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# **Development Impacts of the GMS East-West Economic Corridor (EWEC) on Savannakhet Province of Lao PDR**

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# The Greater Mekong Subregion (GMS)

## Myanmar

Land area: 677 thou sq km

Population: 54.8 M

GDP per capita: US\$255

## Thailand

Land area: 513 thou sq km

Population: 65.3 M

GDP per capita: US\$2,727

## The GMS in 2005

Land area: 2.6 M sq km

Population: 316 M

GDP per capita: US\$1,102

## People's Republic of China

Land area: 633 thou sq km

Population: 93.8 M

GDP per capita: US\$1,032

(figures for Yunnan and Guangxi only)

## Viet Nam

Land area: 332 thou sq km

Population: 83.1 M

GDP per capita: US\$622

## Lao PDR

Land area: 237 thou sq km

Population: 5.6 M

GDP per capita: US\$491

## Cambodia

Land area: 181 thou sq km

Population: 13.8 M

GDP per capita: US\$393



# 11 GMS Flagship Programs

- From transport corridors into economic corridors (3)
- Telecommunications Backbone, Power Trade, Trade and Investment, Private Sector Participation
- Human Resources and Skills Competencies
- Environment, Flood Management
- Tourism

The map illustrates the Greater Mekong Subregion (GMS) Economic Corridors, highlighting four primary routes:

- North-South Corridor:** Connects Kunming in China to Hanoi in Vietnam.
- East-West Corridor:** Connects Hanoi in Vietnam to Bangkok in Thailand.
- Southern Corridor:** Connects Bangkok in Thailand to Phnom Penh in Cambodia.
- Bay of Bengal to South China Sea Corridor:** Connects the Bay of Bengal through Myanmar and Thailand to the South China Sea.

Other labeled locations include Yunnan Province, Guangxi Zhuang Autonomous Region, Laos People's Democratic Republic, and various cities like Kunming, Hanoi, Vientiane, Bangkok, and Phnom Penh. The map also shows the Andaman Sea, Gulf of Thailand, and South China Sea.



# The East-West economic Corridor (EWEC)

- Objective: Develop highly efficient system allowing freer movement of goods and people - removing impediments and reducing transport costs and travel time – growth and poverty reduction.
- EWEC : 1,600 km land route directly connects the port of Mawlamyine in Myanmar on the western end (coast of the Andaman Sea) to the Danang deep-sea port in Vietnam on the eastern end.
- Upgrading Road 9 (portion of the EWEC through Savannakhet, Lao PDR) started in 2000 and completed in mid 2004.
- Second Mekong International Bridge Completed in December 2006.



# Lao PDR Context

- **Salient Features :**

- Small, sparsely populated, landlocked country;
- Located in the heart of the GMS
- Pop'n (5.8 million) is 80% rural w/ only 4% arable land; UXO issue
- Rich but vulnerable natural resource base;
- 'Geographic Center' of the GMS region;
- Low GDP per capita (\$490)  
Debt 80% GDP
- Expanding but underdeveloped infrastructure



# Savannakhet Province of Lao PDR

- Largest Province of Lao PDR, population = 827,741 in 2005, with poorly developed infrastructure.
- Low population density and sparsely located in remote and isolated areas
- In 2001, per capita GDP was \$ 371
- Prior to 2003 Highest Poverty Incidence along the mountainous districts along Road 9 (EWEK section)
- Vast natural resource based potential, but the majority of people, particularly ethnic minorities lives in subsistence economy
- Recently adopted market-oriented economy



# Impacts of EWEK on Savannakhet

- Increased connectivity and regional integration:
  - reduced travel time and cost of transportation thus increased competitiveness (Road 9 cum CBTA)., e.g. from 12 hours to about 3 hours
  - Growth in transport sector – number of buses increased from 600 buses in 2000 to 1,600 in 2005, while number of transport operators has doubled during the same period
  - Emergence of township and economic activities - New concrete houses, markets, guesthouses and restaurants, trade and services activities such as petrol stations, automobile repair shops and other micro enterprises, never before observed in these remote areas along the EWEK.

# Impacts of EWEC on Savannakhet (cont')



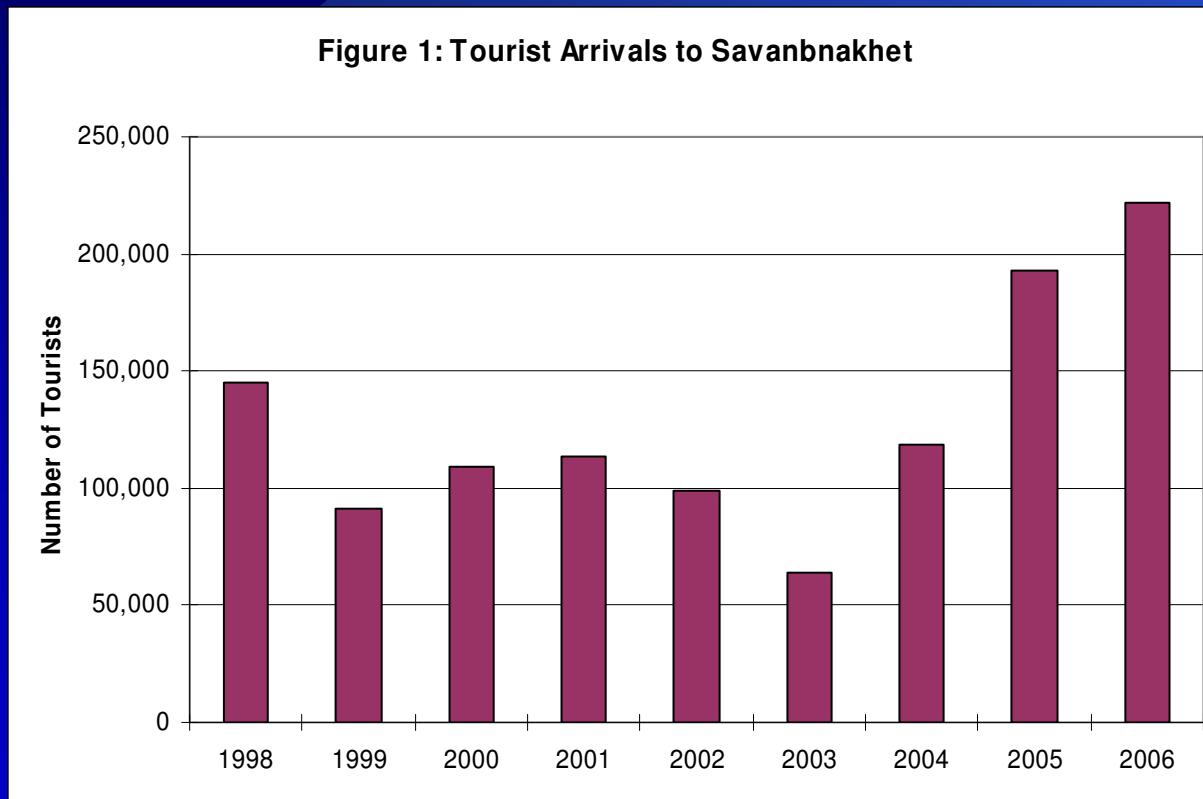
A village on the Road 9 at the proximity of Sepon District, prior to the improvement of Road 9



- The same village after the improvement of Road 9

# Impacts of EWEC on Savannakhet (cont')

- Increase in Tourism



# Impacts of EWEC on Savannakhet (cont')

- Fast economic growth – GDP Growth at average 10.1% over 2001-2005
  - Per capita GDP - \$371 in 2000 to \$425 in 2005
  - Since 2004, Savannakhet has become a budget-surplus province
  - Expanded job opportunities and income generation –greater movement of labor and increased jobs from investment projects
  - Increased commercialized production – cross-border transfer of knowledge and cheap inputs resulting from better connectivity: complementarity between the EWEC and rural road access –cash crops, livestock, contract farming and export-oriented production
  - From rice deficit to rice export
  - Fast growth in manufacturing sector since 2001.

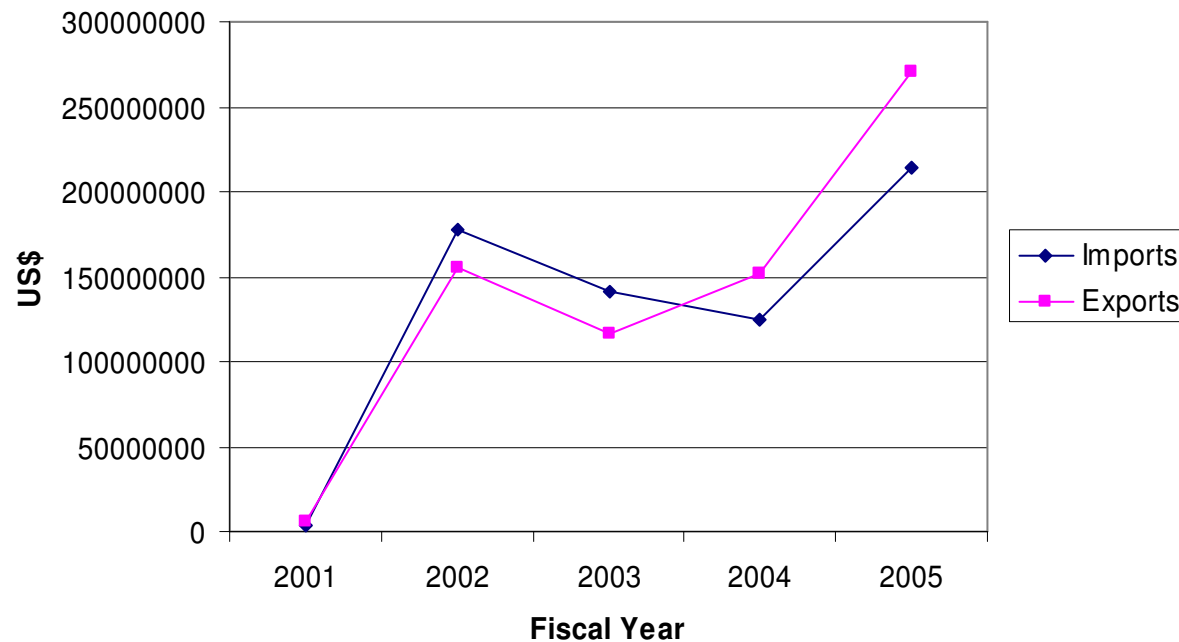
# Impacts of EWEC on Savannakhet (cont')

- Increase in cross-border trade and Import-Export
  - Cross-border trade increased by 2.2 times from 2004 to 2005
  - Trade licensing increased from a mere thousand in 2001 to about 7,000 units in 2005
  - The value of imports increased by 39 times during 2001-2005, from 31.8 million in 2001 to \$124 million in 2005
  - The value of export increased from \$63 million in 2001 to \$152 million in 2005
  - Establishment of Savan-Seno Special economic Zone and Dansavanh-Lao Bao Free Trade Area
  - The use of Savannakhet Airport as a Regional Airport



# Impacts of EWEC on Savannakhet (cont')

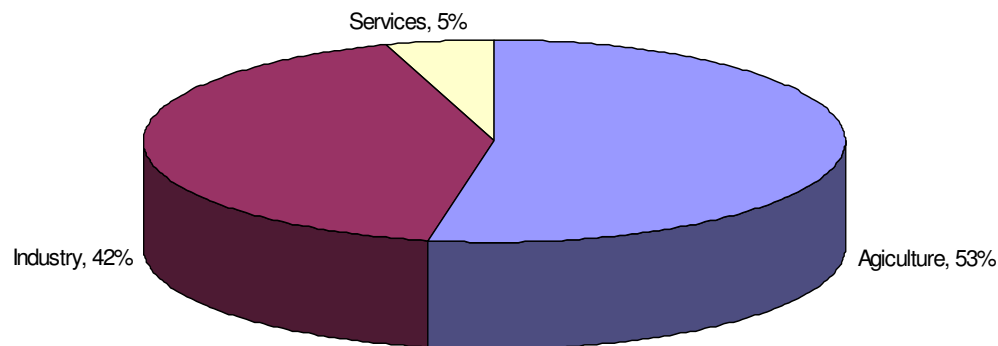
Figure 2: Import-Export Trend for Savannakhet



# Impacts of EWEK on Savannakhet (cont')

- Increase in investments
  - FDI flow to Savannakhet - \$250 million during 2000-2005
  - FDI in 2006 -\$422 million

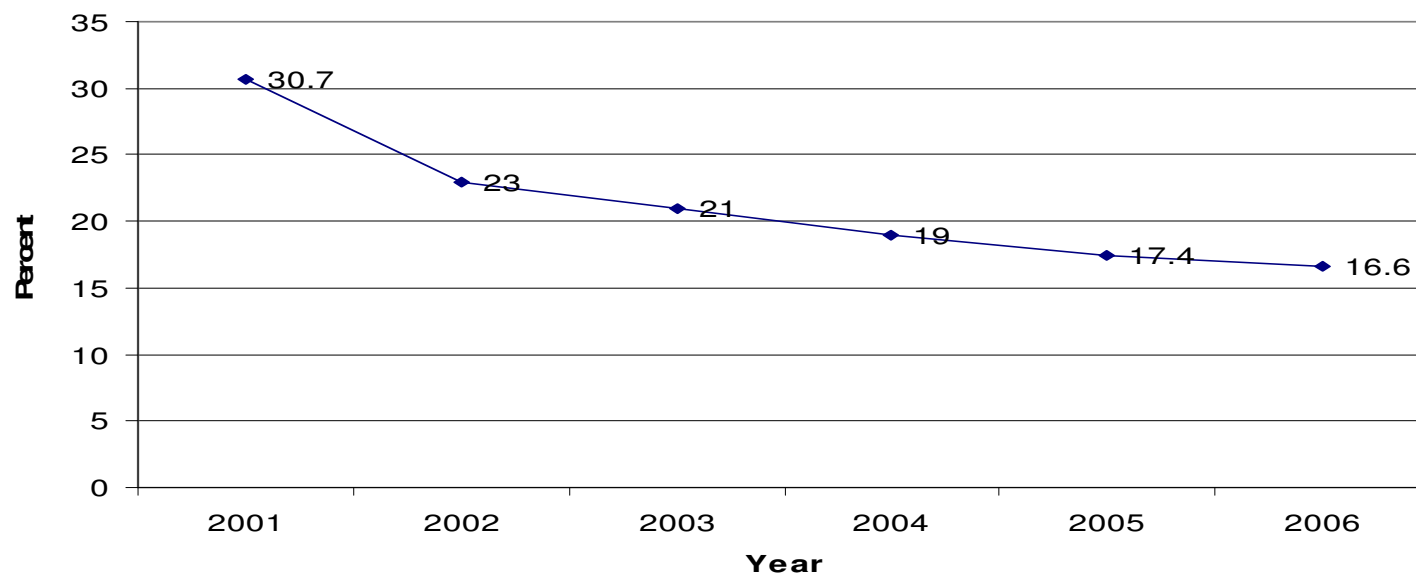
Figure 3.2: Composition of FDI in Savannakhet, 2000-2006



# Impacts of EWEC on Savannakhet (cont')

- Poverty reduction, especially in the remote and border areas

**Figure 4: Percentage of Poor Households Out of Total Households in Savannakhet**



# Impacts of EVEC on Savannakhet (cont')

- Improvements in social indicators
  - On expenditures side –betterment in the living conditions through reduced costs of transport –better access to cheaper consumer goods and food stuff
  - Improvements in access to economic and social services for remote and border areas
  - Improvements in health care, reduced morbidity and mortality rates. Building of cluster hospital along the EVEC.
  - Increase access to education, increased enrollment rate, especially basic and secondary education for girls and ethnic minorities
  - Better control of HIV/AIDS and other communicable diseases through cross-border and regional cooperation

# Challenges

- Weak transport and logistic services
- Weak tourism infrastructure and inadequate tourist services – young industry for local people – community and pro-poor tourism – development of the EWEK tourism ring
- Weak human resource skills and lack of entrepreneurial skills
- Need to strengthen and streamline customs procedures, regulations and standards
- Strengthening the implementation of CBTA



# The GMS Program

*improving  
people's lives*

