

## Mekong Institute Learning Project Report



**Experimenting with the GMS ECP Model in South Asia: The Role of Transport Infrastructure in Regional Growth** 

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### Experimenting with the

## **GMS ECP Model in South Asia:**

The Role of Transport Infrastructure in Regional Growth



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## List of Abbreviations

ADB	:	Asian Development Bank
AEC	:	Asian Economic Community
ASEAN	:	Association of Southeast Asian Nations
ACMECS	:	Ayeyarwady-Chao Phraya-Mekong Economic Cooperation Strategy
ACD	:	Asian Cooperation Dialogue
BIMSTEC	:	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BCIM	:	Bangladesh-China-India-Myanmar Economic Forum
CBTA	:	Cross-Border Transport Agreement
EEC	:	European Economic Community
ECF	:	Economic Corridor Forum
EWEC	:	East–West Economic Corridor
FDI	:	Foreign Direct Investment
GDP	:	Gross Domestic Product
GMS	:	Greater Mekong Subregion
GMS ECP	:	Greater Mekong Subregion Economic Cooperation Programme
GMS-BF	:	GMS Business Forum
GMS-SF	:	GMS Strategic Framework
IGO	:	Inter Governmental Organization
JICA	:	Japan International Cooperation Agency
MDP	:	Mekong Development Program
MI	:	Mekong Institute
MOU	:	Memorandum of Understanding
MRC	:	Mekong River Commission

NSEC	:	North–South Economic Corridor
OPEC	:	Organization of the Petroleum Exporting Countries
PRC	:	People's Republic of China
RDPM	:	Rural Development and Project Management
SAARC	:	South Asian Association for Regional Cooperation
SASEC	:	South Asia Subregional Economic Cooperation
SEC	:	Southern Economic Corridor
SEZ	:	Special Economic Zone
TIF	:	Trade and Investment Facilitation
TTF	:	Transport and Trade Facilitation
TFWG	:	Trade Facilitation Working Group
TSSS	:	GMS Transport Sector Strategy Study
UNESCAP	:	United Nations Economic and Social Commission for Asia and the Pacific

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#### Abstract

A subregional initiative can play a major role in regional integration and development. The fast paced integration and cross-border connectivity attained by some Southeast Asian countries under the Greater Mekong Subregion Economic Cooperation Programme (GMS ECP) paints a picture of a successful subregional initiative. The GMS ECP, with its project and activity based programs, has contributed immensely to the progress of the Association of South East Asian Nations (ASEAN). In South Asia, the subregional grouping formed by the Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) has every potential to develop as an activity and project based program which will contribute to regional integration in a similar way. On the one hand, where the South Asian Association for Regional Cooperation (SAARC) can emphasize strategic political issues, BIMSTEC stands in a position to contribute to project development and human resource development programs in various sectors.

This paper is a study which analyses the transport infrastructure development strategies and mechanisms of GMS ECP as applied to the overall context of transport infrastructure development in the Eastern periphery of South Asia. The paper is a comparative study of the existing subregional cooperation programs in the Eastern periphery of South Asia; BIMSTEC and GMS ECP. This paper critically assesses and analyses the transport infrastructure development strategies and policies of both programs in their unique contexts and offers a series of policy recommendations.

#### **Chapter 1: Introduction**

Cooperation among Asian nations is accelerating and the rapid growth the region is experiencing is marked by increased cross-border trade, financial flows, and the greater movement of goods and services. Collective national and regional efforts are paving the way for a single economic community in Asia, however, these recent achievements are fragile. Countries in the region face major challenges and progress is hindered by a massive misallocation of its resources, infrastructure deficits and trade facilitation issues.

The road ahead is full of challenges and to achieve the vision of a greater Asian Economic Community, it must overcome these missing links. The immediate step is the economic integration of the various subregions. This can be achieved through infrastructure development; notably the improvement of transport networks and connectivity linkages within and between the subregions. This will require several major components: transport networks at both national and regional levels; intra and inter-regional trade; trade and transport facilitation, and; information technology connectivity.

Improvement in transport and infrastructure networks reduces transaction costs, encourages intra-regional trade and brings about progressive impacts on trade patterns (Edmonds, C, 2006). Furthermore, investments in connectivity will not only foster economic growth, but will have a large impact on poverty reduction, income generation, and employment. The expansion of trade in Asia has been facilitated by infrastructural development, both physical and institutional. However, the infrastructure needed to facilitate increased trade in the region remains inefficient, if not inadequate, and the progress of regionalism in Asia has remained uneven across the subregion (Nag, Rajat M., 2010).

A complementary option towards improving connectivity in the region could be deepening economic cooperation among countries located in close geographical proximity. This arrangement would help member countries of subregional groupings plan and implement major cross-border connectivity projects. A deeper element of regionalism will not only bring about greater economic integration and cooperation but also reduce some of the structural and institutional impediments facing the region.

Southeast Asia has relatively done well in improving its transport networks and connectivity, although much needs to be done in the area of trade facilitation. Southeast Asian countries, guided by the ASEAN Economic Community (AEC) Master Plan (AECMP), are now moving ahead towards achieving the goal of a collective economic community by 2015. ASEAN was the first grouping in the region to lead the way to more extensive and effective institutionalized regional integration.

AEC 2015 entails a single market with a fully integrated production base and the free movement of goods and services. It will also ensure the free flow of investments, skilled labor, and capital (AEC Blueprint, ASEAN Secretariat, 2008). To achieve the vision of greater Asian integration, other parts of Asia must also move ahead towards improved connectivity within its subregions. The achievement of full economic integration which realizes the vision of an integrated Asian economic community will place the region as a prime nexus of the world economy.

Improving connectivity by building transport infrastructure has been the objective of regional groupings in South Asia too, but these programs have been met with little success when compared with their Southeast Asian counterparts. Moreover, the present status of connectivity between the two regions is inadequate to achieve the ultimate objective of full Asian economic integration. Many potential routes between the regions remain unexplored and unmanaged. Several research studies which have explored and analyzed the ways to improve connectivity between South Asia and Southeast Asia - and to fostering greater economic cooperation - have commonly indentified poor transport networks and the lack of Transport and Trade Facilitation (TTF) measures to be the major obstacles preventing the improvement of this connectivity.

Increased subregional cooperation is needed to implement measures which can build momentum towards achieving better connectivity, greater integration, economic growth, and sustainable development in both regions. GMS countries – through the GMS ECP – have made substantial progress in improving connectivity within the region (ADB, 2012). To expand and extend the linkages to a well connected and economically dynamic Southeast Asia, South Asian countries must experiment and foster similar mechanisms to those used by the GMS ECP to improve regional connectivity.

#### 1.1 Statement of the Problem

The strategies and policies implemented by subregional groupings such as BIMSTEC in South Asia and GMS ECP in Southeast Asia have failed to attain the success needed to achieve an integrated Asian Economic Community.

In the GMS, the GMS ECP has made substantial progress towards improving the crossborder connectivity but is struggling to implement mechanisms needed to facilitate trade and transportation targets. In South Asia, BIMSTEC and the South Asia Subregional Economic Cooperation (SASEC) programs are lagging far behind in both the implementation of measures to improve transport networks and other trade facilitation measures.

Despite development initiatives and planning to develop and improve the transport infrastructure and trade facilitation, both the GMS ECP and BIMSTEC are failing due to strategic errors. What are the drawbacks in the current mechanisms and policies? Is the subregional grouping losing the essence of promoting substantial growth and development?

#### **1.2 Research Questions**

- What should be the objectives and strategies of the subregional initiatives to accelerate economic growth and to improve transport infrastructure and connectivity between South Asia and Southeast Asia?
- How can the mechanisms of existing subregional groupings be strengthened in order to develop and improve transport networks and trade facilitation?
- How has the GMS ECP evolved as a subregional grouping towards infrastructure development and transport linkages in the region?
- Can BIMSTEC experiment with the successful mechanisms and strategies utilized by the GMS ECP to build its transport networks?

#### **1.3 Research Objectives**

The objective of this paper is to carry out a comprehensive study of the GMS ECP and to lay out a broad vision for Asian integrated transport networks for consideration by national policy-makers in South Asia and Southeast Asia.

#### Sub-objectives;

- Enable integration through the promotion and facilitation of subregional cooperation;
- To deepen and widen existing regional institutions;
- To outline the importance and necessity of leadership and good governance in regional cooperation and integration;
- Provide a broad study of the processes of the GMS ECP's project planning, implementation, and monitoring and evaluating measures;
- Experiment with the effective measures utilized by the GMS ECP to move towards improved connectivity in the eastern periphery of South Asia;
- Utilize these measures as tools to improve connectivity, not only within the eastern periphery of South Asia, but also expanding and extending to wider regional linkages with Southeast Asian countries;
- Define the scope of the integrated transport networks in both the GMS and in the Eastern periphery of South Asia.

#### **1.4 Research Methodology**

This research paper is designed to compliment and provide a necessary background study of GMS strategies and the planning process in the development of regional transport infrastructure. The paper focuses on a policy-oriented study which analyzes the GMS ECP's strategies and mechanisms and seeks to analyze them to see if these elements can be applied and implemented in South Asia to build better transport networks and improve connectivity.

A comparative descriptive study between BIMSTEC and GMS ECP has been conducted herein which analyses how these organizations have evolved planning and policies to bridge economic growth in the region. The research for this paper was conducted using both primary and secondary data. Person-to-person interviews were conducted with ADB experts, business groups, senior scholars, and academics in the GMS region. MI officers also provided valuable sources of information. The reports, working paper series, ADB policy papers, and those of other development organizations in the GMS were studied and analyzed to understand the current strategies and policies of the GMS ECP.

#### 1.5 Relevance of the Study

This study of the GMS ECP and BIMSTEC transport strategies and trade facilitation measures has been undertaken with the objective of providing and contributing to the pool of understanding about the GMS ECP transport strategy and its transport network development implementation mechanisms. It provides policy makers with a tool to identify and analyze existing policies, strategies and development to address the physical and non-physical barriers preventing further development.

This paper highlights specific measures needed to further improve transport logistics and infrastructure which will be useful to both GMS ECP and BIMSTEC. This paper emphasizes the development of relevant and practical proposals to mitigate the identified constraints.

### **Chapter 2: Literature Review**

Spurred with the pressure of globalization and the rapid emergence of the market economy, countries all over the world have assembled themselves into regional and subregional groupings which promote integration and cooperation. The end pursuit of regionalism and subregionalism is the integration of a region complemented by the gradual intensification of trade, economic flows, and cultural linkages (Hettne, Bjorn and Söderbaum, Fredrik, N.D.). When the integration of a region and its economies is fraught with hindrances and challenges, it is through subregional initiatives that cooperation can be met and policies can be effectively implemented. To attain a deeper element of regionalism among these countries, an effective subregional initiative is needed which builds cooperation, understanding, and promotes proper planning and the timely implementation of connectivity projects. These projects in turn, pave the way for greater regional economic integration.

In the academic world, there have been several main critiques examining whether subregional cooperation contributes to economic integration while simultaneously balancing economic growth of the individual countries. According to political-economy models, due to the prevalence of vested interests and lobbying, regionalism is often accompanied with protectionism and trade diversion that may lock participants into closed economic blocks (Väyrynen, Raimo, 2003). This can lead to bloc-to-bloc diplomacy while increasing the risk of the development of an inward-looking subregion. There is also a fear of domination by one country or another in such an institutional framework.

To overcome such impediments and forge a consensus towards accelerating the pace of cooperation and integration in the region, commitment from political leaders and an effective institutional framework is needed. In the academic forum, there is enough evidence to prove that subregional structures promote development and economic integration by paving the way for multilateral trade liberalization (Väyrynen, Raimo, 2003).

A leading example of regional initiatives is the European Union (EU) which has been successfully implemented the European Economic Community (EEC) through effective policies, strategies, and good governance measures to improve the stability and prosperity of the region. Since the formation of the single market in the EU, regional economic integration has been increasingly adopted in the international arena as an effective strategy for economic development (Bilal, S, 2005).

Regional cooperation aims to improve the infrastructure and connectivity between the countries, helping to promote trade and investments (Kessides, IN, 2012). Despite high growth rates achieved in the last two decades, many countries in Asia have been unable to achieve their potentialities. The major hindrance has been infrastructure deficits and lack of connectivity within the region. Transport infrastructure is the driving force behind achieving better overall connectivity between two regions, fostering inclusive development in a particular region, connecting people-to-people, people to service industries and markets, main centers to provinces and rural centers to urban ones.

Transport infrastructure facilitates trade and economic growth by reducing the transport costs and times. Well-developed transport infrastructure and efficient freight services not only reduce transit times, but also increase trade opportunities and reduce the cost of goods. Transport infrastructure thus affects regional growth (Lakshmanan, TR and Chatterjee, Lata R., 2005).

Transport infrastructure provides services which are crucial for economic activities such as manufacturing, transportation, trade and commerce. Inadequate transport infrastructure is a burden to the economy, undermining national competitiveness, competitive markets, trade, and causes economic stagnation (Kessides, 1996; Calderon and Serven, 2004; Straub, 2008). Transportation is essential to a modern economy and a smoothly functioning society.

The competition generated by the process of globalization has increased the demand for the international flow of goods and services which requires efficient transport infrastructure (Rodrigue, Jean-Paul, N.D.). This has increased the cross-border flow of goods and people, for which efficient cross-border transport infrastructure is a necessity. Globalization is thus a key driver behind the increase in cross-border trade and investment and lies at the heart of the need for improved physical connectivity and enhanced regional cooperation and integration.

Integration will not only restore economic linkages, but will also bring the aforementioned countries closer, politically and culturally. The 'Asian identity' marked and shaped by its different histories and cultures have seen a centuries-old flow of goods and services. The Silk

Route, among many other trading channels, is evidence of the ancient free-flowing movement of goods, services, labor and capital in the region. Angkor Wat, Borobudur and the stupas in Pagan testify to the rich and vast trading and cultural networks among these cultures. The spread of Buddhism and the Chanakya art of governance found throughout many Southeast Asian countries shows that the free movement of people and ideas is not a new phenomenon.

The stimulus of Asia's growth and integration will depend highly upon improved transport infrastructure which can be achieved through close regional cooperation. Although Asian countries have been slow to respond to the trend of regionalism, they have started to recognize the potential of regional economic integration, and have moved quickly towards economic cooperation through the frameworks of subregional institutions such as, ASEAN, SAARC, BIMSTEC and GMS ECP.

In Asia, ASEAN can be portrayed as one of the most effective regional organizations. The organization was established in 1967 and through the goals of intraregional economic development and social and cultural development, reflects the credible expansion of regional economic growth. It is also important to know that subregional groupings in Southeast Asia have equally contributed to the growth and progress of ASEAN. The GMS ECP initiative and the Mekong River Commission (MRC) have contributed greatly to the improved economic and environmental governance of the region.

The GMS ECP should be marked as one of the more practical and effective examples of subregional economic cooperation in Asia. The GMS ECP has provided a framework under which member countries have, with the support of external partners such as the ADB, been successful in developing regional initiatives and improving connectivity within the subregion. The program set out to open borders and improve connectivity to make trade easier and to strengthen the region's ability to compete in the process of globalization.

In 1992, member countries – bound together by the common connection of the Mekong River – met at the ADB headquarters in Manila where they met for the first time to discuss the initiative. The event was significant because the history of the GMS had been plagued by conflict and historical divisions with relations characterized by mistrust and resentment. In Manila, the countries met on a common platform to discuss cooperation which could lead to common development (ADB, 2012).

At the meet, the GMS countries decided that the individual goals of each country could be better achieved through subregional cooperation. The cooperation agreement was named as the 'GMS ECP'. The initial members of the GMS ECP were Cambodia, Lao PDR, Myanmar, Vietnam, Thailand and Yunnan Province of PR China. In 2005, the Guangxi Zhuang Autonomous Region of PR China became the member of the GMS ECP. The implementation of this program has been monitored through the Vientiane Plan of Action, which was adopted in March, 2008, by the GMS leaders at the Third GMS Summit in Vientiane, Lao PDR. The Vientiane Plan of Action emphasized the development of road corridors, joint tourism marketing, promotion, and development, human resource development, and the strengthening of agricultural cooperation in the region (ADB, 2012).

The GMS countries also felt it necessary to establish a sense of common-community in order to achieve the aforementioned goals. GMS countries agreed to jointly address both social and environmental challenges, such as the prevention and control of communicable diseases, and the protection of the subregion's rich biodiversity and ecosystems (ADB, 2008). Today, through the initiatives of the program fall under nine development sectors: transportation; telecommunications; energy; human resources; environment; trade; investment; tourism, and; agriculture. The GMS has since become a successful subregional model for economic cooperation (ADB, 2012).

The GMS covers a land area of 2.6 million square kilometers and contains a population of 326 million. It shelters a wealth of natural and human resources with a number of rich cultures and historical treasures (ADB, 2012). The region has become one of the world's major market-hubs. Its greatest asset, however, remains is its strategic location, which puts it at the crossroads of two of the world's most populous countries and economic powerhouses - PR China and India. The GMS ECP has been working to improve the linkages and physical connectivity with PR China but it has not been successful in bridging linkages with South Asian countries.

China's two southernmost provinces are members of the GMS ECP. This alone provides adequate logic behind the development of better connectivity with these provinces in comparison to that with South Asian countries, especially India. Both regions, however, need to move forward to expand and extend linkages through improved infrastructure and trade with one another. If one is to compare the regions, it is reasonable to state that the GMS has

moved far ahead in the development of connectivity linkages within the region, whereas South Asia has not been able to realize the dormant potential which would be unlocked by improvements to its transport networks.

Regional economic integration would help the regions exploit the profound synergies developed between the Asian economies. Some Asian economies are more advanced in the manufacturing of certain goods, whereas others have capabilities in other areas such as software and services. The scarcity of resources and goods in one region and the abundance of resources in another can be transferred to achieve a balanced economy only through the development of better transport connectivity.

## Chapter 3: GMS ECP and BIMSTEC Approaches to Transport Network Development

The fast paced integration and cross-border connectivity between Southeast Asian countries is due primarily to the effective initiatives and efforts laid out by regional and subregional institutions.

As already stated, the GMS ECP in Southeast Asia is one such subregional initiative which has played a major role in improving the GMS' transport networks. It has achieved significant progress, facilitating the construction of road networks and transportation regulatory arrangements. The GMS ECP initiative has achieved the development of the economic corridors in Southeast Asia, enhancing connectivity within the region. The GMS ECP initiative paints a successful portrait for the possibilities and potential of subregional initiatives in Asia.

#### **3.1 Comparative Study: GMS ECP and BIMSTEC**

The progress of GMS countries has led to the investment of close to US\$15 billion in investments in the region. This has stimulated a decade-average of eight percent growth per annum among GMS economies, a greater-than-triple increase in per-capita income and massive reductions to poverty rates (ADB, 2012). The region has seen improvements in agricultural productivity and a transformation to open-market trade, the end sum of which has made the GMS one of the fastest-growing regions in the world.

This progress is partly the result of improved connectivity in the region. The accessibility of better transport networks has provided a platform for economic growth and development. Although poverty still looms large, the region has high development-potential which has furthered the hope of progress and moved the region towards the realization of the AEC, which is anticipated to be attained by 2015.

South Asian countries need to establish a broader approach towards regional integration that focuses not only on deepening integration within the region but also on fostering trade links to other subregions. The trade procedures in South Asia still take, on average, 50 per cent longer than those in Southeast Asia. To expand and extend linkages and to develop and

support a well connected and economically growing region in Southeast Asia, South Asia must embrace a similar subregional framework.

South Asian regional and subregional cooperation, such as the South Asia Growth Quadrangle initiative, Kunming Initiative, South-South Trade and economic cooperation between India and the GMS countries (with Thailand as the facilitator), the Bangladesh-China-India and Myanmar (BCIM) Initiative, Mekong-Ganga Cooperation (MGC) and the Bay of Bengal Initiative for Multi-Sectoral Techno-Economic Cooperation (BIMSTEC), have initiated mechanisms to improve connectivity within the region, but these have attained little concrete success when compared with the aforementioned subregional initiatives in Southeast Asia.

The GMS ECP, with its project and activity based program-approach, has contributed immensely to the progress of ASEAN. BIMSTEC too has the potential to develop as an activity and project based program and contribute to regional integration. On the one hand, where SAARC can emphasize strategic political issues, BIMSTEC can contribute to project development and human resource development programs in various sectors. BIMSTEC was established in 1997 by Thailand, which sought to connect the countries in South and Southeast Asia. The development of cross-border infrastructure, especially in transport and logistics, is a key area of BIMSTEC cooperation. However, how far this initiative has been successful remains a contentious topic.

The ADB, which became a BIMSTEC development partner in 2005, has assisted the group to promote and improve transportation infrastructure and logistics among its members. The ADB conducted a technical assistance study as part of the BIMSTEC Transport Infrastructure and Logistics Study (BTILS) in December 2005, with the aim of improving transport infrastructure in the subregion. However, no concrete results emerged based on the recommendations of the study team, BIMSTEC member countries have been unable to implement any recommendations effectively and transport linkages between the countries still remains poor.

BIMSTEC proposed to establish links between Southeast and South Asia by promoting economic development through the implementation of technical cooperation projects among neighboring countries. BIMSTEC can thus be seen – at the conceptual level at least – as the

coming together of the, 'Look West' policy of Thailand and the, 'Look East' policy of India (Devi, 2007). The group, which comprises five SAARC countries (Bangladesh, Bhutan, India, Nepal, and Sri Lanka) plus Myanmar and Thailand, promotes technical cooperation in 14 priority sectors, each led by members on a voluntary basis (Fig.1)

BIMSTEC, as an initiative, has clear objectives and goals but has lacked concrete focus and mechanisms to implement its objectives at the ground level. Even the name of the subregional grouping has changed from time to time over the past decade, reflecting the lack of cooperation and understanding among the leaders of the grouping. This sentiment has been echoed throughout the region by critics such as *The Nation* newspaper (Thailand), which in 2008, published an article stating, "*BIMSTEC [sic] will be a failure without focus and political will*."



Fig 1: Map showing the area of BIMSTEC countries Source: www.googleimages.org

Unlike the GMS countries, BIMSTEC has not had focused, themed discussions during its meetings and has been often diverted by political differences between member states. There are many missing links in the transport infrastructure and roadways (except for in Thailand) remain in poor condition in most of the BIMSTEC region (ADB, 2005).

Infrastructural development has been the priority of the BIMSTEC agenda since its inception. Cross-border infrastructure development was discussed and the necessity of transport networks for regional economic growth were identified in the first BIMSTEC ministerial meeting (Thein, CC, 2008). However, the logistic efficiency of the BIMSTEC appears to be falling apart due to infrastructure deficits. Intra-regional infrastructure disparities and poor infrastructure within member countries is significant. Member countries have not been able to reap the potential benefits of ongoing trade due to increased logistics costs.

BIMSTEC must transform itself into an effective institutional framework and improve its connectivity within the region by expanding to Southeast Asian and East Asian countries. Coordination across national boundaries will require the identification of national projects with subregional benefits, new inter-modal linkages among the countries and the improved efficiency of the international land transport systems of BIMSTEC. Improved connectivity between South Asia and Southeast Asia will further enhance the economic connectivity of the region with other parts of Asia and the rest of the world. BIMSTEC is an important platform and initiative which can help to achieve these objectives and is thus crucial to building efficient and effective transport networks in the subregion.

Where the GMS ECP has planned and delivered on its intention to develop transport corridors into economic corridors, BIMSTEC is yet to achieve the necessary transport networks within the region that would lead to the development of such corridors. Benefits of regional cooperation are often lost due to inadequate transport and communication links. When comparing BIMSTEC and GMS ECP, a vast and varied gap can be noticed in terms of infrastructure development. A major advantage provided by GMS ECP has been the improved connectivity with the two southern provinces of PR China, both of which are full members of the subregional grouping. The geographical proximity of the GMS to PR China has been a driving force behind cooperation in the subregion, whereas BIMSTEC comprises of countries from both South Asia and Southeast Asia.

BIMSTEC must identify the relevant members in its structure and make efforts to bridge cooperative efforts with other subregional groupings in Asia. The common members of the GMS ECP and BIMSTEC can play an important role, not only in bridging connectivity between the two subregions, but also in sharing and experimenting with each other's successful strategies and mechanisms in regional development. Myanmar is an important factor as its strategic location and membership in both groupings is the major gateway and connecting link to international transport networks which connect South Asian countries with Southeast Asia.

The cooperation of Myanmar will thus be essential in major international investments projects such as the Asian Railway, Asian Highway, Asian Satellites, Asian information infrastructure (such as a broadband cable), GMS economic corridors, Mekong-India Economic Corridor, India-Myanmar-Thailand Trilateral Highway, and the Kaladan River Waterway Project.

#### 3.2 Myanmar as a potential bridge for BIMSTEC and GMS ECP

The strategic location of Myanmar and its membership in both BIMSTEC and GMS ECP is crucial for both South Asia and Southeast Asia, placing it as a potential land-bridge between both regions, and between Southeast Asia and PR China (Bhattacharya, SK, 2006). The country has the largest land area in mainland Southeast Asia and it shares its borders with two economic giants; PR China and India.

Along with the strategic advantages provided by its land borders, it also has a long coastline, with access to sea-routes and deep-sea ports, most notably in the Bay of Bengal. Access to such features facilitates easy trading through sea-routes and is the major reason why many countries are now looking to invest in Myanmar's seaports, including, Kyauk Phyu, Sittway, Dawei, the the Thilawa industrial area and port (Min, Aung and Kudo, Toshihiro, 2012). The development of these ports will improve connectivity in the region and facilitate the easy movement of goods and people.

#### Myanmar's strategic location in the subregional groupings;

Myanmar's membership in several regional and subregional economic cooperation initiatives puts the country as a top priority. It is a full member in ASEAN, GMS ECP, BIMSTEC, Ayeyarwady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), Asian Cooperation Dialogue (ACD), and Bangladesh-China-India-Myanmar Economic Forum (BCIM) (Htun, K. W., N. N. Lwin, T. H. Naing and K. Tun, 2011) (Fig 2).

Myanmar's active participation in these regional groupings is the essential driving force behind the economic integration of South and Southeast Asia. The political stability which has come about with the removal of political and economic sanctions has opened Myanmar up to a new phase of economic development. The growing opportunities and abundant resources in the country should be complimented with better transport networks and logistics facilities along with increased investments to expand urban development around the economic corridors. The GMS ECP and BIMSTEC groupings should carefully utilize appropriate strategies and plan towards the development of transport networks within the country and across its borders.



Fig 2: Myanmar's Participation in Regional Economic Cooperation in Asia Diagram Source: Thein, CC, 2008 & author

The successful implementation and operation of international highways such as the ASEAN Highway, Greater Mekong Subregion Highway (GMS- Highway) and the India-Myanmar-Thailand Trilateral Highway rely completely on the development of transport networks within Myanmar.

There are several missing links in the roadways in Myanmar. While development projects have been initiated, progress has been relatively slow. Many countries have initiated and formulated regional and subregional projects to improve transport networks in the region.

Route	Length
AH 1- Myawadi- Tamu	1665 Km
AH2- Tachilake- Kyaington- Taunggyi-Meikhtilla- Tamu	N.A
AH 3- Kyaington-Mylar	93 km
Ah 14- Mandalay- Muse	453 Km
AH 111- Loinling-Thibaw	239 Km
AH 112- Thahtone-Kyaukthoung	239 Km
AH 123- Dewai- Minthame Valley in Thai-Myanmar Border	141Km
AH 123- Laynyar Ywe – Khalonloin in Thai	60Km

## Fig 3: ASEAN Highway Routes in Myanmar

Source: Thein, CC, 2008

The Asian Highway (AH) initiative, with support from ESCAP, will connect 32 countries and will, in conjunction with other subregional transportation initiatives such as the ASEAN highway network and SAARC transport corridor, contribute to the development of greater regional connectivity.

There has been substantial progress to the development and upgrading of physical infrastructure in the GMS countries, most importantly, to improving transport infrastructure and cross-border transport networks connecting to and from Myanmar – connecting it with South Asia and Southeast Asia and further afield to China. The development and improvement of transport networks within Myanmar and its connectivity with neighboring South and Southeast Asian countries is thus an essential factor when considering the success of the connectivity projects.



Fig 4: Asian Highway Routes in Myanmar Map Source: Northeast Federation on International Trade

#### Myanmar and GMS Economic Corridors;

The GMS Transport Sector Strategy (2006-2015) (TSS) and the Economic Corridor Approach puts the development of Myanmar's infrastructure as its top priority. The GMS TSS proposes to develop two additional transport corridors as part of its nine-corridor project to further strengthen links between the GMS and South Asia.

Both of these corridors include Myanmar as the connecting bridge, with the Western Corridor connecting India-Myanmar (Mawlamyine-Naypyidaw-Tamu) and the Northern Corridor connecting Guangxi-Yunnan-Myanmar-India (Nanning-Kunming-Dali-RuiliLashio-Mandalay-Tamu) (K, Toshihiro, 2007). In the East-West Economic Corridor (EWEC)

project, Myanmar forms part of the corridor route along with the deep seaport project at Mawlamyine in Myanmar's Southern Mon state. The North-South Economic Corridor (NSEC), links Kunming-to-Bangkok running via Myanmar (K, Toshihiro, 2007).

The most talked about economic corridor of GMS ECP is the Southern Economic Corridor (SEC), which emphasizes the development of the Dawei Port in Myanmar. The development of the port and the extension of the corridor to Dawei, and further to the Indian coast, will open up opportunities for both regions.

The development of Dawei Port will enable the extension of Mekong-Ganga Economic Corridor, which will connect to Chennai in India (Fig 5). The plan includes the development of a 'Dawei Special Economic Zone'. The project is expected to cover an area of 250 sq. km, and will handle nearly five million tons of agricultural products and support the steel industry, enabling manufacturers to export finished product in the order of 40 million tons per year (Kimura, F 2011).



Fig 5: Mekong-India Economic Corridor, Dawei port, and the GMS Southern Economic Corridor

Maps Source: ww.googleimages.com

#### India-Myanmar-Thailand Trilateral Highway;

The India-Myanmar-Thailand Trilateral Highway (Fig. 6) represents greater opportunities and growing sense of friendship between the three countries. The 3,200-km trilateral highway linking India, Myanmar and Thailand is projected to be completed by 2016 ('India-Thailand Highway to be Ready by 2016', *The Times of India*, August 13, 2012).



Fig 6: Trilateral Highway Routes Map Source: www.googleimages.com

The trilateral highway will connect India's Northeastern states to Myanmar. Over 1,600km of roads will be built or improved. This will boost connectivity in the region and along with it, trade and investment flows, which will create employment opportunities and reduce poverty. It is expected that the highway will connect the landlocked Northeastern states of India to Myanmar's deep-sea ports and industrial estates.

#### Kaladan River Waterway Project;

The landlocked Northeastern states of India will be opened to the international markets through the completion of Kaladan Multi-Modal River waterway project (Fig. 7), which will provide a link between the Northeastern states of India as well as Mizoram, through the Chin state of Myanmar via the Kaladan River to the Sittwe port (Kimura, F., T. Kudo and S. Umezaki, 2011). The successful operation of this route will save nearly 673 km (418 miles)

and connect the Southeast Asian nations to their South Asian counterparts. It will pass through the Myanmar –Bangladesh Highway, connecting the Taung Pyo village of Maung Taw Township in Myanmar to the Sittwe-Yangon Road, and finally connect all to the Greater Mekong Highway.



Fig 7: Maps of Kaladan Multimodal Project routes connecting to Northeast India Maps Source: www.manipuronline.com

These projects will open up a great deal of opportunities and enhance the economic growth of the region. Success, however, will depend on the development and implementation of effective strategies and mechanisms. The concerned areas are currently not well connected to the main cities of Myanmar; neither Yangon nor Mandalay. Transport networks between Dawei and Mawlamyaine City and between Yangon and Dawei are not sufficient to facilitate the easy or convenient flow of goods or people. The rail and airways connecting Yangon and Dawei are limited and the roadways are in a poor condition. Road transportation between Yangon and the Kyauk Phyu Port is about 500 miles, and takes around 20-24 hours by bus and nearly three-days by cargo-truck. It nearly takes three days to get from Sittwe to Yangon. An improved and better transport network within the country, along with the development of infrastructure along the Myanmar-Bangladesh and Myanmar-India border areas is thus sorely needed. A regional agenda, logistics and infrastructure development program are required to implement these objectives.

Myanmar's membership in GMS ECP is crucial and its role and participation in BIMSTEC acts as the essential backbone for projects extending South Asia's linkages with Southeast Asian countries. Myanmar's central location in the BIMSTEC region places it as a bridge enabling India's 'Look East Policy' (LEP) and Thailand's 'Look West Policy' goals to be achieved. In addition, the country has a huge cache of natural resources with regards to energy and other valuable minerals, which can provide significant opportunities for both BIMSTEC and GMS energy cooperation.

The challenges facing the GMS countries and BIMSTEC, particularly in reference to Myanmar and towards the development of transport networks and economic corridors, should be attained through close cooperation and interactions among the regional groupings. Both BIMSTEC and GMS ECP should work in close proximity with one another to ensure that the potential of Myanmar, as a connecting bridge, is utilized.

One of the primary challenges for GMS countries is its poor connectivity with South Asia. The GMS new strategic framework, which emphasizes the expansion of its transportation and economic corridors to South Asia, will be achieved if GMS countries conduct more frequent interactions with other subregional groupings in South Asia. BIMSTEC must learn and experiment with the successful strategies and mechanisms employed by GMS ECP with regards to transport network development in order to improve connectivity within South Asia and to expand trade linkages with Southeast Asian countries. The following chapter highlights successful GMS transport mechanisms and addresses some of the key challenges faced by the GMS countries in the context of trade and transport facilitation.

# Chapter 4: Developing Transport Networks: Experimenting with GMS ECP Strategies and Mechanisms

GMS ECP, inscribed in 1992, has contributed substantially to improving the connectivity and further economic development of the GMS subregion. The driving features of the GMS ECP have been its bottom-up approach, which drives development from the ground level through initiatives by local authorities and communities and the establishment of economic links among its members (Capannelli, G. 2012).

Physical transport improvement and development project investments in the GMS – which sit at about \$15 billion and account for the majority of investments – have offered broad subregional benefits through the development of roads, airports, railways and telecommunications. These projects have also developed in other sectors such as energy, and tourism, and given rise to accelerated urban development and effective environmental protection measures (ADB, 2012).

Physical infrastructure development stands as the primary focus of the GMS ECP's agenda since its inception (Menon, J, 2011). GMS countries realized in the early years of cooperation that the development of infrastructure to improve connectivity was fundamental to attracting investments and promoting trade expansion. The upgrades of highways and other improved transport linkages have enhanced intra-GMS connectivity and quadrupled trade in the region. The balanced growth of the region, the efficient passage of goods and services between countries and between remote and landlocked areas to ports and market hubs, will depend upon continued improvement to transport linkages and the deliverance of infrastructure services.

The GMS transport strategy has focused on addressing the major transport infrastructure challenges in the region through subregional – rather than bilateral or broader regional – program approaches. GMS countries have felt it necessary that all GMS ECP member countries should be committed to regional efforts with a focus on both national and regional interests. The GMS ECP has divided its development projects into two broad areas; first, subregional projects, under which each project involves at least two countries, and second; national projects with subregional dimensions which benefit the whole region (Ishida, Masami, 2008).

Over its 12 years of operation, the GMS ECP has steadily evolved into a highly effective collaborative organization through its 'three C's' strategic pillar and the use of suitable mechanisms involved in its development projects (ADB, 2008). To achieve its objectives and goals, the GMS grouping framed its '3Cs' strategic pillar which consists of: enhanced 'Connectivity'; increased 'Competitiveness'; and a greater sense of regional 'Community'.

Through the initiative, GMS countries have successfully overcome one of the major challenges in the region - connectivity and infrastructure deficits. The region has achieved improved subregional transport infrastructure and connectivity networks which have prioritized the development of transport corridors, interconnecting power systems, and a solid telecommunications network (ADB, 2008). Through 'competitiveness,' the region focused on increased cross-border connectivity through TTF (ADB, 2008). Under each of these strategic thrusts the GMS ECP has set up a sectoral and working group which monitors and evaluates the projects.

#### 4.1 GMS Organizational Effectiveness

The success of the GMS ECP in comparison with other subregional groupings has been due primarily to its effective institutional arrangements. Members of the GMS ECP and its development partners organize frequent interactions at both the official and ground levels. The GMS ECP has been upgraded into summit-level dialogues which have contributed significantly to the development of the subregion through project implementation, the identification of major challenges, appropriate agenda-setting (including goals and objectives through the GMS-Strategic Framework (GMS-SF)), and effective monitoring and evaluation.

The recent GMS Summit, held in Myanmar from December 19-20, 2011, identified the need to set a new direction which moves moving its aims towards comprehensive cooperation and the expansion of the region as a major economic zone. The summit's theme was, '*Beyond 2012: Towards a New Decade of GMS Strategic Development Partnership*', under which a new strategic framework will be applied for the next decade (2012 to 2022).

The GMS-SF is a draft set of goals which aim to be achieved within the next 10 years. The GMS SF also assessed the GMS ECP's achievements to date, evaluating its goals and objectives, and finally, formulating new strategic goals for the upcoming years. The GMS

will conduct a mid-term review of the GMS-SF, helping member countries to monitor its overall progress (ADB, 2012).

The objectives of the GMS–SF Midterm Review are as follows (ADB, 2005):

- To conduct comprehensive stock taking of progress achieved, results realized, and issues and challenges faced during the first half of GMS–SF's implementation period;
- To analyze emerging social and economic developments at the global, regional, and subregional levels, which may have important implications on the GMS Program;
- To assess whether the GMS–SF continues to be relevant and appropriate, considering the progress made and the changing regional and global environments;
- To recommend adjustments in the GMS–SF, if deemed necessary, as well as measures necessary to enhance its effectiveness.



Fig 8: GMS ECP Organization Structure Source: Asian Development Bank

The GMS Leaders' Summit is supported by frequent ministerial level conferences and senior official meetings (SOM) at both the project and operational levels (Ishida, Masami, 2008). The GMS ECP has sectoral forums and working groups for its thematic thrust areas at both project and operational levels. These forums and working groups are the most essential part of this programme, helping to analyze, evaluate and monitor its projects and activities and sharpen the focus of its work. The working groups also focus on further prioritizing planned

projects along with other potentials and prepare strategic work plans to guide GMS activities. The GMS structure consists of a national inter-ministerial committee assisted by eight designated focal points, or national secretariats, which coordinate GMS activities in the member countries.

Another major driving force behind the GMS structure is the GMS Business Forum. The board of the forum meets twice per calendar year, or as required by the circumstances, to discuss and address gaps in trade and investment facilitation services in the subregion and build intra and inter-regional partnerships. It also identifies and implements CCI programs and services. The GMS Business Forum's basic objective is to add value to national CCI programs, strengthen ties with national CCIs, and foster GMS cooperation.

Along with frequent interactions among the GMS countries, the training and research mechanisms of the GMS have been a major driving force behind its regional development. It has received significant attention through various consultations and GMS and international university groupings. The Mekong Institute (MI) is one such research and training institution that holds a unique position in the GMS development.

MI is a GMS inter-governmental organization (IGO) established in Khon Kaen, Thailand in 1996 with support from the Governments of New Zealand and Thailand. MI aims to foster regional cooperation and development in the GMS through research and training. The six GMS countries in the Third GMS Summit, in Vientiane, Lao PDR, pledged their support for MI and towards its goals of human resource capacity building and regional cooperation and integration. In 2003, the six GMS governments signed a charter officially transforming MI into an autonomous, international organization, mandated to work in close collaboration with other GMS institutions. In 2007, the Thai Cabinet approved the MI Headquarters Agreement, recognizing MI as an intergovernmental organization under Thai law. The institute continues to operate from its headquarters in the grounds of Khon Kaen University, Thailand.

With its intergovernmental status, MI is in a favorable position to facilitate regional development, cooperation, and integration through its human resource development programs, training courses, GMS-focused action research, and facilitation of policy dialogues. Guided by the MI Charter, the organization implemented the MI Strategic Plan 2005–2010, which aimed to transform the institute from a development assistance project

into a financially self-sustaining GMS-governed institution working towards and for regional cooperation through capacity development. MI is currently implementing a new strategic plan and exploring new areas and activities in human resource development along the GMS Economic Corridors including a series of subregional development projects.

MI plays a major role in the ongoing development of the GMS through its research and training programs which support a regional network of professionals, civil society organizations, and both public and private sector organizations. MI's major objective remains strategic human resource development for effective regional cooperation. It also promotes good governance and regional integration which are cross cutting themes in its educational training and capacity building activities. MI focuses its activities on three major thematic areas; Rural Development and Project Management (RDPM), Trade and Investment Facilitation (TIF) and the Mekong Development Program (MDP). These thematic areas and departments address trans-boundary and regional project management through project planning and development, conduct research on project feasibility and design, set-up results-based project monitoring and evaluation (M&E) systems, conduct policy dialogues, and facilitate training programs for public and private sector organizations in the GMS.

Under its TIF program, MI emphasizes enhancing entrepreneurship, SME cluster and export consortia development, trade and investment facilitation, and trade negotiations. The RDPM program emphasizes education, planning, income generation, and poverty reduction, while the MDP focuses on issues related to public sector reform and labor migration management in the GMS.

Administrative arrangements have provided effective support to the GMS program with efficient project financing arrangements. Along with these strategies and mechanisms, it is the technical support from the ADB and other international advisors which has played the biggest role in its achievements and has been a strong establishing factor in the development of GMS transport networks. The ADB has coordinated between the different stakeholders and governments to implement infrastructure development projects. The GMS has largely developed its transport networks through a strategic framework and master plan with the assistance of the ADB.

The overall secretariat support to the GMS ECP comes from its development partner, the ADB, which, through its headquarters in Thailand, closely coordinates with national secretariats in the GMS countries (ADB, 2012). Significant progress has been made on GMS priority projects with technical and financial support from the ADB. Along with the ADB, other multilateral partners of GMS include: the United Nations Development Programme (UNDP); the United Nations Environment Programme (UNEP); the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP); the United Nations Educational, Scientific and Cultural Organization (UNESCO); the European Commission; the European Investment Bank; the Food and Agriculture Organization (FAO) of the United Nations (UN); the International Fund for Agricultural Development (IFAD); the International Labor Organization (ILO); the International Organization for Migration (IOM); the Nordic Development Fund (NDF); the OPEC Fund for International Development (OFID); the World Bank; and the World Health Organization (WHO). Bilateral donors include the governments of Australia, PR China, Denmark, Finland, France, Germany, Japan, the Republic of Korea, the Netherlands, New Zealand, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America.

#### 4.2 GMS Implementing Mechanisms

The GMS countries have stressed the importance of M&E while simultaneously recognizing the complexity involved in the process. All the GMS projects go through a uniformed process; first, they assess and study the social and environment impacts of the project; second, study groups proceed to a pre-feasibility study followed by feasibility study, engineering design, and finally; project implementation (ADB, 2012). Working groups evaluate project performance in relation to impact outcomes and outputs. A set of indicators, such as the economic development and socio-economic indicators, transport costs and times, international and total traffic levels, jobs created in construction and maintenance, incidence of STIs, and incidence of human trafficking, are highlighted in the evaluation process.

An assigned group monitors the projects through all stages. The progress of the projects is also monitored and evaluated though ministerial meetings and senior official meetings. Indicators are measured and compared with the baseline studies. The GMS ECP, with the ADB and co-financers, also jointly undertake midterm reviews of its projects to assess the implementation status, design, construction, and the performance of consultants and contractors. It also evaluates the project impacts, status of compliance with the covenants stipulated in the grant agreement and the need for any changes in the project scope or schedules to achieve the desired project impacts.

Projects are funded either by member countries, the ADB, or other GMS development partners. Transport projects, to date, have constituted many of the GMS ECP's and individual governments' public investment programs priority projects. Individual GMS countries concerned with the projects contribute with various investments and financial assistance, which along with the grants from the ADB; make the characteristics of the GMS ECP model unique. The financial contributions from GMS countries have been one of the main reasons for the success of GMS ECP's projects. GMS development partners and some foreign investment companies have also contributed greatly to these successes.

#### 4.3 Expanding Connectivity and the GMS Transport Master Plan

The TTF has been the backbone of the GMS ECP initiative and it is one of the major elements assisting the economic development of the region. Although the region has been slow to develop soft infrastructure such as the harmonization of regulations and procedures and other facilitation mechanisms, it has done considerably well in developing its transport networks. The 2006 – 2015 GMS Transport Sector Strategy emphasizes developing future multimodal linkages between emerging production and demand centers through more environmentally-friendly modes of transport and also the extension the transport linkages to other regions (ADB, 2008). The 2015 – 2022 GMS Strategic Framework will follow the objectives and guidance of the 2006 – 2015 GMS Transport Sector Strategy, while reviewing the current transport strategy and building new strategies beyond 2015 (ADB, 2012).

The evolution of transport development projects in the GMS has taken place in various stages. These stages are:

- Stage 1: Transport Corridors basic transport infrastructure
- Stage 2: Transport and Trade Facilitation Corridors
- Stage 3: Logistics Corridors
- Stage 4: Urban Development Corridors improved infrastructure in corridors towns/cities and the enhanced capacity of public-private partnerships

• Stage 5: Economic Corridors

The GMS adopted its Transport Master Plan in 1995 which identified regional transport link priorities (ADB, 2010). During the Eighth Ministerial Conference in Phnom Penh, Cambodia, August 3-4, 2004, the GMS countries – along with the ADB – decided to conduct a study for a new GMS Transport Strategy, the GMS Transport Sector Strategy Study. The study was finally at the 14th Ministerial Meeting, in Manila in 2007 (Ishida,Masami and Isono, Ikumo, 2012). The study group identified nine transport corridors as priority projects. These corridors were based on three kinds of tests, namely; qualitative, economic and balance tests.

Qualitative tests assessed whether the priority projects would promote the GMS SF and transport sector objectives, economic tests analyzed the economic efficiencies of the projects, and balance tests sought to analyze how such projects would maintain neutrality and avoid potential bias towards any one specific country (Ishida,Masami and Isono, Ikumo, 2012).

The nine corridors (Fig. 9):

- 1. North–South Corridor: Kunming–Bangkok
- 2. Eastern Corridor: Kunming–Ho Chi Minh City
- 3. East-West Corridor: Mawlamyine-Danang
- 4. Southern Corridor: Dawei–Quy Nhon/Vung Tau
- 5. Southern Coastal Corridor: Bangkok-Nam Can
- 6. Central Corridor: Kunming-Sihanoukville/Sattahip
- 7. Northern Corridor: Fangcheng-Tamu
- 8. Western Corridor: Tamu Mawlamyine
- 9. Northeastern Corridor: Nanning-Bangkok/Laem Chabang

During the meetings, road projects were given priority and were designed to generate improvement in the region's connectivity. With the movement away from nationalized self-sufficiency, the move to a subregional initiative was made to improve infrastructure in the GMS in order to maximize economic benefits. The corridor projects aimed to develop priority transport corridors linking the subregion together and to enhance transport links to population centers, tourist destinations, and major markets. As such, the projects aimed to simultaneously promote trade, tourism and investments in the GMS, starting with the Lao

Bao (Viet Nam)-Dansavanh (Lao PDR), Mukhdaharn (Thailand) – Kysone Phomvihane (Lao PDR), and Hekou (PR China) – Lao Cai (Vietnam) border crossing points(ADB, 2008).



Fig 9: GMS Nine Corridors Map Source: ADB

The project has succeeded in many ways, for example, cross-border transportation times, according to an ADB report (at the Lao Bao-Dansavanh crossing) have been reduced from an average 118-194 minutes to approximately 30 minutes (ADB, 2008). The main achievement in improving connectivity in the region has been the development of transport corridors which formed a base for the GMS ECP-initiated economic corridor projects. The implementation of the GMS ECP's economic corridors was possible only through the successful implementation of the aforementioned transport corridor projects. An ADB study team which visited the GMS countries, identified potential road projects and divided road

development projects into various phases. The GMS ECP, during its Manila Ministerial Conference on August 30-31, 1993, identified five principles for road project selection, prioritization, and design (Ishida, Masami and Isono, Ikumo, 2012).

These principles included giving priority to improving existing roads and to subregional projects with existing agreements between relevant parties. The Principles state that project design must compliment the generation of trade potential and facilitate project implementation with a view to immediate and potential benefits. The GMS countries later decided to establish additional project selection criteria in view of financial constraints (Ishida, Masami and Isono, Ikumo, 2012).

The GMS ECP member countries reviewed and evaluated the development, implementation and potential benefits of the road projects during its ministerial conferences. Under the GMS ECP, the Sector Assistance Program Evaluation (SAPE) group was formed to evaluate and assess the performance of TTF projects (ADB, 2008). It examined the effectiveness of the GMS ECP's development projects in the context of its overall implementation and development objectives and also worked to identify further road development projects.

The objectives and processes of individual projects and the respective implementing strategies were discussed during ministerial meetings. Feasibility and design studies of crossborder infrastructure projects, for example, were first laid during the Fourth Ministerial Meeting in Chiang Mai, Thailand, on September 15-16, 1994 (Ishida, Masami and Isono, Ikumo, 2012). Following this, the Sixth Ministerial Conference in Kunming, PR China, on August 30, saw the ADB approve technical assistance to justify the feasibility of the Thailand-Cambodia-Vietnam coastal road as proposed by Cambodia as an additional priority project (Ishida, Masami; 2012). This proposal is an example of how the GMS ministerial meetings operate based on mutual understanding, interaction, and discussions which take place on issues related to development projects and how concrete decisions are made and changed during the implementation process.

# Chapter 5: Critical Assessment of the Transport Networks Strategy and TTF Mechanisms of GMS ECP

As discussed in the previous chapter, the GMS Transport Sector Strategy (2006–2015) has identified nine road corridors which will form the backbone of the region's networking transportation links. Transport corridors will form a base for the development of the economic corridors which integrate infrastructure development attracting trade, investment, and other potential economic benefits to the region. At the same time, the economic corridors will attempt to address the various social, environmental, and other potentially adverse impacts which come with increased connectivity (ADB, 2007).

Of the identified transport corridors, three major GMS economic corridors have already attained a high level of completion, namely, the North–South (NSEC), the East–West (EWEC), and the Southern Economic (SEC) corridors (Fig 10). The development of the corridors has raised many questions and provoked much speculation such as: Will the fast paced development strategy which transfers the transport corridors into economic corridors have a positive impact in the subregion? How far will the GMS Economic Corridor approach succeed in bringing balanced economic development throughout the subregion?

The need to develop transport corridors into economic corridors was articulated during the 1998 GMS discussion in 1998. This need concretely identified at the Ninth GMS Ministerial Conference, in Manila, January 11-13, 2000, (Ishida, Masami and Isono, Ikumo, 2012). The GMS Economic Corridor Approach is a holistic approach, which ensures infrastructure development over a broad range of GMS sectors. In June 2008, the GMS countries formed the Economic Corridors Forum (ECF) to bolster efforts to transform GMS transport corridors into economic corridors (Srivastava, 2011). The ECF is designed to monitor the progress, coordinate and enhance collaboration along the corridors and among GMS working groups, and will act as a single body focusing on corridor development (ADB, 2008). A Governors Forum was established to complement the ECF and address particular local issues. It will serve as prime mechanism for effective coordination among governors and local authorities of the provinces along the corridors (ADB, 2012).

The GMS Economic Corridors Approach has increasingly become the key to GMS success as it will be the mechanism which transforms the GMS transport corridors into economic corridors (Saikia, 2011). The corridors should not be conceptualized merely as highways but as a wider network of transport links which connect core points across the GMS, integrating potential trade points and production hubs.



Fig 10: GMS Economic Corridors Map Source: ADB

NSEC has three sub-corridors: Kunming–Bangkok via Lao PDR or Myanmar; Kunming–Ha Noi–Hai Phong; and Nanning–Ha Noi. The corridor is virtually complete, except for a bridge between Lao PDR and Thailand, which is currently under construction. EWEC forms the only direct and continuous land route between the Indian Ocean (Andaman Sea) and the South China Sea, and was completed in 2006. SEC, which includes the Phnom Penh–Ho Chi Minh City Highway Project, was completed in 2005. Along with development of roads, the GMS Economic Corridor Approach also targets development of other modes of transportation including rail, water, and air (ADB, 2012).

#### 5.1 East West Economic Corridor (EWEC): Development of Border Provinces

EWEC is an essential economic corridor and thus a considerable amount of infrastructure development has already taken place. Major concerns, however, have been raised that some provinces along the corridor will only be used as transit lanes and fail to achieve the balanced development and growth promised by the economic corridor project. The Lao PDR Government has expressed concerns that the country will be only be used as a transit point between Bangkok and Hanoi and thus forgo the real economic benefits which may go to other main centers.

EWEC is an economic corridor (Fig. 11) connecting Danang (Vietnam) to Mawlamyine (Myanmar) by way of Laos and Thailand (Apichatvullop, Y, 2007). The corridor addresses the strategic need to strengthen the links between the relatively poor areas of Laos, Myanmar, central Vietnam and northeastern Thailand, with the aim of reducing the development gap in the GMS. Under the economic corridor project, the Second Mekong International Bridge between Savannakhet (Laos) and Mukdahan (Thailand) was built in 2006 (Apichatvullop, Y, 2007).

The project aims to achieve efficient transport routes that facilitate the easy movement of goods and people in the subregion while promoting business activities in the economic centers. Along with commercial development, the project has been designed as a strategy to contribute towards poverty reduction by increasing incomes and providing increased employment opportunities for low-income groups. In particular, the economic growth and infrastructure deficits faced by Lao PDR, could in theory, be addressed and overcome by the increased utilization of EWEC.

In order to bring balanced benefits from EWEC, one special economic zone (SEZ) has been planned at Savannakhet. Another SEZ has already been developed around the Lao Bao-Vietnam border area and several factories are already operating. At the Lao Bao (Vietnam) - Denhsavanh (Laos) border, customs clearance procedures for the importing country have been unified as a part of the cross-border trade agreement (CBTA) signed between the two countries. The impact of EWEC in the GMS can be seen in the development of the border provinces. It is expected that the successful implementation of the EWEC project will more

than double the GDP of Da Nang by 2025, and increase the GDP of Savannakhet province by about 70 percent (Anna Tarnovskaya, 2011).

EWEC has bridged development in some of the provinces along the corridor, notably Savannakhet in Western Lao PDR, which borders Thailand. Positive impacts have been felt from the development of transport infrastructure between Thailand and Lao PDR through the Second Mekong International Bridge between Savannakhet (Laos) and Mukdahan (Thailand), with notable reductions to travel costs and times. Savannakhet is a province rich in natural resources with the largest share of rice production in the country. EWEC has provided the province with direct access to Vietnam, and more specifically, to the port in Danang. The Savan-Seno SEZ, proposed by the Japan International Cooperation Agency (JICA), will function as export processing and free trade zones with access to free services and logistics centers in the region.

The proposed Savan-Seno SEZ will be comprised of two industrial zones, namely Site 'A'; adjacent to the Second Mekong International Bridge, and Site B; located in Seno, 28km east of Savannakhet, and the North-South Axis (JICA, 2011). EWEC has bought economic opportunities and development to Savannakhet Province with an increase in foreign direct investments. The Second Friendship Bridge has had positive effects on both trade and expenditures on both sides of the border, in Savannakhet and Mukdahan respectively (Lord, MJ, 2010).



Map Source: ADB

JICA, along with MI, has undertaken several research studies on the effects of cross-border infrastructure along EWEC which have shown how access to the more efficient transport routes provided by the corridor has increased agricultural productivity in Savannakhet Province. Ease of access to agricultural technology and cheaper input from Thailand and Vietnam has increased productivity levels in the province.

While EWEC has built significantly better connectivity between the involved countries, major challenges have developed due to the lack of TTF measures. High transit costs, the small volume of traffic and the large imbalance between export and import traffic is a major hindrance in the region. The issue of empty return haulages is one of the major causes of higher logistics costs. The reason for empty return haulages is mainly due to economic disparities among the GMS countries.

Another major challenge that awaits the provinces along EWEC and its adjacent regions is the maintenance of roadways in-line with international trade standards. The major problem will be the financial burden the GMS countries must bear if roadways are to be upgraded and maintained. Although the GMS has planned for the development of logistic parks in the heart of the Savannakhet province, major questions remain about how far the infrastructure developments will be able to facilitate logistic services without efficient service providers and without effective legal mechanisms.

The GMS region faces major logistics constraints mainly because of different regulatory regimes across the region and the lack of proper bus services, cross-border rail services, the slow development of air services in the region, and difficulties in the operation of the cruise-ship industry. Moreover, the development and growth of TTF across the GMS has not been balanced (Park, M, 2010). Although the economic corridor approach was initiated in order to address both the 'hard' and 'soft' issues related to transport infrastructure, it has not been able to achieve the levels and markers of progress required by the region. Along with the development of transport infrastructure along the corridors, the GMS countries must emphasize the effective implementation of TTF to successfully transfer and transform transport corridors into economic corridors.

The ADB, along with the GMS ECP, have been engaged in examining measures to improve these constraints, most importantly in the area of logistics facilitation. The GMS ECP, in spite of its successes, has struggled to build soft infrastructure, which is essential if maximum economic benefits are to be attained. The improvements to transport infrastructure and the subsequent increased FDI flows and trade along the economic corridor has not been able to contribute to the human development or growth of the region as projected (Ishida, Masami and Isono, Ikumo, 2012). Although the GMS countries have successfully implemented measures and techniques to improve connectivity within the region, it still faces the major – and very real – challenge of poverty. This is mostly because the potentialities of the improved transport connectivity have not been fully geared towards achieving economic growth. In this light, the GMS countries' immediate priority should be to review the strategies and mechanisms, to improve TTF, and to encourage local development along the corridors without affecting FDI flows.

#### 5.2 Transport and Trade Facilitation

Along with infrastructure development to increase connectivity in the region and reduce transportation costs, the GMS ECP has given early recognition to the aforementioned soft aspects of connectivity, as demonstrated by its improvements to transport and trade facilitation. To complement increased physical connectivity in the region, the GMS ECP recognized the necessity for, and importance of, TTF; first in the Third GMS Summit, held in Lao PDR in 2008.

The GMS ECP Cross-Border Transport Agreement (CBTA) aims to provide a simplified legislation framework which streamlines regulations, procedures and requirements, reducing nonphysical barriers in the GMS to promote multimodal transport facilities and facilitate the greater cross-border transport of goods and people (ADB, 2012). The agreement proposes that contracting parties will adopt simplified, expedited border formalities, including single-window inspection, single-stop inspection, coordination on hours of operation and the advanced exchange of information and clearances. The comprehensive multilateral instrument intends to focus on a wide-range of cross-border transport facilitation issues such as customs inspections, the promotion of tax exemptions for goods in transit, for the movement of people (visas for people engaged in transport operations), transit traffic regimes, and the exchange of commercial traffic rights and infrastructure for roads and bridge design standards.

In 2010, during the 16th GMS Ministerial Meeting, GMS member countries adopted the comprehensive medium-term Program of Action for TTF (TTF). However, despite the earlier recognition of the importance of TTF, the region has made less-than-satisfactory progress in improving the TTF regime. The private sector still prefers the bilateral trade agreement to the CBTA, an agreement to which the overall GMS transit regimes remain unfulfilled. The CBTA includes 20 annex and protocols and the GMS countries are causing major challenges in the negotiation and implementation phases. The thrust for the TTF is backed up by the new 2012 - 2022 GMS Strategic Framework which emphasizes the importance of effective institutional and policy reforms to complement the investments in physical infrastructure (ADB, 2012).

Nearly 90 percent of freight operates through road networks in the GMS. It is thus essential to facilitate road modality and ensure cross-border procedures are efficient and transparent. The current documentation process is long and complicated and there are no measures for pre-arrival clearance. The process is largely handled on paper rather than utilizing computers or modern technology and international trade standards and systems are lacking. The main reason behind the lack of technology is financial - most trucking companies simply cannot afford to invest in such technology.

#### **5.3 Current Challenges and Problem of Logistics**

The weakest link in the GMS cross-border networks are the border-crossings. High costs and low logistics efficiency equate to limited transport volumes, business opportunities (in small markets), empty return haulages, and financial limitations of logistic companies.

GMS countries face the challenge of assigning responsibilities for logistics deliverables which encompass more than one specific administration or agency. The most important driver for logistics are the logistics service providers (LSPs) which determine the prospects for the development of service quality. There is no coordination among logistics agencies in the GMS which is exacerbated by a lack of uniform GMS logistics policies, logistics related indicators, integrated GMS logistic services or regulatory frameworks. There exists no dedicated logistics system and statistical data for logistics services is unavailable. The service capabilities of the current inland clearance depots (ICDs) and national distribution centers are also weak. The modernization of these systems and the expansion of ICD networks

throughout the GMS is thus necessary step if logistics parks in industrial zones – which aim to improve logistics support – are to become functional.

The GMS developed a new automated customs declaration process on January 1, 2012 to be used on the Thanaleng – Lao-Thai Friendship Bridge 1 checkpoint. The new process aims at providing stronger incentives for compliance among traders to reduce transit costs and times. The initiative provides modernized customs procedures including an electronic approval system and post-clearance audits, which utilize a risk-based approach. The new-improved process will reduce the complexity of customs procedures and remove many of its troublesome barriers. Without the implementation of a supportive legal framework and the liberalization of the logistics service market, however, achieving the objectives of the economic corridor approach will be difficult. It is expected that the implementation of the CBTA throughout the GMS will address most of these challenges.

#### 5.4 Implementation of the CBTA across GMS

The implementation of the CBTA in the GMS has thus far not been uniformed. Major challenges remain including the lack of institutional capacity needed to implement the various aspects of the agreement at the local level (ADB, 2008). Presently, only Cambodia, PR China, Lao PDR, and Vietnam have ratified all 20 annexes and protocols of the CBTA. Thailand has only ratified 18, while Myanmar has ratified 16. Furthermore, overlapping agreements, a lack of good governance, and the complexity of border rules and regulations have been major hindrances to its implementation.

Although the GMS ECP has conducted regular meetings and several research studies with the aim of improving the TTF and implementing the CBTA, the execution of recommended polices and measures has been far from satisfactory. GMS ECP ministerial meetings have prioritized the development of physical infrastructure along the economic corridors, but the identification of the necessary measures to improve the soft aspects of connectivity has not occurred to a satisfactory level. The developed road networks – if unable to transform potential growth into reality – will remain underutilized and poorly managed. The huge investments involved in the development of these roads are at stake and may lead to the withdrawal and outflow of FDI.

During the Eighth GMS Transport Forum in 2004, GMS member countries agreed to suspend the further ratification of annexes and protocols and to implement the agreement along the border points on a pilot basis (ADB, 2008). Member countries which met during the discussion collectively understood that by 2007/2008, the various articles of the agreement would be fully implemented across the GMS. However, many of these agreed-upon implementation points were met within the designated time frames, and today the full implementation of the CBTA remains a major challenge.

Several factors have been identified as indicative of the slow progress of TTF enhancement and implementation of the CBTA along the GMS corridors. The slow progress has been due conflicts and overlapping of the CBTA and other bilateral agreements. The insufficient technical capacity of customs officials along the border, lack of private sector participation, and limited institutional capacity at mid and local levels are major culprits for the lack of progress. Along the economic corridors transport networks have been developed, administrative procedures and governance along the borders is still insufficient and inefficient. The transport-loading and border-crossings which facilitate the free movement of freight, people and vehicles within the GMS remain the areas requiring the most attention along the economic corridors. A major reason for this is that the ADB-led TTF measures have yet to be fully implemented by the member countries.

The incomplete implementation of the CBTA poses serious problems for the cross-border movement of goods and people and constitutes one of the main remaining bottlenecks blocking the facilitation of increased trade in the GMS. The promotion and facilitation of trade is imperative for achieving the goals under the Economic Corridor Approach, including those to reduce poverty, empower the private sector, create jobs, ensure more equitable income distribution and improve the living standards of the people of the region.

### **Chapter 6: Policy Recommendations and the Way Ahead**

While the GMS ECP, with its strategic working model, is becoming an iconic example of successful subregional cooperation for other regional institutions, BIMSTEC is one of the major subregional institutions in Asia which could serve as a bridge linking two major economic regions of Asia, both South and Southeast. However, if economic integration is to be achieved, the organizational architecture and institutional capacity of the grouping needs to be strengthened. Deriving from the successful strategies of the GMS ECP, BIMSTEC needs to review its mechanisms in order to improve transport networks and trade facilitation in the region it covers.

The development of transport corridors in BIMSTEC in the line with GMS Mechanisms and Strategies will facilitate investments as well as spur economic growth in South Asia. BIMSTEC members should adopt the GMS M&E mechanisms for developing transport networks to ensure effective and timely implementation of the projects.

Following on from the activities and projects of the GMS ECP, BIMSTEC members are attempting to strengthen its organizational structure with frequent interactions at both summit and ministerial levels. These meetings, however, need to be better organized and divided under thematic areas and objectives based on priorities, similar to the organization of the GMS summits and ministerial meetings. Ministerial meetings must be comprised of both policy formulation discussions – which address the major challenges experienced by the grouping – and sessions which assess the progress of current projects and strategies.

To effectively coordinate and monitor its regional projects on transport infrastructure the BIMSTEC Working Group must actively engage with technical-level consultative groups, local governing bodies, and private sector organizations. Another major challenge in the existing structure is the absence of active participation from the India's Northeastern region. The BIMSTEC international highways and roadways projects pass through the Northeastern states providing the gateway link between South Asian countries and ASEAN, thus the inclusion and cooperation of these states will be essential in achieving the grouping's goals and objectives.

#### India's Northeast: Embracing BIMSTEC as an active member

The subregion on the Eastern fringes of South Asia includes the Northeastern part of India along with Bangladesh, Bhutan, Nepal, Myanmar and the South Western States of PR China. India's Northeast is seen as the gateway to the East, with direct linkages to Bangladesh, Myanmar, Thailand and PR China. The cooperation and participation of the Northeastern region will thus be essential to extending physical and economic linkages with these countries. Similar to the GMS, where Yunnan Province and Guangxi Zhuang Autonomous Region are the essential 'front line' of PR China's participation in the regional structure, the Northeastern Indian states too need to be integrated more actively into the subregional grouping in the Eastern periphery of South Asia.

#### Learning form the challenges in the GMS ECP

As already stated, major drawbacks remain in the GMS ECP infrastructure policies and planning. BIMSTEC must implement mechanisms and strategies which learn and reflect the GMS ECP experience and avoid its pitfalls. Along with the development of BIMSTEC transport networks, it will be equally as important to conduct routine assessments of the impact of the projects at the local level and assess the contribution of the projects to the subregion as a whole.

#### **Recommendations for the GMS ECP:**

The major priority for the GMS ECP should be to review its transport strategies, starting from its regulatory frameworks, TTF measures, the development of policy measures and subregional coordination. To address the major constraints of trade facilitation and to utilize its cross-border transport networks, a comprehensive review of its current policies must be conducted.

#### Maintaining and managing the already existing transport network infrastructure:

The major physical hindrance in the development of the GMS economic corridors has been the lack of improvement and maintenance to existing transport networks to bring them in accordance with international transport and design standards. Regular and periodic rehabilitation to – and upgrades of – sections of transport networks which are not in sufficient condition to facilitate heavy cargo-transfer and operation should be considered. The GMS countries face major hurdles in the maintenance of existing roads due to limited financial resources. The majority of both national and FDI funds go towards the construction of new transport infrastructure that bring in and generate profit. The maintenance of existing roads thus tends to fall by the wayside and is emerging as a major issue.

The GMS needs to establish a sustainable mechanism for road management, giving contracts to the local community for the maintenance and management of the roads. This will not only generate employment opportunities but also provide good road access for the local people. Greater community participation and creating awareness are the basic tools which should be used to develop and maintain rural roads. A labor-based construction method should be applied to develop these roads.

The GMS ECP has emphasized huge infrastructure projects and international highways but it will be essential to maintain and manage existing roads and improve enforcement mechanisms on load limits and to review existing regulations and road safety rules. Officials at the provincial level and other local authorities should be trained and possess adequate road planning and operations and management skills pertaining to international road development standards. A transparent system, which makes officials and organizations accountable for granting contracts, implementing projects, M&E, and the utilization of the roadways, must be put into place. Furthermore, it is essential that the GMS ECP review its legal framework and introduce a new financial system or services to upgrade and maintain existing infrastructure in-line with international standards. A sustainable funding framework for the operation and maintenance of urban development projects and the maintenance of roadways in rural areas which run through local government and authority initiatives should be initiated. A review of the current tolling and pricing mechanisms at cross-border checkpoints, which aim to generate additional revenue for highway maintenance programs, should be the immediate priority.

#### Improvement of cross-border public transportation:

To generate maximum benefits for transportation infrastructure and national growth, it is also important the GMS ECP member countries emphasize the improvement of cross-border passenger transport and, more specifically, public transport at the provincial, national, and subregional levels. The barriers and challenges in relation to cross-border public transportation are often ignored and have not been addressed in the subregional meetings. Many barriers such as the organizational and legal framework, service delivery information and tariffs must be assessed. Public transportation along the borders may have reduced due to the lack of demand or due to the lack of supply. The major issue that needs to be addressed is thus; how to increase the supply and demand of this mode of transport.

Cross-border public transport plays a major role in the integration of border regimes. It is therefore essential that an effective body, committed to this field, is established. Along with the aforementioned international standards of transportation, it will also important to lobby and promote the cross-border public transport sector. A major hindrance to cross-border transportation services – both private and public – are the language barriers. Communication gaps pose major challenges, not only preventing the easy movement of people, but also for traders.

A cross-border mobility centre with multilingual information features and services, which coordinates and updates information through websites, booklets and advertisements, will be a useful tool which could alleviate many of these issues. Internet travel and planning sites, with information of the connecting services on the both sides of the border, enhanced cross-border maps and coordination between border officials is needed. Travel websites used for this purpose should have information in both languages and/or have hyperlinks to relevant information in the GMS native languages. To promote the use of the transport s and services, tourist bus routes could be introduced along with leisure trips, which would not only promote tourism, but enhance people-to-people contacts across the border.

#### Public-Private partnership to improve cross-border transport facilities:

The major problem emerging in the public sector is the inability to monitor and implement operational measures alone. The public sector should outsource responsibilities to private sector agencies in the region to implement cross-border transport measures effectively and efficiently. Public-private cooperation has always been a major issue in the GMS and cooperative planning and processing will be profitable for both sectors. An improved information and communication system for cross-border transportation services will facilitate the easy movement of people, which will in-turn, generate increased flows of tourists in the region.

#### Improving ICT along the major trading and transit points of the region:

The Information and Communication (ICT) Systems in the GMS countries have been a major issue of contention along the regional trading and transit points which have caused headaches for the GMS in the facilitation of the movement of people and trade. Despite the early realization by the GMS countries that the cross-border transit documentation process for transit and trade is a major hindrance to its further development, the region has not been able to overcome this problem.

#### Simplify the cross border documentation:

GMS countries need to develop and refine the ICT systems at border-crossing points in order to simplify the cross-border documentation process. The ICT has not seen uniform development across the GMS and current systems are not effective enough to improve the GMS TTF. The development of an effective ICT system, which standardizes procedures, is able to record, disseminate and exchange relevant information and data among GMS officials, is sorely required. The ICT should ideally be coordinated by a GMS monitoring centre located in each country. To facilitate this measure, a website or GMS-based online database-system should be developed. This database should provide easy access to information for traders and investors in the region and should be confined to individual GMS trade sectors, for instance, in the transport sector a subregional transport database is vital for transport planning and the facilitation of cross-border procedures.

#### Review of the legal framework:

To facilitate the improvement of trade and transport services, GMS countries must review their legal and institutional frameworks at the policy level in order to accomplish the GMS ECP strategic objectives. Considerable reforms have been undertaken by most of GMS countries towards the aforementioned facilitation measures but the legal framework, organizational structures on facilitation and customs-clearing procedures need improvement. The development of a transparent legal framework which optimizes and enables the GMS economies – across all levels of development – to utilize information and communications technology to drive economic growth, should be an immediate priority for GMS ECP.

The current trade facilitation agreements need a comprehensive review and amendments to place them in-line with other multilateral and bilateral agreements. This must include amendments to conflicting laws and policies preventing the implementation of the GMS CBTA. Individual GMS sectors, such as the transport facilitation sector, must adopt trade facilitation development measures which coordinate closely with the trade facilitation sector to avoid overlaps. To achieve this, GMS countries have conducted research studies – in conjunction with the ADB and other development partners – to improve the CBTA implementation process. Member countries must engage in capacity building and awareness raising campaigns to increase understanding of the CBTA among relevant stakeholders, traders and investors.

National trade facilitation bodies (i.e. secretariats) should be complimented with effective GMS facilitation working groups and cross-border committees at both the regional and provincial levels. Clear definitions of tasks and outputs should be given to the working groups and committees should identify procedural barriers and initiate public-private dialogues accordingly among relevant stakeholders. The core GMS working group should consist of logistics experts who will be responsible for reviewing and monitoring these framework and policies through a GMS logistics repository and GMS logistics performance indicators.

#### National logistics development framework supporting GMS logistics strategy:

An efficient upgrade of the GMS logistics services must be conducted in conjunction with efforts to better facilitate trade and transport services. A framework for national logistics development should be implemented by the individual GMS countries which supports the overall GMS logistics strategy. A common strategy is needed to support the development of GMS logistics services in order to sustain GMS countries' competitive advantage.

#### Training officials on legal frameworks:

Training programs for the officials posted in the border-crossing points are required to facilitate the knowledge of concepts and up-to-date technology used in customs, logistics, and immigration processes which are required along the border-crossing points. The creation of greater awareness and training on international and national laws, regulations, and

agreements related to the CBTA and trade facilitation should be emphasized among national authorities. To streamline regulations and reduce non-physical barriers, the implementation of CBTA can be achieved by greater bureaucratic transparency, modernized custom points, human resource and capacity building and the creation of modern technical infrastructure. Coordination to strengthen linkages and information sharing between individual GMS governments and authorities, IGOs and other relevant stakeholders will crucial to ensuring the successful and complete implementation of the CBTA.

#### GMS logistics database:

An integrated GMS logistics database should be formed to bring about greater regulatory consistency in the subregion. Integrated GMS databases which record and disseminate logistics installations - particularly ICDs and information on dry ports operating or planned by various institutions across the GMS – will be useful tools to helping to achieve the goals of the CBTA.

Institutional arrangements should be transparent and streamlined to reflect the regional framework of the GMS CBTA. The GMS must place its legal and regulatory framework inline with the principles of the international trade regulations i.e. the WTO framework which clearly state trade facilitation rules. The implementation of measures leading to WTO market access will not only improve the quality of logistics services but allow them to become more responsive and efficient.

#### Private sector involvement in logistics services:

The outsourcing of logistics services is currently limited among the GMS countries. It is therefore necessary to seek greater involvement from the private sector. The lack of trained and capable human resources in both the public and private sectors is a major hindrance to the development of more efficient logistics services and more streamlined processes. Effective managerial decision making and cooperation among the stakeholders will overcome these major deficiencies.

To enhance the logistic services, it is essential to enhance the skills and practices of logistics companies and individuals through more transparent and efficient flows of information in the

GMS. This includes information flows from main centers to borders, from public to private organizations and vice versa. It is also necessary to clarify and streamline the responsibilities of implementing agencies and bodies. The private sector should be involved in monitoring the outcomes of these initiatives to enhance the logistic services and further empower the GMS countries business forums.

#### Review the GMS legal framework within the ASEAN framework:

It is equally important to review the GMS legal framework to put them in-line with ASEAN framework. The ASEAN Single Administrative Document, implemented by some of the GMS countries, differs from the GMS countries' National Single Administrative Document used in the GMS transit process. This creates confusion and the conversion of data elements from one document to another is a complicated process.

There have been no detailed studies conducted on these legal overlaps. Traders face challenges with legal documents required during the transit process, as no information or details exist which outline the interdependence between commercial and official documents. This information is vital in situations for procedures requiring supportive commercial invoices, transport, insurance, and banking documents.

#### Bilateral transit agreements consistent with the GMS CBTA:

The GMS countries should boost negotiations and seek to sign new bilateral transit agreements to ensure they are consistent with, and supportive of, the GMS CBTA. Establishing effective and efficient coordination and cooperation mechanisms for the relevant agencies, including customs, immigrations, quarantine, health, and financial institutions will be a feasible option. Setting up a strategy to develop human resources working in the field of trade facilitation will give an extra dimension to the implementation of the CBTA. Overall, strong cooperation among the GMS countries is needed for the success of trade facilitation at the operational level. There is a need to undertake intensive studies on the preliminary impacts of CBTA in all areas of cross border trade and to assess stakeholders' awareness on coordinating mechanisms at the micro-level among institutions involved in the implementation of the CBTA. This will ensure that border trade is able to contribute to the overall welfare of local people and the growth of the local economies in the subregion.

Policies should be transparent and able to provide clear guidance to local authorities and business communities in the region to comply with the TTF measures. There is a lack of proper monitoring and evaluation systems to scrutinize the trade facilitation in the region for both the GMS ECP and the BIMSTEC groupings. The failure to implement the GMS CBTA infrastructure deficits in many regions has been due to overlapping domestic and regional agreements and regulations. There is inadequate coordination and cooperation among authorities involved the implementation process. Roles and responsibilities should be allocated more clearly and a framework must be developed to outline the activities, outputs, outcomes and impact that form the basis for the monitoring and evaluation mechanism.

#### Satellite tracking and monitoring devices:

The incorporation of improved and modern technology, such as satellite tracking devices to monitor and evaluate trade facilitation operations along major border trading points, should be a top priority. For instance, implementation of an electronic cargo tracking system will help to monitor the operation and transit of vehicles. The development of international satellite ports, use of modern ICT to monitor the movement of goods trucks will improve the cross-border trade facilitation. The modern use of satellite signals will monitor the time, speed, weight of the goods trucks, which will make the procedure easier and reduce the conjunction along the border check posts.

The free movement of goods and services along the borders brings with it some disadvantages and challenges. The problem of deterioration of traffic safety along these international routes, increases in human and drug trafficking and spread of infectious diseases will provide major challenges to authorities and individual governments. The GMS countries, along with the infrastructure development mechanisms, should develop effective monitoring tools and tracking devices along the border points to address growing concerns about regional security and threat of international terrorism, transnational crimes, and the illegal movements of arms and trade.

#### Creating Awareness about the GMS Economic Cooperation Programme:

The aforementioned measures will only be effective if they are achieved through greater regional cooperation. Regional cooperation can be accelerated through the GMS ECP and

BIMSTEC regional groupings. The subregional institution must be the driving force to implement these measures. Along with creating awareness on transport infrastructure in the subregion, the people must be aware of the sources driving the development mechanisms and process. There is a need to create awareness about the GMS ECP activities and its programs among the Southeast Asian countries. ASEAN, as a regional grouping is contributing to economic development and regional integration in Southeast Asian countries, but it is also the subregional groupings such as the GMS ECP, which play a major role in this regional growth and cooperation.

Citizens of each of the GMS countries must be aware of the functions and mechanisms of regional groupings, their contributions, activities and training programs. A GMS official website and independent ADB official website should contain information on the subregional grouping and the development progress, activities, and programs. A GMS Secretariat, independent from the ADB Assistance Programme should be established to monitor GMS ECP development activities.

A GMS research /knowledge centre should be established that conducts research and monitoring and evaluating studies on the progress of GMS projects and activities. The ADB and other development partners can and should provide technical assistance to these knowledge centers. MI has potential to be developed as a GMS research center which can provide not only training facilities to GMS government and private sector personnel but also provide education and degree course for aspiring students who want to work on GMS development topics and issues.

To promote cooperation mediums such as satellite television channels which promote GMSbased development activities in each of the GMS countries will be powerful tools to creating and building awareness among people about the GMS ECP.

A GMS media group which constructively engages the media and promotes the role and effectiveness of the GMS ECP will not only generate an increased flow of information on its activities but will also strengthen the regional grouping. The media has a crucial role to play in community building in the region and improving the linkages among the GMS countries. The individual governments must conduct activities and programs which engage media

houses and share information which builds towards the creation of a stronger sense of identity among the GMS local communities about the GMS ECP.

#### Conclusion

The GMS Strategic Framework 2015-2020 and the GMS Transport Sector Strategy for 2006–2015 provides the framework for the future development of multimodal linkages between emerging production and demand centers and potential links between the GMS and other regions. The GMS subregion as a whole currently comprises around 16,500 kilometers of international highway routes. These routes connect the population and trading centers of GMS and provide access to South Asia and PR China.

A comprehensive review and policy analysis of the GMS ECP and BIMSTEC transport network development strategies and trade facilitation measures will pave the way for the ASEAN economic integration as well as Asian integration process. Both regional groupings must emphasize activities and programs achieving the objectives to have a market-led integration with intergovernmental cooperation with multi-track, multi-speed integration process.

Frequent interactions and meetings among the GMS ECP and BIMSTEC leaders on issues of common concern must take place. The immediate priorities for these meetings should be the development of transport networks and the upgrading of existing routes in Myanmar. While the long term strategic goals, such as improving other modes of transportation (railways links and airports in-line with international standards) seem set in place, both groupings need to focus on making certain changes happen in as-short time as possible; the GMS ECP must emphasize passing changes to the existing legal framework in order to facilitate trade and transport, while BIMSTEC must experiment and outline those effective measures of the GMS ECP which will be suitable to improve its transport networks.

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Capable and committed human resources working together for a more integrated, prosperous, and harmonious GMS.

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Capacity development for regional cooperation and integration.

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- 1. Rural Development for Sustainable Livelihoods
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  - SME clusters, business to business and export networking
  - Trade and investment promotion in Economic
     Corridors
  - Cross-Border Transport Facilitation Agreement (CBTA) and Logistics
  - Public-Private Partnerships
- 3. Human Migration Management and Care
  - Safe migration
  - Labor migration management
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