

# **Cross Border Infrastructure to Maximize the Benefits of GMS Economic Integration**

*By*

*Narongchai Akrasanee, Ph.D.*

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# Outline

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- I. Defining GMS**
- II. Socio-economic Structure of GMS Countries**
- III. Cross-border Infrastructure in GMS**
- IV. Facilitation of Infrastructure Construction  
and Utilization**



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# I. Defining GMS

# Geographical Boundaries & GMS Framework



## Greater Mekong Subregion

- An economic cooperation plan among 6 countries in Mekong region aim to promote their development through closer linkages, involving ‘the hard’ (infrastructure development) and ‘the soft’ (agreements and reforms)
- Seek to achieve enhanced *connectivity*, increased *competitiveness* and a great sense of *community*
- Potentially serve as an important land bridge between Southeast Asia, South Asia and East Asia

# Adoption of Market Economic System



- 1932** : Constitution monarchy introduced with parliamentary democracy
- 1960** : Adopting broader market economic system
- 1982** : WTO (GATT) member



- 1949** : The communists' victory against the Nationalists
- 1986** : Open-door policy
- 2001** : WTO member



- 1948** : Independence from the Commonwealth
- 1989** : Open-door policy
- 2001** : ASEAN member



- 1953** : Independence from France
- 1985** : Market economy policy
- 1993** : Parliamentary democracy
- 2004** : WTO member



- 1954** : Independence from France/Divided into Communist North and Anti-Communist South
- 1975** : Reunited under Communist rule
- 1986** : The enactment of Vietnam's renovation policy (Doi Moi)



- 1975** : The Communist Party took control of the government
- 1986** : New Economic Mechanism
- 1997** : ASEAN member



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## **II. Socio-economic Structure of GMS Countries**

# Socio-economic Statistics

**Table 1 : Socio-economic Indicators 2005<sup>e</sup>**

Country Indicator	Unit	Cambodia	PRC <sup>1/</sup>	Lao PDR	Myanmar	Thailand	Vietnam	Total
Population	Million	14.1	92.3	5.9	50.6	65.5	83.8	312.2
Land Area	Km <sup>2</sup>	181,040	630,661	236,800	678,500	514,000	329,560	2,570,561
GDP at Market Price	USD Million	5,400	75,362 <sup>4/</sup>	3,200	8,700	180,600	52,100	325,362
Real GDP Growth	%	6.0	11.3 <sup>4/</sup>	7.0	2.9 <sup>2/</sup>	4.5	8.4	6.7
GDP per Capita	USD	371	702	456	107	2,563	568	795
FX Reserves	USD Million	955	n.a.	244	720	50,728	8,297	n.a.
Total Trade <sup>3/</sup>	USD Million	6,406	7,978 <sup>4/</sup>	1,268	5,428	215,169	66,742	302,991
FDI Inflows	USD Million	131 <sup>4/</sup>	436 <sup>4/</sup>	17 <sup>4/</sup>	556 <sup>4/</sup>	3,437	2,400	n.a.
Tourist Arrivals	Persons	1,421,615	2,231,000 <sup>4/</sup>	1,095,315	660,000	11,500,000 <sup>5/</sup>	3,467,757	20,375,687

Notes : e = estimated.

<sup>1/</sup> Yunnan and Guangxi Data as of 2003.

<sup>4/</sup> as of 2004.

n.a. = not available.

<sup>2/</sup> Fiscal Year (1 April 2005-31 March 2006).

<sup>5/</sup> Targeted

\* = Average for GMS.

<sup>3/</sup> Value of Exports and Imports.

Sources : - People's Republic of China Statistical Yearbook 2004.

- United Nations Conference on Trade and Development (UNCTAD), "World Investment Report", 2005.

- International Monetary Fund (IMF), "World Economic Outlook", September 2005.

- The Economist Intelligence Unit (EIU), "Economic Structure", January-February, 2006.



# Socio-economic Statistics

**Table 2 : Share of Intraregional Trade to Total Trade<sup>1/</sup>**

Unit : % of total trade with the world

Year / Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Cambodia	20.1	34.5	39.0	36.4	33.6	40.0	31.5	22.0	19.5	27.3	24.5
PRC <sup>2/</sup>	1.2	1.2	1.3	1.9	1.7	1.8	1.7	1.7	2.1	2.1	1.9
Lao PDR	63.3	48.9	55.8	57.3	61.1	66.8	65.7	70.6	65.5	68.6	67.8
Myanmar	23.4	23.6	22.8	24.1	18.1	17.5	18.5	27.6	28.9	34.0	35.6
Thailand	2.8	2.5	3.4	4.0	4.0	4.6	5.3	6.0	6.8	7.7	8.9
Vietnam	4.7	8.0	9.9	10.4	7.9	8.9	10.9	11.9	14.9	14.6	13.9
<i>Average for GMS<sup>3/</sup></i>	<i>5.7</i>	<i>6.2</i>	<i>7.2</i>	<i>7.6</i>	<i>6.7</i>	<i>7.4</i>	<i>8.3</i>	<i>9.5</i>	<i>10.7</i>	<i>12.0</i>	<i>12.6</i>

Notes : <sup>1/</sup> Ratio of total trade with GMS countries to total trade with the world.

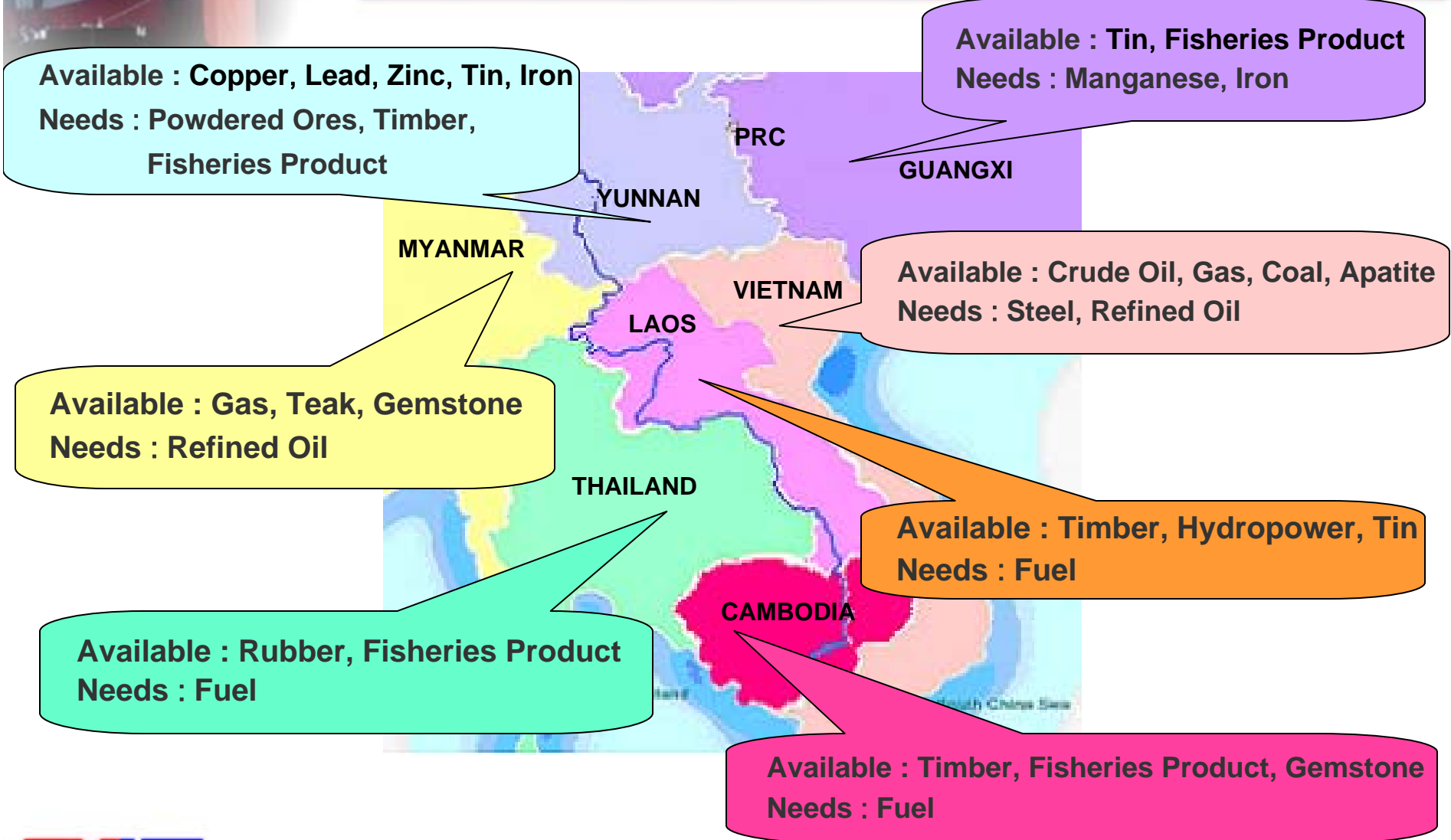
<sup>2/</sup> Ratio of total trade of the entire PRC with the other GMS countries to total trade of the entire PRC with the world.

<sup>3/</sup> Weighted average based on purchasing power parity gross national income shares.

Source : Asian Development Bank (ADB), "GMS Regional Economic Cooperation Strategy and Program", January 2004.



# Natural Resources





# Natural Resources

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- Thailand : Rubber (the largest producer in the world)
- Laos : Timber (the richest forests in Asia)
- Myanmar : Natural gas (the 4<sup>th</sup> largest exporter in South East Asia), Teak (60% of the world's natural reserves)
- Vietnam : Crude oil (the 3<sup>rd</sup> largest exporter in South East Asia)
- Cambodia : Fisheries product (the 4<sup>th</sup> largest exporter in South East Asia)
- Yunnan (PRC) : Copper (the 2<sup>nd</sup> largest producer in PRC), lead, zinc and tin (the largest producer in PRC)
- Guangxi (PRC) : Tin (the 3<sup>rd</sup> largest reserves in PRC), Antimony, lead and zinc (the 2<sup>nd</sup> largest producer in PRC)



# Migration Issues

- ➔ More than 2 million migrants in GMS
- ➔ Major patterns of migration

<u>From</u>	<u>To</u>
Cambodia, Laos and Myanmar	Thailand
Vietnam	Cambodia and Laos
People's Republic of China	Laos and Myanmar

- ➔ Illegal migrant workers in Thailand

Unit : persons

Type /Year	1997	2003
Registered	293,541	288,870
Unregistered	667,926	711,220
Total	961,467	1,000,090

Source : Mekong Institute



# Migration Issues

- **Reasons**
  - Rural labor surplus
  - Lack of employment opportunities
  - Poverty
  - Political problems
- **Concerns**
  - Poor condition of life of the workers (human and labor rights abuse, health, etc.)
  - Social problems (crime, contagious diseases, etc.)



# Cross-border Economic Policies

**9 Areas of Cooperation** : Transport, Telecommunications, Energy, Trade, Investment, Agriculture, Environment, Tourism, HR Development

**GMS**

## 11 Flagship Initiatives

- North-South Economic Corridor
- East-West Economic Corridor
- Southern Economic Corridor
- Telecommunications Backbone and Information and Communications Technology
- Regional Power Interconnection and Trading Arrangements
- Facilitating Cross-Border Trade and Investment
- Enhancing Private Sector Participation and Competitiveness
- Developing Human Resources and Skills Competencies
- Strategic Environmental Framework
- Flood Control and Water Resource Management
- GMS Tourism Development

## Core Program/Project

- Road Corridor (North-South, East-West, Southern)
- Water & Air Transportation Development
- The GMS Cross-Border Transport Agreement : Single Stop Customs Inspection, Cross-Border Movement of Persons
- Single Tourism Destination, Single Visa
- Telecommunications Backbone Project Phase I, II, III etc.



# Cross-border Economic Policies

## 6 Areas of Cooperation

- Trade and Investment Facilitation
- Agricultural and Industrial Cooperation
- Transport Linkages
- Tourism Cooperation
- Human Resources Development
- Public Health

## Core Program/Project

- Air & Road Linkage
- Contract Farming
- Sister Cities
- Industrial Estate Development
- One Stop Service on Trade & Tourism at the Border Gates
- Single Stop Customs Inspection at Major Border Gates
- Joint Visa/Single Visa etc.

ACMECS

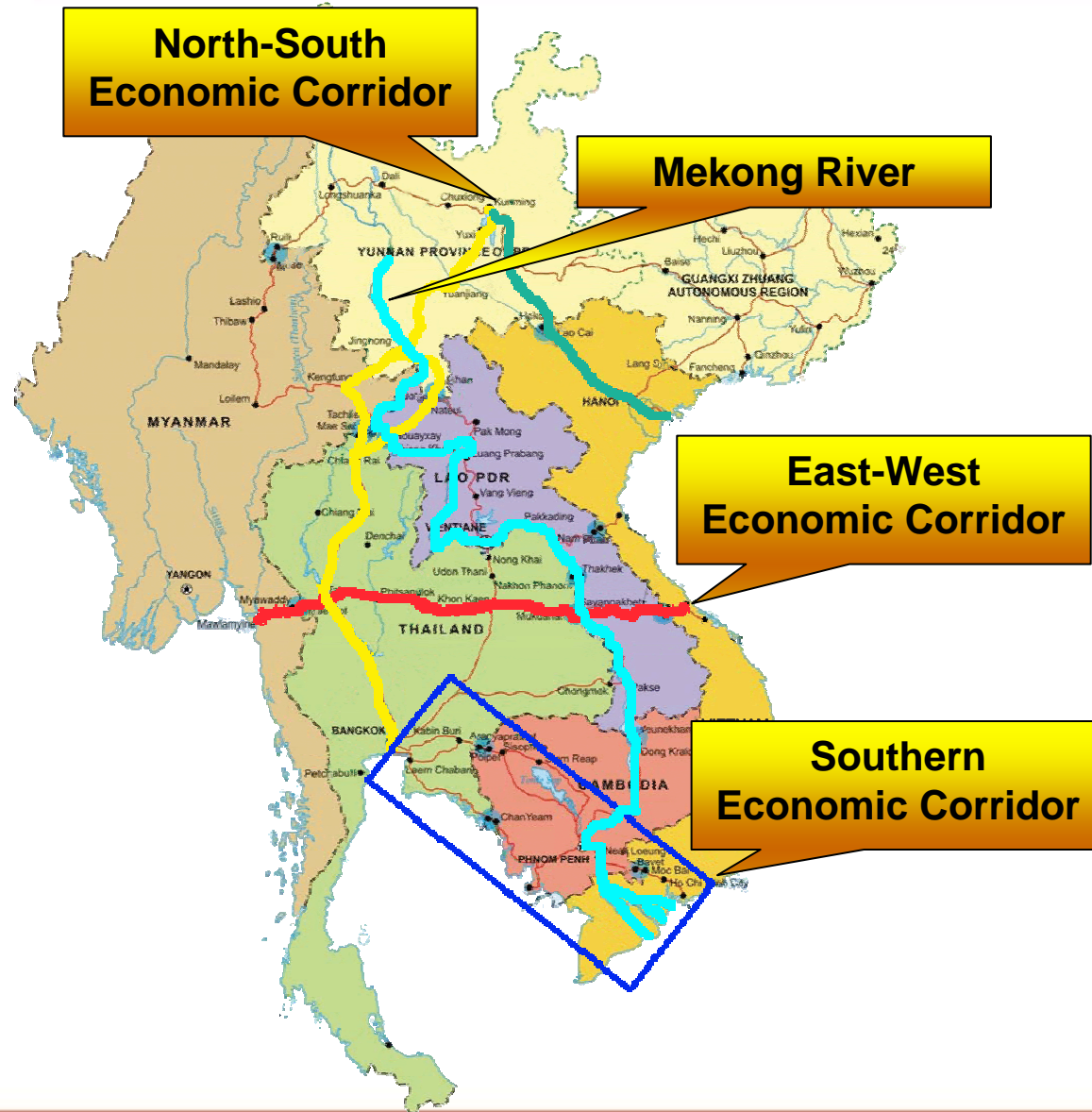


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# III. Cross-border Infrastructure in GMS



# Transport and Communication Linkage







# Transport and Communication Linkage

GMS countries	Fixed-line	Mobile	Internet
Cambodia	Duopoly	Competition	Unclear
Lao PDR	Duopoly	Competition	Competition
Myanmar	Duopoly (Monopoly for international)	Monopoly	Duopoly
Vietnam	Competition (Monopoly for international)	Competition	Partial competition
Thailand	Partial competition	Partial competition	Competition



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# **IV. Facilitation of Infrastructure Construction and Utilization**



# Design and Financing

## Major Problems

### Design

- *Lack of development in engineering*

### Financing

- *Inadequate funding by local government*

**Solution** ➡ **Aid and grants from :**

- *Foreign government*
- *Multilateral development agencies and international lending agencies*
- *Foreign and local direct private investment*
- *International private equity funds*
- *International and domestic capital markets*

# Design and Financing

## GMS Projects Financing

Country	Project	Total Project Cost (\$million)	Financing		
			ADB	Government	Co-financing
Vietnam	East-West Corridor Project	387.0	25.0	72.0	290.0 JBIC and World Bank
Lao PDR	Nam Theun 2 Hydroelectric Project	1,250.0	20.0	0	1,230.0 AFD, PROPARCO, NIB, EXIM (Thailand) and consortium of commercial banks. Other government equity contributors also include IDA, EIB and AFD
Cambodia	Phnom Penh-Ho Chi Minh City Highway	52.7	40.0	12.7	0
PRC	Southern Yunnan Road Development	770.3	250.0	520.3	0

Source : ADB, December 2005

# Design and Financing

## Exim Financial Facilities for GMS Members

Country	Project	Credit Type
Lao PDR	* Dam * Power plant * Road	* Loan * Working capital * Bank guarantee * L/C * T/R
Myanmar	* Airport * Oil and gas	
Cambodia	* Air traffic control service * Road	
Vietnam	* Road	

Next step

Developing innovative financial scheme, i.e. Asian Bond



# Legal and Regulatory Framework

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- **Different regulations** for infrastructure usage among GMS nations
- **Implementation** : legal and regulatory framework adaptation;
  - ***GMS Cross-Border Transport Agreement***
    - For the facilitation of cross-border transport of goods and people
    - To streamline regulations and reduce nonphysical barriers
  - ***Quadripartite Agreement on Commercial Navigation on Lancang-Mekong River***
    - To construct water transport network between Yunnan and Mainland Southeast Asia to facilitate the commercial navigation



# Environmental and Social Issues

## Case : *The Nam Theun 2 Hydroelectric Project*

Environmental Impacts	Social Impacts
<ul style="list-style-type: none"><li>* Hydrology</li><li>* Water quality</li><li>* Erosion and sedimentation</li><li>* Aquatic habitats and fish diversity</li><li>* Terrestrial biodiversity</li><li>* Endangered species</li></ul>	<ul style="list-style-type: none"><li>* Relocation of estimated 1,128 households (<math>\approx</math> 6,224 people)</li><li>* Loss of land and changed in local livelihoods</li><li>* Resource access restrictions and altered livelihood</li><li>* Social stress caused by resettlement and displacement</li><li>* Health impacts including higher risk of increased Sexually Transmitted Diseases or STDs, drugs addiction, alcohol abuse, poor sanitation, spread of other communicable diseases and human trafficking</li></ul>



# EXPORT-IMPORT BANK OF THAILAND

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**EXIM BUILDING**

**1193 PHAHOLYOTHIN ROAD, PHAYATHAI,  
BANGKOK 10400**

**Tel: (662) 617-2111**

**Website : [www.exim.go.th](http://www.exim.go.th)**

**E-mail : [info@exim.go.th](mailto:info@exim.go.th)**

