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Transport and Economic Corridors The GMS Experience

**The Benefits of Regional Cooperation: An Exchange
Learning Program between CAREC and the GMS**



**Hue, Viet Nam
6-10 August 2007**



The Greater Mekong Subregion (GMS)

Myanmar

Land area: 677 thou sq km
Population: 54.8 M
GDP per capita: US\$255 (2005)

Thailand

Land area: 513 thou sq km
Population: 65.8 M
GDP per capita: US\$3,133

The GMS in 2006

Land area: 2.6 M sq km
Population: 323 M
GDP per capita: US\$1,453*
* excludes Myanmar

People's Republic of China

Land area: 633 thou sq km
Population: 97.3 M
GDP per capita: US\$1,135
(figures for Yunnan and Guangxi only)

Viet Nam

Land area: 332 thou sq km
Population: 84.1 M
GDP per capita: US\$724

Lao PDR

Land area: 237 thou sq km
Population: 5.7 M
GDP per capita: US\$601

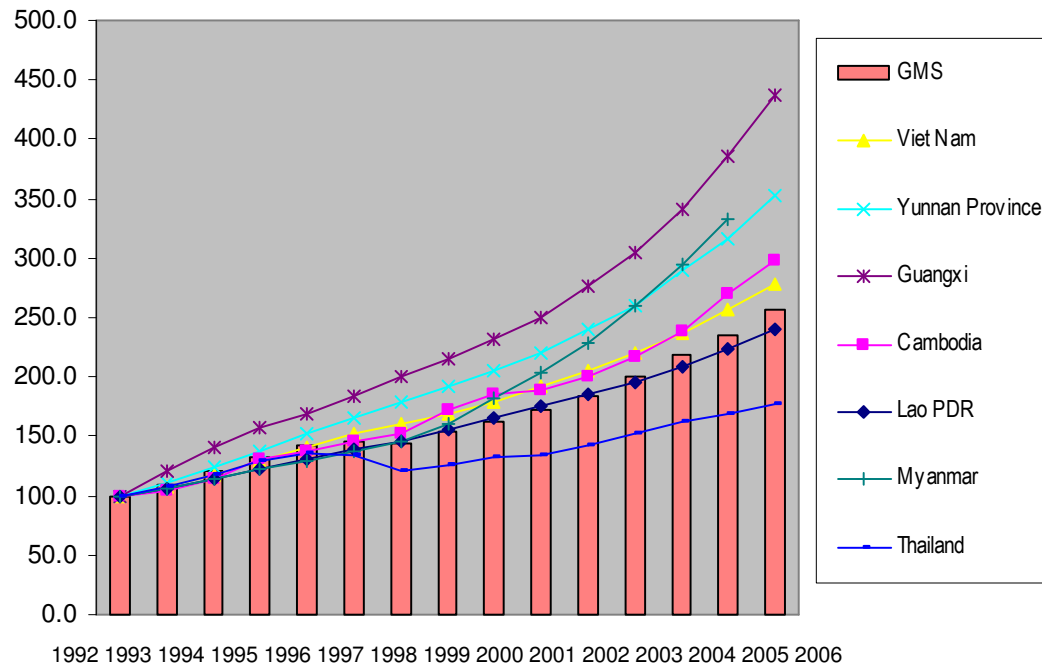
Cambodia

Land area: 181 thou sq km
Population: 14.1 M
GDP per capita: US\$510



GMS: Accelerated economic growth through expanded trade and investment

Real GDP (1992=100)



	1992	2006
Total exports (US\$ million)	36,343 ^{a/}	181,761 ^{a/}
Tourist arrivals (thousands)	10,005 (1995)	22,378
Foreign direct investment (US\$ million)	2,144	6,969

a/ Excludes PRC

GMS: Some Improvements in Poverty Indicators

Country	Poverty Incidence									
					\$1-a-Day					
	Per capita GDP		Based on National		Headcount		Magnitude			
	(current, \$)		Poverty Line (in %)		Ratio (in %)		(in '000)		Gini Coefficient	
	1992	2005	1992/1993	Latest	1990	2003	1990	2003	Earliest	Latest
CAM	220	393	39.0	34.7	46.0	33.8	3,953	4,526	0.37	0.45
PRC	230	842	7.8/23.8	3.4/7.9	33.0	13.4	377,055	173,072	0.31	0.35
LAO	271	491	46.0	32.7	52.7	28.8	2,183	1,630	0.29	0.37
THA	1,945	2,727	23.2	9.8	10.1	0.7	5,651	415	0.54	0.50
VIE	144	622	58.1	19.5	50.7	9.7	33,446	7,861	0.18	0.22



The GMS Vision: A Mekong subregion that is more integrated, prosperous and harmonious

GREATER MEKONG SUBREGION
ENHANCING CONNECTIVITY, COMPETITIVENESS AND COMMUNITY

Strategic Framework
2002-2012



GMS Transport Cooperation (1992-2005)

Strategic thrusts:

- Create cross-border access
- Facilitate cross-border traffic

Principles of project selection, prioritization, design

- Priority to improvement over new construction
- One or more GMS member countries involved in a project
- Emphasis on trade generation
- Implementation in sections or links

35 GMS transport projects identified

- 10 road, 8 rail, 10 water, 6 air, and 1 institutional (STF)
- Agreement for the facilitation of cross-border transport of goods and people

GREATER MEKONG SUBREGION ECONOMIC CORRIDORS



GMS Southern Economic Corridor Roads

Mostly 4-lane highways;
not a constraint to cross-
border traffic.

Upgrading to be
completed by 2009 with
ADB and Japan
assistance.

Upgrading of a section in
Cambodia (70 km) to be
completed by 2010 with
assistance from Viet Nam;
Financing requested for
remaining sections.

Upgrading to be
completed by 2007 with
PRC assistance.

Mostly 4-lane highways;
not a constraint to cross-
border traffic

In good condition

Upgrading to be
completed by 2007 with
Thailand, Korea, World
Bank and ADB
assistance.

Upgrading to be
completed by 2008 with
ADB and Japan
assistance.

Upgrading to be completed
by 2010 with possible ADB,
Korean, and Australian
assistance.








Bridge over Mekong to
be financed by Japan

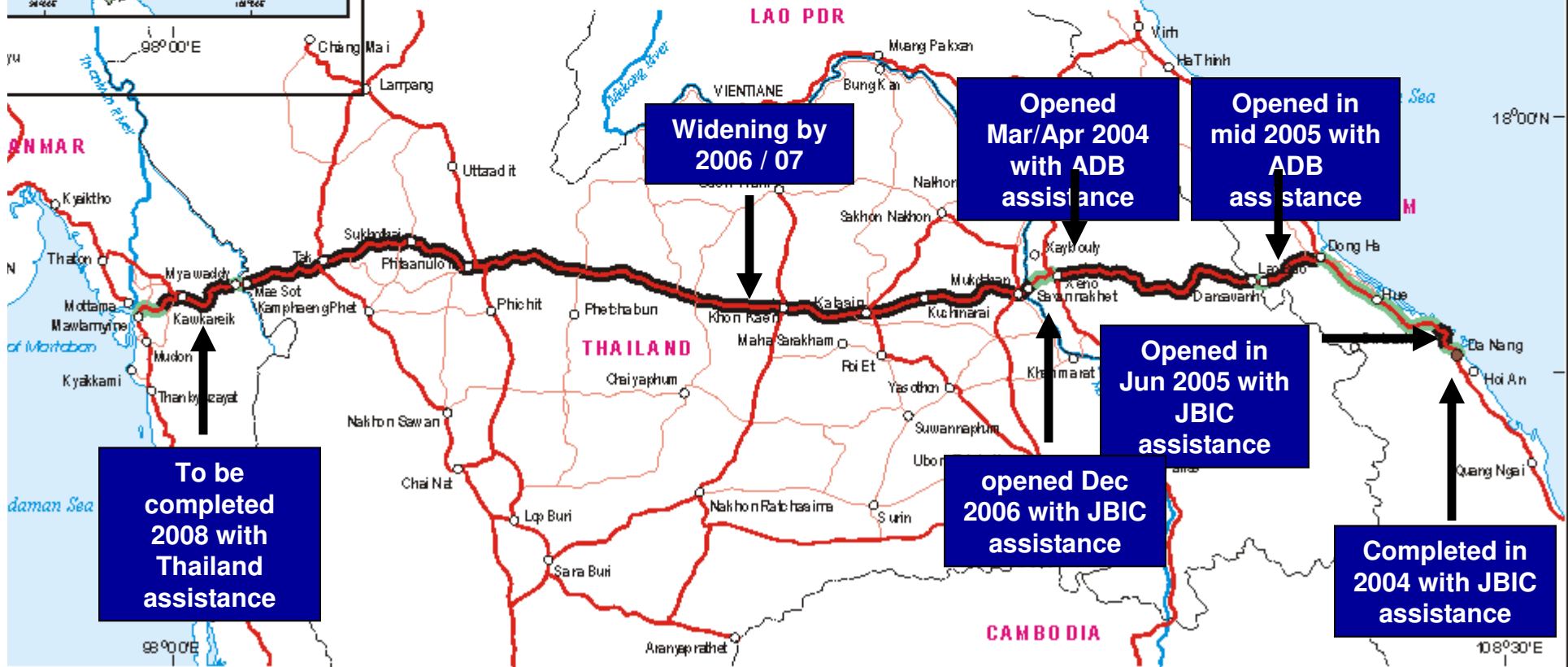
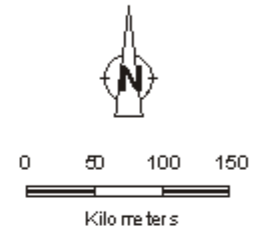




Cambodian section of the Phnom Penh-
Ho Chi Minh City Highway
Improvement Project

GREATER MEKONG SUBREGION EAST-WEST ECONOMIC CORRIDOR

-  National Capital
 -  City/Town
 -  National Road
 -  Provincial Road
 -  East-West Economic Corridor
 -  River
 -  International Boundary
- Boundaries are not necessarily authoritative.



Route 9 in Lao PDR before
upgrading



Route 9 in Lao PDR after
upgrading

Second Mekong International Bridge
assisted by the Government of Japan



North-South Economic Corridor

To be completely upgraded by 2010

Upgrading completed in 2006.

Upgraded with JBIC assistance; in good condition

Ongoing with ADB loan assistance

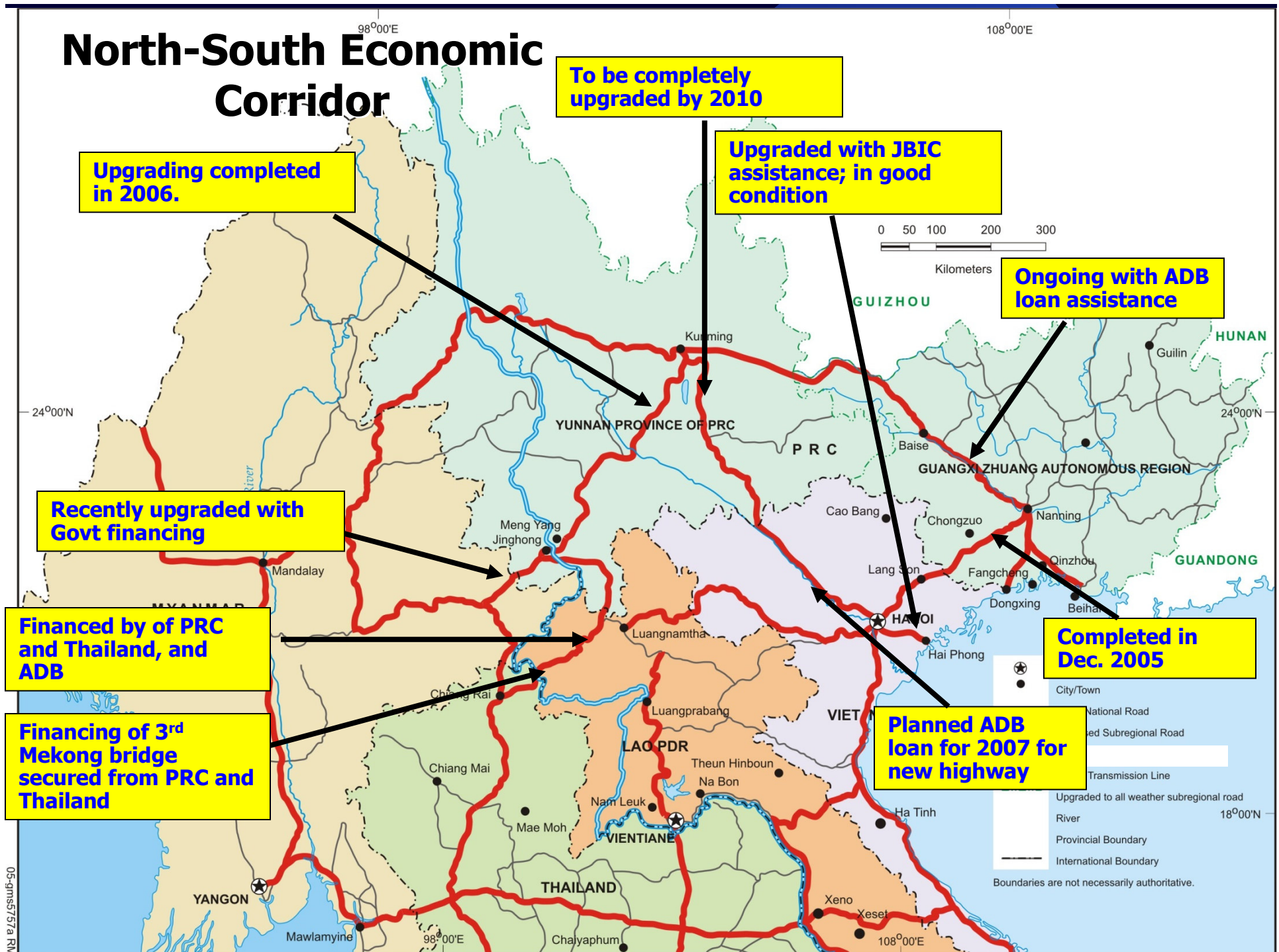
Recently upgraded with Govt financing

Financed by of PRC and Thailand, and ADB

Financing of 3rd Mekong bridge secured from PRC and Thailand

Planned ADB loan for 2007 for new highway

Completed in Dec. 2005





R3 in Lao PDR

Other Key GMS Transport Projects

- Upgrading of regional/international airports in key cities/towns
- Cambodia-Viet Nam inland water navigation
- Improvement of sea ports
- Institutional arrangements: Subregional Transport Forum – very active

GMS Transport Sector

Recent developments (priority projects):

- Opening of Second Mekong International Bridge – EWEK completion
- Agreement on North-South Economic Corridor (NSEC) International Bridge
- Preparation of Hanoi-Lao Cai Expressway proceeding on schedule
- Approval of 2 railway projects by ADB –
 - Cambodia Railway – along the Southern Economic Corridor
 - Lao Cai-Yen Vien (Hanoi) Railway – along the SEC
- GMS Transport Sector Strategy endorsed

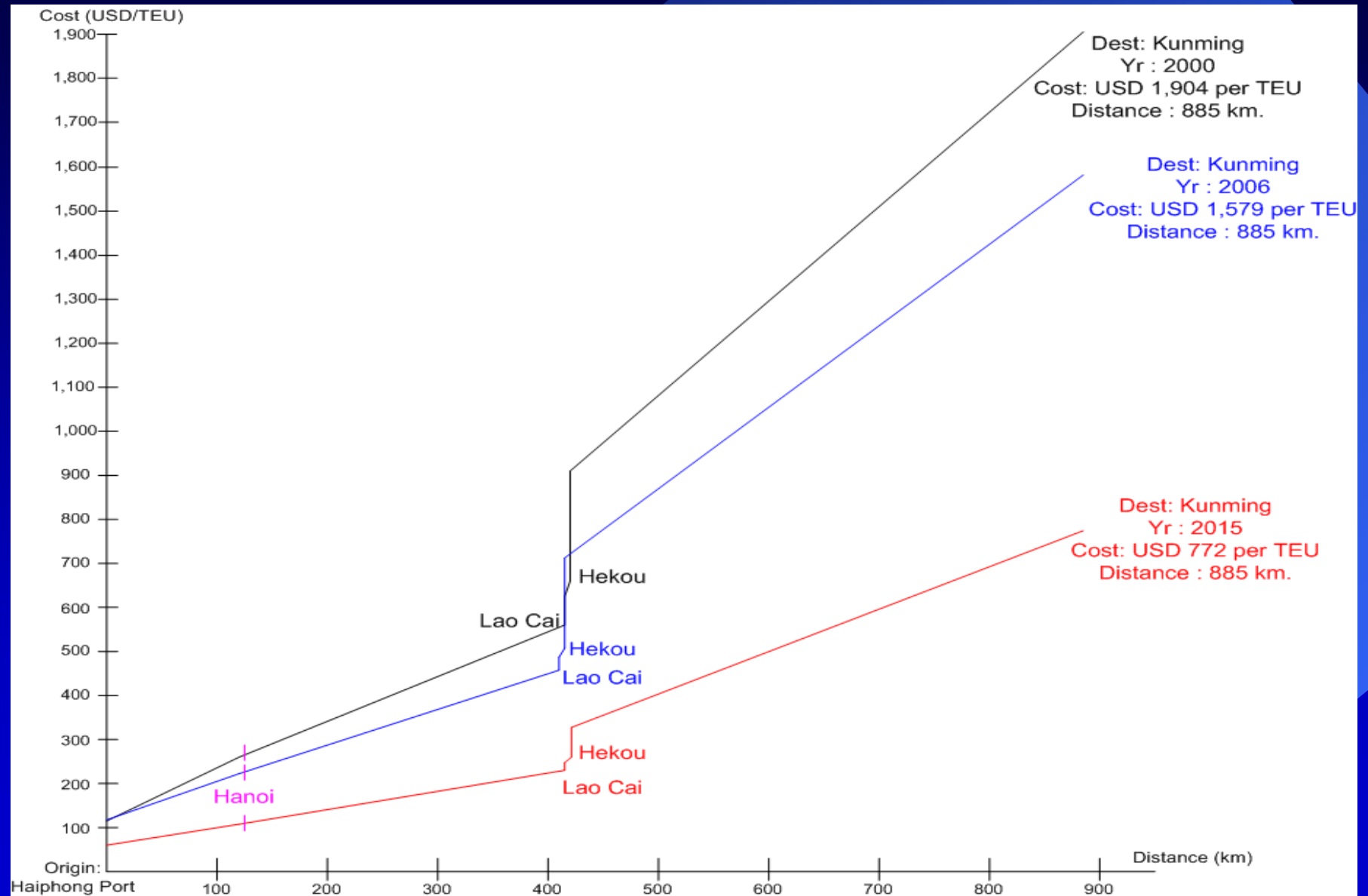
ADB-assisted GMS Projects (1992-2006)

	No. of Projects	Total Cost (US\$ M)	ADB Financing (US\$ M)	Govt. Financing (US\$ M)	Cofinancing (US\$ M)
All GMS projects	28	6,772.2	1,921.3	2,182.5	2,668.4
of which: transport	18	4,959.0	1,680.0	2,102.7	1,176.3

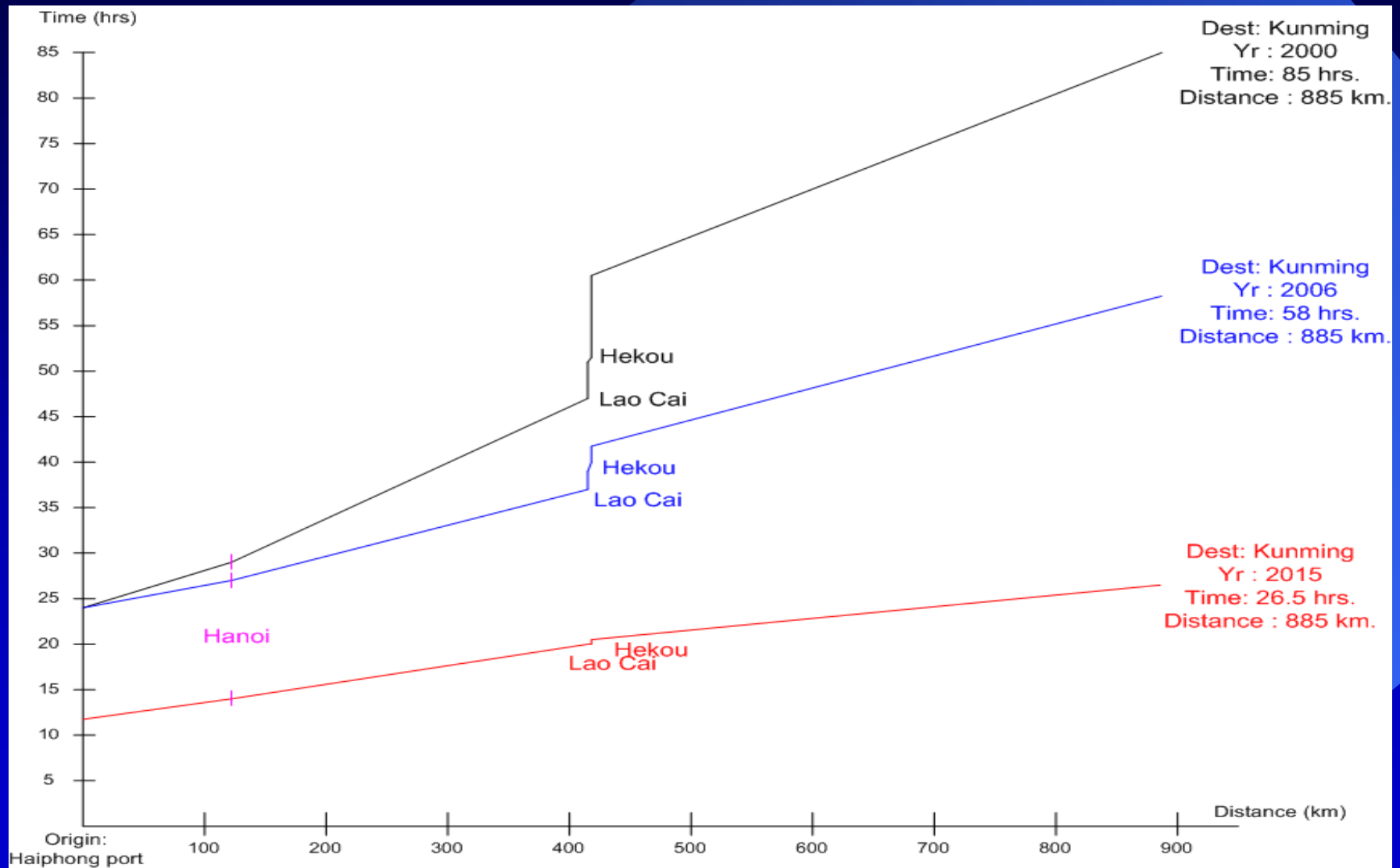
Nonphysical Impediments to the Cross-border Movement of Goods and People

- Inconsistent and difficult border crossing formalities and procedures
- Restrictive visa requirements
- Restrictions on entry of motor vehicles
- Different standards on vehicles and drivers across countries
- Transit traffic difficult/not allowed

Haiphong-Kunming cost (2000-2006-2015)



Haiphong-Kunming time (2000-2006-2015)



Comparison of Time and Cost of Door-to-Door Transport Between Bangkok and Hanoi (based on trial shipment)

	Volume	Transit Time (days)	Cost (\$)
Ocean Transport	1 TEU	10-15	1,000
Air Transport	3,334 kg	2-3	4,000
Truck Transport	1 TEU	4	2,500

Source: Pilot Demonstration Project for Construction of an Advanced Trade and Investment Environment, March 2005, Japan External Trade Organization

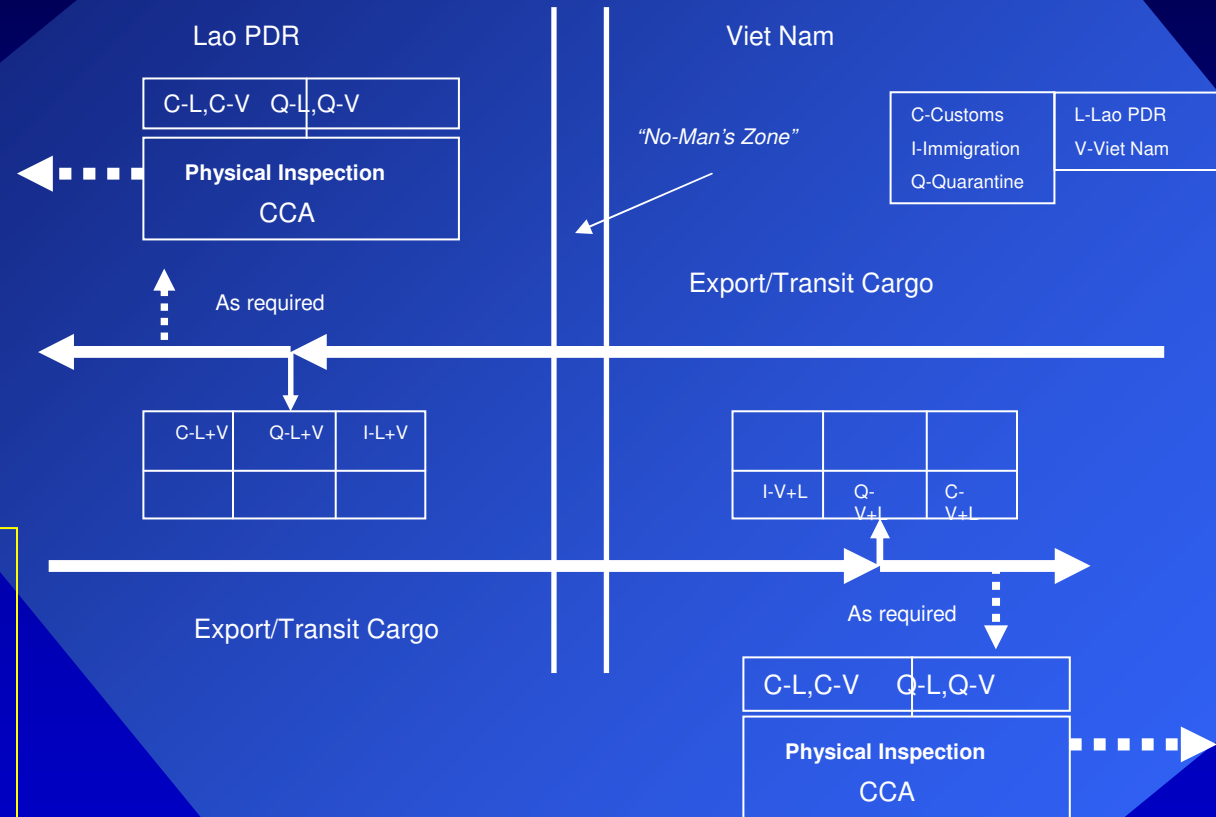
GMS Cross-Border Transport Agreement

Coverage

- Facilitation of Frontier-Crossing Formalities
- Exchange of Traffic Rights

Components

- Framework Agreement
- Annexes and Protocols (A&P)
- MOUs for Pilot Implementation



Economic Corridor Development

- Well-defined geographical area centered on a transport corridor
- Integrated with the development of other infrastructure and the conduct of related economic, social, and environmental activities
- Carried out through planned and systematic project, policy, and institutional interventions

Economic Corridor Initiatives

- Establishing other related infrastructure (e.g., power supply, water supply and sanitation, rural roads)
- Facilitating trade, investment, and tourism
- Achieving sustainable use and conservation of natural systems
- Developing biodiversity conservation corridors
- Mitigating negative externalities associated with increased connectivity

Findings of Recent ADB Research on Reviewing the Poverty Impact of Regional Economic Integration in the GMS

- Labor Migration is the greatest opportunity from regional economic integration (REI), but a big threat also
- Informal Trade much more relevant than Formal Trade for Border Communities
- REI has significant implications on women
- Other Linkages (especially social services) are also significant
- REI carries with it several negative externalities – the GMS corridors also therefore also pathways for Smuggling, Drugs, HIV/AIDS, and Trafficking

REI Impact is 'mostly positive'

Key Benefits include:

1. Cross Border Work
2. At border work (transport, porters, etc.)
3. Informal Cross-border trade
4. Transport Infrastructure
5. Access to Health and Education Services
6. Cheaper Goods
7. Transfer of knowledge and information
8. Social and cultural exchange

But as seen, there are significant costs as well...

Key Costs of REI:

1. Labor exploitation and trafficking
2. Smuggling
3. Drug and alcohol addiction
4. HIV/AIDS risk
5. Competition from migrant workers
6. 'Crowding out' by formal traders
7. Land disputes and landlessness
8. Natural Resource depletion (especially logging)
9. Social evils and crime
10. Child Labor

GMS Transport Sector: Looking Forward

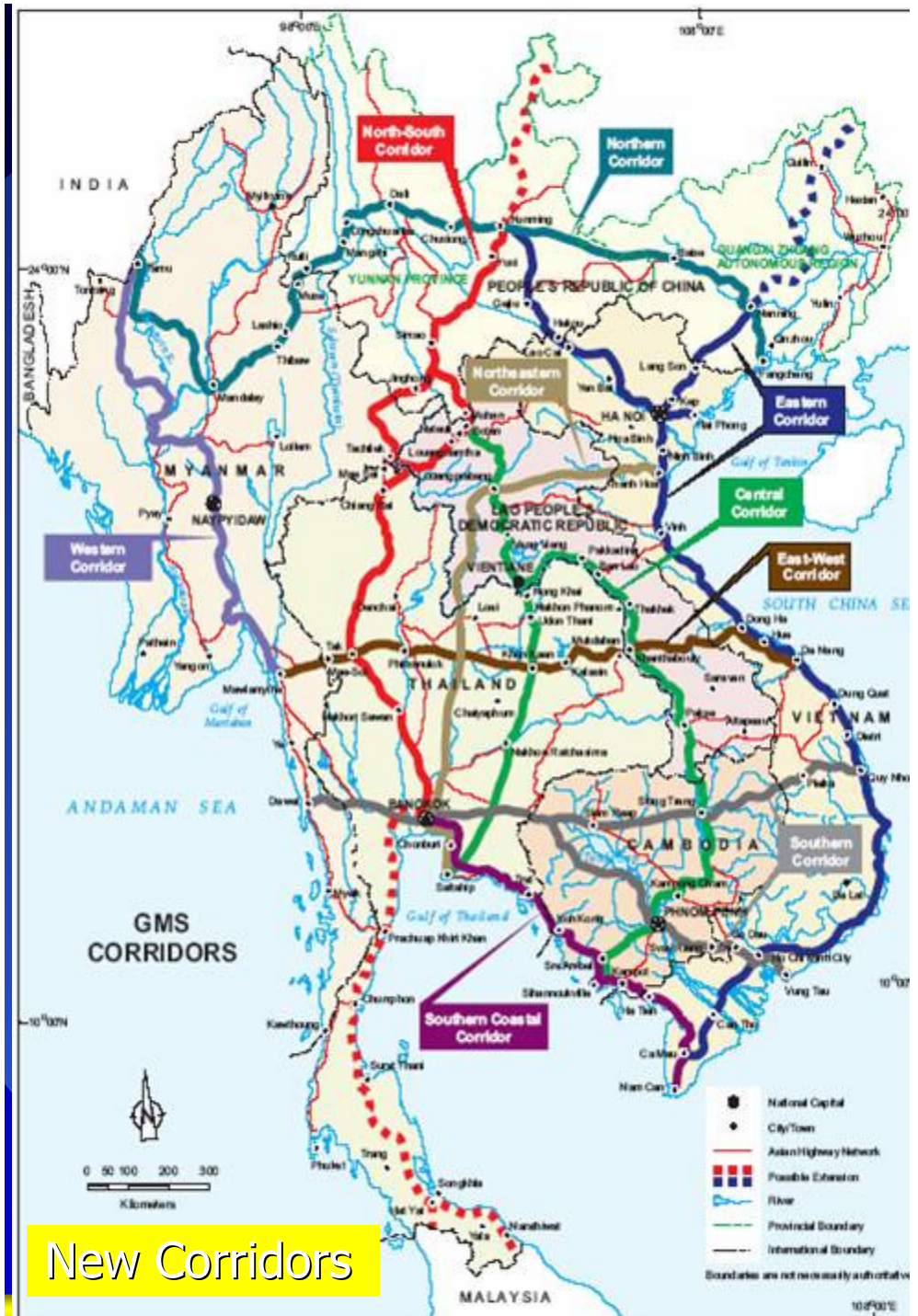
GMS Transport Sector Strategy (2006-2015)

Basic Theme:

“Towards seamless transport services on a fully connected and integrated GMS network.”

Strategic objectives:

- To exploit synergies in the GMS transport system
- To move toward an open market and open borders for transport services
- To improve economic efficiency and reduce transport costs
- To complete the GMS transport network and improve links with South Asia
- To encourage multimodalism



GMS Transport Sector Strategy - Action Plan

- Recommends 31 investment projects covering road, railway, ports and airports:
- Recommends TA projects:
 - Full implementation of Cross-border Transport Agreement
 - Improve management of infrastructure
 - Encourage private sector financing of infrastructure
 - Improve transport logistics
 - Training
 - Develop and jump-start new services and facilities such as short sea shipping



Selected High-Priority Projects from the Transport Sector Strategy

Investment projects:

- LAO: Route 14A: Junction Route 16 to border with Cambodia & Junction Route 16 – Junction Route 11 roads
- LAO: Railway to Vientiane (Thanaleng-Ban Sok Kham)
- VIE: Thanh Hoa City to LAO border- Road 217 upgrading (part of the new Northeastern Corridor)
- VIE: Da Nang sea port upgrading, phase 2
- CAM: Siem Reap-Stung Treng road
- CAM: Improvement of domestic airports at Kratie and Mondulhiri

Selected High-Priority Projects from the Transport Sector Strategy



High-Priority Projects from the Transport Sector Strategy

Technical assistance projects:

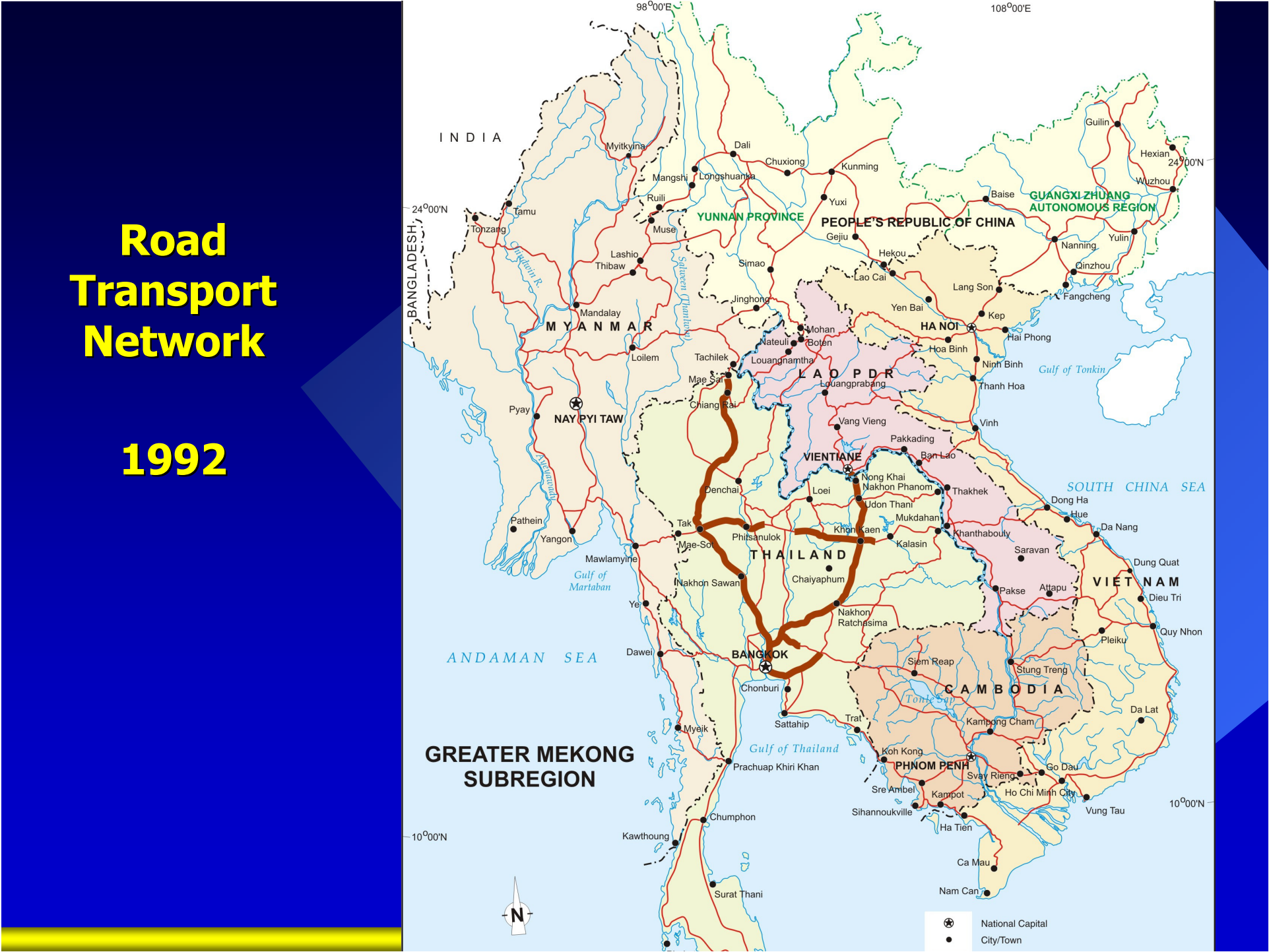
- CBTA implementation
- Phased Liberalization of Visa Regimes for Travelers
- HIV/AIDS awareness for transport projects in the GMS
- Transformation of Transport Corridors into Economic Corridors

Road Transport Network

1992

Road Transport Network

1992



Road Transport Network

2006



2015



The GMS Program

*improving
people's lives*



For more information: visit <http://www.adb.org/gms>