Greater Mekong Subregion
The Institute of Southeast Asian Studies (ISEAS) was established as an autonomous organization in 1968. It is a regional centre dedicated to the study of socio-political, security and economic trends and developments in Southeast Asia and its wider geostrategic and economic environment. The Institute's research programmes are the Regional Economic Studies (RES, including ASEAN and APEC), Regional Strategic and Political Studies (RSPS), and Regional Social and Cultural Studies (RSCS).

ISEAS Publishing, an established academic press, has issued more than 2,000 books and journals. It is the largest scholarly publisher of research about Southeast Asia from within the region. ISEAS Publishing works with many other academic and trade publishers and distributors to disseminate important research and analyses from and about Southeast Asia to the rest of the world.
Greater Mekong Subregion

From Geographical to Socio-economic Integration

edited by
Omkar L. Shrestha
Aekapol Chongvilaivan

Institute of Southeast Asian Studies
Singapore
CONTENTS

Preface vii
List of Abbreviations xi
Contributors xv

1 Greater Mekong Subregion: From Geographical Corridors to Socio-economic Corridors 1
   Omkar L. Shrestha and Aekapol Chongvilaivan

2 Cambodia, Its Development, and Integration into the GMS: A Work in Progress 18
   Larry Strange

3 Subregional Connectivity in the Lao PDR: From Land-locked Disadvantage to Land-linked Advantage 31
   Oudet Souvannavong

4 The Economic Development of Myanmar and the Relevance of the Greater Mekong Subregion 47
   Michael von Hauff

5 GMS Challenges for Thailand 74
   Narongchai Akrasanee

6 Deepening GMS Cooperation in a More Integrated ASEAN and East Asia 84
   Vo Tri Thanh
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>China (Yunnan)–GMS Economic Cooperation: New Development and New Problems</td>
<td>103</td>
</tr>
<tr>
<td></td>
<td>Guangsheng Lu</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Trade and Investment in the Greater Mekong Subregion: Remaining Challenges and the Unfinished Policy Agenda</td>
<td>119</td>
</tr>
<tr>
<td></td>
<td>Jayant Menon and Anna Cassandra Melendez</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Enhancing Financial Cooperation among the GMS Countries</td>
<td>162</td>
</tr>
<tr>
<td></td>
<td>Ulrich Volz</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The Challenges of GMS Regional Integration: Case Study of Governance of the Logistics Industry in Thailand</td>
<td>172</td>
</tr>
<tr>
<td></td>
<td>Narong Pomlaktong, Chaiyasit Anuchitworawong, Rattana Jongwilaiwan, and Prakai Theerawattanakul</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Energy Sector Integration for Low-carbon Development in the GMS: Towards a Model of South-South Cooperation</td>
<td>216</td>
</tr>
<tr>
<td></td>
<td>Yongping Zhai and Anthony J. Jude</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Linking the Social to the Economic: Broadened Ambitions and Multiple Mitigations in New Mekong Corridors</td>
<td>233</td>
</tr>
<tr>
<td></td>
<td>Chris Lyttleton</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Index</strong></td>
<td>253</td>
</tr>
</tbody>
</table>
It has been nearly two decades since the Greater Mekong Subregion (GMS) regional economic strategy was initiated in 1992, aimed at promoting and integrating the economies of Cambodia, the Lao PDR, Myanmar, Thailand, Vietnam, and Yunnan Province and Guangxi autonomous region of China. Together, they encompass a huge population of over 316 million people (bigger than the United States) and a vast land area of around 2.6 million square kilometres (roughly the size of Europe), enjoying a rich agricultural base, considerable mineral and energy resources (renewable and non-renewable), and a strategic location at the heart of Asia between the burgeoning economies of China and India.

Several regional infrastructure projects in the transport and energy sectors have facilitated the process of integration of the GMS economies. For instance, the 1,320-kilometre-long East-West Economic Corridor cross-border project, triggered by the landmark trade accord signed in 1999, stretches from Danang in Vietnam, through the Lao PDR and Thailand to Myanmar, forming a land bridge connecting the South China Sea at Danang Port to the Andaman Sea at Mawlamyine Port in Myanmar. There is a growing recognition that these cross-border infrastructure projects have helped raise the GMS economies’ degree of connectivity and competitiveness, achieve accelerated shared prosperity, and expand intraregional trade and investment activities. Indeed there is a widely held perception that Asia’s success story is not only about rise in income and decline in poverty, but is also the story of increased integration among the regional countries through various regional and subregional infrastructure projects.
Enhanced regional integration and cooperation also help build resilient economies through well-coordinated and timely responses to global crises. Hence, notwithstanding the recent international financial crisis, several GMS countries have made remarkable achievement in terms of their sustained economic growth (6 to 10 per cent per year) for the past decade. The intraregional trade among the GMS countries is now estimated at 30–50 per cent of their total trade. Foreign direct investment flows to the GMS countries have increased considerably and so have tourist arrivals.

Despite the above positive developments, several of the GMS economies remain the weakest link in the ASEAN chain. The economic divide that exists between these economies and other ASEAN nations remains a major concern for the ASEAN quest to achieve the ASEAN Economic Community vision by the year 2015. Some of their basic fundamentals remain very fragile, particularly in terms of their high poverty incidence, low life expectancy, weak human capital development, basic physical and financial infrastructure, and institutional capability, among other things.

Accordingly, many more cross-border projects are either under implementation or in the pipeline with clear timelines. For instance, the North-South Economic Corridor multimodal transport, when completed, will link China with Thailand and Vietnam, thus serving as China’s gateway with ASEAN. The Southern Economic Corridor strategically connects Bangkok, Phnom Penh, and Ho Chi Minh City. While these cross-border transport projects are desirable, there is an emerging concern that the cross-border transport corridors, which are supposed to act as the backbone of the economic corridors, have not provided the economic impact on the GMS economies at the expected level. These “two faces” of regional integration therefore require careful analysis, attention, and action so as to mitigate the potential socio-economic and environmental “costs” of regional cooperation and integration. It will also be essential to build and expand regional knowledge to ensure that the benefits of regional integration can be more equally shared among the economies in the GMS region, thereby minimizing the development divide.

It is against the above background that the conference on the “Greater Mekong Subregion: From Geographical Corridor to Socio-economic Corridor”, was organized by the Institute of Southeast Asian Studies (ISEAS) in 2010 with a thorough debate on the GMS economies, followed by discussions on several thematic issues that are common to all of them. The aim was to come up with a series of pragmatic policy options and suggestions for addressing those issues and helping to build economic corridors from the ongoing cross-border transport corridors projects.
In convening this conference, we are grateful to Konrad-Adeneuer Stiftung for generous funding support. Thanks are also due to Karthi Nair for her excellent assistance, and to the ISEAS Publications Unit, in particular, Triena Ong.

Finally, we would like to thank Ambassador Kesavapany, former Director of ISEAS, for his encouragement of and support for the GMS Regional Conference.
ABBREVIATIONS

AEC  ASEAN Economic Community
AFTA  ASEAN Free Trade Agreement
AMRO  ASEAN+3 Macroeconomic Research Office
ASEAN  Association of Southeast Asian Nations
ASP  ASEAN Surveillance Process
BAU  business as usual
BIMSTEC  Bay of Bengal Initiative for Multi-Sectoral Technical and Economic
BOOT  build-own-operate-transfer
BOT  build-operate-transfer
BRTA  bilateral road transport agreement
CADP  Comprehensive Asia Development Plan
CAFTA  China-ASEAN Free Trade Area
CBM  Central Bank of Burma
CBTA  cross-border transport agreement
CCA  common control area
CDM  clean development mechanism
CEPT  common effective preferential tariff
CF  clean fuels
CLM  Cambodia, Laos, Myanmar
CLMV  Cambodia, Laos, Myanmar, Vietnam
CMIM  Chiang Mai Initiative Multilateralization
CNPC  China National Petroleum Corp
COP  community of practice
CPP  Cambodian People's Party
Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>corporate social responsibility</td>
</tr>
<tr>
<td>CTS</td>
<td>customs and transit systems</td>
</tr>
<tr>
<td>DLT</td>
<td>Department of Land Transport (Thailand)</td>
</tr>
<tr>
<td>DSM</td>
<td>demand-side management</td>
</tr>
<tr>
<td>EC</td>
<td>energy conservation</td>
</tr>
<tr>
<td>ECF</td>
<td>Economic Corridors Forum</td>
</tr>
<tr>
<td>EE</td>
<td>energy efficiency</td>
</tr>
<tr>
<td>ERIA</td>
<td>Economic Research Institute for ASEAN</td>
</tr>
<tr>
<td>ESCAP</td>
<td>United Nations Economic and Social Commission for Asia and the Pacific</td>
</tr>
<tr>
<td>EWEC</td>
<td>East-West Economic Corridor</td>
</tr>
<tr>
<td>FDI</td>
<td>foreign direct investment</td>
</tr>
<tr>
<td>FIMC</td>
<td>Foreign Investment Management Committee (Laos)</td>
</tr>
<tr>
<td>FTA</td>
<td>free trade agreement</td>
</tr>
<tr>
<td>GFC</td>
<td>global financial crisis</td>
</tr>
<tr>
<td>GMS</td>
<td>Greater Mekong Subregion</td>
</tr>
<tr>
<td>GNI</td>
<td>gross national income</td>
</tr>
<tr>
<td>GoL</td>
<td>Government of Laos</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>IAI</td>
<td>Initiatives of ASEAN Integration</td>
</tr>
<tr>
<td>IEAI</td>
<td>Initiative for East Asian Integration</td>
</tr>
<tr>
<td>IGA</td>
<td>Inter-Governmental Agreement on Regional Power Trade</td>
</tr>
<tr>
<td>IRM</td>
<td>Integrated Resource Management</td>
</tr>
<tr>
<td>IRR</td>
<td>Impoverishment Risks and Reconstruction Model</td>
</tr>
<tr>
<td>LDC</td>
<td>least-developed country</td>
</tr>
<tr>
<td>LECS</td>
<td>Lao Expenditures and Consumption Survey</td>
</tr>
<tr>
<td>LPI</td>
<td>Logistics Performance Index</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MESSAGE</td>
<td>Model of Energy Supply Systems Alternatives and their General Environmental Impacts</td>
</tr>
<tr>
<td>MFN</td>
<td>most favoured nation</td>
</tr>
<tr>
<td>MFSO</td>
<td>Macroeconomic and Finance Surveillance Office</td>
</tr>
<tr>
<td>MICE</td>
<td>meetings, incentives, conferences, and exhibitions</td>
</tr>
<tr>
<td>MMR</td>
<td>maternal mortality ratio</td>
</tr>
<tr>
<td>MoP</td>
<td>margin of preference</td>
</tr>
<tr>
<td>NBC</td>
<td>National Bank of Cambodia</td>
</tr>
<tr>
<td>NSEC</td>
<td>North-South Economic Corridor</td>
</tr>
<tr>
<td>NSEDP</td>
<td>National Social and Economic Development Plan (Laos)</td>
</tr>
<tr>
<td>NSW</td>
<td>National Single Window</td>
</tr>
<tr>
<td>NTFC</td>
<td>National Transport Facilitation Committee (Thailand)</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>ODA</td>
<td>official development assistance</td>
</tr>
<tr>
<td>PGB</td>
<td>Pan Beibu Gulf</td>
</tr>
<tr>
<td>POLIS</td>
<td>Police Information System (Thailand)</td>
</tr>
<tr>
<td>PPA</td>
<td>power purchase agreement</td>
</tr>
<tr>
<td>PPP</td>
<td>public-private partnership</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>PTA</td>
<td>preferential trade agreement</td>
</tr>
<tr>
<td>RE</td>
<td>renewable energy</td>
</tr>
<tr>
<td>RETA</td>
<td>Regional Technical Assistance</td>
</tr>
<tr>
<td>RoO</td>
<td>rules of origin</td>
</tr>
<tr>
<td>RPTCC</td>
<td>Regional Power Trade Coordinating Committee</td>
</tr>
<tr>
<td>SAP</td>
<td>strategies and action plans</td>
</tr>
<tr>
<td>SEA</td>
<td>strategic environmental assessment</td>
</tr>
<tr>
<td>SEC</td>
<td>Southern Economic Corridor</td>
</tr>
<tr>
<td>SEE</td>
<td>state economic enterprise</td>
</tr>
<tr>
<td>SEZ</td>
<td>special economic zone</td>
</tr>
<tr>
<td>SLORC</td>
<td>State Law and Order Restoration Council (Myanmar)</td>
</tr>
<tr>
<td>SME</td>
<td>small and medium enterprises</td>
</tr>
<tr>
<td>SOE</td>
<td>state-owned enterprise</td>
</tr>
<tr>
<td>SSI</td>
<td>Single-Stop Inspection</td>
</tr>
<tr>
<td>SWI</td>
<td>Single Window Inspection</td>
</tr>
<tr>
<td>TEU</td>
<td>twenty-foot equivalent unit</td>
</tr>
<tr>
<td>UNFCC</td>
<td>United Nations Framework Convention for Climate Change</td>
</tr>
<tr>
<td>UNFPA</td>
<td>United Nations Fund for Population Activities</td>
</tr>
<tr>
<td>UNTAC</td>
<td>United Nations Transition Administration in Cambodia</td>
</tr>
<tr>
<td>WGI</td>
<td>Worldwide Governance Indicators</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
CONTRIBUTORS

Narongchai Akrasanee is Chairman of Steering Committees, Mekong Institute, and a former Minister of Commerce and Senator of Thailand.

Chaiyasit Anuchitworawong is Research Fellow, Sectoral Economics Program, Thailand Development Research Institute (TDRI), Thailand.

Aekapol Chongvilaivan is Fellow of the Regional Economic Studies Programme, Institute of Southeast Asian Studies (ISEAS), Singapore.

Rattana Jongwilaiwan is former Researcher at the Thailand Development Research Institute (TDRI), Thailand.

Anthony J. Jude is Director, Energy and Water Division, Southeast Asia Department, Asian Development Bank (ADB).

Chris Lyttleton is Associate Professor, Department of Anthropology, Macquarie University, Australia.

Guangsheng Lu is Professor and Director, Southeast Asian Institute, Yunnan University, China.

Jayant Menon is Lead Economist (Trade and Regional Cooperation), Office of Regional Economic Integration, Asian Development Bank (ADB).
Anna Cassandra Melendez is Research Assistant at the Asian Development Bank (ADB).

Narong Pomlaktong is Research Director for Transport and Logistics, Human Resources and Social Development Program, Thailand Development Research Institute (TDRI), Thailand.

Omkar L. Shrestha is Visiting Senior Research Fellow, Institute of Southeast Asian Studies (ISEAS), Singapore.

Oudet Souvannavong is Secretary General, GMS Business Forum (GMS-BF), Vientiane.

Larry Strange is Executive Director, Cambodia Development Resource Institute (CDRI), Cambodia.

Vo Tri Thanh is Vice-President, Central Institute for Economic Management (CIEM), Vietnam.

Prakai Theerawattanakul is Former Senior Researcher at the Thailand Development Research Institute (TDRI), Thailand.

Ulrich Volz is Senior Researcher at the German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE), Germany.

Michael von Hauff is Professor of Economics, University of Kaiserslautern, Germany.

Yongping Zhai is Principal Energy Specialist at the Asian Development Bank (ADB).