

**Greater Mekong Subregion
Economic Cooperation Program**

**Fourth Meeting of the Subregional Investment Working Group
6-7 July 2004
Bangkok, Thailand**

SUMMARY OF PROCEEDINGS

Introduction

1. The Fourth Meeting of the Subregional Investment Working Group (SIWG-4) was held on 6-7 July 2004 at the Sofitel Central Plaza Hotel in Bangkok, Thailand. The objectives of SIWG-4 are to: (i) review investment trends and policy developments affecting the subregion, including developments in the GMS Program; (ii) to review the status of and developments regarding the six priority projects that were identified and agreed upon in the last two meetings of the SIWG; (iii) discuss and increase the awareness of participants regarding the GMS Development Matrix, the main planning tool in the GMS Program, and focus in particular on two flagship initiatives in the Matrix, namely, Cross-Border Trade and Investment and Private Sector Development; (iv) brief the participants on developments in two important topics in investment, namely, global value chains and risk management in FDI; and (v) set medium-term thrusts and work priorities for the SIWG, including the review of the SIWG Terms of Reference, and the role of the GMS Business Forum as well as preparations for the Private-Public Sector Consultation Meeting to be held in Bangkok from 9-11 September 2004. The Meeting agenda is in [Appendix 1](#).

2. The Meeting was co-chaired by Dr. Atchaka Brimble, Acting Executive Investment Advisor, Office of the Board of Investment, Thailand and Mr. Robert Boumphrey, Director, Governance, Finance and Trade Division, Mekong Department, Asian Development Bank (ADB). Participants to the Meeting included officials in the GMS countries responsible for investment policy and promotion, representatives from the GMS Business Forum, representatives from international organizations and donor institutions, and ADB staff. The list of participants is in [Appendix 2](#).

Session I: Opening Session

3. Mr. Piromsakdi Laparojkit, Deputy Secretary General, Board of Investment of the Royal Thai Government, in his opening and welcome remarks, cited the impressive strides made by the countries in the Greater Mekong Subregion over the past 12 years. Under the GMS Program, significant accomplishments include the development of economic corridors, the GMS Cross-Border Transport Agreement, and the promotion of GMS as a single tourist destination. As business opportunities in the subregion increase, it will become more important for the GMS Governments to promote transparency in promoting foreign investments and to stimulate enterprises to become more competitive in the global economy. He enjoined the participants to learn from one another's experiences in the spirit of dialogue to help build more competitive industries and to promote cross-border trade.

4. Mr. Zaw Min Win, Vice President of the UMFCCI delivered the opening remarks on behalf of Mr. Win Aung, Chairperson of the GMS Business Forum who could not attend the SIWG meeting. He cited substantial amounts of investments and aid flowing into the Mekong subregion on account of its strategic location. ADB, in particular, has focused on the development of economic corridors under the GMS Program, consistent with the strategies to enhance connectivity, promote competitiveness, and develop a greater sense of community. He cited the important role of the GMS Business Forum in integrating the private sector's role in the GMS Program and in serving as a channel of communication with the governments. He expressed confidence that the GMS now has established a solid foundation on which to build business opportunities and investments.

5. Mr. Robert Boumphrey, Director, Governance, Finance and Trade Division, ADB cited positive developments in the GMS that augur well for increased investments. Apart from its strategic location, the GMS has registered strong economic performance, is rapidly developing physical connectivity, and is moving towards a more integrated market. As members of ASEAN, five GMS countries are moving towards closer economic integration towards an ASEAN Economic Community by 2020. The development of economic corridors is also helping to boost trade and investment, thus maximizing investments in infrastructure. He reminded the meeting that the GMS Leaders have attached great importance to cooperation in trade and investment and the role of the private sector as an engine of growth in the GMS.

Session II. Recent Developments and Implications on Investment Cooperation in the GMS

A. Country Presentations

6. Cambodia's presentation highlighted the following: (i) ASEAN investors are the top investors in Cambodia; (ii) FDI is mainly concentrated in the industry and tourism sectors, each with about one-third of the share of total FDI from 1992-2004; and (iii) the Council for the Development of Cambodia (CDC), which is the responsible agency for investment, has instituted several investment promotion and facilitation measures including a one-stop service center, facilitation of procedures for investment application, and the implementation of an investment incentives package. Cambodia's industrial policy was also presented which, among others, focuses on labor-intensive and natural resource-based sectors, agribusiness, small and medium enterprises, transfer of technology, export promotion and diversification, and private sector development. As regards private sector development, the main strategy is to leverage private sector value chains to develop supplier networks. Some investment-related laws and regulations are also being reviewed and/or drafted.

7. PRC's presentation highlighted the major FDI trends in the country, as follows: (i) an increasing number of multinational companies are investing in China; (ii) the technology content of FDI projects has been increasing; (iii) eastern China, as a major FDI destination, is developing very rapidly; and (iv) FDI enterprises are playing an increasingly important role in the development of the national economy. New policies for attracting FDI are continuously being developed. They include improvements in the legal environment to promote FDI stability and sustainability; (ii) market-opening measures; (iii) intensification of industrial policy on FDI; (iv) facilitation measures for FDI; and (v) strengthening former industrial bases, notably in northeast China, to attract FDI.

8. Lao PDR's presentation underscored the importance of private sector participation in the GMS development process. Although the GMS governments have recognized this, the actual

involvement of the private sector has been limited to date. In Lao PDR, the private sector, along with the privatization of state-owned enterprises (SOEs), has been actively involved in the public procurement processes, including construction of basic infrastructure. The public and private sectors also undertake joint investment promotion activities. Although FDI flows in the region have improved in the post Asian-crisis period, most FDI to the subregion has been in production capacity replacement and expansion, rather than in new green-field investments. The Lao PDR Government continues to undertake measures to improve the investment climate in the country through improvements in the legal and regulatory framework.

9. Myanmar's presentation indicated that the Government has been adopting market-oriented measures since 1988 when the Foreign Investment Law (FIL) was promulgated. The FIL currently serves as the framework for promoting and regulating FDIs in Myanmar. Leading FDI sectors in Myanmar include oil and gas, manufacturing, hotel and tourism, and real estate and mining sectors. The major source of FDI in Myanmar is the ASEAN countries, accounting for more than half of total FDI. The post Asian crisis period has witnessed a slight recovery in FDI into Myanmar as the ASEAN countries recovered. Myanmar is promoting resourced-based, labour-intensive, and export-oriented industries for FDI.

10. Thailand described notable investment trends in the country as follows: (i) Thailand has been ranked fourth globally as an FDI location; (ii) Japan, EU and the US ranked as the top three sources of FDI applications as of 2003; (iii) the most number of FDI applications are in the automotive and metal processing, electrical and electronics, and petrochemical sectors; and (ii) the cost of setting up FDI in Bangkok is relatively cheaper than in most Asian cities. The most recent investment policies in Thailand involve liberalizing the investment regimes (e.g. no export requirements; no foreign equity restrictions, etc); guarantees against nationalization and price controls; permission to own land and to bring in foreign experts; and investment incentives to reduce initial investment cost. The Board of Investments (BOI) is supporting investors in three key areas: (i) reduction of risks and facilitation of investments; (ii) reduction of initial investment costs through investment incentives; and (iii) provision of support services through matchmaker programs, one-stop processing for visa and work permits; ASEAN supporting industry database, and additional country desks.

11. In Viet Nam, FDI has played a key role in the country's socio-economic development by generating jobs, raising the level of technology and driving the restructuring of the economy towards industrialization and modernization. The legal framework for investment in Viet Nam consists of the Foreign Investment Law, regional cooperation agreements, bilateral investment treaties, bilateral trade agreements, and double taxation agreements. Investment policies are in place for investment guarantees, investment incentives, and investment promotion for selected sectors such as industry, agriculture, and tourism. Differentiated procedures are applied to various categories of investment, e.g. encouraged, permitted, restricted, and prohibited.

B. ADB Presentation on the GMS Program and Investment Cooperation Initiatives

12. Mr. Jong Hwa Lee, Senior Financial Specialist, ADB, presented a brief background on the GMS Program. He discussed the underpinning strategy of the Program, which is basically to link the countries in the subregion through improvements in infrastructure, thus overcoming domestic market constraints and promoting trade and investment to further boost economic growth. Regional cooperation was to complement national development and overcome national constraints by enlarging markets, generating economies of scale and exploiting complementarities. He also discussed the key thrusts of the GMS Program and the evolution of its scope and concerns over the years, moving from the confidence-building phase,

through the conduct of sector studies and the implementation of physical infrastructure projects, and subsequently social and environmental projects. He also described the institutional arrangements under the GMS Program, viz: the nine sector working groups corresponding to the nine priority sectors of cooperation, one of which is investment and, additionally, the GMS Business Forum, which serves as the vehicle for promoting private sector participation in GMS initiatives; the GMS Ministerial Meeting coordinates subregional cooperation, providing overall guidance and support; the Senior Officials Meeting (SOM), which is the venue for consolidating the outputs of the various Sector Working Groups, resolving certain issues and prepares the basic inputs for the Ministerial Meetings; and the GMS Summit of Leaders, which provides political commitment at the highest level. He also informed the Meeting of certain developments in the GMS Program since the last SIWG meeting in 2001, namely: (i) the First GMS Leaders Summit held in November 2002 in Phnom Penh, where the Leaders committed to continue to create a favorable trade and investment climate to foster private sector initiative and participation, especially for small and medium enterprises, and called for the formulation of an action plan on trade and investment facilitation, which includes information sharing and capacity building; and (ii) the 12th Ministerial Meeting held in September 2003 in Dali City, PRC, where the Ministers re-emphasized the important role of the private sector as an engine of growth for the subregion; called for concerted action at the national and subregional levels for promoting private sector investments in the GMS, especially in the economic corridors; called for a larger role of the GMS Business Forum in developing private sector action plans in each of the nine priority sectors of cooperation under the GMS Program; and agreed to convene a high-level public-private sector consultation meeting in 2004. The Ministers also recognized that more needs to be done to develop a pro-business environment.

C. Updates and Discussion of Issues on the Six Priority Projects

13. Ms. Madeleine Varkay, Private Sector Development Specialist, ADB, presented the status of and developments on the six priority projects identified and agreed upon in the last two meetings of the SIWG. Some of the key points she mentioned regarding the projects are as follows:

Project #1: Building Institutional Capacity for Investment Promotion and Facilitation in the GMS --- An investment promotion agency's strategy should involve a clear understanding of what to promote, where to promote, and what foreign investors are seeking as investment opportunities. Some of the specific actions ADB has undertaken in this area are: (i) a TA (for Lao PDR) initiating a comprehensive Foreign Investment Capacity Enhancement Project that addressed, among others, investor targeting methodology, industry analysis, review of best practice in investment promotion, business location, concepts and issues relating to industrial free zones; (ii) an ongoing TA strengthening institutional capacity in certain areas, among others: training in technology transfer valuation; training in upgrading investment regulations in double taxation treaties, bilateral investment treaties, rules for investments of under \$1 million; access to international insurance and reinsurance markets.

Project #2: Improving the Information Architecture for Investment Facilitation in the GMS --- Important information regarding the investment environment in GMS that can be covered by information systems include those regarding legislation in force in the member countries (e.g., investment laws, intellectual property rights law, insolvency code, labor law, bilateral investment treaties, double taxation treaties, etc.). There are existing investment information systems initiated and implemented by certain international agencies, which can be explored as possible bases for the information

architecture that may be set up for GMS (e.g., the UNCTAD Investment Gateway; the MIGA IPAworks, IPA standing for Investment Promotion Agencies).

Project # 3: Support to the GMS Business Forum --- An important undertaking that has been accomplished under this project is the development of the GMS BF corporate governance framework, which includes capacity building, the seven service areas, the Revenue Stream projection to ensure sustainability of the GMS BF; the framework and the deliverable services meet international best practice requirements and are useful in attracting short term and medium term international investments into the region; among the services to be delivered are web-based Yellow Pages, web-based Trade Hub linking supply sources within GMS with buyers within and outside GMS, SME One-Stop Counseling Service; and organizing various conferences on various subjects (e.g., pre-shipment export finance, risk underwriting/insuring/reinsuring, technical standards).

Project #4: Strengthening the Regulatory and Incentive Structure in the GMS --- There are various general and sector-specific issues regarding the regulatory and incentives structures in the GMS countries, including concerns of foreign direct investors regarding insolvency codes, pledge codes, gaps in double taxation treaties, etc., and the inadequacy of and the need to develop underwriting/insuring/reinsuring capacity in most GMS countries to mitigate risks. A set of Questions and Answers is being developed for GMS BF regarding such issues. The challenges are basically how to bring these issues and concerns to the attention of the GMS governments and how the latter can in turn address these through the cooperation mechanisms in GMS.

Project #5: Design and Implementation of an Investment Cooperation Mechanism in GMS --- Developing countries in Asia have in general committed to increased trade openness. In view of divisive negotiations in the multilateral arena, Asian economies have explored alternative paths, e.g., new bilateral FTAs, cross-border agreements facilitating the flow of goods and people. Among the issues for discussion in this regard is the need to weigh costs and benefits of participating in multiple FTAs vs. multilateral trade agreements.

Project #6: Design and Implementation of a Fast-Track Approval Procedure for Investment in the GMS --- One of the alternatives in this regard is the possible corporatization of the EWEC, along the lines of the negotiations toward the corporatization of the St. Lawrence Seaway, prior to the signing of the FTA between Canada and the U.S.

14. The participants were requested to review these projects and try to determine whether they are still relevant, or whether modifications in scope and focus would be required.

15. Mr. Vittaya Praisuwan of BOI, Thailand, commented that all the projects remain important, and in particular Projects #2 and #3 should be given high priority. He said that the GMS BF initiatives in developing the Yellow Pages on suppliers and buyers will be particularly useful. With regard to Project #1, he commented that one aspect is to facilitate the exchanging of views among GMS countries on various issues. He said that Thailand has been working with the CLMV countries (Cambodia, Lao PDR, Myanmar, and Viet Nam) in this area and will be happy to serve as facilitator in this kind of exchange on a GMS-wide basis. In the area of tourism, he cited as an example of an area for possible forging of an agreement the linking of

international and domestic airline flights within countries in the subregion. He also said that Thailand is supporting projects #5 and #6, particularly in light of trend toward the forging of free trade agreements involving the GMS countries.

16. Dr. Jingjai Hanchanlash, Executive Board Director of the Thai Chamber of Commerce, thanked ADB for helping in setting up the GMS BF, which has done a lot of work since its inception. He noted that the GMS countries are already providing substantial investment incentives. What is needed now is setting up a clear and consistent regulatory framework. He said that the private sector wants predictable and simple rules. He also suggested that ADB consider providing financing to private sector projects, for instance, through equity participation, and also to help in facilitating partnerships not just between public-private sectors in GMS, but also between the private sector in GMS and the private sector outside GMS. He also suggested that ADB help in coordinating donor assistance in human resource development, which is a very important factor in any private sector activity.

17. Dr. Viravanh Khamtanh, Lao PDR, suggested that there might be a need to re-prioritize the projects. He commented that the private sector should be involved in setting the regulatory and management framework for special economic zones. He said that Lao PDR, Thailand and Viet Nam have signed an agreement on the coordination and regulation of the free movement of goods and people.

18. Ms. Chompunuch Ramanvongse, Thailand, commented that the GMS BF could serve as the channel for strengthening public-private sector cooperation by strengthening the network between GMS BF and the investment promotion agencies (IPAs) of the GMS countries. She said she would like to see more joint activities of the public and private sectors to promote investments in GMS, e.g., roadshows, linking the websites of GMS BF and of the IPAs. She also said that Thailand supports cooperation with regard to the development of special economic zones (SEZs). Thailand focuses on cooperation rather than competition and this is illustrated by the case of complementary policies between Thailand and Lao PDR with regard to the development of the Savan Xeno SEZ in the Savannakhet area in Lao PDR and the Mukdahan area in Thailand. When Thailand learned that Lao PDR intended to develop the former as a SEZ, Thailand no longer pursued the development of the latter but instead provided technical assistance to Lao PDR to help establish the SEZ based on the concept of complementary co-production between the two countries.

19. To further clarify the issues, Mr. Silvio Cattonar of ADB gave a short presentation on the East-West Economic Corridor (EWEC). The EWEC involves basically physically connecting, through a road network, the Mawlamyine area in Myanmar in the west to the Route 9 – Da Nang area in Viet Nam in the east. This network, to be accomplished in phases, is expected to be completed by 2006. But even when the physical infrastructure shall have been completed, what will be of increasing importance is the “software” agreements that would facilitate the cross-border movement of goods and people along the corridors and other important areas of focus include the single stop customs inspection; trade and transport logistics; the rational, harmonized, non-competing and niche-focused development of industrial estates/SEZs; and the need to develop the subregion as a single tourist destination. These are some of the requirements to transform the transport the corridor into a genuine economic corridor.

20. In response to queries from the floor, Ms. Carol Guina of the GMS Secretariat gave an update on the Cross-Border Transport Agreement. She said that all countries have signed and ratified this agreement and it has entered into force. The remaining work is to complete the negotiation and signing of the Annexes and Protocols, which are being done in three stages.

The first stage was completed and signed last March, negotiations for the second one has already been completed, with the signing being planned during the 13th GMS Ministerial Conference in December, and the third stage Annexes and Protocols are expected to be completed by the time of the Second GMS Summit in July 2005. Thus, full implementation of the cross-border transport agreement is expected to broadly coincide with completion of physical infrastructure along the EWEC by 2006.

Session III. The GMS Development Matrix.

29. Mr. Cattonar gave a presentation on the GMS Development Matrix, putting it within the context of the Vision, Strategy and Framework of the GMS Program. He explained that the Development Matrix (DM), which is basically a database of programs and projects for the 11 Flagship Programs of the GMS, serves as planning, programming and resource mobilization tool fully owned by the GMS countries. He also mentioned that the DM is now available in CD format and is accessible through the GMS web page. He emphasized that the DM is a work in progress and said that it is the responsibility of the GMS working groups to update and refine project information in the matrix regularly. He also proceeded to give a demonstration of the contents of the Matrix. He also suggested that the participants, if they want to propose projects for inclusion in the DM, can communicate these with ADB and they can be assisted as regards the format and other requirements.

30. Discussion of Issues. To the question of the focal points for updates/changes in the information on specific programs and projects, Mr. Cattonar replied that the respective focal or contact persons/units are indicated in the DM itself. To the question of what projects can be included in the DM, Mr. Cattonar informed that not only projects funded or assisted by ADB can be included but also those funded by other sources. Mr. Boumphrey noted that the DM is supposed to cover GMS projects but not purely national projects; national projects with GMS or subregional dimensions and considerations are included as well.

Session IV. Special Topics.

31. Global Value Chains and Networks. Mr. George Abonyi gave a presentation entitled "The New Face of Global Competition: Global Value Chains and Networks," a copy of which is attached as Appendix 6. He began his presentation by describing processes and trends that are currently transforming the world economy. The two processes are the integration of product markets and relocation of economic activities within these markets and the focus of firms on "core competencies". The related trends are the internationalization of production, the transformation of world trade, and the transformation of the global economy that is increasingly linked to the emergence of Global Value Chains (GVCs)/International Production Networks (IPNs). GVCs are increasingly transforming the strategy and structure of key firms in an expanding range of industries that are increasingly adopting a "network" form of organization. Firms are moving away from vertical integration and focusing on core competencies. IPNs are increasingly becoming the "organizations of choice". He also mentioned certain challenges for GMS in light of these developments, among which are the challenge of developing a GVC mindset, supplier development, strengthening logistics systems, and trade facilitation in GVC context.

32. Discussion. With regard to the suggested building of industry clusters of SMEs to address the challenges of this new environment, overcoming constraints and tapping “collective efficiencies and providing sufficient scale in the context of global sourcing, concern was raised that this might become similar to the practice of “picking winners”, with its negative effects (e.g., what if the winners picked were wrong). It was also pointed out there was also a need for governments to improve their policy making role to help firms address these new challenges.

33. Presentation on Internal and Project Fraud. Mr. Samuel Porteous of Kroll Greater China gave a presentation on the topic of commercial and economic fraud and how they can be prevented and mitigated. He gave several case studies and discussed types of such and how they were addressed. He also gave pointers on how to detect fraud. He also discussed possible steps to minimize fraud through due diligence activities, streamlining internal operations, and staff development.

Session V. Evaluation and Re-prioritization of the Six Priority Projects and Future Directions

34. Dr. Brimble suggested that the group should now review the projects and decide on the appropriate action to take on each, whether or not to continue with it and what is the best way to pursue it. With regard to Project #1 on building institutional capacity for investment promotion and facilitation, Ms. Varkay informed the group that ADB has been collaborating closely with UNCTAD in undertaking training and other capacity building activities, for instance under the TA project in Lao PDR, using the instruments that UNCTAD developed such as the “Investment Gateway” or “Investment Compass”. Mr. Ba Cuong, the representative from Viet Nam inquired whether such a program with the assistance of UNCTAD would be possible in the case of Viet Nam where they have decentralized a number of investment approval and regulation functions to the local level. Dr. Khamtanh remarked that Lao PDR is in a similar situation. Ms. Li Jia of PRC indicated that they are interested in cooperating with UNCTAD in undertaking such a program. Dr. Thoraxy of Cambodia said that they, too, support Project #1 but asked how this relates to the Phnom Penh Plan for Development Management which the GMS Program is also undertaking. Ms. Varkay indicated that she will provide the clarification after consultation with ADB colleagues. The SIWG agreed to continue with the project, with ADB-UNCTAD collaboration in pursuing it.

35. With regard to Project #2 on improving the information architecture for investment facilitation, Ms. Varkay said that the intention is to be able to come up with a “GMS at a Glance” kind of product that covers all the relevant laws, regulations, and treaties governing investments in the GMS countries. The discussion centered on being able to link the websites of the GMS countries’ investment promotion agencies with one another and with the GMS BF website and to get the assistance of the international agencies involved in such projects, namely, UNCTAD or MIGA. There were also comments on what should be the content of the websites, e.g., whether this would be something similar to those available under the ASEAN investment portal. Dr. Brimble mentioned that Thailand had earlier produced a handbook on investing in the GMS but this needs updating, although it may be used as a base for creating a website with such content. Dr. Thoraxy mentioned that MIGA and UNCTAD already helped Cambodia in similar activities previously and inquired also whether Project #2 will also include improving the capabilities of the GMS countries to produce and report FDI statistics. Mr. Win Hlaing of Myanmar also said that they are interested in participating in Project #2. Mr. Boumphrey commented that it is important that the SIWG look into such a project and pursue it, but he said

that ADB would rather that other more appropriate organizations handle it; ADB will just help in facilitating such activities. It was agreed that the SIWG will pursue the linking of the GMS countries' investment promotion websites and with that of the GMS BF, and that ADB will help facilitate the activity in coordination with other organizations.

36. As regards Project #3 on support for the GMS BF, Ms. Varkay remarked that all issues discussed in the GMS BF regarding investments and related matters will be brought back to the governments through the SIWG. Dr. Hanchanlash commented that if the GMS BF is to report regularly to the GMS forums, its sustainability should be ensured. One aspect is supporting the GMS BF secretariat; he said that at present, the country CCI members of the GMS BF contribute \$1,000 each for the support of the secretariat. Another aspect is the support for the marketing activities that the GMS BF is undertaking for investment promotion products for GMS; he said that there is a need to support the development of these products. Although the GMS BF has received both financial and technical assistance from ADB and UNESCAP, they need further financial assistance for sustainability. Mr. Boumphrey said that ADB considers the GMS BF to be very important and substantial progress has been made in its activities, such as the work on the corporate governance framework, although several issues remain regarding this. He said that ADB has provided it assistance in the past and is committed to continue to provide financial and other assistance to it in future, but cannot commit to such on an open-ended basis. Dr. Hanchanlash clarified that assistance is being sought only for, say, the first three years when hopefully the long term sustainability of the Forum shall have been established. It was decided that Project #3 be retained in the SIWG work program and that the GMS BF submit to ADB a proposed operations and financial plan toward long-term sustainability, including its request for assistance, providing copy to the SIWG country members.

37. With regard to project #4 on the strengthening of the regulatory and incentive structures, Ms. Varkay said that this should be narrowed down to certain aspects such as dispute settlement, reciprocity, treatment of BOT, upgrading of existing investments, and FDI creditor status, among others. Dr. Brimble summarized the issues regarding the project as follows: the need to report to the GMS Ministerial Meeting that the individual GMS countries have achieved substantial progress in improving their respective investment regulatory frameworks; for each country to decide whether it needs further assistance in this regard; for the group to decide whether it should try to answer and provide information to the questions that investors ask and what medium to use; to include dispute settlement and international arbitration matters in such information to be provided, recognizing that this is a complex issue that involves the legal systems of the countries. With regard to the latter, Ms. Varkay suggested that those countries that have not yet done so, should initiate the process obtaining membership in the International Centre for the Settlement of Investment Disputes (ICSID). Cambodia said that they still need assistance in developing an investment guide. The group agreed that the harmonization of regulations is a very difficult and complex work that the SIWG should not yet go into at this time. It was decided that the SIWG will continue with the project by undertaking the preparation of a handbook that will provide information on issues and questions that investors ask about investing in the GMS; this handbook will contain more specific investment-related information, which may also include, for instance, information related to investment sectors that the GMS countries want to promote, while the website development and linking project agreed on earlier will cover more general information. It was also noted that the handbook should not duplicate and should cover more specific information in similar works done by other organizations, eg., ASEAN.

38. With regard to Project #5 on the design and implementation of an Investment Cooperation Mechanism in GMS, Dr. Brimble and Dr. Khamtanh both noted that the matters proposed to be covered by the project, e.g., the negotiation of new FTAs, cross-border agreements, are essentially national issues in which the Working Group need not be involved. It was, therefore, decided that Project #5 be removed from the SIWG work program.

39. With regard to Project #6 on design and implementation of fast-track approval procedures for investments in the EWEC, Dr. Brimble requested Dr. Khamtanh of Lao PDR to provide a background on the original intention of the project. Dr. Khamtanh said that the intention basically was to facilitate the processing of investments within the economic corridor to support the infrastructure development that is taking place. It was noted, however, that the processing of investments is basically a national issue. It was, therefore, likewise decided to drop Project #6 from the SIWG work program.

40. Discussion of the High-Level Public Private Consultation Meeting. Dr. Utis Kao Thien, GMS National Coordinator and Thailand Focal Point for the PPCM briefed the Meeting on the preparations for the High-Level Public Private Sector Consultation Meeting (PPCM) that will take place at the Intercontinental Hotel in Bangkok on 9-11 September 2004. The Meeting is expected to establish a stronger network among the GMS governments and private sector with the view to establishing a mechanism for consultation and feedback on important issues.

Thailand informed the Meeting that the PPCM will have 6 sector discussion groups each to be chaired by a GMS country. The Meeting was informed that Viet Nam has offered to chair the sector discussion group on infrastructure; Myanmar, on agriculture, and PRC, on trade and investment. Lao PDR offered to chair the sector discussion group on tourism. Cambodia will indicate its choice of sector discussion group as soon as possible.

SIWG members were requested to provide suggestions on ideas or issues that could be discussed by the PPCM, suggest possible invitees from the private sector, especially those that could play the role of lead discussants, and provide relevant information on investments that could be made available to the participants.

Thailand also made the following clarifications based on queries from the participants: (i) the country chair will prepare a background paper (minimum of 5 pages of main text); in this regard, ADB will provide the relevant information to assist the country chairs in the preparation of the background papers; (ii) the background papers should reflect a GMS view rather than a country view; GMS countries should therefore provide useful and relevant information to the country chair to help ensure that a subregional perspective is presented; (iii) eight Government representatives will be supported by ADB and Thailand, although additional representatives may participate in the PPCM on a self-financing basis; (iv) in principle, private sector representatives will be invited on a self-financing basis; and (v) information on space allocation for the exhibits will be provided by Thailand as soon as possible.

Review of the SIWG TOR

44. The Meeting reviewed the Terms of Reference of the SIWG. Mr. Lee of ADB gave his observations on the present TOR, as follows: (i) membership --- It is unclear from the mention of the ASEAN Secretariat what their role and accountability are; (ii) the role of ADB and FIAS is unclear, since it is just mentioned that their participation is "at the invitation of SIWG"; (iii) with regard to the venue and chairperson, he suggested that at the end of a meeting the venue, host and chairperson of the next meeting should already be determined; (iv) the host/chair of the

present meeting should be responsible for monitoring and reporting of SIWG activities to the GMS SOM/Ministerial Meetings (MM); overall responsibility can be turned over to the next host/chair after the MM; (v) the SIWG is supposed to be an advisory body; it has to report to the GMS MM; he suggested that the group should try to arrive at decisions by consensus. In this regard, it was decided that the last two sentences of the section on membership (re ASEAN Secretariat and the participation of ADB) be deleted. Dr. Brimble further noted that the ADB has had and will continue to have an important role in SIWG. Mr. Boumphrey reiterated ADB's strong commitment to SIWG.

45. Issues regarding membership were also brought up, i.e., whether donors and development organizations can become members, whether GMS BF should be a formal member. The group agreed in principle that the participation of interested donor and other organizations should be welcome, as the group will need as much support as possible for priority projects.

46. The Chair raised the question of whether certain activities should be included in the SIWG's work program as stated in the TOR, to wit: developing subregional agreements, such as the utilization of the ASEAN investment promotion and protection agreement. After hearing the views of various participants, it was decided to retain the statement in the meantime, but deleting the reference to the said ASEAN agreement; Viet Nam will present a proposal regarding the matter in the next SIWG meeting. Mr. Lee expressed the opinion that, following the practice in the drafting of by-laws of private sector firms, specific activities or work programs should not be included in the TOR. Mr. Praisuwan also commented with regard to the item regarding "exchanging subregional experiences on policy and promotion issues," that such exchange should include experience in implementation and administration, both pre-investment and post-investment aspects, since the latter are often even more important.

47. With regard to the next steps on the TOR revision, it was agreed that ADB work on a draft revised TOR and circulate this to the GMS countries for comment.

Other Matters

48. A matter related to sector-specific activities was raised by Dr. Utis Kao Thien, Senior Adviser to the NESDB, Thailand, namely, what he perceives to be ADB's over-emphasis on the mining sector relative to other sectors that may be more important for the development of the GMS countries, e.g., agriculture, manufacturing. He said that the mining industry is a very a country-specific rather than a regional issue, in addition to being a sensitive area in most of the countries in the subregion. His comment was duly noted by the Meeting. Mr Boumphrey, however, informed the group that ADB has divisions that handle matters relating to various sectors, such as agriculture, infrastructure, and social issues, and gave the assurance that ADB has no hidden agenda with regard to the mining sector.

49. Designation of SIWG Focal Points. Mr. Lee was designated as focal point for ADB. Each of the member countries shall designate their respective SIWG focal points. Future communications can be coursed through the focal points so that there will be a continuous exchange and matters for consideration need not wait for the next meeting.

Closing

50. Dr. Brimble thanked all the participants for their active participation in the meeting. She thanked ADB for its guidance and strong support. She said that she hopes that henceforth

the SIWG will become more active in pursuing its initiatives. She said that the group's work is very important for the development of the subregion and that it should be pursued strongly. She wished the participants a pleasant stay in Bangkok and a safe trip home.