

PERSPECTIVE

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The Cambodia-Laos-Vietnam Development Triangle Area

*Vannarith Chheang**

EXECUTIVE SUMMARY

- For the first time, key development partners such as the Asian Development Bank, the World Bank, and ASEAN participated in the latest Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA) meeting.
- CLV-DTA is a sub-regional cooperation framework that focuses mainly on cross-border economic cooperation, with some cooperation on political, security and social and cultural issues.
- The grouping differs over the management of the Mekong River's water and related resources, sovereignty and border issues, and its members' relatively poor infrastructure and weak institutional capacities.
- Vietnam is de facto leader in this grouping due to its economic strength and size.
- Cambodia and Laos are wary of an over-bearing Vietnam. This is a factor that needs to be taken into account in assessing the potential and effectiveness of the CLV-DTA.

**Vannarith Chheang is Visiting Fellow at ISEAS-Yusof Ishak Institute. The author would like to express his gratitude to Daljit Singh and Lye Liang Fook for their comments.*

INTRODUCTION

In March this year, leaders from Cambodia, Laos, and Vietnam gathered in Hanoi for their tenth biannual summit, focused on deepening comprehensive cooperation among the three countries and building “integrated, sustainable and prosperous CLV economies”, which is believed to be an “indispensable part of ASEAN Community Vision 2025”.¹ The leaders declared a new chapter in the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA) based on the fact that it was the first time that ASEAN, the Asian Development Bank (ADB), and the World Bank (WB) attended the summit—illustrating the increasing interest from regional and global institutions in the development triangle.

At the summit, the Vietnamese chair highlighted the achievements of the cooperation programmes especially in socio-economic development involving 13 border provinces. The three countries lauded the benefits in the areas of security and politics, economy, and education, which had helped to reduce development disparities among the localities.²

Institutional connectivity between ASEAN and sub-regional cooperation mechanisms such as CLV-DTA will contribute towards narrowing the development gaps within the region, and realizing the regional community. Driven by economic pragmatism and convergent geopolitical interests (under Vietnam’s de facto leadership), CLV-DTA is an important economic development platform, and potentially a new growth centre in the Mekong region provided it is able to overcome the challenges it faces.

BACKGROUND

CLV-DTA is a physical, institutional and political construct launched at the first informal leaders’ meeting in 1999, which initially covered 10 border provinces. In 2009, three more provinces were added. At the 10th Summit in 2018, Vietnam proposed that CLV-DTA be expanded to cover the entire territory of the three countries (but there has been no official response from Cambodia and Laos to this proposal yet).

The working mechanism of CLV-DTA includes a summit (biannually), a Joint Coordination Committee (JCC) meeting (annually), and a Senior Officials Meeting (SOM) in support of the JCC. Four working groups or sub-committees were formed under SOM, namely the economic sub-committee, the social and environmental sub-committee, the provincial coordination sub-committee, and the security and foreign affairs sub-committee. The member country appoints a minister as co-chairman and member of the coordination committee. In addition, in 2016, the leaders agreed to strengthen collaboration between CLV-DTA and other regional cooperation mechanisms in the Mekong region, particularly the Mekong-Japan Cooperation.

CLV-DTA has moved beyond merely relying on economic and political collaboration to a more comprehensive platform covering a wide range of issues under three main areas – political security, economics, and social and cultural cooperation. At the 10th CLV Summit in 2018, the leaders endorsed the Action Plan for CLV Economic Connectivity up to 2030 to serve as a guiding document for regional cooperation. The Plan, modelled on the Master

Plan on ASEAN Connectivity, has three main pillars: institutional connectivity, infrastructure and economic connectivity, and people-to-people connectivity.

RATIONALE

Growth or development triangles have been used since the 1990s by Southeast Asian countries as a means to promote cross-border regional cooperation. They include the SIJORI (Singapore, Johor and the Riau Islands) in 1989 and the BIMP-EAGA (Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area) in 1994. Some phrases used to describe them included “natural economic territories”, “region states”, “cross-national growth zones”, and “sub-regional economic zones”.³ The basic idea is to connect regions or provinces along the border areas of neighbouring countries within a certain geographic setting and is mainly driven by economic interests, principally deriving from economic complementarity and efficiency, industrial specialization, geographical proximity, policy coordination, and infrastructure development.⁴

National governments, local governments, and local communities are the key actors in shaping and influencing such regional cooperation.⁵ The success of a growth triangle depends chiefly on the ability to maintain amicable relations and nurture political trust, and on the capacity to manage crisis and reduce risk and uncertainty through transparent information sharing and deepened economic interdependence. These partnerships between governments, the private sector, and local communities are crucial in sustaining regional cooperation. For their success, institutional mechanisms are needed to facilitate operations and to mediate differences.⁶

Besides economic considerations, the growth triangles have, to a certain extent, political and security implications. Acharya Amitav, for example, warns that failure to address concerns about uneven development and benefits distribution in these frameworks will lead to greater domestic and inter-state tensions and “undermine their potential to contribute to regime legitimacy of regional order”.⁷ Studies have shown that large income gaps between regions and localities potentially cause political disputes and social tensions. Aware of these risks, ASEAN has taken some measures to assist its new members to catch up by introducing the Initiative for ASEAN Integration (IAI) in 2000. However, lack of financial resources acts as a major constraint on the IAI.

Within CLV-DTA, Vietnam has taken a de facto leadership role, and its enterprises have invested in 113 projects with total registered capital of US\$3.56 billion in the border provinces in Cambodia and Laos (65 projects in Laos and 48 in Cambodia). The projects are mainly in agriculture, rubber plantation and exploitation, mining industry, manufacturing and processing industry, and banking and finance.⁸

In terms of infrastructure development, Vietnam gave Cambodia a concessional loan of US\$26 million to build a 70km road connecting Banlung to Ou Ya Dav (Ratanakiri Province). Vietnam has also provided development assistance to triangle development areas in Cambodia and Laos to build schools and develop human resources. The increasing economic footprint of Vietnam in the border provinces in Cambodia and Laos also serves

Vietnam's economic statecraft, i.e. its use of economic strength for strategic objectives. Vietnam seeks a more influential role in Indochina.

In theory, regional economic integration generates opportunities and improves people's lives. The driving force behind CLV-DTA is the recognition that greater benefits can be generated and multiplied through the facilitation of cross-border trade, investment and people movement. The platform enables state and sub-state actors to overcome deficiencies in labour, technology, resources, land and infrastructure by optimizing the comparative advantages of the provinces involved.

In general, the CLV countries share the view that regional integration is the key to development and to poverty reduction. For instance, Cambodia "perceives regional economic integration as a means to further advance its national development interests, which in turn strengthens state legitimacy. Economic performance is perceived as the main source of legitimacy and sustainability of the functions of the state".⁹

KEY DEVELOPMENT PARTNERS

Japan is the main external supporter of CLV-DTA. In 2004, Japan pledged US\$1.5 billion for the development of the CLV countries, within the framework of Japan's Initiative for Mekong Region Development. Education, irrigation, and infrastructure development were the main focus of Japan's initial development support.¹⁰ In 2015, it provided an additional \$18 million for that purpose. Specifically, Japan has funded "The Project for Well Construction in Ratanakiri Province" in Cambodia, "The Project for Labang II Irrigation System Rehabilitation in Ratanakiri Province" in Cambodia, "The Project for Rural Electrification on Micro-Hydropower in Mondul Kiri" in Cambodia, "Supporting Community Initiative for Primary Education Development in Attapeu and Sekong" in Laos, "Project for Construction of Bridge between Kengkaxar Village and Nongfanyong Village" in Laos, "The Project for Construction Dak Joong Irrigation System" in Vietnam, "The Project for Equipment Supply to Kon Tum Vocational Training School" in Vietnam, "The Project for Constructing Tran Qui Cap Primary School" in Vietnam, "The Project for Constructing Kim Dong Primary School" in Vietnam, "Small-Scale Pro-Poor Infrastructure Development Project" in Vietnam, and "The Project for Construction Le Dinh Chinh Junior High School in Ea Kenh Commune" in Vietnam.

The Asian Development Bank (ADB) is another key development partner. It has given support to CLV-DTA under the Greater Mekong Subregion (GMS) framework. Since 1992, more than 10,000 kilometres of road in the GMS have been built or rehabilitated with ADB support, and the bulk are in the CLV countries. In addition, ADB helps strengthen soft infrastructure such as health security and national and regional capacity for disease surveillance and response, risk assessment, and case management. In terms of human resource development, the 9th Summit of the CLV in 2016 had agreed to increase the provision for and improve the quality of technical and vocational education and training (TVET) services in the 13 CLV border provinces. In response, ADB is assessing TVET services in Cambodia, Laos, and Vietnam to provide an analytical framework for the preparation of TVET programmes there.

At the 10th CLV Summit, ADB proposed a five-point strategy to support CLV-DTA through the GMS Program:

1. Help CLV countries address infrastructure gaps through the development of economic corridors with both public and private investment, including public-private partnerships;
2. Support CLV countries in addressing the “software” of physical connectivity, such as transport and trade facilitation, power market integration, and ICT connectivity;
3. Strengthen CLV competitiveness by facilitating these countries’ participation in regional value chains, especially agri-food value chains, and the development of urban centres, manufacturing zones, logistics hubs, and tourism;
4. Provide regional public goods, especially in communicable disease control, human resource development, and climate change adaptation and mitigation, and;
5. Build synergies between the GMS and CLV countries under the GMS Regional Investment Framework 2018-2022.¹¹

CHALLENGES AND OBSTACLES

One of the top challenges for CLV-DTA is the conflicting or diverging interest among the three countries on the management of the Mekong River’s water and related resources. The water-energy-food security nexus and illegal logging and smuggling are the key areas that need to be holistically and collectively addressed.¹² The decision by the Lao government to proceed with the Xayaburi and Don Sahong hydropower projects despite calls by Vietnam and Cambodia for a comprehensive study of the transboundary and cumulative impacts of these projects do not bode well for the cause of cooperative, sustainable development of the river’s resources.¹³ Speaking at the 3rd MRC Summit in Siem Reap in April 2018, Vietnamese Prime Minister Nguyen Xuan Phuc called for a rules-based trans-boundary water resource management and urged regional countries to take immediate concrete action to manage resources in a sustainable manner.¹⁴

Another challenge are the unresolved sovereignty disputes and border tensions among the three countries that have impeded closer regional cooperation. For instance, a border dispute between Cambodia and Laos erupted in February 2017 when Lao soldiers allegedly intruded into Cambodian territory in Siem Pang district in Stung Treng province in protest against Cambodia’s plan to construct a road along the border. The dispute almost led to a border war in August 2017 when Cambodia deployed thousands of troops and issued an ultimatum to Laos to withdraw its troops from Cambodian territory within six days.

So far, Cambodia and Laos have completed 86 percent of their common-border demarcation (14 percent remains unsettled). Both countries are working on the Terms of Reference (TOR) by inviting French experts to help settle their remaining differences. Likewise, 16 percent of the border demarcation between Cambodia and Vietnam remains unresolved (so far both parties have demarcated 314 of 375 border posts).¹⁵ Cambodia and Vietnam have also agreed to invite French experts to help settle their differences.¹⁶

Furthermore, the three countries have yet to achieve a breakthrough in the socio-economic development of their localities and the poverty rate is relatively high. Collaboration on

infrastructure development is consistently behind schedule. This is a key area where the tackling of poverty is concerned. The resources available for development investment from each country as well as external support are limited. In addition, there are further shortcomings in trade and investment facilitation, as well as inconsistencies in tax policies, investment procedures, and land policies. Customs and border reforms are slow and corruption at border checkpoints remain high. Other challenges include rampant cross-border crimes such as smuggling, illegal logging, human trafficking, and the existence of landmines and unexploded ordinances in the border regions.

OUTLOOK

Vietnam has proposed expanding the geographical scope of CLV-DTA from the current 13 provinces to the entire territory of the three countries. There is no response yet from Cambodia and Laos to this proposal. If it is realized, based on Vietnam's strategic calculation, CLV-DTA will potentially become an important new growth centre with higher strategic leverage in the Mekong region. Additionally, collective hedging at the sub-regional level vis-à-vis outside powers can be enhanced and Vietnam will also be able to invigorate its de facto regional leadership role and strengthen its regional status and influence. Geopolitically, Vietnam is concerned about China's increasing influence in Cambodia and Laos.

For CLV ties to move in that direction, political trust among them must be strengthened and nurtured. Cambodia and Laos remain wary of Vietnam, however.¹⁷ The three countries will have to collectively address the concerns and challenges highlighted above, especially with regard to water resource management and sovereignty issues.

A code of conduct for the Mekong River Basin may perhaps be developed to strengthen regional cooperation on trans-boundary water resource management, prevent resource-driven conflict, and resolve differences and disputes through negotiations and on the basis of international law. Border demarcation between Cambodia and Vietnam, and Cambodia and Laos will need to be concluded expeditiously in order to prevent political groups from using border issues to stir up nationalistic sentiments for short-term and narrow political gains.

Investing in renewable energy and applying energy efficiency measures can also help reduce energy stress and dissuade politicians and developers from investing in hydropower dams along the Mekong River, which cause irreparable damage to biodiversity and local livelihood. CLV countries can also invest in energy mixes and grid operations while taking advantage of emerging technologies and of the dynamism in the global electricity market. A transition to a more flexible approach that incorporates emerging renewable technology and innovations in power transmission models should produce more power with fewer and less impactful dams being constructed.¹⁸

- ¹ This is the common view of the CLV leaders although it is not officially stated in ASEAN community blueprints,
- ² Nhan Dan, “10th CLV Development Triangle Area Summit held in Hanoi”, 31 March 2018, <http://en.nhandan.com.vn/politics/item/5991402-10th-clv-development-triangle-area-summit-held-in-hanoi.html>
- ³ Francis Hutchinson and Terence Chong (eds.) (2016) *The SIJORI Cross-Border Region*. Singapore: ISEAS-Yusof Ishak Institute, p. 13.
- ⁴ Thant, Myo and Tang, Min (eds.) (1996) *Growth Triangle: Theory and Practice*. Manila: Asian Development Bank, pp. 1-14.
- ⁵ Xiangming Chen (2018) “Rethinking cross-border regional cooperation” in Elisabetta Nadlutti and Otto Kallscheuer (eds.) *Region-making and cross-border cooperation, New evidences from four continents*. London and New York: Routledge, p. 81-105.
- ⁶ Thant, Myo (1996). “Growth triangles in Southeast Asia: Perspective and opportunities for economic co-operation”, in Imran Lim (ed.) *Growth Triangles in Southeast Asia, Strategy for Development*. Kuala Lumpur: Institute for Strategic and International Studies (ISIS), pp. 247-261.
- ⁷ Amitav, Acharya (1996). “Security Implications of Transnational Economic Activities Associated with the Growth Triangles”, in Imran Lim (ed.) *Growth Triangles in Southeast Asia, Strategy for Development*. Kuala Lumpur: Institute for Strategic and International Studies (ISIS), pp. 27-38.
- ⁸ Vietnam Investment Review, “Binh Phuoc successfully hosts 11th CLV Joint Coordination Committee meeting”, 19 December 2017, <http://www.vir.com.vn/binh-phuoc-successfully-hosts-11th-clv-joint-coordination-committee-meeting-54832.html>
- ⁹ Khmer Times, “Cambodia’s challenges in regional integration”, 19 April 2018, <https://www.khmertimeskh.com/50302972/cambodias-challenges-in-regional-integration/>
- ¹⁰ Ishida, Masami (2012) *Five Triangle Areas in the Greater Mekong Subregion*. BRC Research Report No.11, Bangkok: Bangkok Research Center IDE-JETRO.
- ¹¹ Asian Development Bank, Statement at the 10th Cambodia-Lao PDR-Vietnam Summit on Development Triangle Area by Takehiko Nakao, <https://www.adb.org/news/speeches/statement-10th-cambodia-lao-peoples-democratic-republic-viet-nam-summit-development>
- ¹² Jake Brunner and Brian Eyler (2018) *Mekong Cooperation: Making a problem bigger*. The Phnom Penh Post, 2 April 2018, <https://www.phnompenhpost.com/opinion/mekong-cooperation-making-problem-bigger>
- ¹³ Richard Cronin and Courtney Weatherby (2015) *Letters from the Mekong*. Washington DC: Stimson Center, p. 13. https://www.stimson.org/sites/default/files/file-attachments/Letters_from_the_Mekong_Oct_2015.pdf
- ¹⁴ Mekong River Commission Summit, <https://www.mrcsummit.org/assets/documents/Summit/083f03cfc5/Statemnet-from-Vietnamese-PM-Nguyen-Xuan-Phuc.pdf>
- ¹⁵ Khmer Times, “Government working to complete border demarcation”, 1 March 2018, <https://www.khmertimeskh.com/50111073/government-working-complete-border-demarcation/>
- ¹⁶ Cambodia Daily, “Cambodia, Vietnam seek help from abroad in border dispute” 25 October 2016, <https://www.cambodiadaily.com/news/cambodia-vietnam-seek-help-abroad-border-dispute-119698/>
- ¹⁷ Between the two countries, Cambodia appears to be more wary of Vietnam than Laos.
- ¹⁸ Courtney Weatherby and Brian Eyler (2017) *Letters from the Mekong*, Washington DC: Stimson Center. https://www.stimson.org/sites/default/files/file-attachments/SC_EnergyPublication.FINAL_.pdf

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