic growth, development and improving living standards of local people (Thai MFA, 2012-2014).

Due to various contributions and strong efforts of the founding member country leaders to move forward and sustain the newly-born grouping through their regular discussions, after earlier-formed organizations in the region like the 1954 Southeast Asia Treaty Organization (SEATO), the 1961 Association of Southeast Asia (ASA) and the 1963 MAPHILINDO, became ineffective, ASEAN has now successfully evolved to become a growing regional bloc with increased member states to 10 currently, since the late 1990s.

4.2.2 Changing Patterns of Trade and Investment in ASEAN

4.2.2.1 Pre-Asian Financial Crisis Period (1970s-mid-1997)

While ASEAN member countries were moving forward towards the regional development and integration, motivated by other regional integrations as mentioned above, the patterns of trade and investment in the region were, in the meantime, changing in line with the changing global economic situation, in which all regions worldwide had been increasingly interrelated and interdependent through expanding extra-regional trade, along with intra-regional trade, as well as through transnational investment since the end of WWII due to the stronger globalization.

In the 1970s, Thailand and other ASEAN neighboring countries began to gradually adopt the export-oriented economic strategy, in which locally-

produced goods were sold to overseas markets along with being consumed domestically, replacing the traditional import-substitution policy, in which manufacturers were supported by government measures, mostly tax incentives, to produce goods for mainly domestic consumption to substitute those imported from foreign economies. The shift in the economic policy, coupled with the governments' promotional measures, had attracted foreign direct investment (FDI) projects into the region, which have, in turn, spurred economic growth of the region and vice versa (Higashi, 1996; Rakkhumkao, 2016).

The export-oriented policy in ASEAN has become flourished since the 1980s, when international trade, which always goes along with investment, was expanding and was backed by successful multilateral liberalization trade negotiations and fruitful results under the Uruguay Round of GATT. The expanding global trade liberalization under the non-discriminatory, rules-based multilateral trading system under GATT, coupled with growing regional liberalization forces since the early 1990s, including those bearing fruits from the 1992 ASEAN Free Trade Area (AFTA) agreement in terms of gradual tariff cuts, have helped boost and maintain ASEAN interests in terms of growing intra-regional and extra-regional trade, which have also generated investment, economic growth and development of individual member countries.

Succeeding the Kennedy Round in the 1960s, which resulted in a cut in tariffs of world trade by up to about 30 per cent, and the Tokyo Round in the 1970s that ended with a further reduction of tariffs in world trade and initially addressed the problem of non-trade barriers, the Uruguay Round under GATT, in which the five founding member countries of ASEAN were active players together with some other 20 developing countries and developed nations from Australia, Europe and North America, resulted in a further 30 per cent reduction on average in tariffs of world merchandise trade and more reduced non-tariff barriers of world trade in services, as well as the agreed protection of intellectual property rights (Sally, 2004; USI, n.d.).

ASEAN has also, on the other hand, developed a solid and sound relationship and cooperation with countries and organizations outside the region to be more integrated with the world economy and the international community through, for

instance, the 1976 Treaty of Amity and Cooperation in Southeast Asia (TAC) and the frameworks of ASEAN plus 10 dialogue partners, including Australia, Canada, China, India, Japan, New Zealand, Russia, South Korea, the United States and the European Union (EU), as well as the East Asia Summit (Thai MFA, 2012-2014), which have further raised the 10-member bloc's extra-regional and intra-regional trade, as well as FDI projects.

Meanwhile, Japan, whose economy had then become one of the world's five fastest growing economies, but the top one in Asia, following its adoption of the open-door economic policy in the second half of the 19th century, was prompted by the United States under the so-called Plaza Accord in 1985 to appreciate its currency by as high as 70 per cent, from 250 yen per US dollar to 150 yen per US dollar within 10 months, in order to reduce its trade surplus with the US economy.

The appreciation of the Japanese yen had continued until 1990 when the exchange rate between the Japanese yen and the US dollar then stood at 75 yen against the US dollar, or as high as 300 per cent, resulting in more Japanese firms, when most of them were manufacturers of automobiles and electronic products, having relocated their production bases to foreign countries, including Thailand and other ASEAN member countries, to cut their labor costs. Prompted by the United States under the Plaza Accord as well, part of the German manufacturing firms have similarly relocated their production bases overseas (IMF, 2011; USI, n.d.)

The net FDI inflows to ASEAN and to Thailand are shown in the Figures 4.2 and 4.3 and Table 4.2 below. The net FDI inflows in the entire 10-member ASEAN bloc stood at over 80-120 billion US dollars during the years between 2011-2015.

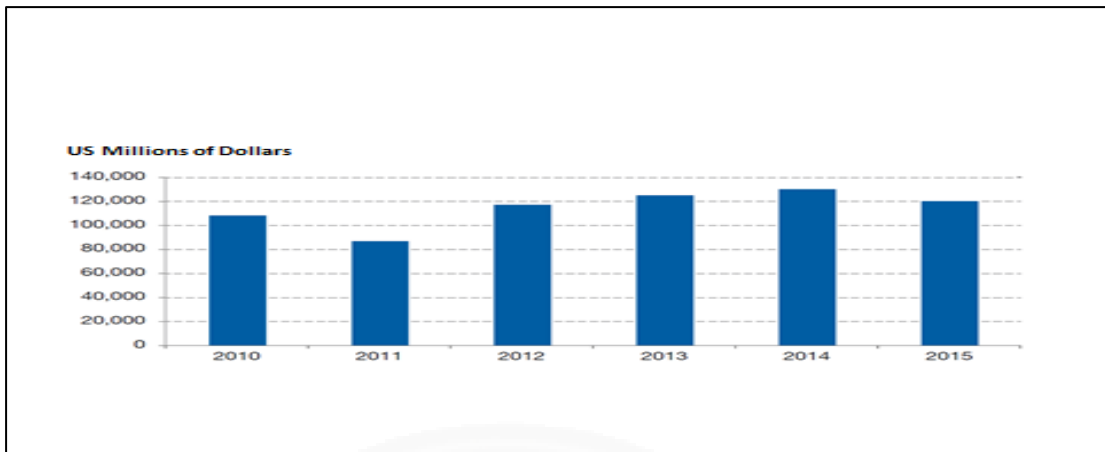


Figure 4.2 Net FDI Inflows in ASEAN 2010-2015

Adapted from “ASEAN Investment Report 2016,”

by ASEAN Secretariat, 2016, *ASEAN Secretariat*, p. 4.

Retrieved April 14, 2017, from <https://www.asean.org/storage/2016/09/ASEAN-Investment-Report-2016.pdf>

In Thailand alone, the net FDI inflow stood at 42.80 million US dollars in 1970, which increased to 55.21 million US dollars in 1979 and to 411.99 million US dollars in 1984. From 1985-1990, the net FDI inflow in the Thai economy surged to 2.58 billion US dollars, due mostly to FDI projects from Japan prompted by the Plaza Accord, as shown Table 4.2, and had exceeded 10 billion US dollars during 2010-2015, as shown in Figure 4.3 below.

Table 4.2

NetFDI Inflows in Thailand (1970-1990)

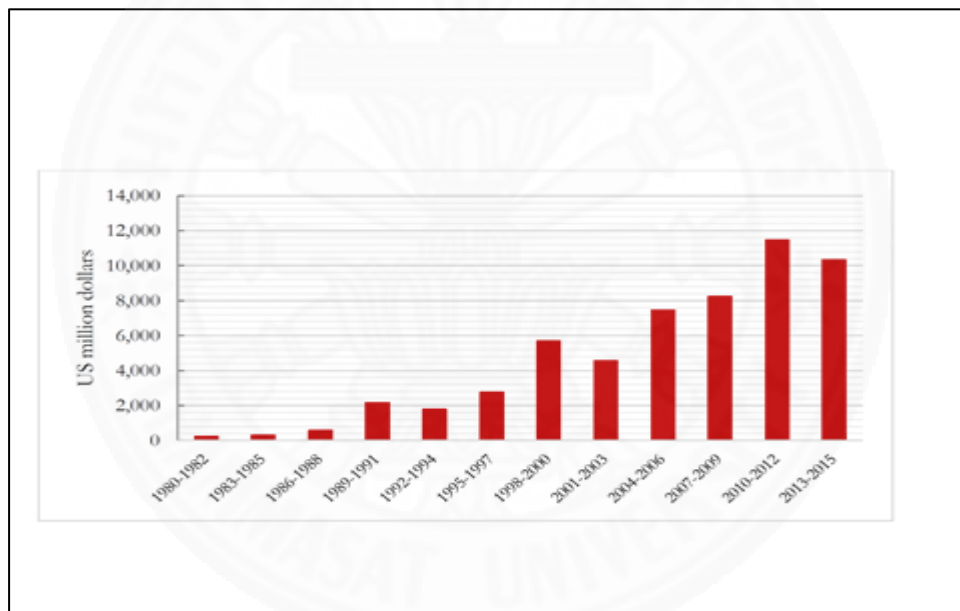
(Unit:US Million Dollars)

1970	1979	1984	1990
42.80	55.21	411.99	2,575

*Note.*Adapted from“FDI Trends, Pull Factors and Policies in Thailand. International Institute of Social Studies,” by A. Rakkhumkao, 2016, p. 1.

Retrieved April 14, 2017, from

https://thesis.eur.nl/.../ARakkhumkao_moodledata_temp_turnitintool_2

*Figure 4.3* Net FDI Inflows in Thailand (1980-2015)

Adapted from “FDI Trends, Pull Factors and Policies in Thailand. International Institute of Social Studies,” by A. Rakkhumkao, 2016, p. 1.

Retrieved April 14, 2017, from

https://thesis.eur.nl/.../ARakkhumkao_moodledata_temp_turnitintool_2

The sound economic growth of ASEAN member countries has raised income of regional population and prompted part of business operators of member countries to even start expanding their investment to foreign markets to join regional supply chains or production networks and to invest in potential bourses amid improving regional infrastructure and business facilitations, covering modern information and communication technology (ICT).

4.2.2.2 Post-Asian Financial Crisis Period (Mid-1997-to-Present)

(1) Establishment of Separate FTAs

In the wake of the Asian Financial Crisis in mid-1997, the recovering Asian economies, including those in ASEAN and East Asia, have focused more on strengthening economic cooperation through separate free trade area (FTA) agreements and collective financial pacts to prevent any repeated crisis and to cushion impacts from new risk factors. They include the 2005 ASEAN-China Free Trade Area (ACFTA), the 2006 ASEAN-Korea Free Trade Agreement (AKFTA), the 2009 ASEAN-Japan Comprehensive Economic Partnership (AJCEP), the 2010 ASEAN-India Free Trade Agreement (AIFTA) and the 2010 ASEAN-Australia-New Zealand Free Trade Area (AANZFTA).

Besides, there have also been free trade agreements (FTAs) that were concluded between individual member countries of ASEAN and the 10-member bloc's dialogue partners in the post-Asian Financial Crisis period. Thailand, for instance, had confirmed and secured FTAs with China, Australia, New Zealand, Japan and India in 2003, 2004, 2005, 2007 and 2008 respectively (Thai MFA, 2012-2014).

The changing situation reflects the New Regionalism, in which there has been a proliferation of initiatives among countries in the region to form separate, but less inclusive, collective blocs for their economic cooperation (Sally, 2004), so that they become more resilient against new challenges and defend their economies, after taking the Asian Financial Crisis as a lesson.

Before the crisis, WTO-obliged global trade and investment liberalization, included more liberalization in the financial sector, together with high

interest rates and sound economic growth rates of 6 per cent on average for about three decades, since the 1960s, in several countries in the region, including Thailand. This led to, on the one hand, massive capital inflows for FDI, as mentioned above, and for foreign portfolio investment (FPI) into the regional stock markets and, on the other hand, huge short-term private corporate debts in the terms of US dollars and Japanese Yen from external sources. These resulted in a drop in foreign exchange reserves of affected countries to repay the short-term debts, while the fixed exchange rate system in developing countries caused an overvalue of regional currencies, triggering profit speculations in the regional currency markets and then a plunge in foreign exchange reserves used for protecting local currencies and a crash in the regional economy.

During 1990-1995, for example, the stock markets of all the ASEAN 5, which were the countries of Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand, averagely expanded from 40 per cent of their GDP to 120 per cent. In 1993, capital inflows into the region stood at 14.8 billion US dollars, but by 1995, the amount increased to 86.3 billion US dollars, as 45 per cent of the world's total capital was invested in Asia (Pang, 2000).

The changing situation to the New Regionalism was also caused by the collapse of the Doha Round multilateral trade talks under the WTO at its 5th Ministerial Conference in Cancun, Mexico, in 2003. This resulted in the expansion both the bilateral and pluri-lateral FTAs and a slowdown to progress in the implementation of agreed liberalization pacts, namely AFTA, the ASEAN Framework Agreement on Services (AFAS) and the ASEAN Investment Area (AIA), as well as growing disparity within ASEAN and between countries in the region. differential trade policy response to regional challenges, external pressure on national trade policy capacity and time-consuming domestic reforms and revised regulations to deal with the emerging challenges (Sally, 2004).

(2) Establishment of Special Economic Zones (SEZs)

Another highlight of the New Regionalism in the wake of the Asian Financial Crisis in mid-1997 and the collapse of the WTO's Doha Round in 2003

was the establishment of Special Economic Zones (SEZs). According to a senior economist at the World Bank's Africa Department, Thomas Farole:

Special Economic Zones (SEZs) are targeted areas in a country established for economic activities regulated and promoted by a set of favorable laws and other incentive measures different from the rest of the country, namely specially-designed taxation, customs, as well as financial specially and labor liberalization rules, aimed to efficaciously boost trade and investment and create more jobs and revenues for people and business operators in the areas and their vicinity.

For a more academic perspective, SEZs are demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory. These differential rules principally deal with investment conditions, international trade and customs, taxation and the regulatory environment; whereby the zones are given a business environment that is intended to be more liberal from a policy perspective and more effective from an administrative perspective than that of the national territory (Farole; Akinci, 2011, p. 3).

Given these definitions, it can be simplified generally that SEZs are specially-established areas for more liberal economic activities regulated and promoted by a set of favorable laws and measures, namely taxes, financial support and business facilitations, that are offered by the governments of the countries where SEZs are situated. The special enclaves are aimed to boost trade and investment, especially FDI, and create more jobs and increase revenues of both workers and business operators in order to stimulate economic development and growth.

UNIDO provides a similar definition of SEZs, pointing out that the general objectives of SEZs, if achieved, should help enhance competitiveness of the countries where SEZs are established. UNIDO estimated that there had been more than 1,000 SEZs in ASEAN alone, as of 2015 (UNIDO. 2015).

Globally, the World Bank cited the database on SEZs of the International Labour Organization (ILO) as reporting that there were 176 SEZs in 47

countries in 1986, but the number rose to 3,500 in 130 countries by 2006, accounting for more than 200 billion US dollars of the total world export then and creating at least 40 million jobs, after the world's first SEZ was established in Shannon, the Republic of Ireland, in Western Europe in 1959.

The World Bank stated that before the 1970s, most SEZs were opened in industrial countries, but since the 1970s, SEZs have increasingly become a major strategy on bolstering trade and investment in countries transforming from the import-substitution to the export-oriented economies amid the stronger increase in the concept of globalization. In particular, the World Bank indicated that SEZs have rapidly expanded in almost all global regions since the mid-1980s, especially in developing countries. However, the pace of setting up new SEZs has been even more catalyzed after the latest global economic crisis during 2008-2009, as countries have utilized SEZs, established in selected areas, as an engine to drive ahead their economic growth and competitiveness and to reduce development disparity either within their territories or between their countries and others.

There are actually different models and names of SEZs. They include Free Trade Zones (FTZs) where goods are produced with added values or processed exports or re-exports without any tariffs; Export Processing Zones (EPZs), where large-scale manufacturing for exports is promoted so that manufacturers benefit from the economies of scale and other incentives, which is similar to FTZs, although EPZs do not provide the same level of advantages offered by FTZs. Others are Enterprise Zones (EZs), most of which are in urban areas of developed economies in North America and Europe where business operators enjoy tax subsidies in particular and Free Ports where capital intensive goods and relevant services are produced such as retail businesses, call centers and travel agencies. Another term is Specialized Zones (SZs), similar to science and technology parks, where producers and developers of high technological products and services, like software and Internet-based firms, are encompassed (Farole; Akinci, 2011).

In the case of Thailand, the government has actually established SEZs since 1972 in the form of industrial estates⁵, which are supervised by the Industrial Estate Authority of Thailand (IEAT) but supported by the Board of Investment of Thailand (BOI) through its promotional measures. The Thai industrial estates have all been located in inner areas, some of which are now on the outskirts of Bangkok or in the capital's adjacent provinces, including Samut Prakan, Ayutthaya, Chon Buri and Rayong.

However, the ten Thai SEZs located along the border of Cambodia, Lao PDR, Myanmar and Malaysia have been first established by the government since 2015 with some different sets of official privileges and facilitations, namely expanding transport infrastructure, tax incentives and one-stop service centers (OSSCs), provided to facilitate and support both investors and workers. The ten Thai SEZs are aimed to attract new investment, especially FDI projects, and boost trade in the areas with the positive benefits expected to spread into their neighborhoods, which would spur economic growth and development in the areas in the long run, including poverty reduction, lessened economic and social disparity and local people's better quality of life.

4.3 Analytical Discussions

4.3.1 Rational Potential of Ten Thai Border SEZs

SEZs, a form of FTAs in the present New Regionalism era, are specially regulated and promoted by favorable laws and incentive measures which are different from the rest of a country, namely specially-designed taxation, customs, as well as financial and labor liberalization rule, in order to boost trade and investment and create more jobs and revenues for people and business operators in the areas and their vicinity, as mentioned above. The formation of the AEC as a regional economic integration, a large-scale FTA, with trade and investment liberalization, has also provided

⁵The first industrial estate in Thailand is Bangchan Industrial Estate in Bangkok's Min Buri area which was established in 1972. There are now more than 40 industrial estates in the country as of 2017 (IEAT: <http://www.ieat.go.th>).

all ten ASEAN member countries with more pooled resources to be utilized, along with more business opportunities and infrastructure development projects, as well as intra-regional and extra-regional trade. Therefore, this research paper initially views that the ten Thai SEZs along the border with neighboring Lao PDR, Cambodia, Malaysia and Myanmar should have the potential for progress within a certain period of time, boosted by the trade and investment liberalization and the pooled resources.

This research study has learned from some successful SEZs, namely the Shenzhen SEZs in China, the Iskandar Development Region (IDR) in Malaysia and the Savan-Seno SEZ in Lao PDR, that a main factor which could contribute to progress, potential and sustainable growth of SEZs should include tax measures. The Thai government, thus, similarly offers tax incentives, covering an eight year-corporate income tax exemption and an additional 50 per cent reduction in corporate income tax for another five years for international investment projects approved by the BOI in its targeted businesses in case that the investment projects submit their application to the BOI by December 31, 2017.

The targeted businesses are mostly labor-intensive, including those in the agro-industry and fishery industry, the textile, garment and leather industries, the ceramic industry, the electronics and electrical appliances industries, the automobile parts and machinery parts industries, the medical equipment industry, the pharmaceutical industry, the gems and jewelry industry, the furniture industry, the plastic products industry, the printing industry, the logistics industry, the metal industry and the tourism industry.

Besides, international projects investing in businesses outside the BOI promotional industries in both the Mukdahan SEZ and the Tak SEZ, as well as the other eight Thai border SEZs, are all equally eligible for the reduction of corporate income tax from 20 per cent to 10 per cent in 10 accounting periods provided by the Revenue Department in case that the investment projects submit their application by December 31, 2017 as well.

In addition, the EXIM Bank provides financing support for investment projects in the Thai SEZs, including long-term soft loans with a repayment period of 15 years and a special interest rate at prime rate of -2.50 per cent in the first year, -1.50 per cent in the second-to-eight years and -1.00 per cent in ninth-to-fifteen years, as well as an additional short-term revolving credit. The Thai government also allows used machinery for each SMEs in promoted projects, but not exceeding 10 million baht, and sets the minimum investment by SMEs for each project at only 500,000 baht.

The initial observation by this study that the Mukdahan SEZ and the Tak SEZs, as well as the eight other Thai SEZs along the border, should have potential for progress is also based on the fact that more trade and investment liberalization offered in the Thai SEZs normally leads to expanding trade and investment activities and resulting in the economic growth and development in the areas (IMF, 2001). This study initially views that all stakeholders, including investors and workers in the special enclaves, as well as people in their neighborhoods, should also benefit in terms of sound returns to their trade and investment, together with increased wages and improved quality of life.

This study has observed that trade and investment liberalization in the Thai SEZs along the border of the neighboring countries, should also enable manufacturers in the areas to have competitive advantages in certain products due to their specialization in the production, which could lead to their higher productivity in the certain products because they could produce their goods relatively more efficiently than other goods.

Besides this, the research project considers that the new patterns of modern trade and investment, in which there is a shift of production and exports to be processed by using far higher technological products with more values added in elevated downstream lines, or more capital-intensive manufacturing, namely electronic goods and computers, rather than traditional commodities, together with spanning regional transport connectivity, especially the GMS-EWEC, NSEC and SEC, should promote regional economic development between Thailand and the four neighboring countries.

However, as mentioned earlier, not all the SEZs that have offered tax incentives are considered to have become successful. SEZs in India should be a case study of precaution for the Thai SEZs. Analysts have pointed out that, despite a tax break for 10 years and a 50 per cent-cut for another five years, only 152 out of a total of 625 Indian SEZs had been active as of 2014, which was nearly a decade after the immense South Indian nation promulgated its SEZ Act and then introduced the SEZs policy. Besides, the Indian SEZs, at that time, had collectively created less than 290,000 jobs, which was considerably lower than the official target that was set of about 3.9 million, while investment projects and exports from Indian SEZs had also been 41 per cent and 25 per cent below the predicted official targets, respectively (ADB, n.d.). The Thai government should, thus, also look into the cases of the Indian unsuccessful SEZs in order to explore the causes of the problems in order to prevent the Thai border SEZs from going through the similar traps.

4.3.2 Patterns of Trade and Investment in Mukdahan and Tak SEZs

As stated in the objectives of this paper, a focus of this study is on looking into the patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ, which are both situated along the GMS-EWEC but in the different directions, as the Mukdahan SEZ is located along the eastern side of the GMS-EWEC bordering Lao PDR and the Tak SEZ is located along the western side of the GMS-EWEC bordering Myanmar.

Observing an updated NESDB public report in May 2017 on the progress of the development of the ten Thai SEZs along the border (NESDB, 2017), this study has initially found that investment projects applying for incentives or promotional privileges granted by the Thai government through the Board of Investment of Thailand (BOI) at the Tak SEZ have reached about 3.58 billion baht, accounting for over 40 per cent of overall new investment projects worth 8.58 billion baht seeking for the BOI approval of promotional privileges at all the ten Thai SEZs, while new investment projects seeking for incentives, granted by BOI at the Mukdahan SEZ, have been much smaller with their total capital of about 831.5 million baht, as shown in Table 4.3 below.

This study has learned, on the other hand, from official statistics reported by the Mae Sot Customs Checkpoint in Tak and the Mukdahan Customs Checkpoint in Mukdahan, showing that there has been a smaller scale of cross-border trade between Thailand and Myanmar through Tak when compared with cross-border trade between Thailand and Lao PDR through Mukdahan. This research paper has also found a more progressive trend of both Thai exports and imports to and from Lao PDR through Mukdahan, when compared with Thai exports and imports to and from Myanmar through Tak. This study has also observed a rising level of identical imported and exported items in Mukdahan, as shown in Tables 4.4-4.9 below.

For instance, the total cross-border trade between Thailand and Lao PDR reported by the Mukdahan Customs Checkpoint at the end of the 2016 fiscal year stood at 111.75 billion baht, comprising 56.45 billion baht as Thailand's exports and 55.30 billion baht as imports from Lao PDR. The total cross-border trade between Thailand and Myanmar reported by the Mae Sot Customs Checkpoint in Tak, on the other hand, stood at 83.81 billion baht, comprising of 79.63 billion baht as Thailand's exports and 4.18 billion baht as imports from Myanmar. This research study is, therefore, exploring what factors are behind such the different patterns of trade and investment in Mukdahan and Tak.

Table 4.3

Thai SEZs, Areas and Investment Funds

NAMES OF SEZs	AREAS (Sq. Km)	INVESTMENT FUNDS (Million Baht)
Tak	1,419.00	3,578.90
Mukdahan	578.50	831.50
Sa Kaeo	332.00	1,278.80
Trat	50.20	182.60
Songkhla	552.30	1,749.50
NongKhai	473.67	301.80
Narathiwat	235.17	None
Chiang Rai	1,523.63	16.00
Nakhon Phanom	794.79	None
Kanchanaburi	260.79	639.60
		Total 8,578.70

Note. Adapted from ““Development of Thai SEZs,” by Office of the National Economic and Social Development Board (NESDB), 2017, *NESDB*. Updated as of May 2017. Retrieved June 3, 2017, from http://www.nesdb.go.th/nesdb_th/ewt_dl_link.php?nid=5195

Table 4.4

Thai-Lao Border Trade(Mukdahan Checkpoint) Fiscal 2008-2016

Unit : Billion Baht

FISCAL YEAR	2008	2009	2010	2011	2012	2013	2014	2015	2016
TOTAL	24.53	17.36	33.05	68.18	89.86	67.30	65.76	71.21	111.75
EXPORT	9.49	8.34	20.27	44.41	57.80	41.87	36.43	30.72	56.45
IMPORT	15.04	9.02	12.78	23.77	32.06	25.43	29.33	40.49	55.30
BALANCE OF TRADE	-5.55	-0.68	7.49	20.64	25.74	16.44	7.10	-9.77	1.15

Note. Adapted from “Performances of Mukdahan Customs Checkpoint during 2008-2016 Fiscal Year,” *Mukdahan Customs Checkpoint*. Mukdahan Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.5

Thai-Myanmar Border Trade (Mae Sot Checkpoint) Fiscal 2008-2016

Unit: Billion Baht

FISCAL YEAR	2008	2009	2010	2011	2012	2013	2014	2015	2016
TOTAL	18.75	23.88	29.78	18.34	35.13	43.94	59.48	68.31	83.81
EXPORT	17.51	22.17	28.67	17.49	33.97	41.46	55.96	64.24	79.63
IMPORT	1.24	1.71	1.11	0.85	1.16	2.51	3.52	4.07	4.18
BALANCE OF TRADE	16.27	20.46	27.56	16.64	32.81	38.95	52.44	60.17	75.40

Note. Adapted from “Statistics on Border Trade Values Through Mae Sot Customs Checkpoint during 2008-2016 Fiscal Year,” *Mae Sot Customs Checkpoint*. Tak Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.6

*Top Ten Export-Import Items at Mukdahan Checkpoint
2016 Fiscal Year (October 2015-September 2016)*

TOP 10 EXPORTS			TOP 10 IMPORTS		
PRODUCT	ITEMS	BAHT (Billion)	PRODUCT	ITEMS	BAHT (Billion)
Electronic Units	Processing	20.74	Pure Copper		9.89
Printing Circuit Boards		4.83	Camera Accessories		8.62
Camera Accessories		1.60	Electric Power		8.28
Fuel		1.40	Electronic Processing Units		6.78
Plastic Parts		1.11	Telephone Sets		2.91
Sugar		1.11	Plastic Parts		0.79
Vehicles		1.07	Printing Circuit Boards		0.79
Electric Circuit Boards		1.00	Women and Children Clothes		0.75
Electric Motors		0.84	Women and Children Jackets and Slacks		0.54
Audio-Visual Equipment		0.74	Electric Motors		0.41
Others		22.01	Others		15.54
TOTAL		56.45	TOTAL		55.30

Note. Adapted from “Performances of Mukdahan Customs Checkpoint during 2008-2016 Fiscal Year,” Mukdahan Customs Checkpoint. Mukdahan Province, Thailand.

Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.7

*Top Ten Export-Import Items at Mukdahan Checkpoint
2015 Fiscal Year (October 2014-September 2015)*

TOP 10 EXPORTS		TOP 10 IMPORTS	
PRODUCT ITEMS	BAHT (Billion)	PRODUCT ITEMS	BAHT (Billion)
Empty Tanks & Metal Tools	3.71	Pure Copper	13.71
Printing Circuit Boards	3.49	Camera Accessories	8.58
Electronic Processing Units	3.27	Empty Tanks & Metal Tools	3.79
Fuel	1.84	Electronic Processing Units	3.35
Camera Accessories	1.53	Power	1.27
Motors & Accessories	1.25	Printing Circuit Boards	0.86
Vehicles	1.04	Electric Circuit Parts	0.57
Audio-Visual Equipment	0.74	Steel Gas Tanks	0.48
Fresh Fruits	0.72	Motors & Accessories	0.47
Plastic Parts	0.71	Apparels	0.37
Others	12.41	Others	7.04
TOTAL	30.72	TOTAL	40.49

Note. Adapted from “Performances of Mukdahan Customs Checkpoint during 2008-2016 Fiscal Year,” Mukdahan Customs Checkpoint. Mukdahan Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.8

*Top Ten Export-Import Items at Mukdahan Checkpoint
2014 Fiscal Year (October 2013-September 2014)*

TOP 10 EXPORTS			TOP 10 IMPORTS		
PRODUCT	ITEMS	BAHT (Billion)	PRODUCT	ITEMS	BAHT (Billion)
	Electronic Processing Units	12.69		Pure Copper	16.83
	Motors & Accessories	3.23		Motors & Accessories	5.49
	Fuel	2.77		Steel Products	2.13
	Fresh Fruits	1.96		Machines	1.76
	Vehicles	1.41		Apparels	0.79
	Empty Tanks	1.30		Motorcycles & Parts	0.58
	Consumer Products	1.21		Fertilizers	0.34
	hard disk	0.82		Plastic Products	0.31
	Plastic Parts	0.73		Cut Timber	0.25
	Metal Sheets	0.54		Camera Accessories	0.14
	Others	9.76		Others	0.69
	TOTAL	39.43		TOTAL	29.33

Note. Adapted from “Performances of Mukdahan Customs Checkpoint during 2008-2016 Fiscal Year,” Mukdahan Customs Checkpoint. Mukdahan Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.9

*Supply Chains Between Thailand and Lao PDR Through Mukdahan
(2008-2016 Fiscal Years)*

*X-M = Identical types of exported and imported products between Thailand
and Lao through Mukdahan*

FISCAL YEAR	2016	2015	2014	2013	2012	2011	2010	2009	2008
Electronic Processing Units	X-M	X-M	-	-	-	-	-	-	-
Printing Circuit Boards	X-M	X-M	-	-	-	-	-	-	-
Camera Accessories	X-M	X-M	-	-	-	-	-	-	-
Plastic Parts	X-M	-	-	-	-	-	-	-	-
Electric Motors & Accessories	X-M	X-M	X-M	X-M	-	-	-	-	-
Empty Tanks & Metal Tools	-	X-M	-	-	-	-	-	-	-

Note. Adapted from “Performances of Mukdahan Customs Checkpoint during 2008-2016 Fiscal Year,” Mukdahan Customs Checkpoint. Mukdahan Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

In the case of the Thai-Lao cross-border trade and investment, this study has learned that they have started growing since Lao PDR adopted the socialist-market policy under its economic reform program, called the New Economic Mechanism (NEM) in 1986 (Leebouapao, 2008), and have been generally expanding further since Lao PDR became an ASEAN member country in 1997. Like the Thai-Lao cross-border trade and investment through other border passes, this study has found that the Thai-Lao cross-border trade and investment through Mukdahan have kept growing substantially since the early 2000s, some years after the Asian Financial Crisis in mid-1997.

According to a set of official data gathered by the Bank of Thailand (BOT), Thai-Lao cross-border trade through Mukdahan has generally been increasing steadily since 2003 when its value stood at 3.72 billion baht and expanded to 6.35 billion baht in 2006. For investment, there have been at least 450 Thai investment projects in Lao PDR since 2000, totally worth at least 3.34 billion US dollars (about 113.56 billion baht: B34=1US\$), part of which were those investing in the Savan-Seno SEZ, including those of Double Logistics Public Co., Ltd., Nanon (Thailand) Co., Ltd., SCG Logistics Co., Ltd., Urai Phanich Co. Ltd and Boonsiri Frozen Products Co Ltd. (UTCC, 2014; 2015; Royal Thai Consulate-General Savannakhet, 2017).

This paper has observed that over the past decade, in particular, Thai-Lao cross-border trade through Mukdahan has been expanding further, cushioned mainly by the improved transport infrastructure through the opening for full public services of the Second Thai-Lao Friendship Bridge. An official data provided to the ADB by the Thai government should be the sufficient enough evidence, indicating that the number of vehicles carrying goods that exited Thailand's Mukdahan Province to Lao PDR's Savannakhet Province through the Second Thai-Lao Friendship Bridge increased from 27,133 in 2010 to 38,251 in 2015 and the number of vehicles carrying goods that entered Mukdahan from Savannakhet increased from 27,016 in 2010 to 35,689 in 2015 (ADB, 2016).

This is because any location that is close to, or linked with, well-planned or well-developed transport networks should have more comparative advantages

than those located farther and areas where transport and other infrastructure systems that are in good place should also support local supply chains, as the transport connectivity could play a vital role in promoting economic development and productive integration in the areas or in a specific region (Techakanont, 2014).

Based on the official statistics reported by the Mukdahan Customs Checkpoint, this research project has learned that Thailand's imports from Lao PDR through Mukdahan have clearly expanded generally since 2010, a few years after the Second Thai-Lao Friendship Bridge was inaugurated, from about 12.78 billion baht in the 2010 fiscal year to about 23.77 billion baht in the 2011 fiscal year and about 32.06 billion baht in the 2012 fiscal year, respectively. Thai imports to Mukdahan from Savannakhet on the Lao side have even substantially grown since the 2013 fiscal year, from about 25.43 billion baht in the 2013 fiscal year to about 29.33 billion baht, 40.49 billion baht and 55.30 billion baht in the 2014-2016 fiscal years, respectively.

From the 2013 fiscal year onwards, this study has also found that there have been increasingly identical types of products exported from Mukdahan to Savannakhet in Lao PDR and imported from Savannakhet to Mukdahan on the Thai side. They mainly include electronic processing units, printing circuit boards, camera accessories, electric motors and tools and audio-visual equipment, as shown in the Tables 4.6-to-4.9, above.

For Thailand's exports to Lao PDR through Mukdahan, on the other hand, this research project has found, based on the official statistics, that Thai exports to Savannakhet on the Lao side had remarkably risen during the 2009-2012 fiscal years, from about 8.34 billion baht in the 2009 fiscal year to about 20.27 billion baht in the 2010 fiscal year, 44.41 billion baht in the 2011 fiscal year and 57.80 billion baht in the 2012 fiscal year. However, the rising trend of Thai exports from Mukdahan to Savannakhet on the Lao side has become rather reduced since the 2013 fiscal year, when identical types of products exported from Mukdahan to Savannakhet and imported from Savannakhet to Mukdahan were first observed by this study. They were seen from about 41.87 billion

baht in the 2013 fiscal year to about 36.43 billion baht and 30.72 billion baht in the 2014-2015 fiscal years respectively.

Even in the 2016 fiscal year when Thai exports to the Lao side through Mukdahan surged to about 56.45 billion baht, the figure was not higher remarkably from the imported figure of 55.30 billion baht. Examining from the balance of trade aspect, this research project has found that Thailand's trade surplus over Lao PDR through merchandise exchanges between Mukdahan and Savannakhet has also considerably dropped since the 2013 fiscal year, from about 16.44 billion baht in the 2013 fiscal year to about 7.10 billion baht in the 2014 fiscal year. In the 2015 fiscal year, Thailand even experienced a trade deficit with Lao PDR in the merchandise exchanges between Mukdahan and Savannakhet up to almost one billion baht, before regaining a trade surplus of only about 1.15 billion baht in the 2016 fiscal year.

Observing the changing pattern of the Thai-Lao cross-border trade through Mukdahan and Savannakhet, this research project aims to find out whether there is only the improved transport infrastructure, through the opening for full public use of the Second Thai-Lao Friendship Bridge since early 2007 on the eastern side of the GMS-EWEC, or other factors incorporated, including official incentives and financial support provided by the Thai government, as well as the expansion of downstream production lines, as mentioned earlier, and others that may be also recognized as the relevant factors behind the changing pattern of cross-border trade between Thailand and Lao PDR through Mukdahan and Savannakhet.

As trade always goes along with investment, the factors behind the changing pattern of cross-border trade between Thailand and Lao PDR through Mukdahan and Savannakhet should also be viewed to be related to the factors behind the smaller number of international investment projects applying for the official incentives and other supporting measures provided by the Thai government at the Mukdahan SEZ, when compared with trade volumes in the same enclave and with investment projects seeking for the government's incentives and other supporting measures at the Tak SEZ in the western side of the GMS-EWEC.

In the case of the Thai-Myanmar cross-border trade, it was initially started since the establishment of the GMS in 1992 and has considerably expanded generally since Myanmar became an ASEAN member country in 1997, with Thailand steadily gaining the trade surplus. As shown in official statistics reported by the Mae Sot Customs Checkpoint in the Table 4.10 below, the Thai-Myanmar cross-border trade through Tak, in which Mae Sot, recognized as the most important border pass along the over 2,400-kilometer common frontier, is located, rose from about 1.43 billion baht in the 1993 fiscal year to 2.08 billion baht in the 1994 fiscal year. The Thai-Myanmar border trade through Tak then increased to 3.19 billion baht in the 1997 fiscal year, which was about three times higher than 1.07 billion baht in 1996 and further expanded clearly from 3.31 billion baht in the 1999 fiscal year to 4.36 billion baht and 4.75 billion baht in 2000-2001 respectively.

Table 4.10

Border Trade-Tak (Mae Sot Checkpoint) 1993-2002 Fiscal Years

Unit: Billion Baht

FISCAL YEAR	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
TOTAL	1.43	2.08	0.81	1.07	3.19	1.44	3.31	4.36	4.75	3.30
EXPORT	1.37	2.06	0.80	1.06	3.16	1.16	2.63	3.98	3.09	2.76
IMPORT	0.06	0.02	0.01	0.01	0.02	0.27	0.68	0.38	1.66	0.54
BALANCE OF TRADE	1.30	2.04	0.79	1.05	3.14	0.87	1.95	3.60	1.42	2.22

Note. Adapted from “Statistics on Border Trade Values Through Mae Sot Customs Checkpoint during 1993-2002 Fiscal Year,” *Mae Sot Customs Checkpoint*. Tak Province, Thailand. Retrieved June 18, 2017, from <http://www.danmuk.org/>

Official statistics reported by the Mae Sot Customs Checkpoint, shown in the Table 4.5 above, further indicates a substantial increase generally of the Thai-Myanmar border trade across the Moei River to Myawaddy through Tak from the 2008 fiscal year onwards, with Thailand constantly gaining the trade surplus. Since the fiscal 2011 fiscal year, in particular, when Myanmar has already implemented the open-door policy to welcome external trade and investment internationally, the Thai-Myanmar cross-border trade to Myawaddy through Tak has remarkably increased, from 18.34 billion baht in the 2011 fiscal year to 83.81 billion baht in the 2016 fiscal year.

This research project has observed that, unlike the Thai-Lao cross-border trade through Mukdahan, the pattern of Thai-Myanmar cross-border trade through Tak has mostly remained intact over the past few decades, as Thai exports from Tak to Myawaddy on the Myanmar side has always exceeded imports from Myawaddy in a large proportion up until now although imports from the Myanmar side and the total cross-border trade through Tak have also been generally on the rise. This research project has found, for instance, that a few years after Myanmar joined ASEAN in 1997, Thai exports across the border from Tak to Myawaddy in the Myanmar side increased from about 1.16 billion baht in the 1998 fiscal year to 2.63 billion baht and 3.98 billion baht in the 1999 and the 2000 fiscal years respectively, while imports from Myawaddy stood at only 0.27 billion baht in the 1998 fiscal year, 0.68 in the 1999 fiscal year and 0.38 billion baht in the 2000 fiscal year.

Besides, this research project has learned that even after Myanmar has adopted the open-door policy to attract more international trade and investment since 2010 (TIARA, 2015), the Thai exports from Tak to Myawaddy on the Myanmar side have remained considerably outpaced of the imports from Myawaddy. This is shown in the official statistics above that the Thai exports to Myawaddy through Tak not only rose from about 17.49 billion baht in the 2011 fiscal year to 55.96 billion baht in the 2014 fiscal year, 64.24 billion baht in the 2015 fiscal year and 79.63 billion baht in the 2016 fiscal year respectively due to the more liberal trade and the economic integration within the ASEAN bloc, but the figures also far exceeded imports from Myawaddy to Tak that

stood, in comparison, at just a mere 0.85 billion baht in the 2011 fiscal year, 3.52 billion baht in the 2014 fiscal year, 4.07 billion baht in the 2015 fiscal year and 4.18 billion baht in the 2016 fiscal year respectively.

This research project has also observed from the official statistics and desk research that total cross-border trade between Thailand and Myanmar through Tak, covering both exports from Tak to Myawaddy and imports from Myawaddy to Tak, has grown not only in a slower pace when compared with total cross-border trade between Thailand and Lao PDR through Mukdahan and Savannakhet in the eastern side of the EWEC, but also in a more unstable trend.

This research project has found the various aspects from the cross-border trade between Thailand and Myanmar through Tak since the 1990s. For instance, total trade between Thailand and Myanmar through Tak increased from 1.43 billion baht in the 1993 fiscal year to 2.08 billion baht in the 1994 fiscal year, but fell to 0.81 billion baht in the 1995 fiscal year and then rose again to 1.07 billion baht in the 1996 fiscal years. Exports from Tak to Myawaddy on the Myanmar side also increased from 1.37 billion baht in the 1993 fiscal year to 2.06 billion baht in the 1994 fiscal year, but dropped to 0.80 billion baht in the 1995 fiscal year and rose again to 1.06 billion baht in the 1996 fiscal year. For imports from Myawaddy to Tak, they even fell from 0.06 billion baht in the 1993 fiscal year to 0.02 billion baht in the 1994 fiscal year and about 0.01 billion baht in the 1995 and the 1996 fiscal years.

This research project has observed the same scenario after Myanmar joined ASEAN, as the total cross-border trade between Thailand and Myanmar through Tak fell from 3.19 billion baht in the 1997 fiscal year to 1.44 billion in the 1998 fiscal year, but increased to 3.31 billion baht ,4.36 billion baht and 4.75 billion baht in the 1999-2001 fiscal years and then dropped again to 3.30 billion baht in the 2002 fiscal year. Exports from Tak to Myawaddy on the Myanmar side also fell from 3.16 billion baht in the 1997 fiscal year to 1.16 billion baht in the 1998 fiscal year, but rose to 2.63 billion baht and 3.98 billion baht in the 1999-2000 fiscal years and then dropped again to 3.09 billion baht and 2.76 billion baht in the 2001-2002 fiscal years, respectively. Imports

from Myawaddy on the Myanmar side to Tak, on the other hand, surged from 0.02 billion baht in 1997 fiscal year to 0.27 billion baht and 0.68 billion baht in the 1998-1999 fiscal years, but fell to 0.38 billion baht in the 2000 fiscal year and then soared to 1.65 billion baht in the 2001 fiscal year but dropped again to 0.54 billion baht in the 2002 fiscal year.

Looking into the official data above, this research project has detected that the same aspects have continued over the past decade, as the total cross-border trade between Thailand and Myanmar through Tak increased from 18.75 billion baht in the 2008 fiscal year to 23.88 billion baht and 29.78 billion baht in the 2009-2010 fiscal years, but dropped to 18.34 billion baht in the 2011 fiscal year. Exports from Tak to Myawaddy also increased from 17.51 billion baht to 22.17 billion baht and 28.67 billion baht in the 2009-2010 fiscal years, but then dropped to 17.49 billion baht in the 2011 fiscal year, while imports fell from 1.24 billion baht in the 2008 to 1.71 billion baht, 1.11 billion baht and 0.85 billion baht in the 2009-2011 fiscal years respectively.

For investment, this study results argue that there have been rising labor-intensive manufacturing plants in Tak over the past few decades in line with the expanding cross-border trade generally in the Lower Northern gateway Thai province, where manufacturers can also utilize an abundant labor force supplied by migrant Myanmar workers to produce their products to also serve other local markets. In the early 2000s, there were 464 manufacturing businesses in Tak, most of which, or 235, were opened in Mae Sot alone. The local factories that mostly produced textile and garment, canned food, wooden furniture and jewelry generated export revenues for Tak up to 3.1 billion baht during the period and created a number of jobs for workers, about 10,000 of whom were Myanmar migrant workers (Krainara, 2016).

This research study has also found that the pattern of rising investment projects in Tak has continued so far, witnessed more clearly after the establishment of the Tak SEZ in the province in 2015 as the value of international investment projects seeking for official incentives and other supporting measures from the Thai government in the Tak SEZ has reached 3.58 billion baht (NESDB, 2017), accounting for more than 40 per cent of overall new investment projects worth 8.58 billion baht that have applied for the

official promotional privileges, granted by BOI, at all the ten Thai border SEZs as earlier mentioned.

According to the Federation of Thai Industries (FTI), Thailand was, on the other hand, the second largest foreign investor in Myanmar, after China, at the end of 2014, with 81 projects that having been approved by the Myanmar government totally worth about 335 billion baht, a large part of which was invested by business firms from Tak (FACT, 2015).

Besides, this research project has learned that cross-border trade between Tak Province in Thailand and adjacent Myawaddy Town in the Kayin or Karen State in Myanmar in the western side of the GMS-EWEC appear to be a one-way trait with more in the lower lines of the regional downstream production networks, when compared with those happening between Mukdahan in Thailand and Savannakhet Province in Lao PDR in the eastern side of the EWEC.

Based on the official data reported by the Mae Sot Checkpoint, this research project has learned that even in the 2016 fiscal year, export items from Tak to Myawaddy on the Myanmar side and import items from Myawaddy to Tak were still mainly consumer products with only one identical item among exports and imports. Looking into the official data reported by the Mae Sot Checkpoint, dated back to over about the last decade and summarized by this study, almost the same pattern of Thai-Myanmar cross-border trade through Tak has been observed, as shown in the Tables 4.11-to-4.15 below.

The First Thai-Myanmar Friendship Bridge across the Moei River, which links Mae Sot in Thailand's Tak Province with Myawaddy in Myanmar's Kayin or Karen State has been opened for full public services for two decades and has become narrow and increasingly congested, while the construction of the Second Thai-Myanmar Friendship Bridge and other new land routes will not become fully completed until the coming years, this research project aims to find out whether pending transport infrastructure development projects across the Thai-Myanmar border through Tak, when compared with the well-developed Second Thai-Lao Friendship Bridge and other border

road networks linking Mukdahan in Thailand with Savannakhet in Lao PDR should be related, either directly or indirectly, to patterns of trade and investment in Tak. This study also examines whether there should be other factors to have impacts on the patterns of trade and investment in Tak, where there has been less development of cross-border supply chains or production networks when compared with Mukdahan on the other opposite site of the GMS-EWEC.

Table 4.11

*Top Ten Export-Import Items at Mae Sot Checkpoint
2016 Fiscal Year (October 2015-September 2016)*

TOP 10 EXPORTS			TOP 10 IMPORTS		
PRODUCT	ITEMS	BAHT (Billion)	PRODUCT	ITEMS	BAHT (Billion)
Sugar		5.24	Peanut		0.76
Mobile Phones & Accessories		5.02	Livestocks		0.68
Soft Drinks		3.01	Antimony Trioxide		0.36
Beer		2.72	Dried Chili		0.30
Motorcycles		2.40	Green Bean		0.17
Farm Machines		2.23	Antimony		0.13
Cotton Fabric		1.96	Wood Furniture		0.12
Energy Drinks		1.93	Mobile Phones		0.12
TV Sets		1.45	Onion		0.11
Fuel		1.34	Used Bicycles		0.10
Others		52.33	Others		1.34
TOTAL		79.63	TOTAL		4.18

Note. Adapted from “Statistics on Border Trade Values Through Mae Sot Customs Checkpoint during 2008-2016 Fiscal Year,” *Mae Sot Customs Checkpoint*. Tak Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.12

*Top Ten Export-Import Items at Mae Sot Checkpoint
2015 Fiscal Year (October 2014-September 2015)*

TOP 10 EXPORTS		TOP 10 IMPORTS	
PRODUCT ITEMS	BAHT (Billion)	PRODUCT ITEMS	BAHT (Billion)
Telephones & Accessories	4.82	Livestocks	1.40
Beer	3.22	Peanut	0.36
Fuel	4.15	Antimony Trioxide	0.30
Cotton Fabric	1.95	Antimony	0.24
Motorcycles	1.26	Onion	0.19
Farm Machines	1.13	Wood Furniture	0.18
Footwear	1.06	Dried Chilli	0.12
TV Sets	1.06	Mobile Phones	0.09
Biscuit	0.90	Used Bicycles	0.07
Sugar	0.86	Fishnets	0.06
Others	44.67	Others	1.06
TOTAL	64.24	TOTAL	4.07

Note. Adapted from “Statistics on Border Trade Values Through Mae Sot Customs Checkpoint during 2008-2016 Fiscal Year,” *Mae Sot Customs Checkpoint*. Tak Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.13

*Top Ten Export-Import Items at Mae Sot Checkpoint
2014 Fiscal Year (October 2013-September 2014)*

TOP 10 EXPORTS		TOP 10 IMPORTS	
PRODUCT ITEMS	BAHT (Billion)	PRODUCT ITEMS	BAHT (Billion)
Beer	3.63	Livestocks	1.39
Telephones & Accessories	3.12	Peanut	0.56
Fuel	4.71	Antimony	0.35
Cotton Fabric	1.51	Green Bean	0.23
TV Sets	1.17	Wood Furniture	0.23
Cooking Oil	1.07	Antimony Trioxide	0.12
Footwear	1.00	Dried Chilli	0.11
Instant Coffee	0.88	Fish	0.07
Processed Food	0.85	Onion	0.05
Biscuit	0.79	Sesame	0.04
Others	38.01	Others	0.04
TOTAL	55.96	TOTAL	3.52

Note. Adapted from “Statistics on Border Trade Values Through Mae Sot Customs Checkpoint during 2008-2016 Fiscal Year,” Mae Sot Customs Checkpoint. Tak Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.14

Top Export Items at Mae Sot Checkpoint 2010-2016 Fiscal Years

Top exports and imports have been mostly reported by the Mae Sot Checkpoint since 2010

FISCAL YEAR	2016	2015	2014	2013	2012	2011	2010
Sugar	Y	Y	-	-	-	-	-
Mobile Phones& Accessories	Y	Y	Y	Y	-	-	-
Soft Drinks	Y	Y	Y	Y	Y	Y	Y
Beer	Y	Y	Y	Y	Y	Y	Y
Motorcycles	Y	Y	Y	Y	Y	Y	Y
m Machines	Y	Y					
Printed Cotton Fabric	Y	Y	Y	Y	Y	Y	Y
Energy Drinks	Y	Y	-	-	-	-	-
TV Sets	Y	Y	Y	Y	Y	Y	Y
Fuel (Benzene/Diesel)	Y	Y	Y	Y	Y	Y	Y
Foodwears	Y	Y	Y	Y	Y		Y
Crispy Bread	Y	Y	Y	Y	Y	Y	Y
Cooking Oil		Y	Y	Y	Y	Y	Y
Instant Coffee	Y	Y	Y	Y	Y	Y	Y
Monosodium Glutamate	Y	Y	Y	Y	Y	Y	Y
Used Trucks/Cars	-	-	-	Y	-	Y	Y
Medicines	-	Y	Y	Y	Y	Y	Y

Note. Adapted from “Statistics on Border Trade Values Through Mae Sot Customs Checkpoint during 2010-2016 Fiscal Year,” *Mae Sot Customs Checkpoint*. Tak Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

Table 4.15

Top Export Items at Mae Sot Checkpoint 2010-2016 Fiscal Years

Top exports and imports have been mostly reported by the Mae Sot Checkpoint since 2010

FISCAL YEAR	2016	2015	2014	2013	2012	2011	2010
Peanut	M	M	M	M	-	M	M
Livestocks	M	M	M	M	M	M	M
Antimony Trioxide	M	M	M	-	-	-	-
Dried Chili	M	M	M	-	-	-	-
Green Bean	M	M	M	M	M	M	M
Antimony	M	M	M	M	M	M	M
Wood Furniture	M	M	M	M	M	M	M
Mobile Phones	M	M	-	-	-	-	-
Onion	M	M	M	-	M	M	M
Used Bicycles	M	M	M	M	M	M	Y
Corn	M	M	-	-	-	-	-
Fish, Fishnet	M	M	M	M	M	M	M
Women's Clothes	M	M	M	M	-	-	-
Cashew Nut	M	M	-	M	M	-	M
Sesame	M	M	M	M	M	M	M
Raw Cowskin	M	-	-	-	-	-	-
Men's Clothes	M	-	-	=	-	-	-

Note. Adapted from “Statistics on Border Trade Values Through Mae Sot Customs Checkpoint during 2010-2016 Fiscal Year,” *Mae Sot Customs Checkpoint*. Tak Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>

4.3.3 Comparison of Trade and Investment Patterns between Mukdahan and Tak SEZs.

Prompted by the interesting different patterns of trade and investment in the opposite direction between the Mukdahan SEZ and the Tak SEZ, this research project examines what factors could have shaped the different patterns of trade and investment in the two Thai border SEZs that are situated on the same GMS-EWEC, with a detailed comparison between their patterns of trade and investment articulated by what has been found in the exploration. The desk analysis is based mostly on official information and reports publicly disseminated by the NESDB, the Mukdahan and the Mae Sot Customs Checkpoints, as well as other relevant documents.

This research project firstly explores and aims to identify the factors that are considered commonly related to the trade and investment of the Mukdahan and the Tak SEZs, as well as any potential for their progress, sustainable growth and practical success. This research project then resorts to the common factors as the basement for examining further what are the reasons behind the different patterns of trade and investment in the Mukdahan and the Tak SEZs, coupled with comparing between the patterns of trade and investment between the two Thai SEZs articulated by what are found.

When analyzing and comparing the different patterns of trade and investment between the Mukdahan and the Tak SEZs, this research project pairs the Mukdahan SEZ with the Savan-Seno SEZ across the border in Lao PDR and the Tak SEZ with the Myawaddy Industrial Zone and the Myawaddy Trade Zone across the border in Myanmar. The results from the analysis then become a new set of information to be resorted for examining the assumed causes of their different patterns in trade and investment, as well as the potential of progress and practical success of the two Thai border SEZs, followed by a conclusive statement with comments and proposals for further actions by relevant parties.

The factors this study considers to be commonly related to trade and investment of the Mukdahan and the Tak SEZs, as well as any potential for their

progress, sustainable growth and practical success include the progressive cross-border business transactions, infrastructure, strategic locations, wages, incentives, inter-country political security, timing of establishment and incubation or warm-up periods, as well as the supply chains or production networks.

4.3.3.1 Progressive Cross-Border Business Transactions

A geographical proximity has always promoted some forms of regular cross-border business transactions since the old days unless countries across the common border prohibit the cross-border transactions for any political, security or economic reason (Krainara, 2016). This study has observed the scenario at cross-border areas between Thailand's Mukdahan Province and Lao PDR's Savannakhet Province, which are about 20 kilometers apart across the Mekong River, and between Thailand's Tak Province and Myanmar's Myawaddy Town in the Kayin or Karen State, which are about 11 kilometers away from each other across the Moei River.

As shown in the official statistics above, the two-way Thai-Lao cross-border trade through Mukdahan has been generally growing quickly over the past decade, reaching 111.75 billion baht in the 2016 fiscal year, with Thai exports accounting for 56.45 billion baht and imports from Lao PDR's Savannakhet Province accounting for 55.30 billion baht. The latest figures remarkably surged from the total Thai-Lao cross-border trade through Mukdahan in 1997 when it stood at only 3.69 billion baht, with Thai exports accounting for 3.47 billion baht and Thai imports from Savannakhet accounting for 0.23 billion baht as indicated by a provincial public report (MGI, 2016).

As trade always promotes investment to produce goods and service supply for sale to serve consumers' demand, especially in the open-market policy framework of a regional economic integration, this research project also assesses the phenomenon, which complies with the trade and investment liberalization concept mentioned in the previous Chapter and is also true for border trade in Mukdahan, as seen in official figures above that there have been investment projects worth 831.50 million baht seeking for the approval of incentives granted by the Thai government, through the

Board of Investment of Thailand (BOI), in the Mukdahan SEZ alone as of May 2017, excluding those invested outside the special enclave.

Like the case of Mukdahan in Thailand and Savannakhet in Lao PDR, this paper has observed that the geographical proximity between Tak Province in Thailand and the Kayin or Karen State in Myanmar has also promoted cross-border business transactions, especially between Mae Sot Districts of Tak and Myawaddy Town of Karen State across the Moei River.

Although cross-border trade between Thailand and Myanmar, particularly through Mae Sot, has been growing since Myanmar became an ASEAN member country in 1997, which has also stimulated investment projects in border areas of both neighboring countries, this study has found from desk research an additional key reason for the expanding trade across the border, apart from becoming closer ties and cooperation as ASEAN member states, which is that Myanmar had faced economic sanctions from the Western world, due to political issues since 1997 until around 2010, making Myanmar in need to considerably rely on cross-border trade with bordering countries mostly, including Thailand.

As shown in the official statistics above, the cross-border trade between Thailand and Myanmar through Mae Sot in Tak has been even more expansive over the past decade. Two-way trade across the border through Tak has steadily increased from 18.75 billion baht in the 2008 fiscal year to 83.81 billion baht in the 2016 fiscal year, with Thai exports having always outpaced imports from the Myanmar side. Since 2010, Thai exports to Myanmar through Tak have been generally rising more remarkably, from less than 20 billion baht in the 2011 fiscal year to almost 80 billion baht in the 2016 fiscal year, due to the more wider opening of the Myanmar economy with relieving domestic political problems and the relaxing economic sanctions from the Western world (TIARA.n.d., FACT, 2015).

Investment, naturally triggered by expanding trade to produce goods and services for market demand, especially in the more liberalization and regionalization framework, has also been noticed, by this research, to be on the rise in Tak

over the past two decades. In the early 2000s, the number of labor-intensive manufacturers in Tak, including those producing textile and garment, canned food and furniture products, as well as jewelry and accessories, was nearly at around 500, about half of which were opened in Mae Sot alone.

This research project has observed more investment in Tak after the Tak SEZ has been established in the province, as seen in the official statistics above that investment projects seeking the approval of incentives from the BOI have been recorded the most in the Tak SEZ, when compared with the nine other Thai border SEZs, at about 3.58 billion baht as of May 2017, over 40 per cent of total investment projects of about 8.58 billion baht seeking for the Thai government's incentives through the BOI, thanks to labor comparative advantage in Tak, where a number of Myanmar migrant workers can be employed.

However, this research project has found out from desk research that there are some problems drawing back, to some extent, the flows of cross-border trade between Thailand and Lao PDR and between Thailand and Myanmar, namely the growing merchandise exchange between Mukdahan and Savannakhet and between Tak and Myawaddy (FACT, 2015).

The problems mostly include non-tariff barriers imposed by the Lao and the Myanmar governments in many forms, namely frequent changes in cross-border trade rules and regulations and import restrictions such as setting a ceiling quota for some imported products, including fuel, cement, rice, steel bars and trucks in case of Lao PDR and rice, cooking oil, jewelry, plastic, metal and cotton products in case of Myanmar, covering the imposition of a 60:40 quota, in which each importer is allowed to purchase products from across the border only when 40 per cent of the goods they produce are for exports in the case of Lao PDR, and the imposition of an import limit, in which business firm are allowed to each import no higher than 50,000 US dollars and only firms earning from exports to foreign markets are allowed to import goods in the case of Myanmar.

Besides, according to the Federation of Thai Industries (FTI), the Lao government has set up a single agency, called the “Societe Lao Import-Export,” to regulate and oversee imported products and to limit the number of authorized private importers, leading to a loophole for the authorized importers to claim for a 2-3 per cent service charge against exporters from Thailand for helping to get the green light for their products to reach the Lao market and to a problem of more goods smuggling into the neighboring country, several of which are substandard, or cheaper but pirated goods produced under Thailand’s brands by competing traders of other neighboring countries. This research project has learned that uneven levels of road development in scattering communities in Lao PDR, where railway transport services have not yet been developed and different rates of transport fees are imposed by many agencies in different areas, coupled with unready electronic-handled procedures, have also raised costs and are very time-consuming for Thai exporters.

Similarly, in the case of Myanmar, this study has also learned that importers in Myanmar are mostly state-owned, while authorized private importers are limited and regulated by the “Myanmar Import-Export Service”. Thai exporters and investors also face obstacles and higher costs from developing land routes in Myanmar while transporting their products across the border to the Myanmar market, as well as unready public utility services and other trade facilities in Myanmar, coupled with frequent fees that are charged by Myanmar officials along transport routes and, more importantly, frequent closures of Myanmar border passes due to political security issues along the border (TIARA, 2015; FACT, 2015).

This research study, thus, assumes that in 2014, when the proportion of Thai exports to Lao PDR via Mukdahan dropped to 13.53 per cent of overall Thai exports of 112.19 billion baht to the neighboring country (FACT, 2015) may have been partly caused by the problems mentioned above. Similarly, this research project assumes that low levels of Thai export to the Myanmar side through Tak, particularly prior to 2011, may have also been partly caused by the problems mentioned above.

4.3.3.2 Infrastructure

As mentioned earlier, the Mukdahan SEZ in Thailand's Northeastern Mukdahan Province is located on the eastern side of the GMS-EWEC, connecting with the well-established Savan-Seno SEZ in Savannakhet Province of Lao PDR that further connects with Vietnam's Lao Bao, Hue, Dong Ha and Da Nang Port. In its western side, the Mukdahan SEZ links with the Tak SEZ on the same GMS-EWEC as a continual land route.

Part of the EWEC intersects with the NSEC, which connects Kunming in southern China with Chiang Rai Province in Northern Thailand and Bangkok, at Tak and Phitsanulok Provinces in the Lower Thai North. The EWEC also intersects with the SEC, which connects Bangkok with Phnom Penh, Siem Reap, Stung Treng, Rattanakiri-O, Koh Kong and Kampot in Cambodia and Ho Chi Minh City, Vung Tau, Yadov, Pleiku, Quy Nhon, Ha Tien, Ca Mau City and Nam Can in Vietnam, in Pakse and Savannakhet in Lao PDR.

Tak Province, where the Tak SEZ has been established and its Mae Sot area connects with the Myawaddy Industrial Zone and the Myawaddy Trade Zone in Myanmar across the Moei River, is located on the western side of the GMS-EWEC. The two Myanmar border SEZs further connect with Mawlamyine Port and other inner areas in the neighboring country. Tak also connects, on its eastern side, with adjacent Phitsanulok, Khon Kaen and Kalasin Provinces, as well as the Mukdahan SEZ in Mukdahan Province that links with Savannakhet Province in Lao PDR across the Mekong River, as well as Lao Bao, Hue, Dong Ha and Danang Port in Vietnam as a continual land route on the same GMS-EWEC, some sections of which intersect with the NSEC and the SEC as mentioned earlier.

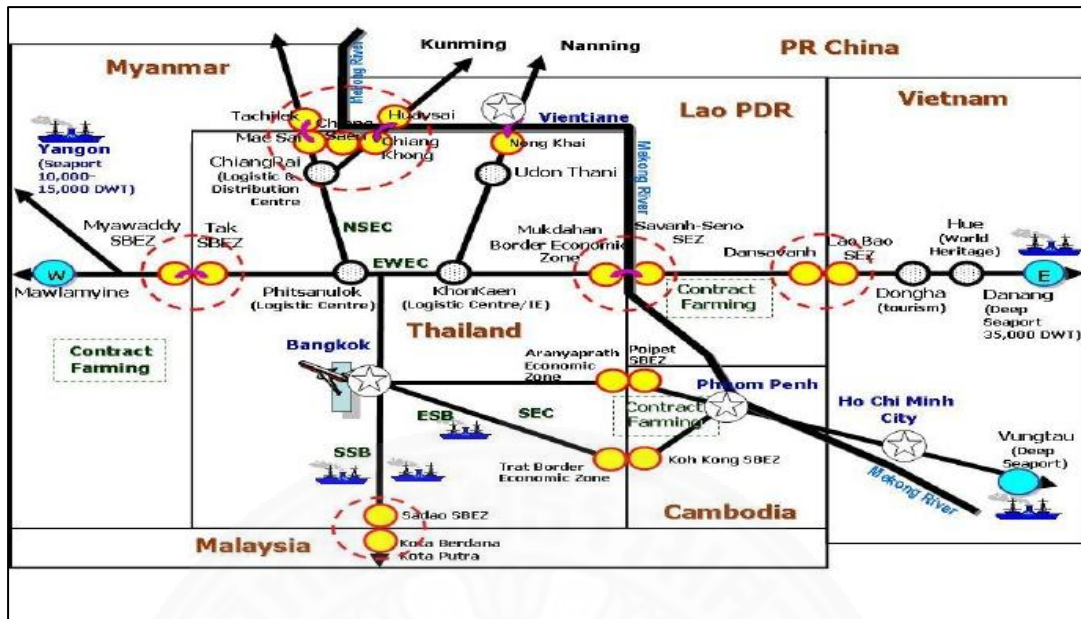


Figure 4.4 Trans-Thai Territorial GMS Economic Corridors

Adapted from “Border Economic Zones and Development Dynamics in Thailand: A Comparative Study of Bordering Countries,”

by C. Krainara, 2016, *Asian Institute of Technology School of Environment*, p. 5. Retrieved May 21, 2017, from

[https://www.scribd.com/document/335121054/Border-Economic-Zones-and-](https://www.scribd.com/document/335121054/Border-Economic-Zones-and-Development-Dynamics-in-Thailand-A-Comparative-Study-of-Bordering-Countries)

[Development-Dynamics-in-Thailand-A-Comparative-Study-of-](https://www.scribd.com/document/335121054/Border-Economic-Zones-and-Development-Dynamics-in-Thailand-A-Comparative-Study-of-Bordering-Countries)

[Bording-Countries](https://www.scribd.com/document/335121054/Border-Economic-Zones-and-Development-Dynamics-in-Thailand-A-Comparative-Study-of-Bordering-Countries)

Altogether, there are six networks of the three GMS Economic Corridors that pass through Thailand and connect with the Mukdahan and the Tak SEZs. Networks of the three GMS Economic Corridor are shown in the Figure 4.4 above.

The Mukdahan SEZ is also located near the Second Thai-Lao Friendship Bridge, which links Mukdahan Province in the Thai side with Lao PDR’s Savannakhet Province, a pair of Sisters Cities situated apart just across the Mekong River with a distance of about 20 kilometers. The 1.6-kilometer-long bridge, as shown in the Figure 4.5 below has fully served the cross-border traffic with its 12-meter wide-lanes since early 2007.



Figure 4.5 Second Thai-Lao Friendship Bridge

Adapted from Google Image (<https://images.google.com>)

The Tak SEZ is also located near the First Thai-Myanmar Friendship Bridge across the Moei River, which connects with populous or growing domestic markets in Myanmar, like Yangon, Mandalay and Nay Pyi Taw. The improvement of the Myawaddy-Thingannyi Naung or Kawkareik route in Myanmar's Kayin or Karen State, spanning from the First Thai-Myanmar Friendship Bridge and linking with expanding inner markets in Myanmar, has already been completed and opened for public service in the second half of 2015 with the financial support from the Thai government. The new road has considerably facilitated and boosted cross-border trade and investment between Thailand and Myanmar through Mae Sot in Tak and Myawaddy in Kayin or Karen State ever since. However, the improvement of the land route linking Kawkareik with more inner markets in Myanmar has not yet been completed.

The construction of the 0.76-kilometer Second Thai-Myanmar Friendship Bridge, located near the almost 0.40-kilometer First Thai-Myanmar Friendship Bridge as shown in the Figure 4.6 , is expected to be completed by 2019, when the expansion of the Mae Sot Airport is also scheduled to be completed. Another key comparative advantage of the Tak SEZ that should also be considered significant is

its utility supply, as the two Myanmar border SEZs just across the border, including the Myawaddy Industrial Zone and the Myawaddy Trade Zone, both have mostly relied on electricity services from Mae Sot in Tak, so far.



Figure 4.6 Second Thai-Myanmar Friendship Bridge

Adapted from “Second Thai-Myanmar Friendship Bridge”.

Department of Highways (DOH), 2017, Department of Highway, Ministry of Transport. *Thai Ministry of Transport*. Retrieved June 17, 2017, from <http://www.doh.go.th>

Besides, both the Mukdahan SEZ and the Tak SEZ will gain additional benefits from the expansion of an inter-provincial road network along the EWEC, linking Mukdahan Province with the Tak Province through some other adjacent Thai provinces, including Kalasin, Khon Kaen, Petchabun, Phitsanulok and Sukhothai, and the construction of a new 770-kilometer inter-provincial dual-track electric train network, linking Mukdahan Province with Tak Province once the construction of the two land transport projects are completed in the coming years. The Mukdahan SEZ is also situated near a Thai airport in the adjacent Nakhon Phanom Province.

There is also the Asian Highway (AH1), the longest land route in Asia with its total distance of 20,557 kilometers linking Japan with Europe at the E80 Highway in Istanbul, Turkey, as shown in the Figure 4.7 below. The AHI passes through South Korea, North Korea, China, Hong Kong, Vietnam, Cambodia, Thailand, Myanmar, Bangladesh, Sri Lanka, India, Pakistan, Afghanistan and Iran, which will directly connect Tak with South Asian nations through Myanmar and will indirectly connect Mukdahan with East Asian nations through Vietnam. However, the AHI has remained under a developing process supported by the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP).



Figure 4.7 Asian Highway (AH1)

Adapted from Google Image (<https://images.google.com>)

As the Savan-Seno SEZ in Lao PDR is also located on the GMS-EWEC and is near the Second Thai-Lao Friendship Bridge and has already been well-established since 2003 with at least 65 international firms investing in the area so far, the

growing Lao border SEZ could also cushion trade and investment projects on the Thai side just across the Mekong River.

4.3.3.3 Strategic Location

Both the Mukdahan SEZ in Mukdahan Province in the Northeastern Thai Region and the Tak SEZ in Tak Province in the Lower Northern Thai Region are located on the East West Economic Corridor (EWEC) at the western and the eastern ends respectively. The EWEC is also connected with the NSEC and the SEC conjoining into the three main Economic Corridors developed since 2008 by the six GMS member countries, as well as other regional land route networks as mentioned earlier.

The Mukdahan SEZ also connects with Savannakhet Province of Lao PDR, where the Savan-Seno SEZ is located, through the Second Thai-Lao Friendship Bridge, which has fully served the cross-border traffic since early 2007. Products manufactured in the Lao side, especially at the Savan Seno SEZ can thus, be easily exported to Mukdahan and vice versa presently, further catalyzing the Thai-Lao cross-border trade and investment flows through Mukdahan over the past few decades. Cross-border trade between Thailand and Myanmar through Tak has also been growing over the past few decades, stimulating a number of investment projects in the Thai border area as well although both the Tak SEZ and the two Myanmar SEZs across the border have been opened during the comparable period with far more active exchanges of the Thai-Myanmar cross-border trade and investment expected in the coming years. This research project, thus, views both the Mukdahan SEZ and the Tak SEZ are situated at very strategic locations.

4.3.3.4 Wages

The daily minimum wage in both Mukdahan and Tak Provinces has been raised to 305 baht equally since early 2017 in accordance with the Thai Cabinet's resolution that was declared on November 22, 2016. The new daily minimum wages have been further raised by 5-10 baht in 69 provinces (ASEAN Briefing, 2016), which is about three times higher than the daily minimum wages in neighboring Lao PDR and Myanmar. The new 305 daily minimum wage in both Mukdahan and Tak was further

raised from 2013, when the Thai government raised the daily minimum wage to 300 baht equally in Bangkok and all other provinces. Earlier, there were different wages in different areas in Thailand in line with living conditions in the separate areas, such as the highest wages in Bangkok and its peripheral areas, followed by those in the central, southern, northern and northeastern regions (Techakanont, 2014).

Minimum wages in Thailand have been increased over the past couple of decades in line with the growing national economy, especially during the 1980s-1990s when the country's GDP grew as high as over 7 per cent annually (Krainara, 2016). The daily minimum wages have been further raised after the Asian Financial Crisis in mid-1997, reflecting the country's shortage of labor, especially unskilled workers. This is because of low birth rates in Thailand since the 1990s and higher education levels of the Thai population. According to the United Nations Population Fund (UNPF), Thailand's fertility rate during 2010-15 was estimated at 1.4 (Bloomberg News agency, 2015).

Thailand's labor force that completed only the primary educational level decreased from 66 per cent of the total labor force of 33.81 million in 2001 to 51 per cent of the total labor force of 39.31 million in 2013, while the labor forces that completed the junior high school, high school and higher educational levels increased. On the other hand, from 13 per cent, 7 per cent and 8 per cent of the total labor force of 33.81 million in 2001 rose to 17 per cent, 11 per cent and 13 per cent of the total labor force of 39.31 million in 2013 (Techakanont, 2014). Therefore, Thailand's unemployment rate, which stood at about 3.3 per cent in 2001, had reduced to 0.6–0.9 per cent by 2015 and to 1 per cent in 2016, far below the natural unemployment rate of 3 per cent (Techakanont, 2014; BOT, 2017).

This research project considers that the increased wages in Thailand should be a factor that has caused a smaller scale of investment projects seeking for official incentives and other supporting measures offered by the Thai government, through the BOI, the Revenue Department and other relevant agencies, in the Mukdahan SEZ so far, when compared with those in the Tak SEZ as shown in official statistics

above. The lower minimum wage in Lao PDR, about 85 baht a day as of 2015 (Business in Asia.Com, 2015), should attract more investment projects to the neighboring country, especially to the Savan-Seno SEZ, which has been well-established and is situated just across the border from Mukdahan through the Second Thai-Lao Friendship Bridge.

As the Governor of the Savan-Seno SEZ Authority, Bouakham Sisoulth, was quoted as saying if the Savan Seno SEZ becomes fully developed, there will be 500-800 factories and that will create 50,000-100,000 jobs, from at least 57 factories as of 2014, with mostly labor-intensive manufacturing plants, creating more than 1,600 jobs for mostly Lao workers (Vientiane Times, 2014).

About one year later, the Savannakhet provincial authority reported that at least 65 international firms, including those from Japan, Malaysia and Thailand, had invested at the Savan-Seno SEZ, totally worth over 200 million US dollars, and assessed that by 2020, there should be about 20,000 Lao workers employed at the Savan-Seno SEZ, from about 4,500 in 2015 (Nation, 2015; Nikkei, 2015). The lower daily minimum wages in Lao PDR should have also prompted part of Thai investors to decide to also relocate their manufacturing firms across the border to the Savan-Seno SEZ, while part of Lao workers want to cross the border to work at the Mukdahan SEZ to earn more income.

Similarly, the lower daily minimum wages in Myanmar, at 94 baht a day as of 2015, prompting part of Thai investors to decide to open or relocate their investment projects across the border to the Myawaddy Industrial Zone and Myawaddy Trade Zone in Myanmar, while a number of Myanmar workers want to cross the border to work at the Tak SEZ to earn more income (Business & Human Rights Resource Centre, n.d.)

4.3.3.5 Inter-Country Political Security

Over the 1,600-kilometer Thai-Lao border (TIARA, 2015), some 72 kilometers of which connects Thailand's Northeastern Mukdahan Province with Lao PDR's Southern Savannakhet Province, has remained peaceful with no border conflicts and clashes since the late 1980s when the Thai and the Lao governments agreed upon

peaceful border demarcation talks. The stable border situation has promoted and facilitated cross-border trade and investment between the Thai side through Mukdahan Province, where the Mukdahan SEZ is located, and the Lao side through Savannakhet Province, where the Savan-Seno SEZ is located, although the two neighboring ASEAN member countries have adopted different political rules, as Lao PDR has become a socialist state, which is different from Thailand's Constitutional rule, since 1975.

Some sections of the over 2,200-kilometer Thai-Myanmar border (TIARA, 2015), including the frontier connecting Thailand's Lower Northern Tak Province with Myanmar's Southern Kayin or Karen State, have been, on the other hand, affected by a spate of internal conflicts and clashes in Myanmar between state soldiers and armed ethnic minorities over the past few decades. The incidents have resulted in the unstable situation and frequent closures of a main border checkpoint in Myawaddy Town in the Kayin or Karen State, where the Myawaddy Industrial Zone and the Myawaddy Trade Zone are located and connects with the Tak SEZ through Mae Sot area on the Thai side. The border closures, ordered by Myanmar authorities with immediate effects and without any definite timeframe most of the time, have remained a major challenge to cross-border trade and investment in Tak.

4.3.3.6 Incentives

The Thai government has fairly and equally offered incentives, particularly tax incentives, to international firms investing in both the Mukdahan SEZ and the Tak SEZ, as well as those investing in eight other Thai border SEZs. They include, as mentioned earlier, an eight year-corporate income tax exemption and an additional 50 per cent reduction in corporate income tax for another five years for international investment projects approved by the BOI, along with the reduction of corporate income tax from 20 per cent to 10 per cent in ten accounting periods offered by the Revenue Department for international projects that do not apply for investing in the BOI targeted businesses.

Besides, international projects investing in the Mukdahan SEZ and the Tak SEZ, as well as the eight other Thai border SEZs, especially SMEs, are

equally eligible for 15-year soft loans provided by the EXIM Bank. The Thai government also allows used machinery for each SMEs in promoted projects, but not exceeding 10 million, and sets a minimum investment fund by SMEs for each project at only 500,000 baht.

However, international investment projects in the Mukdahan SEZ and the Tak SEZ will fully benefit from all the incentives offered by the Thai government when they start operating in the Thai border SEZs. Based on the first-hand information provided by officials at the Mukdahan Customs Checkpoint and the Mae Sot Customs Checkpoint in telephone interviews in January 2017, there has not been any substantial progress at the Mukdahan SEZ and the Tak SEZ so far.

When compared with the Savan-Seno SEZ just across the border in Lao PDR, which was established in 2003, several international firms, including those from Thailand, have already gained benefits from official incentives since early 2007, thanks mainly to the opening of the full cross-border transport facility provided by the Second Thai-Lao Friendship Bridge.

The promotional privileges, which are granted by the Lao government, have contributed to the successful Savan-Seno SEZ and included an exemption of import tariffs for firms that export more than 70 per cent of their total produce; a waiver of the profit tax and corporate tax during the first 10 years for international firms, after which they have to pay only 8 per cent of the profit tax; a permission for all profits to be remitted to home countries or third countries of MNCs without any restriction; a low 5-per cent personal income tax flat-rate for both Lao and foreign employees, compared to 24 per cent for those working outside the Savan-Seno SEZ and the progressive rates of 5-35 per cent in Thailand and a fast approval of firms seeking to invest in industrial processing than those applying to invest in other businesses (Bangkok Post, 2013; The Nation, 2015; Nikkei, 2015).

The increasing MNCs that have invested in the Savan-Seno SEZ include Toyota Boshoku Asia, which is a major supplier of seats and interior parts for Toyota Motor Corporation, and Nikon Corporations. Both Toyota and Nikon of Japan are

the world's leading manufacturers of automobiles and parts and optics and imaging products, namely cameras and accessories. The MNCs at the Savan-Seno SEZ have also catalyzed trade and investment across the border on the Thai side through Mukdahan.

For the Myawaddy Industrial Zone and the Myawaddy Trade Zone in Myanmar just across the border of the Tak SEZ in a distance of about only 11 kilometers, this research study has learned that the official incentives offered to international developers and investors by the Myanmar government are comparable to those offered by the Thai government to international projects investing in the Mukdahan SEZ and the Tak SEZ, as well as the other eight Thai border SEZs. They include an exemption from the corporate tax for the first seven years for investors, but eight years for development of the zones, after which they would each have to pay only 50 per cent of the corporate tax for another five years. If firms use their profits to reinvest within one year, they are then allowed to pay only 50 per cent of the corporate tax during another five years for the reinvested projects and each foreign developer and investor would be eligible to fully hold 100 per cent stake of each of their projects or to form joint ventures with Myanmar investors to hold 100 per cent stake of each of their projects.

Besides, developers are completely exempt from customs tariffs or are allowed to pay only 50 per cent of the customs tariffs for imported raw materials, machines, equipment and construction materials for their property development and installation of utilities and facilities in the Myanmar SEZs. Developers are also exempt from customs tariffs for vehicles, as well as wholesale and logistics service facilities used for the Myanmar SEZs. It could also be noted that, as the Tak SEZ in Thailand and the two Myanmar border SEZs have been opened in a comparable period of time, the trio have not yet catalyzed the trade and investment with each other to any great extent, so far.

4.3.3.7 Timing of SEZs Establishment and Warm-Up Period

The Thai government, through the National Committee on Special Economic Zone Development (NC-SEZ), announced the establishment of the Mukdahan SEZ and the Tak SEZ in January 2015, with international investors wanting to

seek official incentives offered by the BOI in targeted businesses and by the Revenue Department outside the targeted businesses required to submit their projects for further consideration and official approvals by the end of 2017. First-hand information was provided by officials at the Mukdahan and the Mae Sot Customs Checkpoints in two separate telephone interviews on January 19-20, 2017, and the results indicated that more time is needed for any substantial progress of both the Mukdahan SEZ and the Tak SEZ.

Taking other modeled SEZs in Asia into consideration, including the Shenzhen SEZ in China, the Iskandar Development Region (IDR) in Malaysia and the Savan-Seno SEZ in Lao PDR, this research study has found that all the SEZs needed some time, or an incubation period, for a test-run and the implementation of relevant policies or measures before they were able to start growing steadily.

The Savan-Seno SEZ in Lao PDR just across the border through Mukdahan on the Thai side should be, particularly, a good example. The Savan-Seno SEZ was established in 2003 and it was first seen as a successful SEZ only a couple of years before the formation of the AEC at the end of 2015, with at least 65 international firms having invested in the Lao SEZ, which are worth more than 200 million US dollars totally in their combined capital so far (Nation, 2015; Nikkei, 2015).

This research project considers that the emerging Mukdahan SEZ and the Tak SEZ should similarly take some time to attract international investment projects, including FDI, to test-run and to implement measures to facilitate and nurture their expected progress, potential and sustainable growth. The Tak SEZ, where a large number of migrant workers from Myanmar can be a main labor supply source and links with the two Myanmar SEZs in Myawaddy that have been opened in comparable periods and rely on utility services on the Thai side has, however, attracted a larger scale of investment projects seeking for official incentives provided by the Thai government through the relevant agencies so far, when compared to those in the Mukdahan SEZs, as shown in official statistics above.

The Mukdahan SEZ has, on the other hand, attracted a smaller scale of investment projects up until now, when compared with the Tak SEZ, as shown in

the official statistics above. However, this research project has learned that there has been a larger scale of cross-border trade between Mukdahan on the Thai side and Savannakhet on the Lao side, where the Savan-Seno SEZ is located. This is because the earlier-established Lao SEZ has drawn in the increasing number of MNC's since 2007 when the Lao border SEZ was seen to start passing through its incubation or warm-up period successfully, thanks mainly to the opening for full cross-border services of the Second Thai-Lao Friendship Bridge.

4.3.3.8 Supply Chains or Production Networks

Mukdahan Province, where the Mukdahan SEZ is located, and Savannakhet Province in Lao PDR, where the Savan-Seno SEZ is located, similarly benefit from the Second Thai-Lao Friendship Bridge and the 1,450 kilometer-GMS-EWEC, which goes on to the South China Sea in the Pacific Ocean in the East and the Andaman Sea in the Indian Ocean in the West and links with the NSEC and the SEC, enabling Lao PDR to now become a land-linked, instead of a land-locked country and is accessible to the sea through the regional land routes.

This research project has learned that the spanning cross-border regional highway networks and the difference in wages between Thailand and Lao PDR, coupled with more relocations to the then ASEAN-bloc but now the AEC by MNCs, many of which are from Japan, to utilize the 10-member economic integration's more trade and investment advantages from their pooled resources, have gradually shaped a new pattern of regional trade and investment in which there are more downstream production networks, or supply chains, of different industries in many countries in the region (Techakanont, 2014).

According to IMF report (2001), trade and investment liberalization, which promotes expanding trade and investment with more variety of goods and services to serve consumers, as well as regional integration and connectivity through expanding transport and logistics infrastructure and facilities, have supported the changing supply chains between trading partners, especially between developing economies that are called 'emerging market economies' (EMEs). The changing supply

chains have also allowed EMEs to enhance the technology content of their produce from inputs of more advanced investing countries.

The changing regional production networks or supply chains are likely to happen in the expanding vertical line with more values added or more capital-intensive production, witnessed by a number of manufacturing plants of automobiles and parts, computer sets and accessories and other electronic and electric goods in the AEC presently, rather than traditional commodities, thanks to the relocation of the region by technologically-advanced MNCs, which is boosted partly by official incentives and supporting measures offered by the governments of ASEAN member countries.

The study has learned that the growing downstream production networks or supply chains in the region in the more vertical manufacturing processes reflects a global strategy of spatial division of labor by MNCs in the New Regionalism presently, especially Japanese MNCs, in which they choose to relocate to a strategic location that is in the vicinity of sound transport infrastructure and can be facilitated by cheap labor costs, as well as trade and investment incentives and other positive factors provided in the host economy to support their production and boost their sales of products to regional and global markets (Techakanont, 2014; Krainara, 2016).

Many Japanese carmakers, which have adopted the strategy on the spatial division of labor, have already relied on the AEC as a regional base to create and develop their production networks or supply chains in many member countries to sell products to people in the host countries and to export to other regional and global markets. Thailand, for instance, has become an overseas production base for one-ton pickup trucks and small, environmentally-friendly sedans, called “eco” cars, for Japanese automobile manufacturers, like Toyota Motor Corporation and its subsidiaries, Isuzu Motors Ltd. and Nissan Motor Company Ltd. as their product champions, while their product champions in Indonesia are sport utility vehicles (SUV), multi-purpose vehicles and big trucks, in Malaysia are the passenger cars and in Vietnam are motorcycles (Techakanont, 2014).

This research study has observed that the circumstances appear to be articulated in the cases of Mukdahan in Northeastern Thailand and Savannakhet in Southern Lao PDR just across the bordering Mekong River, thanks to the sound regional transport infrastructure networks. This is especially true when based on several significant factors: the economic corridors and the Second Thai-Lao Friendship Bridge, coupled with cheaper wages in Lao PDR and the stable inter-country political security over the past three decades, which appear to be more beneficial to the Savan-Seno SEZ in Lao PDR's Savannakhet Province presently, compared to the Mukdahan SEZ on the Thai side, as the Savan-Seno SEZ has been earlier established and has already passed through its incubation or warm-up period.

The impact from the incubation or warm-up period, in which the Savan-Seno SEZ that was established in 2003 and has begun bearing good fruits since the Second Thai-Lao Friendship Bridge was opened for full public service in early 2007, with at least 65 international manufacturing plants having invested in the neighboring Lao border SEZ, has also become a positive factor for the Savan-Seno SEZ in terms of making the official incentives offered by the Lao government more practically-attractive, when compared to the Mukdahan SEZ situating just across the border on the Thai side, where the official incentives offered by the Thai government will be more attractive only after the Northeastern Thai border SEZ fully operates to serve international investment projects, especially those from MNCs.

This research project has learned that Mukdahan has, however, benefited indirectly from official incentives provided to MNCs in the Savan-Seno SEZ by the Lao government through its catalyzed trade and investment policy. This study has also observed from official data reported by the Mukdahan Customs Checkpoint that there have been changing supply chains or production networks in the Thai-Lao cross-border trade and investment through Mukdahan since the 2014 fiscal year, in which there have been increasing identical items of exports from Mukdahan to Savannakhet in Lao PDR and from Savannakhet to Mukdahan on the Thai side. The products include camera

accessories, electronic processing units, printing circuit boards, electric motors and accessories, as well as empty tanks and metal tools.

This research project has also observed although the values of Thai exports mostly remain higher than, or comparable to, the values of imports from the Lao side among the identical items of exports and imports between Thailand and Lao PDR through Mukdahan, namely electronic processing units, printing circuit boards and electric motors and accessories, as well as empty tanks and metal tools, the values of Thai exports of camera accessories to the Lao side have been declining over the past three fiscal years. The values of imports of the same items of product from Savannakhet to Mukdahan have been, on the other hand, rising during the same period.

This study has learned that there has not been such the development of supply chains or production networks in the Thai-Myanmar cross-border trade and investment through Tak so far. This research project has observed from the official statistics reported by the Mae Sot Customs Checkpoint that exported products from Thailand to Myanmar through Tak and imported products from Myanmar to the Thai side through Tak have remained different, apparently representing the one-way bilateral trade aspect. That is, Thai exports to Myawaddy in Myanmar through Tak are mostly manufactured consumer products, including mobile phones and accessories, television sets, motorcycles, cotton fabric, footwear, soft drinks, beer and energy drinks; while imports from Myawaddy to the Thai side through Tak are mostly more simple consumer products or raw materials, including peanuts, other beans, livestock, onion, dried chilli, sesame seeds and mineral products, like tin and antimony.

This study has observed that, despite the equal access to the well-planned GMS-EWEC between Tak and Mukdahan, the unready and less-established infrastructure systems along the Thai-Myanmar border through Tak and the unstable inter-country political security along the common border due to conflicts and armed clashes between state soldiers and ethnic minorities, leading to the frequent closures of the Myawaddy border pass as mentioned earlier, should be the main factors that cause the less-development and the well-development of supply chains or production networks in

the Thai-Myanmar cross-border trade and investment through Tak and, on the other hand, in the Thai-Lao cross-border trade and investment through Mukdahan, so far.

Besides, as both the Tak SEZ in the Thai side and the Myawaddy Industrial Zone and the Myawaddy Trade Zone in the Myanmar side have been established in comparable periods and they are still in the process of attracting international investment projects, this study considers that there should not, therefore, be any outstanding change in the supply chains or production networks in the Thai-Myanmar border areas, where the Thai and Myanmar SEZs are located.

4.3.4 Assumed Causes of Different Trade and Investment Patterns Between Mukdahan SEZ and Tak SEZ

From the same set of factors viewed to be commonly related to the patterns of trade and investment of the Mukdahan SEZ and the Tak SEZ, as well as future potential for their progress, sustainable growth and practical success, this study has observed that the Mukdahan SEZ and the Tak SEZ have had comparable benefits from incentives and other measures supported by the Thai government through the BOI, the Revenue Department, the EXIM Bank and other relevant agencies, including tax incentives, soft loans, one-stop-services and other facilitations.

The Mukdahan SEZ and the Tak SEZ are also both situated in strategic locations set by the Thai government, as they are both located on the well-developed EWEC in its eastern and western sides respectively and some sections of the EWEC also connect with the NSEC and the SEC of the three-prong Economic Corridors of the GMS. Besides, both the Mukdahan SEZ and the Tak SEZ have secured progressive two-way cross-border trade, between Thailand and Lao PDR and Thailand and Myanmar, at least over the last two decades, thanks to the benefit of the economic integration in the form of the ASEAN bloc with more liberalization in trade and investment and pooled resources to be utilized, which have fostered closer ties and cooperation between Thailand and the two new ASEAN member countries after both of them joined ASEAN in the same year, in 1997.

As trade always stimulates investment and vice versa, even in border areas, production plants gaining promotional privileges offered by the Thai government in the Mukdahan SEZ and the Tak SEZ, which are mostly labor-intensive manufacturers, can employ both Thai and migrant workers from Lao PDR and Myanmar moving across the border and facilitated by the one-stop service centers opened in their respective areas by the Thai government. As daily minimum wages in Thailand are now about three times higher than those in both Lao PDR and Myanmar, while Thailand has faced labor shortages for the labor-intensive production sector for about the past two decades as mentioned above, manufacturing plants in both the Mukdahan SEZ and the Tak SEZ can recruit Lao and Myanmar migrant workers who can, in turn, enjoy a higher income. The win-win situation for both international investors and migrant workers are also the benefits of a regional economic integration in the form of the AEC since the beginning of 2016 with more liberal business transactions and pooled resources for mutual benefits by member countries.

However, while the Savan-Seno SEZ in Savannakhet Province of Lao PDR just across the Mekong River in the proximity of the Mukdahan SEZ and the Myawaddy Industrial Zone and the Myawaddy Trade Zone in the Kayin or Karen State of Myanmar just across the Moei River in the proximity of the Tak SEZ are also taken into account, this research project has learned that the border SEZs of both the neighboring ASEAN mainland member countries may have significant impacts on the Mukdahan SEZ and the Tak SEZ of Thailand.

In the case of the Mukdahan SEZ, this study has learned that the emerging Northeastern Thai SEZ has also gained benefits from the adjacent Savan-Seno SEZ in Lao PDR across the Mekong River, which has been established since 2003 and has already successfully gone through its incubation or warm-up period, cushioned further by more facilitation from the Second Thai-Lao Friendship Bridge that has been on full public services since 2007.

Established more than a decade earlier, compared to Thailand's Mukdahan SEZ, Lao PDR's Savan-Seno SEZ has already drawn in at least 65 MNCs

with their combined capital of more than 200 million US dollars, including Toyota Boshoku, a supplier to Toyota Motor Corporation, and Nikon Corporation, Japan's two giant manufacturers of automobiles and parts and imaging products and precision equipment, and Aderans, one of Japan's largest wig makers (Nikkei, 2015; The Nation, 2015). The investing MNCs in the Savan-Seno SEZ have not only supplied more goods and services to serve market demands in Lao PDR, but have also helped to stimulate more trade and investment on the Thai side across the Mekong River border, facilitated by the well-developed Second Thai-Lao Friendship Bridge.

Official cross-border trade statistics over the past decade reported by the Mukdahan Customs Checkpoint as shown above could be the evidence demonstrating the generally expanding two-way trade between Thailand and Lao PDR through Mukdahan even though the Mukdahan SEZ has not yet been well-established at present times. It is hopeful that cross-border trade between Thailand and Lao PDR through Mukdahan should be more flourishing in the foreseeable future, triggering more investment projects along the Thai-Lao border areas, once the Mukdahan SEZ could also successfully pass its incubation or warm-up period.

This research project has, thus, learned that the well-developed infrastructure, mainly including the EWEC and the Second Thai-Lao Friendship Bridge, in the vicinity of Mukdahan and lower wages in the Lao side, plus more stable inter-country political security along Thailand's Mukdahon and Lao PDR's Savannakhet border areas could be assumed to be key factors behind the present patterns of trade and investment in Mukdahan through the changing supply chains or production networks between the Thai-Lao border areas.

As shown in the official statistics above, there have been identical types of products among the top-ten export and import items recorded by the Mukdahan Customs Checkpoint. They include, for instance, electronic processing units, printing circuit boards, camera accessories, plastic parts and electric motors and tools, as well as empty tanks and metal tools.

Looking into identical export and import items across the Thai-Lao border through Mukdahan over the past decade that were officially recorded by the Mukdahan Customs Checkpoint, this study has observed that identical exports and imports across the Thai-Lao border through Mukdahan could be first seen in the 2014 fiscal year and many more identical export and import items could be witnessed in the 2015-2016 fiscal years.

Referring to the conceptual frameworks and the theories presented in Chapter 3, this paper assumes that the changing supply chains or production networks across the Thai-Lao border through Mukdahan with more identical export and import items traded across the border should have been caused by the benefits from a regional economic integration, the AEC in this case, together with those of the liberalization of trade and investment with more pooled resources to be jointly utilized by member countries and more of a wider variety of products to be produced to serve intra-regional and extra-regional markets.

This research project has also learned that the strengthened regional connectivity in the AEC through the expanding transport and logistics infrastructure facilities across the Thai-Lao border in the proximity of Mukdahan, coupled with cheaper wages in Lao PDR, incentives offered by the Lao government and stable inter-country political-security conditions along the 72-kilometer-long common border naturally set by the Mekong River, have attracted more MNCs, including those from Japan, to the longer-established Savan-Seno SEZ in Lao PDR to benefit from the set of comparative advantages as mentioned above. This study has observed that the local circumstances have also caused more downstream production lines in the vertical aspect in many industries in the changing supply chains across the Thai-Lao border through Mukdahan, like the electronic, the plastic and the metal industries.

A key factor behind the changing supply chains that this study has observed is the spatial division of labor strategy of Japan's MNCs that not only have adopted more advanced production technologies in order to gain their economies of scale and become more specialized in their industries, catalyzing their technological transfer to

their relocated manufacturing plants in the AEC, but also have changed the patterns of trade and investment in their investment areas and the vicinity to the more elevated downstream production lines in the regional supply chains. The strategy of Japan's MNCs to become more advanced, capital-intensive manufacturers is also seen to help them cope with the upward minimum wage trend in Lao PDR, from 626,000 kip (77 US dollars) to 900,000 kip (111 US dollars) a month, or about 85 baht to 124 baht a day as of April 2015.

A good example of the spatial division of labor strategy of Japan's MNCs is the case of the automobile sector, where Japanese carmakers have resorted to their consolidated production networks in the AEC as an export platform for their global market. This study has observed that Thailand's product champions for the Japanese automobile production MNCs are one-ton pick-up trucks and small-scaled environmentally-friendly sedans, known as "eco cars", whereas Indonesia's product champions are sport utility vehicles (SUV) and multipurpose vehicles and big trucks, Malaysia's product champions are passenger cars and Vietnam's product champions are motorcycles (Techakanont, 2014).

In case of the Tak SEZ, this study has learned that the Lower Northern Thai border SEZ has been established for a comparable period of the adjacent Myawaddy Industrial Zone and the Myawaddy Trade Zone in Myanmar across the Moei River in only about 11 kilometers apart from each other. The newly-established Tak SEZ is, thus, unlikely to gain any substantial benefit from the two adjacent Myanmar border SEZs, as the trio are likely to similarly take some time to pass through the existing incubation or warm-up period to become well-established SEZs, as expected by the Thai and the Myanmar governments.

Although the Tak SEZ is also situated at a strategic location benefiting from the well-developed GMS-EWEC and an abundant labor source supplied by Myanmar migrant workers from across the Moei River border, this study has found that it should take more time for the Tak SEZ to gain benefits from other transport infrastructure networks in its vicinity. This is because the First Thai-Myanmar Friendship Bridge,

which has been opened for public use for two decades, has become congested by increasing cross-border traffic, while the Second Thai-Myanmar Friendship Bridge and its other connected land routes in the Myanmar side have remained under construction, expected to first serve the public within the coming years, as mentioned earlier.

Besides, the Thai-Myanmar border area in Tak Province, where the Tak SEZ is located, has been affected by frequent closures of a main border checkpoint in Myawaddy in the Myanmar side that directly connects with the Mae Sot Checkpoint on the Thai side, caused by a spate of internal conflicts and clashes between state soldiers and armed ethnic minorities over the past few decades. This research project considers that the unstable inter-country political-security should become another major challenge to the Thai-Myanmar cross-border trade and investment through Tak.

This study has also learned that the unready infrastructure networks in the vicinity of the Tak SEZ, plus the unstable inter-country political-security along the Thai-Myanmar border areas could have affected the development of supply chains or production networks between the Thai-Myanmar border areas through Tak. As shown by official statistics above, Thai exports to Myanmar and imports from Myanmar through Mae Sot are more simple consumer products. They include fuel, sugar, mobile phones and accessories, soft drinks, motorcycles, cotton fabric, television sets and farm machines for exports, while imports include peanut, livestock, wooden furniture and second-hand motorcycles.

This research project has observed that, unlike the case of the Thai-Lao cross-border trade through Mukdahan, there have been almost no identical items of exported products from Tak to Myawaddy on the Myanmar side and imported products from Myawaddy to Tak. This study views that the scenario should reflect that the Thai-Myanmar cross-border trade through Tak remains to be one-way trade with less development of production networks or supply chains, apparently meaning that there has not yet been the spatial division of labor and specialization in downstream industries between manufacturing plants in the Thai and Myanmar border areas.

Taking what has been found in the results of this research project into further consideration, this study has learned that not only the common factors, including progressive cross-border business transactions, infrastructure, strategic location, wages, incentives, inter-country political-security, but the timing of the SEZs establishment and their incubation or warm-up periods, as well as supply chains or production networks, which could shape the patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ in different degrees and aspects, also become beneficial to and from the adjacent SEZs in neighboring Lao PDR and Myanmar.

In the case of the Mukdahan SEZ, this study views that the factors of progressive cross-border business transactions, well-placed transport infrastructure, sound strategic locations, the government's support through incentives and stable inter-country political security have benefited the Northeastern Thai border SEZ. Besides, the newly-established Thai special enclave has gained more benefits from the adjacent Savan-Seno SEZ in Lao PDR's Savannakhet Province across the border in terms of helping develop the supply chains or production networks on the Thai side, thanks to its earlier period of establishment and successful incubation or warm-up path and lower wages than on the Thai side.

This is because the factors have encouraged part of the MNCs to have relocated their production bases from Thailand and move to the Savan-Seno SEZ, mostly being Japan's MNCs that have adopted the strategy on the spatial division of labor by consolidating their production networks to benefit from a regional economic integration through creating more downstream production lines in the vertical aspect, in both Lao PDR and Thailand in this case, to utilize pooled resources, as well as trade and investment liberalization in the AEC.

Nonetheless, this research project results suggest that there is a caution that the strategy of the MNCs to gain competitive advantages of well-developed infrastructure, lower wages and incentives in the Savan-Seno SEZ in Lao PDR could cause comparative disadvantages to the Thai side. The considerably rising Thai imports

from Lao PDR through Mukdahan as seen in official statistics above, could be a warning sign for Thailand.

In the case of the Tak SEZ, this research project considers the factors of progressive cross-border business transactions, sound strategic locations and the government's support through official incentives have also gained benefits for the Lower Northern Thai border SEZ. However, infrastructure networks in its proximity that have not yet been ready, plus unstable inter-country political security in its vicinity have deferred the development of supply chains or production networks to the more elevated lines across the Thai-Myanmar border through Tak.

Besides, the results of this research project suggest that the comparable establishment period between the Tak SEZ of Thailand and the adjacent Myawaddy Industrial Zone and the Myawaddy Trade Zone just across the border in Myanmar could mean the two Myanmar border SEZs and the Tak SEZ have no substantial benefits to each other presently, as the trio all need their incubation or warm-up periods to allow them to develop and establish their progress and, hopefully, sustainable growth and practical success in the long run.

However, this research project has observed that international investors in the Myawaddy Industrial Zone and the Myawaddy Trade Zone can benefit from well-developed utility services provided to the two Myanmar border SEZs by the Thai side, while international labor-intensive manufacturers in the Tak SEZ can run their businesses and earn revenues and profits without facing the problem of labor shortages, as they can benefit from abundant migrant workers from Myanmar. The Myanmar migrant workers themselves can, in turn, earn higher income from receiving increased wages on the Thai side.

CHAPTER 5

CONCLUSION

5.1 Problem and Significance of the IS

The growing ASEAN bloc, which now comprises of ten member countries, including Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam after its inception on August 8, 1967, has evolved to become the ASEAN Community (AC) with its three pillars of the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC) since the end of 2015. Based on the AEC Blueprint 2015, the AEC goals set to be achieved by the ten ASEAN countries once its formation takes effect include becoming a single market and production base with free movements of goods, services and skilled labor, as well as freer movements of capital. AEC also has three other goals of becoming a highly-competitive region, a region of equitable economic development and a region that is fully-integrated in the world market.

Envisioning a shortfall of achieving the AEC goals, especially the one on becoming a region of equitable economic development, caused by a significant problem of economic growth and development disparity within individual ASEAN member countries and between member countries, the Thai government has established ten SEZs bordering the four neighboring Cambodia, Lao PDR, Malaysia and Myanmar since 2015, as a part of the overall regional actions to relieve and fade out the remaining challenges.

The ten Thai SEZs have been established to be beneficial from the New Regionalism and to promote more interactions and closer relations between Thailand and the four ASEAN neighboring countries. They are aimed to mainly generate growth and development in the special enclaves by attracting investment projects, especially FDI, boosting cross-border trade, creating more jobs and income for workers and business firms and upgrading the quality of life of people in the local areas, with the expected

diffusion of production and economic growth to their neighborhoods in the country and across the border and vice versa. The Thai government's objectives of establishing the ten Thai SEZs are in accordance with the universal objectives of SEZs indicated by the World Bank, UNIDO and ADB.

The ten Thai border SEZs include the Lower Northern Tak Province bordering Myanmar, covering Mae Sot, Phop Phra and Mae Ramat Districts, the Northeastern Mukdahan Province bordering Lao PDR, covering Muang, Wan Yai and Don Tan Districts, the Eastern Sa Kaeo Province bordering Cambodia, covering Aranyaprathet and Wattana Nakhon Districts, the Eastern Trat Province bordering Cambodia, covering Klong Yai District, the Southern Songkhla Province bordering Malaysia, covering Sa Dao District with the inclusion of Sadao and Padang Besar Checkpoints, the Northern Chiang Rai Province bordering Myanmar and Lao PDR, covering Mae Sai, Chiang Khong and Chiang Saen Districts, the Northeastern Nong Khai Province bordering Lao PDR, covering Muang and Sakhrui Districts, the Northeastern Nakhon Phanom Province bordering Lao PDR, covering Muang and Tha Uthen Districts, the Western Kanchanaburi Province bordering Myanmar, covering Muang District, and the Southernmost Narathiwat Province bordering Malaysia, covering Muang, Su-ngai Kolok, Tak Bai, Wang and Yi Ngo Districts.

The ten Thai SEZs are all located on, or in the radius, of three Economic Corridors of the GMS that Cambodia, Lao PDR, Myanmar, Vietnam, Thailand and China's southern Yunnan Province and Guangxi Zhuang Autonomous Region are members, all of which, except the Chinese southern parts, are also ASEAN member states. The GMS-Economic Corridors have been developed since 2008 with the support of the ADB, aimed to promote economic growth, development and cooperation among the members through the improvement of transport systems and other relevant infrastructure to reduce poverty and raise people's quality of life, the objectives of which are similar to those of the Thai border SEZs.

5.2 Objective of the IS

This research project, however, focused on the Mukdahan SEZ, bordering Savannakhet Province in Lao PDR, and the Tak SEZ, bordering Myawaddy Town in the Kayah or the Karen State of Myanmar. This research paper has examined and compared the patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ, which are located on the GMS-EWEC in its eastern side and its western side respectively. The tasks are in accordance with the Research Title of this study :“Patterns of Trade and Investment in Thai Special Economic Zones (SEZs), Comparison Between Mukdahan SEZ and Tak SEZ on the East-West Economic Corridor (EWEC)”.

This paper has then looked into the assumed causes of the different patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ based on what has been found from the earlier exploration. This study also includes some observations and proposals on progress, potential and sustainable growth of the two Thai border SEZs, which are situated at the opposite sides of the GMS-EWEC.

All the analytical processes are in accordance with the three Research Questions stated in the objectives of this study. They include : (1) What are the patterns of trade and investment of the Mukdahan SEZ and the Tak SEZ?; (2) What are the differences of the patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ?; (3) What are the causes of the differences of the patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ?

5.3 Research Process of the IS

While examining the patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ, this study has observed from official statistics reported by the Mukdahan Customs Checkpoint in Mukdahan and the Mae Sot Customs Checkpoint in Tak and found that there has been more value of cross-border trade between Thailand and Lao PDR through Mukdahan over the past decade, when compared with the cross-border

trade between Thailand and Myanmar through Tak during the same period of the 2008-2016 fiscal years. This paper has also observed that there has been a more progressive trend of both Thai exports and imports to and from Lao PDR through Mukdahan, when compared with the trend of both Thai exports and imports to and from Myanmar through Tak.

The official statistics indicate that the total cross-border trade between Thailand and Lao PDR through Mukdahan reached 111.75 billion baht in the 2016 fiscal year from 24.53 billion baht in the 2008 fiscal year, while Thai exports to Lao PDR through Mukdahan soared to 56.45 billion baht in the 2016 fiscal year from 9.49 billion baht in the 2008 fiscal year, and Thai imports from Lao PDR surged to 55.30 billion baht in the 2016 fiscal year from 15.04 billion baht in the 2008 fiscal year. The total cross-border trade between Thailand and Myanmar through Tak, on the other hand, stood at 83.81 billion baht in the 2016 fiscal year from 18.75 billion baht in the 2008 fiscal year, while Thai exports to Myanmar through Tak rose to 79.63 billion baht in the 2016 fiscal year from 17.51 billion baht in the 2008 fiscal year, and Thai imports from Myanmar stood only at 4.18 billion baht even in the 2016 fiscal year from 1.24 billion baht in the 2008 fiscal year.

For investment, this study has found from an updated NESDB report in May 2017 that there have been more investment projects totally 3.58 billion baht having applied for incentives granted by the BOI at the Tak SEZ so far. This accounts for over 40 per cent of overall new investment projects worth 8.58 billion baht seeking for the BOI approval of promotional privileges at all the ten Thai SEZs, while new investment projects applying for incentives granted by the BOI at the Mukdahan SEZ have been much smaller, totally 831.5 million baht so far.

Based on the official data, this study has learned that the patterns of trade and investment are apparently different between the Mukdahan SEZ and the Tak SEZ, in which there have been more trade potential in the Mukdahan SEZ with a more progressive trend in both Thai exports and imports to and from Lao PDR through Mukdahan over the past decade when compared with the cross-border trade between

Thailand and Myanmar through Tak. However, there has been more investment potential in the Tak SEZ when compared with the investment trend in the Mukdahan SEZ.

This study has further explored a set of factors considered to be commonly related to the patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ and used them to make an analytical comparison of the patterns of the trade and investment of the two Thai border SEZs located at the separate end of the GMS-EWEC, some sections of which connect with the NSEC and SEC. While comparing the different patterns of trade and investment between the Mukdahan and the Tak SEZs, this paper has also paired the Mukdahan SEZ with the Savan-Seno SEZ across the border in Lao PDR and the Tak SEZ with the Myawaddy Industrial Zone and the Myawaddy Trade Zone across the border in Myanmar.

The set of specific factors this study considers to be the most commonly related to the patterns of trade and investment in the Mukdahan SEZ and the Tak SEZ include progressive cross-border business transactions, infrastructure, strategic locations, wages, incentives, inter-country political security, timing of the establishment of the relevant SEZs and incubation or warm-up periods, as well as the supply chains or production networks.

Through the set of factors, this study has found that both the Mukdahan SEZ and the Tak SEZ have benefited from equal access to a major regional infrastructure system, the EWEC, where they are both situated on the opposite sides with additional links with the NSEC and the SEC that converge into the three Economic Corridors of the GMS in continual regional road networks connecting the AEC with China's growing Southern Region with six links passing through Thailand (Krainara, 2016).

However, the research results have shown that Mukdahan has gained more advantages from connecting with the Second Thai-Lao Friendship Bridge, which has been fully opened for cross-border transport linking with Savannakhet Province in Lao PDR since early 2007 and has remained in good services. Tak has, on the other hand, connected with the First Thai-Myanmar Friendship Bridge, which has been fully opened

for public use for twenty years, and has become congested by increasing cross-border traffic and needs some improvements.

Besides, the construction of the Second Thai-Myanmar Friendship Bridge, the expansion of an inter-provincial road network along the EWEC, linking Mukdahan with Tak through some other adjacent Thai provinces, including Kalasin, Khon Kaen, Petchabun, Phitsanulok and Sukhothai, and the construction of a new 770-kilometer inter-provincial dual-track electric train network, linking Mukdahan with Tak, will not be completed until, at least, in the next few years. The Asian Highway (AH1), the longest land route in Asia with its total distance of 20,557 kilometers linking Japan with Europe at the E80 Highway in Istanbul, Turkey, and passing through South Korea, North Korea, China, Hong Kong, Vietnam, Cambodia, Thailand, Myanmar, Bangladesh, Sri Lanka, India, Pakistan, Afghanistan and Iran, which will directly connect Tak with South Asian nations through Myanmar and will indirectly connect Mukdahan with East Asian nations through Vietnam, has remained under a developing process supported by the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP).

This research paper views that the Mukdahan SEZ and the Tak SEZ are both located at strategic locations, as they are located on the EWEC that links with the NSEC and the SEC, the other two Economic Corridors in the GMS. Besides, both Mukdahan and Tak have experienced progressive cross-border business transactions in terms of trade and investment for, at least, the past decade despite their different patterns and scales as mentioned above. This is an advantage of the geographical proximity between Thailand's Mukdahan Province, where the Mukdahan SEZ is located, and Lao PDR's Savannakhet Province, where the Savan-Seno SEZ is located, in a 20-kilometer distance across their 72-kilometer Mekong River common border and between Thailand's Tak Province, where the Tak SEZ is located, and Myanmar's Kayin or Karen State, where the Myawaddy Industrial Zone and the Myawaddy Trade Zone are located, in a 11-kilometer distance across about the 400-kilometer Moei River common border.

This study has observed that closer ties and cooperation between Thailand and Lao PDR and Myanmar, after the two neighboring countries have become ASEAN

member countries since 1997, have also promoted progressive cross-border trade and investment between Thailand and Lao PDR through Mukdahan and between Thailand and Myanmar through Tak. The observation is based on the official statistics showing that the total Thai-Lao cross-border trade through Mukdahan has expanded from 24.53 billion baht in the 2008 fiscal year to 111.75 billion baht in the 2016 fiscal year and investment projects in Mukdahan have increased from 4.74 billion baht in 2008 to 5.53 billion baht in 2014 (Industry Ministry, 2014), while Thai investment projects in Lao PDR through Mukdahan was a proportion of Thailand's total FDI in the neighboring country at about 3.34 billion baht during 2000-2013 (UTCC, BOI, 2014).

Besides, this study has learned that a regional economic integration, first in the form of the ASEAN bloc and now the 10-member AEC in the New Regionalism with more trade and investment liberalization among member states and expanding international trade in the globalization, further catalyzes cross-border trade and investment between Thailand and the neighboring countries as they can utilize pooled resources for their investment and production of more varieties of goods and services for their intra-regional and extra-regional trade (Techakanont, 2014; IMF, 2011).

This paper has also learned that stable inter-country political security along the Thai-Lao border has also promoted cross-border trade and investment between Thailand and Lao PDR through Mukdahan, thanks to an agreement by the Thai and the Lao governments on border demarcations since the late 1980s. This study has observed, on the other hand, that frequent closures of border passes in Myawaddy by the Myanmar government due to a spate of internal conflicts and clashes between state soldiers and armed ethnic minorities over the past few decades have affected cross-border trade and investment between Thailand and Myanmar through Tak, reported by the provincial private sector at about at least 20 million baht-damages a day in terms of both exports and imports of products from and to Tak, as about half of the total annual value of the Thai-Myanmar border trade has taken place between Mae Sot and Myawaddy (TIARA; Prachathai Newspaper, 2016).

This research project has found that the difference in labor costs through minimum wages between Thailand and Lao PDR and between Thailand and Myanmar have also affected cross-border trade and investment between Thailand and the two neighboring countries through Mukdahan and Tak. The minimum wage in Mukdahan and Tak has been increased to 305 baht a day equally as of early 2017, while the minimum wages in Lao PDR and Myanmar have been increased to about 124 baht a day and about 94 baht a day since 2015 respectively.

This study results have noted that the smaller scale of international investment projects seeking for official incentives granted by the BOI in the Mukdahan SEZ at about 831.50 million baht so far, compared with 3.58 billion baht of international investment projects applying for the same set of official incentives provided by the BOI in the Tak SEZ, should have been caused partly by about three times higher daily minimum wage in Mukdahan than the minimum wage in Savannakhet of Lao PDR. This paper views, on the other hand, that the approximately three times higher minimum wage in Tak than in Myawaddy of Myanmar has, instead, attracted a number of migrant Myanmar laborers to work on the Thai side, thanks mainly to the more readiness in infrastructure and utility services on the Thai side, resulting in the larger scale of international investment projects applying for the BOI-approved incentives in the Tak SEZ so far, as stated earlier.

This paper has observed that the Mukdahan SEZ and the Tak SEZ have equally benefited from official incentives and supporting measures provided by relevant government agencies, including the BOI, the Revenue Department and the EXIM Bank. They include, for instance, an eight-year corporate income tax exemption and another five-year corporate income tax reduction for all BOI-approved investment projects operating in both the Thai border SEZs, as well as an equal access to a 15-year soft loan provided by the EXIM Bank.

However, this paper has learned that Mukdahan has also gained and benefited indirectly from official incentives provided to MNCs in the Savan-Seno SEZ of Savannakhet Province in the Lao side through its catalyzed trade and investment, as the

Savan-Seno SEZ just across the border, which has been established since 2003, has already attracted over 60 MNCs with their total investment funds of over 200 million US dollars. Several of them are Japanese giant corporations, like Nikon and Toyota, which have also imported and exported products from-and-to Mukdahan and stimulated investment on the Thai side (Nikkei, 2015).

This study views the windfall for Mukdahan should have been caused by the earlier timing of the establishment of the Savan-Seno SEZ, which should have successfully passed its incubation or warm-up period since 2007, the year when the Second Thai-Lao Friendship Bridge was fully opened for cross-border transport, facilitating further the Thai-Lao cross-border trade and investment through Mukdahan.

This research project results have showed that there was no such windfall in the Thai-Myanmar cross-border trade and investment through Tak, as the Tak SEZ and the Myawaddy Industrial Zone and the Myawaddy Trade Zone in the Myanmar side just across the border have been opened in the comparable period of 2015 and all need to take some time for developing and passing through their incubation or warm-up periods. However, the two Myanmar border SEZs have gained some benefits from the Thai side through utility services supplied by Tak, while Tak has benefited from abundant migrant workers from the Myanmar side.

This study has observed from official data reported by the Mukdahan Customs Chekpoint that since the 2014 fiscal year, there have been changing supply chains or production networks in the Thai-Lao cross-border trade and investment through Mukdahan, in which there have been increasing identical items of exports from Mukdahan to Savannakhet in Lao PDR and from Savannakhet to Mukdahan on the Thai side. The products include camera accessories, electronic processing units, printing circuit boards, electric motors and accessories, as well as empty tanks and metal tools.

This research project has also learned that among the identical items of exports and imports between Thailand and Lao PDR through Mukdahan, the values of Thai exports mostly remain higher than, or comparable to, the values of imports from the Lao side, including electronic processing units, printing circuit boards and electric motors

and accessories, as well as empty tanks and metal tools. However, the values of Thai exports of camera accessories to the Lao side have been declining over the past three fiscal years, while the values of imports of the same item of product from Savannakhet to Mukdahan have been rising during the same period.

This research has found that there has not been such the development of supply chains or production networks in the Thai-Myanmar cross-border trade and investment through Tak so far. Based on the official statistics reported by the Mae Sot Customs Checkpoint, this research project has observed that items of exported products from Thailand to Myanmar through Tak and items of imported products from Myanmar to the Thai side through Tak have remained different, apparently representing the one-way bilateral trade aspect. Thai exports to Myawaddy in Myanmar through Tak are mostly manufactured consumer products, including mobile phones and accessories, television sets, motorcycles, cotton fabric, footwear, soft drinks, beer and energy drinks; while imports from Myawaddy to the Thai side through Tak are mostly more simple consumer products or raw materials, including peanuts, other beans, livestock, onions, dried chili, sesame seeds and mineral products, like tin and antimony.

This study results have shown despite the equal access to the well-placed GMS-EWEC between Mukdahan and Tak, the unready and less-established infrastructure systems along the Thai-Myanmar border through Tak and unstable inter-country political security along the common border due to conflicts and armed clashes between state soldiers and ethnic minorities, leading to the frequent closures of the Myawaddy border passes, should be the main factors specifically behind both the development and less development of supply chains or production networks in the Thai-Lao cross-border trade and investment through Mukdahan and, on the other hand, in the Thai-Myanmar cross-border trade and investment through Tak.

This study has also learned from the overall exploration and comparison above, through the set of common factors considered to be related to the Thai-Lao cross-border trade and investment through Mukdahan and the Thai-Myanmar cross-border trade and investment through Tak, that the varied levels of the development of transport

infrastructure and supply chains, as well as inter-country political security and wages should be major factors behind the different trade and investment patterns between the Mukdahan SEZ and the Tak SEZ although both of the Thai border SEZs are located on the same GMS-EWEC and its regional links.

This research project views that the key factors that have more influences on the different patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ than their equal or comparable benefits from other factors include the mainstream GMS-EWEC infrastructure system with its links with the NSEC, the SEC and other developing land routes in the region as mentioned above, along with their strategic locations and progressive cross-border trade and investment generally over, at least, the past decade, as well as official incentives and other supporting measures provided by the Thai government.

This research project has observed that the earlier establishment of the Savan-Seno SEZ in Savannakhet of Lao PDR since 2003, with its successful passage of the incubation period or warm-up period since early 2007, has also catalyzed trade and investment in Mukdahan across the Mekong River on the Thai side although the investment scale in the Mukdahan SEZ has been smaller than the investment scale in the Tak SEZ. This is due mainly to the varied development of the supply chains between the Thai-Lao cross-border trade and investment through Mukdahan and the Thai-Myanmar cross-border trade and investment through Tak, as mentioned above.

This research project has observed that international firms which have relocated to the earlier-established Savan-Seno SEZ, including Japanese MNCs, to benefit from trade and investment liberalization of the then ASEAN-bloc, but now the AEC, as a growing regional economic integration in the New Regionalism, have played a pivotal role to the development of supply chains in the Thai-Lao cross-border trade and investment through Mukdahan. However, the scenario has not yet happened in the Thai-Myanmar cross-border trade and investment through Tak.

This is because, as this study has learned, the Japanese MNCs, which are specialized in their specific industries and have been equipped with more advanced

production technologies, have adopted a strategy on the spatial division of labor, in which they opt to relocate their production bases to separate strategic locations, supported by well-placed infrastructure systems and the stable political security situation, in a potential regional economic integration overseas with trade and investment liberalization. This is done as well as official incentive policies to facilitate their expanding downstream production networks in their specific industrial sectors, namely automobiles and parts and electronic products and parts, in order to utilize pooled resources and factors of production they need in the strategic locations, including sufficient labor forces with cheap wages, of the regional economic integration, like the AEC. The spatial division of labor strategy of the specialized and technologically-advanced Japanese MNCs have resulted in changing supply chains in the vertical but more elevated downstream lines in their investment areas (IMF, 2011; Techakanont, 2014; Krainara, 2016).

This study views Nikon Corporation, which has invested in the Savan-Seno SEZ since 2013 (Nikkei, 2015), as a good example of Japanese MNCs that have contributed to the changing supply chains in the Thai-Lao cross-border trade through Mukdahan. Based on the official statistics above, this study has observed that Nikon, which is one of the world's top three manufacturers of optics and imaging products and has relocated its production bases to Thailand's central and northeastern areas (Manager Newspaper, 2014), as well as to the Savan-Seno SEZ in Lao PDR, has actively supplied its camera accessories from the Savan-Seno SEZ to Thailand through Mukdahan to serve the Thai market since the 2015 fiscal year, from a total value of 8.58 billion baht in the 2015 fiscal year to a total value of 8.62 billion baht in the 2016 fiscal year. At the same time, Thai exports of camera accessories to Lao PDR through Mukdahan have stood at 1.53 billion baht totally in the 2015 fiscal year and 1.60 billion baht totally in the 2016 fiscal year. This scenario has resulted in a trade surplus in the specific product for Lao PDR, but a trade deficit for Thailand.

This research project has found that Thailand has, however, remained gaining trade surplus mostly in identical items of exported and imported products in the changing supply chains or production networks in the Thai-Lao cross-border trade through

Mukdahan, including electronic processing units and printing circuit boards, electric motors and accessories and plastic parts. As shown in the official statistics, Thai exports of electronic processing units and printing circuit boards, for instance, reached 20.74 billion baht and 4.83 billion baht in the 2016 fiscal year, while Thai imports of the two specific products from the Lao side stood at 6.78 billion baht and 0.79 billion baht respectively in the same fiscal year.

Looking into what has been explored above, this study has learned that the spatial division of labor of Japanese MNCs having invested in members of regional economic integrations overseas, in this case in Thailand and Lao PDR in the then ASEAN-bloc and now the AEC, their specialization in the production of specific products and their changing supply chains or production networks through the relocation of part of their production bases to the well-established Savan-Seno SEZ in Lao PDR should be assumed the main causes of the different patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ, in which there are less international investment projects seeking for incentives and other supporting measures provided by the Thai government through the BOI and other relevant agencies, compared with those in the Tak SEZ, where there are abundant migrant workers from Myanmar as labor supply for international manufacturers.

This research project has also learned that the well-established infrastructure, the strategic location, the stable inter-country political security, comparative advantages in lower wages, the earlier timing of establishment with successful passage of the incubation or warm-up period and more incentives offered by the Lao government, namely a longer period of corporate tax waiver and reduction, a lower income tax rate for workers and about 50 per cent cheaper power fee than the Thai side (Nikkei, 2015), are all supporting factors that have prompted the Japanese MNCs to relocate to the Savan-Seno SEZ, which has also catalyzed the Thai-Lao cross-border trade through Mukdahan, as the Mukdahan SEZ has not yet been ready for its full operation in terms of facilities and the construction of manufacturing plants, as informed by an official at the Mukdahan Customs Checkpoint in a recent telephone interview.

5.4 Summarized Outcome of the IS

In summary, regional economic integrations, like the then ASEAN-bloc and now the AEC, as well as increasing SEZs in targeted Asian areas in the present New Regionalism period after the Asian Financial Crisis in mid-1997, where trade and investment liberalization policies are adopted, have attracted FDI from MNCs, especially Japanese MNCs, to tap the pooled resources of a well-established regional economic integration for their production of various goods and services to serve regional and global markets. The international firms, in turn, benefit from well-developed infrastructure, strategic locations, stable inter-country political security, low wages and progressive trade and investment trails, including those which are beneficial from the generalized system of preference (GSP) provided to exported products of the developing host countries by Western developed markets, namely the United States and the EU, as well as official incentives and other supporting measures offered by the governments of host countries.

The Japanese MNCs, in particular, that have been equipped with more advanced technologies and resources and have become specialized in their specific industries, have adopted a strategy on the spatial division of labor, in which they have relocated their production bases for their industries to many countries or SEZs in their expanding vertical downstream production lines to gain comparative advantages in resources of the selected areas, including labor and raw materials. The advanced Japanese MNCs have also developed their supply chains or production networks for their industries in the SEZs or countries, in which their production bases have been relocated.

The circumstances have happened in the Thai-Lao cross-border trade and investment through Mukdahan, in which many Japanese MNCs have opened their production bases on both the Thai side, where the Mukdahan SEZ is located, and on the Lao side, where the Savan-Seno SEZ is located in Savannakhet Province. However, as the Mukdahan SEZ in Thailand has not yet been ready for its full operation, Japanese MNCs have increasingly opted to relocate their production bases to the earlier-

established Savan-Seno SEZ, which has been opened since 2003 and has successfully passed its incubation or warm-up period with steady growth since the well-planned Second Thai-Lao Friendship Bridge was fully opened for cross-border transport in early 2007 as a main facilitation for their businesses.

Catalyzed by all the facilities and supporting factors mentioned above, some growing Japanese MNCs in the Savan-Seno SEZ have gradually shifted their supply chains or production networks by increasingly relying their production for domestic sales and exports on the more-ready Savan Seno-SEZ in Lao PDR, rather than on the Thai side.

This study has, thus, considered that the changing supply chains or production networks by the Japanese MNCs, which Nikon Corporation is a good example, coupled with their strategy on the spatial division of labor and their specialization are the assumed causes of the different patterns of trade and investment between the Mukdahan SEZ and the Tak SEZ, in which there is a smaller scale of investment projects in the Mukdahan SEZ than the Tak SEZ, but there is a larger scale of the Thai-Lao cross-border trade through Mukdahan than the Thai-Myanmar cross-border trade through Tak as shown in the official statistics above.

The reasons behind the circumstances found by this study include there have not yet been such the development of supply chains and the changing supply chains in the Thai-Myanmar border trade and investment through Tak. The Thai-Myanmar cross-border trade and investment remains in the one-way aspect, in which more simple consumer products and raw materials are exchanged. However, sufficient labor forces, mostly supplied by Myanmar migrant workers, have prompted more investment projects in the Tak SEZ than those in the Mukdahan SEZ. More-developed infrastructure systems and other supporting factors have, on the other hand, resulted in more cross-border trade between Thailand and Lao PDR through Mukdahan than cross-border trade between Thailand and Myanmar through Tak, as presented above.

5.5 Observations and Proposals

This study proposes that the Thai government plays significant roles to catalyze progress, potential and sustainable growth of the Mukdahan SEZ and the Tak SEZ, as they have both gained equal comparative advantages by being located on the same well-established GMS-EWEC with the connection to the NSEC and the SEC and other regional land networks. The two emerging Thai border SEZs have also benefited from the same set of official incentives and other supporting measures provided by the Thai government. However, both of the two Thai border SEZs, which are situated on the opposite sides of the GMS-EWEC, now experience varied levels of advantages from other common factors that are considered related to their cross-border trade and investment and this study, thus, views the Thai government could better justify and handle relevant issues in all of the relevant dimensions.

This study results suggest that the Thai government's certain and effectively-integrated management of the policy on all Thai SEZs, including the ten border SEZ and the newly-introduced Eastern Economic Corridor (EEC), as well as other relevant rules and regulations, covering quick and well-planned actions on proceeding measures and facilities, would be another key factor to promote progress, potential and sustainable growth of the Mukdahan SEZ and the Tak SEZ amid the growing SEZs established in neighboring Lao PDR and Myanmar and other relevant interactions internationally. This study proposes that the Thai government should also take the different patterns of trade and investment, as well as other aspects of the emerging Mukdahan SEZ and the Tak SEZ into careful consideration while handling the management of the two Thai special enclaves.

Besides, this study proposes that, in parallel with promoting and maintaining friendship and goodwill with the international community, the Thai government should also foster sound relations with neighboring Lao PDR and Myanmar to promote peace and stable inter-country political security to support the two Thai border SEZs. The policy would also facilitate the Thai administration's discussions with the governments of

the two neighboring countries on solutions to remaining or emerging problems, namely many forms of non-trade barriers mentioned earlier, and those concerning any shift in policies or resources such as the availability of migrant workers as labor supply in the two Thai border SEZs, especially in the Tak SEZ, where there are more investment projects and, thus, rely more on Myanmar migrant workers as a main labor supply source amid the persistent problem of the shortage of unskilled workers in Thailand over the past few decades.

This study also acknowledges, as a good idea, that the Thai government's recent move on seeking cooperation from the Myanmar government on forming a joint border SEZ between the Tak SEZ and the two Myanmar border SEZs in Myawaddy (TNA, 2017), which should avoid unfriendly competition between the Thai and the Myanmar SEZs, but should promote the utilization of pooled resources of the two AEC member countries, namely in labor and raw materials, for mutual benefits and sound relations instead. This paper proposes that the Thai government should seek similar cooperation from the Lao government to form a joint border SEZ between the emerging Mukdahan SEZ and the growing Savan-Seno SEZ in Lao PDR's Savannakhet Province for the same reasons.

This research project considers that the proposed joint Thai-Myanmar cross-border SEZ and the joint Thai-Lao cross-border SEZ, if realized, should enhance international investors' confidence and attract more FDI projects to the joint cross-border special enclaves as they could tap pooled resources they need for their production, namely in workers and raw materials, more easily with extra-benefits from more liberal trade and investment facilities and incentives jointly offered by the Thai and the Myanmar governments and the Thai and the Lao governments, but with less risk factors from any changing policy of a government of the paired stakeholders.

This study views that the joint Thai-Myanmar cross-border SEZ and the joint Thai-Lao cross-border SEZ should also shorten an incubation or warm-up period for expected progress, potential and sustainable growth of the joint Thai-Myanmar cross-border SEZ, while also further driving forward the earlier-established Savan-Seno SEZ

and catalyzing and accelerating progress, potential and sustainable growth of the Mukdahan SEZ on the Thai side. This research project considers that the more well-planned an SEZ is secured, even in the form of a joint special enclave, the less times and resources it will need to sustain its progress and potential for growth in the long term.

The proposals are backed by what this study has learned from a latest NESDB report in May 2017 that most investment projects having been approved for official incentives by the BOI in both the Mukdahan SEZ and the Tak SEZ are Thai SMEs. The joint Thai-Myanmar cross-border SEZ and the joint Thai-Lao cross-border SEZ should, thus, draw in more FDI from MNCs to gear up more intra-regional and extra-regional trade, which is a major universal objective of the establishment of SEZs defined by the World Bank, UNIDO and ADB, while also further enhancing workers' expertise.

This research considers that the proposals are also in accordance with what have been stated in the UN Millennium Project (2005) that liberal trade and investment activities can be a powerful force to stimulate economic growth of a country or a zone, which will also promote economic development in the area, covering the reduction of poverty and the improvement of quality of life of workers and people living in the area (Krainara, 2016), if it is efficiently handled towards quality or balanced growth and development. The economic growth and development, propelled by active trade and investment activities and job creations, are also major universal objectives of the establishment of SEZs for Thailand and other economies globally.

The proposals also reflect this study's consensual concept with the UN Millennium Project that trade and investment alone cannot sustain the achievement of economic growth and development of a zone, an economy or a regional economic integration, but other institutional, macroeconomic and microeconomic favorable conditions, as well as well-planned social and other relevant policies would be required to support the expected achievements.

This study considers that the mentioned tasks should be the key co-ordinated roles jointly played by the Thai administration and the governments of neighboring Lao

PDR and Myanmar as part of joint attempts and actions of all ASEAN members to relieve and fade out remaining economic and development disparity within individual ASEAN member countries and between member countries in order to realize the AEC goal of bringing about equitable economic development to the 10-member AEC. This research project views that the challenging AEC goal, if achieved, it should be related to the achievement of other focal goal of turning the AEC to be a highly-competitive region, after, as this study has observed, the two other AEC goals of becoming a single market and production base with free movements of goods, services and skilled labor, as well as freer movements of capital, along with becoming a region fully-integrated to the world market have been positioned on a well-progressive advancement.

Last but not least, this research proposes that the Thai government should consult with all the stakeholders involved, including local people, employers, employees through public forums, as well as the governments of the neighboring countries to avoid environmental or socio-economic challenges, but to ensure proper understanding and mutual benefits towards a co-ordinated force and enhanced competitiveness of the targeted border SEZs in order to attain the universal objectives of the establishment of the SEZs for Thailand and neighboring Lao PDR and Myanmar.

BIBLIOGRAPHY

- ASEAN Briefing. (2016). "Daily Minimum Wage Rates in Thailand to Increase from January 1, 2017". *ASEAN Briefing*. Retrieved January 22, 2017, from <http://www.aseanbriefing.com/news/2016/12/02/daily-minimum-wage-thailand-increase-january-1-2017.html>
- ASEAN Secretariat. (2016). *ASEAN Economic Chartbook 2016*. ASEAN Secretariat. Retrieved May 1, 2016, from <http://www.aseanstats.org/wp-content/uploads/2016/11/AEC-Chartbook-2016-1.pdf>
- ASEAN Secretariat. (2016). *ASEAN Investment Report 2016*. ASEAN Secretariat. Retrieved April 14, 2017, from <https://www.asean.org/storage/2016/09/ASEAN-Investment-Report-2016.pdf>
- ASEAN Secretariat. (2015). *2015 Kuala Lumpur Declaration on the Establishment of the ASEAN Community*. ASEAN Secretariat. Retrieved January 22, 2017, from <http://asean.org/kuala-lumpur-declaration-on-the-establishment-of-the-asean-community/>
- ASEAN Secretariat. (2015). *ASEAN Trade in Goods Agreement*. ASEAN Secretariat. Retrieved October 23, 2015, from <http://investasean.asean.org/index.php/page/view/asean-free-trade-area-agreements/view/757/newsid/872/asean-trade-in-goods-agreement.html>
- ASEAN Secretariat. (2013). *ASEAN Comprehensive Investment Agreement (ACIA)*. ASEAN Secretariat. Retrieved October 23, 2015, from [http://www.asean.org/images/2013/resources/publication/2012%20-20ACIA%20An%20Introduction%20\(Apr\).pdf](http://www.asean.org/images/2013/resources/publication/2012%20-20ACIA%20An%20Introduction%20(Apr).pdf)
- ASEAN Secretariat. (2011). *Master Plan on ASEAN Connectivity*. ASEAN Secretariat, Retrieved October 23, 2015, from <http://www.asean.org/images/2012/publications/Master%20Plan%20on%20ASEAN%20Connectivity.pdf>

- ASEAN Secretariat (2008). *ASEAN Economic Community Blueprint*. ASEAN Secretariat, Retrieved October 23, 2015, from [http:// www.asean.org/archive/5187-10.pdf](http://www.asean.org/archive/5187-10.pdf)
- ASEAN Secretariat. (2005). *Agreement to Establish and Implement the ASEAN Single Window*. ASEAN Secretariat. Retrieved October 23, 2015, from <http://www.asean.org/communities/asean-economic-community/item/agreement-to-establish-and-implement-the-asean-single-window-kuala-lumpur-9-december-2005-2>
- ASEAN Secretariat. (1999). *ASEAN Free Trade Area: An Update*, ASEAN Secretariat. Retrieved October 23, 2015, from <http://www.asean.org/index.php/communities/asean-economic-community/item/asean-free-trade-area-afta-an-update>
- ASIA NEWS NET. (2015). “Lao SEZs prove to be major job generators” in Vientiane Times. *The Nation*. Retrieved June 20, 2017, from <http://www.nationmultimedia.com/news/business/EconomyAndTourism/30270659>
- Asian Development Bank (ADB). (n.d.). *ADB and Special Economic Zones*. ADB. Retrieved February 26, 2017, from <http://www.php.diw.go.th/idas/facesheet/47.pdf>
- Asian Development Bank (ADB). (n.d.). *Multisector Development in the Greater Mekong Sub region, Development of Economic Corridors*. ADB, Retrieved December 25, 2016, from <http://www.adb.org/countries/gms/sector-activities/multisector>
- ASTV-Manager Online.(2015). “Flyover Across Moei River, Linking Mae Sot with Myawaddy”. *ASTV-Manager Online Newspaper*. Retrieved January 22, 2017, from <http://www.manager.co.th/Local/ViewNews.aspx?NewsID=9580000007706>
- Bangkok Post. (2013). “Opportunity Next Door”. *Bangkok Post*. Retrieved June 20, 2017, from <http://www.bangkokpost.com>

- Bank of Thailand (BOT). (2017). *Key Economic Data*. BOT. Retrieved April 14, 2017, from, <https://www.bot.or.th/Thai/Statistics/Graph/Pages/Unemployment.aspx>
- Board of Investment of Thailand (BOI).(2010).*Myanmar Basic Transport Infrastructure Development to ASEAN*. BOI. Retrieved February 26, 2017, from http://www.boi.go.th/thai/clmv/Back_up/2010_myanmar/2010_myanmar_9_7.html
- Business & Human Rights Resource Centre. (n.d.. “Myanmar Daily Minimum Wage”. *Business & Human Rights Resource Centre*. Retrieved June 2, 2017, from. <https://qz.com/.../myanmars-new-minimum-wage-about-35-cents-an-hour-is-too-steep-f...>
- Business in Asia.Com. (2015),“Laos Minimum Wage”. *Business in Asia.com*. Retrieved June 2, 2017, from http://www.business-in-asia.com/wages/laos_minimum_wage.html
- Chen, X., Medici, T.D. (2009). *Instant City ” Coming of Age : China’s Shenzhen Economic Zone in Thirty Year”*. Center for Urban and Global Studies. Trinity College. Retrieved January 1, 2017, from <http://www.trincoll.edu/UrbanGlobal/CUGS/Faculty/Rethinking/Documents/The%20Instant%20City%20Coming%20of%20Age.pdf>
- Department of Highways (DOH). (2017). *Second Thai-Myanmar Friendship Bridge*. Thai Ministry of Transport. Retrieved June 17, 2017, from <http://www.doh.go.th>
- Department of Industrial Works (DIW). (2015). “List of Factories in Mukdahan” in *Industrial Database of ASEAN*. Thai Ministry of Industry. Retrieved June 17, 2017, from php.diw.go.th/idas/Factory/FactoryProvince/37
- Farole, T, Akinci, G. (2011). *Special Economic Zones Progress, Emerging Challenges,and Future Directions*. World Bank. Retrieved April 12, 2016, from <http://documents.worldbank.org/curated/en/752011468203980987/Special-economic-zones-progress-emerging-challenges-and-future-directions>
- Fernquest, J. (2013). “Thai-Lao business in Mukdahan”. *Bangkok Post*. Retrieved June 2, 2017,

from <http://www.bangkokpost.com/learning/learning-news/365545/thai-lao-business-in-mukdahan>

- F.T.I. ASEAN Center (FACT). (2015). Information for Investment in Lao PDR. *FACT*. Retrieved May, 20, 2016, from <http://www.fact.fti.or.th/th/>
- F.T.I. ASEAN Center (FACT). (2015). Information for Investment in Myanmar. *FACT*. Retrieved May, 20, 2016, from <http://www.fact.fti.or.th/th/>
- GMS Secretariat. (2016). *The Role of Special Economic Zones in Improving Effectiveness of GMS Economic Corridors*. Asian Development Bank (ADB). Retrieved February 1, 2017, from <https://www.adb.org/sites/default/files/institutional.../role-sez-gms.pdf>
- Government Public Relations Department (PRD). (2015). “Special Economic Zones”. *PRD*, Retrieved October 23, 2015, from http://www.thaigov.go.th/index.php?option=com_k2&view=item&id=92580:92580&Itemid=417&lang=en
- Higashi, S. (1996). *Economic Policy and the Growth of Local Manufacturers in Thailand*. Institute of Developing Economies in Japan External Trade Organization (JETRO). Retrieved June 18, 2017, from www.ide.go.jp/library/English/Publish/Download/Apec/.../1996_11.pdf
- Hao, L. (n.d). *Development of the Shenzhen Special Economic Zone*. National People’s Congress of China. Retrieved January 6, 2017, from http://www.neaef.org/public/neaef/files/documents/publications_pdf/annual_meeting/6th-1996/6.1.Li_6an_1996.pdf
- House of Representatives Committees. (n.d.). *Special Economic Zones*. Parliament of Australia, Retrieved October 23, 2015, from https://www.aph.gov.au/...business/.../house_of_representatives_committees?

- Htwe, C. M. (2015). "Myawaddy industrial zone set for 2017 opening". *Myanmar Times Online Newspaper*. Retrieved January 27, 2017, from <http://www.mmmtimes.com/index.php/business/16731-myawaddy-industrial-zone-set-for-2017-opening.html>
- International Monetary Fund (IMF).(2011). *Changing Patterns of Global Trade*. IMF. Retrieved December 25, 2016, from <https://www.imf.org/external/np/pp/eng/2011/061511.pdf>
- International Monetary Fund (IMF).(2011). *Global Prospects and Policies*. IMF. Retrieved April 14, 2017, from https://www.imf.org/~media/Websites/IMF/imported.../_c1pdf.ashx
- International Monetary Fund (IMF).(2001).*Global Trade Liberalization and the Developing Countries*. IMF. Retrieved December 25, 2016, from <https://www.imf.org/external/np/exr/ib/2001/110801.htm>
- Internships China. (2016).Development of China's Special Economic Zones. *Internships China*. Retrieved January 6, 2017, from <http://internshipschina.com/development-chinas-special-economic-zones/>
- Investment Promotion Department. (n.d.). *Special Economic Zone*. Ministry of Planning and Investment, Lao PDR. Retrieved January 6, 2017, from <http://www.investlaos.gov.la/index.php/where-to-invest/special-economic-zone?start=1>
- Iskandar Regional Development Authority (IRDA).(n.d.). *IDRA*. Retrieved January 6, 2017, from http://cpps.org.my/resource_centre/En%20Ismail%20Ibrahim-strategies%20.pdf
- Ito, M. (2015). "Tax breaks lure foreign business to Laos". *Nikkei Asian Review*. Retrieved June 20, 2017, from <http://asia.nikkei.com/Business/Trends/Tax-breaks-lure-foreign-business-to-Laos>

- Khandelwal, A.k., Teachout, M.(2016). "IGC Policy Note: Special Economic Zones for Myanmar" in *Special Economic Zones for Myanmar*. International Growth Center (IGC). Retrieved January 27, 2017, from <https://www.gsb.columbia.edu/faculty/akhandelwal/papers/SEZs-in-Myanmar.pdf>
- Khatthiya, B. (2011). *Special Economic Zone (SEZ) Development and Management in Lao PDR*. Lao National Committee for Special Economic Zone. Prime Minister's Office. Retrieved January 6, 2017, from http://rightslinklao.org/wp-content/uploads/downloads/2015/04/SEZ_presentation.pdf
- Krainara, C. (2016). *Border Economic Zones and Development Dynamics in Thailand: A Comparative Study of Bordering Countries*. Asian Institute of Technology School of Environment. Retrieved May 21, 2017, from <https://www.scribd.com/document/335121054/Border-Economic-Zones-and-Development-Dynamics-in-Thailand-A-Comparative-Study-of-Bordering-Countries>
- Legislative Institutional Repository of Thailand (LIRT). (2014). *Special Economic Zones in Border Areas and the Approaching ASEAN Economic Community (AEC)*. LIRT. Retrieved October 23, 2015, from <http://www.library2.parliament.go.th/giventake/content.../nrc2557-article10.pdf>
- Mae Sot Customs Checkpoint. (2017). *Statistics on Border Trade Values Through Mae Sot Customs Checkpoint during 2008-2016 Fiscal Year*. Mae Sot Customs Checkpoint. Tak Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>
- Manager Online. (2016). "Construction of Second Flyover Across Moei River To Be Completed By Late 2017" *Manager Online Newspaper*. Retrieved January 22, 2017, from <http://www.manager.co.th/Local/ViewNews.aspx?NewsID=9590000066095>

- Marketeer. (2016). "Second Flyover Across Moei River Expected to Boost Mae Sot Trade". *Marketeer*. Retrieved January 22, 2017, from <http://marketeer.co.th/archives/77416>
- Mukdahan. (2006). Mukdahan Gateway to Indochina. *Mukdahan Provincial Report*. Retrieved May 20, 2017, from, 202.29.20.186/jittrakorn/images/data/Present/17.การค้าชายแดน.ppt
- Mukdahan Customs Checkpoint. (2017). *Performances of Mukdahan Customs Checkpoint during 2008-2016 Fiscal Year*. Mukdahan Customs Checkpoint. Mukdahan Province, Thailand. Retrieved January 22, 2017, from <http://www.danmuk.org/>
- Mukdahan SEZ One Stop Service Center. (2015). *Progress of Mukdahan SEZ*. Mukdahan SEZ Office. Retrieved June 17, 2017, from <http://www.mukoss.go.th/oss/top1.php>
- Organization for Economic Co-operation and Development (OECD). (2008). *OECD Guidelines for Multinational Enterprises*. OECD. Retrieved March 3, 2017, from <http://www.oecd.org/corporate/mne/1922428.pdf>
- Office of the National Economic and Social Development Board (NESDB).(2017). *Development of Thai SEZs*, NESDB. Retrieved June 3, 2017,from http://www.nesdb.go.th/nesdb_th/ewt_dl_link.php?nid=5195
- Office of the National Economic and Social Development Board (NESDB). (2014). *Operation of Special Economic Zones*, NESDB. Retrieved October 23, 2015, from <http://nesdb.go.th>
- Pang, E.S. (2000). The Financial Crisis of 1997–98 and the End of the Asian Developmental State. *Contemporary Southeast Asia* (Vol. 22, No. 3, Dec.).Institute of Southeast Asian Studies (ISEAS). from <http://www.jstor.org/stable/25798512>
- Panichakarn, B. (2014). *Thailand-Myanmar Road Connectivity*. Naresuan University. Retrieved February 26, 2017, from <http://www.freightmaxad.com/magazine/?p=7158>

- Rakkhumkaeo, A. (2016). *FDI Trends, Pull Factors and Policies in Thailand*. International Institute of Social Studies. Retrieved April 14, 2017, from https://thesis.eur.nl/.../ARakkhumkaeo_moodledata_temp_turnitintool_2
- Royal Thai Consulate-General Savannakhet. (2017). *Savan-Seno Special Economic Zone*. Royal Thai Consulate-General Savannakhet. Retrieved June 21, 2017, from <http://www.thaisavannakhet.com/savannakhet/th/data-service/sub-savannakhet/sawannaket/economic.php>
- Rungjamrasrassamee, S. (2017). “Myanmar workers leave Thailand in despair”. *The Nation*. Retrieved June 30, 2017, from <http://www.nationmultimedia.com/news/breakingnews/30319559>
- Sally, R. (2004). *Southeast Asia in the WTO*. Institute of Southeast Asian Studies. (pp.1-14).
- Savan Park. (2010). *Savan-Xeno Special Economic Zone Gets First Processing Plant*. Savan Park, Savannakhet. Retrieved December 26, 2016, from <http://www.savanpark.com/?p=286>
- Siam Intelligence. (2011). “GMS Economic Corridors”. *Siam Intelligence*. Retrieved August 10, 2016, from <http://www.siamintelligence.com/gmc-economic-corridors/>
- Suzuki, M., Keola, S. (2008). *Perspective of Savan-Seno Special Economic Zone and Vientiane Industrial Park in the Lao PDR*. (Chapter 4). IDE-JETRO. Retrieved January 6, 2017, from http://www.ide.go.jp/Japanese/Publish/Download/Report/pdf/2008_0111_ch4.pdf
- Tak SEZ. (2017). *Tak Potential and Readiness as SEZ*, Tak SEZ Office. Retrieved June 17, 2017, from <http://www.taksez.com/th/page/takpotential.html>
- Techakanont, K. (2014). “Managing integration for better jobs and shared prosperity in the ASEAN Economic Community: The case of Thailand’s automotive sector”. *ILO Asia-Pacific Working Paper Series*.

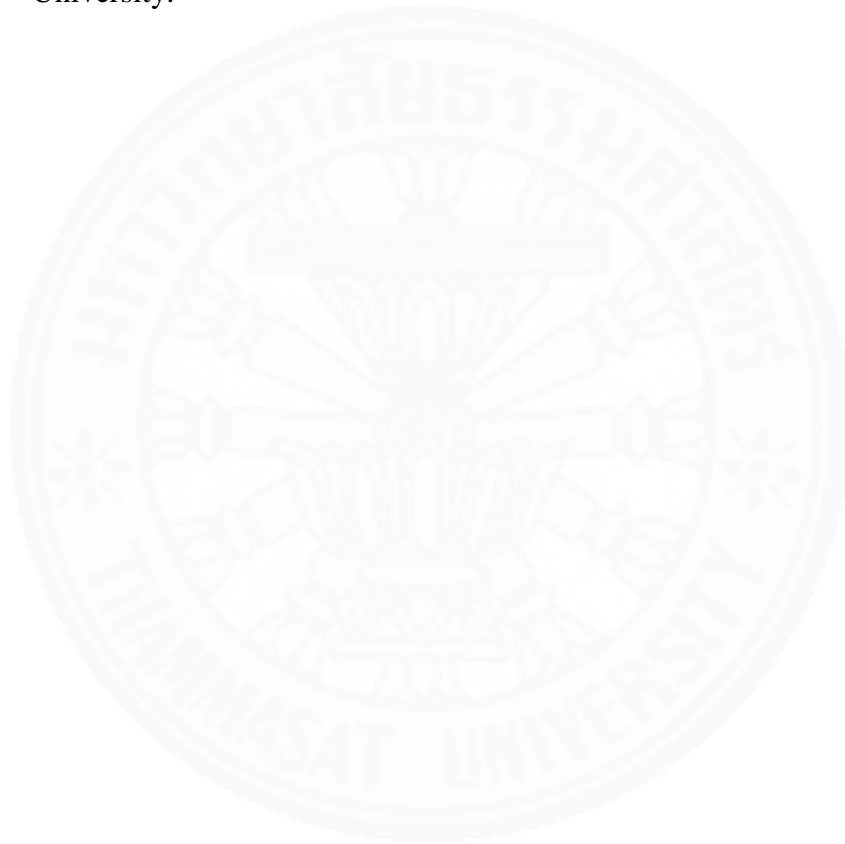
- Thai Chamber of Commerce (TCC). (2016). *Mega-Projects in Mae Sot*. TCC. Retrieved January 22, 2017, from <http://www.thaichamber.org/scripts/detail.asp?nNEWSID=13197>
- Thai Ministry of Labour (MOL). (2017). *Tak Special Economic Zone*. MOI. Retrieved June 18, 2017, from http://123.242.165.136/document_file/document/I0914.pdf
- Thai News Agency (TNA). (2017). *DPM Somkid visits Myanmar, Expanding Trade and Investment Opportunities*. TNA.
- Thai News Agency (TNA). (2017). *DPM Somkid sets target to double Thai-Myanmar trade within five years*. TNA.
- Tham, S.Y. & Sanchita, B.D. (2015). The ASEAN Economic Community and Conflicting Domestic Economic Interests. *Journal of Southeast Asian Economies* (Vol 32, No. 2, p 189-201). Singapore: ISEAS-Yusof-Ishak Institute.
- Thammasat Institute of Area Studies (TIARA). (2014). *Overview of Thai-Myanmar Border Trade*. TIARA. Retrieved May 21, 2017, from <http://www.apecthai.org/index.php/>
- Than, M. (2005). *Myanmar's Cross-Border Economic Relations and Cooperation with the People's Republic of China and Thailand in the Greater Mekong Subregion*. Retrieved June 17, 2017, from https://think-asia.org/.../Volume%202_No%201_Oct%202005_03.pdf?
- The Nation. (2015). "Laos SEZs prove to be major job generators". *The Nation*. Retrieved June 20, 2017, from <http://www.nationmultimedia.com/news/business/EconomyAndTourism/30270659>
- United Nations Industrial Development Organization (UNIDO). (2015). *Economic Zones in the ASEAN*. UNIDO. Retrieved April 12, 2017, from https://www.unido.org/fileadmin/user_media_upgrade/Resources/Publications/UCO_Viet_Nam_Study_FINAL.pdf

University of South Indiana. (n.d.). *History of Global Economy*. USI. Retrieved April 14, 2017, from

<https://www.usi.edu/business/cashel/241/text%20files/History.pdf>

University of the Thai Chamber of Commerce (UTCC). (2014). *In-Depth Analysis on Industries and Targeted Area : Savannakhet in Lao PDR*. UTCC. Retrieved June 17, 2017, from file:///D:/_savannakhet%20(3).pdf

Wisawaisuan, N. (April, 2016). *European Union in PD612 Course*. Thammasat University.



BIOGRAPHY

Name	Miss Janjira Ekareejit
Date of Birth	April 6, 1959
Educational Attainment	Academic Year 1981: Bachelor of Economics, Thammasat University, Thailand Academic Year 1998: Master of Public Policy Lee Kuan Yew School of Public Policy, National University of Singapore, Singapore
Work Position	Rewriter and Editing Officer International News Department, MCOT Public Company Limited (MCOT), Thailand

