

World Bank forecasts that East Asia's institutional investors will be capitalized at almost US\$400 billion.

Looking to the future, this survey proposes an agenda for the growth in the region's bond markets, which includes further reforms of the financial sectors in each of these countries, greater regulatory reforms, and improvements in the "institutional infrastructures" of these countries. The latter encompasses credit rating agencies, more efficient clearing and settlement systems, custody, insurance, benchmarking, and "the development of strong networks of intermediaries that will facilitate primary and secondary trading". A need for improved liquidity in the markets is also desirable, as are tax regimes that view equity securities and bonds equally. On a more broad note, efficient bond markets require well-informed actors, who in turn require more widespread training and education on the utility, practice and performance of bond markets.

In addition to this Asia-wide volume on the region's bond markets, a series of country-specific "background papers" have also been published by The World Bank, focusing on each of the individual markets examined in the survey.

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Economic Cooperation in the Greater Mekong Subregion Toward Implementation. By Asian Development Bank Manila: ADB, 1994. Pp. 406.

This volume is the summary of the proceedings of the Third Conference on Subregional Economic Cooperation among Cambodia, China, Laos, Myanmar, Thailand and Vietnam that was held in Hanoi in April 1994 under the auspices of the Asian Development Bank (ADB). Of the two prior meetings,¹ as well as the subsequent gatherings,² this one was by far the most important because a blueprint for the development of the

region was produced. Not only did the participants agree on which sectors were to be emphasized and developed, they also settled on 76 specific priority projects for which they would like funding.

This third conference, as Noritada Morita, the Director of the ADB's Programs Department (West), said in his introduction, "was decisive in that it marked the transition from consultation and background studies to feasibility assessments and implementation". The conference endorsed projects in six broad sectors: transportation, energy, environment and natural resource management, human resource development, trade and investment, and tourism.

The ADB has targetted the transportation sector as its first priority. Indeed, 30 projects, or over 40 per cent of those that the Third Conference recommended, were in this category. Eight each were in the road, rail, and water subsectors, while air accounted for the remaining six. Of the other five sectors, the Conference endorsed only two projects for immediate construction, both of which were energy related. The rest of the priority projects consisted of forums, studies, and initiatives that are designed to enable the participating countries to handle and foster the growth that will follow from the improvements in the transport sector.

In looking at the transport projects, many of them are worthwhile, but there are several that, if they are ever to be built, need to have much higher levels of demonstrated traffic demand. Moreover, some projects, especially those in the rail subsector, would duplicate the routes of other projects and are not the appropriate mode for the traffic that would be generated initially.

The proposed US\$1.2–1.8 billion rail line from Yunnan province through either Laos or northern Myanmar to northern Thailand is a case in point. To justify this large outlay would require more traffic than the route would be able to generate. Additionally, this project would run parallel to a road that the conference has also proposed. In opening up areas, railways are not as flexible as highways. The former require large consignments of heavy and/or bulky goods that need to be

transported over relatively long distances in order to be competitive. Truck traffic, however, is much better suited to smaller and varied loads. Vehicles can efficiently penetrate low output areas and pick up and drop off goods at numerous locations, activities that are uneconomic for rail but would be the bulk of the traffic generated in the area.

Overall, there is a noticeable lack of co-ordination among the projects due to the piecemeal approach that was used in the consultative process. The master list of proposed projects, from which the conference then endorsed these 30, was put together in bilateral talks between the Bank and the individual countries. No attempt was made to synthesize these proposals into a comprehensive transport plan for the subregion. Several of these projects, if built together, would form an integrated system that would be a major component of the subregional economic co-operation that the countries are striving to achieve.

This last point is illustrated in the proposed road from northeast Thailand through central Laos and into central Vietnam. The potential benefit of this road is enormous as these areas have never had a trunk route serving them. In the case of Laos, this would be its first high capacity land access to a seaport. The terminus, however, is proposed to be one of three small ports that the Vietnamese wish to develop: Da Nang, Cua Lo, or Hon La. None of these would be able to generate the freight volume necessary to attract competitively priced shipping. It would make more sense to end the road at Cai Lan, the deep-water port designated by Vietnam to take over from the constrained harbour at Haiphong, and which is another priority project endorsed by the conference. Boosting the amount of traffic that would be handled at Cai Lan would encourage more shippers to offer more services. Spreading out the tonnage over several ports only raises the overall cost of transporting these goods.

There is much to be gained by upgrading the existing transportation networks. Increased, and especially initial, access to reliable, efficient transport inevitably leads to greater output and

higher incomes for the areas served. The size of these increases is directly related to the level of the existing transportation infrastructure and the economic capacity of the region in question. Throughout the last 125 years of Southeast Asia's history, there have been many examples of this phenomenon: in colonial times, the railroads opened up new tin mining areas in Malaysia and agricultural regions of Northern Luzon, and greatly enhanced the Irrawaddy valley. More recently, the best example is that of East Java. The improvement of the roads there has enabled the effects of the Green Revolution to reach all parts of the region, which has been a major factor in its growth.

That the Greater Mekong Subregion (GMS) is severely lacking in transportation infrastructure cannot be denied. Nor is there much doubt as to the economic potential for the region. The ADB has estimated that by the year 2020 the per capita income for the GMS is expected to triple. Therefore, given this set of circumstances and a more co-ordinated approach towards the overall transport plan, the emphasis on transportation projects is a good first step in unlocking the economic potential of the region.

Moreover, the evidence from the other two successful subregional economic co-operation areas in Asia, the Southern China and the Singapore-Johor-Riau growth triangles, also suggests that the Conference is heading in the right direction. In each case, the governments involved have done their best to remove whatever obstacles to growth the private sector was encountering. Adequate infrastructure was thus seen as one of the key initial factors in making these areas successful.

Finally, the merits of the consultative forums have been shown with the August 1995 meeting of the Subregional Transport Forum. At its initial meeting in Yangon, the Forum made great efforts to streamline regulations concerning drivers' licences, visas, through transit of goods and people, customs, and road signs, among others. These are the types of regional co-operation that will make the GMS a success.

This volume is very useful for anyone interested in the development of the GMS. Whatever debate that may ensue over the nature of the speed and direction of the growth of this region has to begin with the blueprint that came out of this Third Conference.

NOTES

1. The proceedings of the First Conference were published in *Subregional Economic Cooperation* (Manila: ADB, 1993). The Second Conference

proceedings were published in *Economic Cooperation in the Greater Mekong Subregion* (Manila: ADB, 1993).

2. The only subsequent conference to have its proceedings published was the Fourth Conference, *Subregional Economic Cooperation: Proceedings of the Fourth Conference* (Manila: ADB, 1994). The Fifth Conference was held in August 1995. The ADB has not, as of this writing, published those proceedings.

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