



Economic corridors are looking good for Greater Mekong

Economic corridors forming around the Greater Mekong Subregion have opened the way to greater development as better infrastructure leads to improved roads and bridges between neighbors.

The corridors are boosting economic growth in the GMS, and promoting intraregional trade and investment for Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam, Thailand, and Yunnan Province and the Guianxi Autonomous Region in the People's Republic of China.

Questions remain about the net benefits after the high cost of infrastructure; how evenly the benefits are spread; and how border security can be maintained in the face of trafficking of people, drugs, timber, wildlife, weapons, and black market goods.

Cross-border projects differ in transparency, making it hard for donors such as Japan's government and the Asian Development Bank to evaluate their economic impact. But rising incomes along economic corridors, after taking into account the cost of infrastructure, are the best measures of the projects' contribution to GDP.

The corridor between the Lao PDR and Yunnan in the People's Republic of China saw income growth accelerate in the late 2000s, particularly in the Yunnan capital of Kunming, although Kunming already had various investments such as a new airport, office buildings and condominiums, and subway construction.

Road construction for the Laos end, financed by concessional loans from the Chinese and Thai governments and ADB, has considerably benefited Laos, particularly by bringing health care and education to its people.

The Fourth Mekong Friendship Bridge, between Laos and Thailand, completed in December 2013, is expected to speed up corridor traffic, with greater trade and investment among the PRC, Laos, and Thailand offsetting the cost of the bridge.

The Viet Nam and Laos segments of the East–West Economic Corridor have led to road development between Da Nang in Viet Nam and Mukdahan in Thailand, looping in the Second Mekong Friendship Bridge between Savannakhet in Laos, Mukdahan in Thailand, the Hai Van Tunnel in Viet Nam, and better port facilities at Da Nang.

One benefit has been reduced poverty in low-income areas along the route.

The Cambodia and Viet Nam segments of the Southern Economic Corridor link Aranyaprathet on the Thai border and Poipet in Cambodia, with Ho Chi Minh City in Viet Nam and Cambodia’s Phnom Penh.

This corridor is expected to be lucrative for the involved countries.

The new Mekong Bridge in Cambodia, at Neak Luong, completed in April 2015, is expected to increase corridor traffic, with the various GMS corridors likely to improve growth and living standards, depending on costs of infrastructure such as bridges, international airports, and coastal ports.

In the electric machinery industry, vertical integration across national borders in the GMS is well advanced and final goods are exported to markets outside the GMS.

In contrast, in the transport machinery industry, intermediate goods may be mostly imported from countries outside the GMS, such as Japan and Germany, assembled in major producing countries such as Thailand, the PRC, and Viet Nam, and the final goods marketed mainly within the GMS.

Distance and the cities along their routes mainly account for the success or otherwise of the North–South, East–West and Southern economic corridors.

The Southern Corridor links the three large economies of Bangkok, Phnom Penh, and Ho Chi Minh City along a relatively short distance of about 900 kilometers.

The East–West Corridor does not involve large established urban economies, apart from Da Nang, along its 1,450-kilometer route, but it was conceived with a long-term perspective that more cities would grow and that its infrastructure would generate the corridor’s growth.

Although much data is unavailable, trade among GMS countries in intermediate goods, especially electric machinery, is looking up, and the costs of cooperation should drop. Specialization in components, and fast transport and customs clearance of finished parts

to primary factories should lower costs, linking industry in neighboring countries to a central hub that boosts incomes and produces skilled workers, creating wealth in villages and raising government revenue. This implies that cross-border transport infrastructure in the GMS has helped lower the cost of using infrastructure and allowed firms in the countries to combine stages of production.

This episode is based on research by Manabu Fujimura, a professor at Aoyama Gakuin University, Tokyo.

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