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Reflections on Subregional Economic Alliances in the Asia-Pacific

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ASIAN REGIONAL EXCHANGE FOR NEW ALTERNATIVES

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Introduction

ADITI CHOWDHURY

In the era of economic liberalisation and all it entails, cooperation between small groups — whether between states at the regional and subregional levels or between communities at the local or grassroots levels — could be one of the major measures to safeguard the interests of the peoples of Asia against global market forces. Apart from strengthening the bargaining power that united action inevitably brings, such cooperation, if directed, could lead to, among other things, rational and sustainable use of both natural and infrastructural resources, easing of tension and strife levels, economic benefits, empowerment that can mitigate to a large extent social and gender imbalances.

The past few decades have witnessed a worldwide trend in regional integration efforts and alliances in almost every sphere — political and economic, social and cultural. The trend has been observed in Asia, too, which has for long been dominated by conflict and tensions. Have these efforts been effective as instruments of conflict resolution and strengthening bonds between neighbours? Have they realised the aspirations of peoples to improve their lives? Have they been effective as checks to globalisation? These are some of the questions ARENA has been asking for many years.

The fact that civil society and community-based organisations were increasingly taking the initiative in forging alliances at the people-to-people level was a pointer that those sponsored by the nation-states had not somehow lived up to the expectations of their citizens. It was necessary to study and assess the reality of the regional alliances, where they had succeeded, why they failed, and look for alternatives.

However, it was only in August 1996 that ARENA could initiate a project for a research study on regional integration moves in the Asia-Pacific. It was a collaborative effort between ARENA, the Institute of Popular Democracy (IPD) in Manila, Focus on the Global South (Focus) in Bangkok, and the Transnational Institute (TNI) in the Netherlands. A preliminary brainstorming workshop identified four major components, each component to be coordinated by a responsible group. The components and division of responsibility were:

Component 1: Regionalism from Above and Below — ARENA

Component 2: Asian Audit in Democracy and Authoritarianism — Focus

Component 3: Making a New Political Culture in the Asia-Pacific — IPD and,

Component 4: Democratisation and Europe's Agenda in Asia — TNI.

With regard to ARENA's component the broad objectives were to:

- Critically examine regional integration of economies in the Asia-Pacific region with respect to its historical background and socio-economic, political and cultural contexts
- Determine the impact of trade and investment liberalisation on the region's poor and disadvantaged populations
- Study the formation of civil alliances outside the state market nexus as alternatives to regional integration of elite-driven market economies and critically analyse them, and
- Propose alternative paradigms of regional integration from below in terms of people's alliances.

Towards meeting these objectives research studies were commissioned to several groups working intensively on the areas of concern. Focus on the Global South was responsible for three studies:

one on Economic Integration in ASEAN countries with a special focus on AFTA and APEC, another on Growth Triangles and Subregional Economic Zones, and the last on NGO-PO initiatives at engaging and providing alternatives to these mainstream economic efforts. Bobet Corral, then from the Asian NGO Coalition (ANGOC), was tasked with doing a full-blown research on the Mekong Subregion and Mohiuddin Ahmad from the Community Development Library (CDL) in Bangladesh, headed a team of researchers to do the study on regional cooperation in South Asia, focusing on SAARC-SAPTA initiatives.

These studies were to be published in a two-part series of Asian Exchange. The first part, *Regional Integration in the Asia-Pacific: Views from the South*, was published in March 1999. That volume looks at economic integration initiatives in ASEAN countries with a special focus on APEC and AFTA while the second is a critical evaluation of the SAARC-SAPTA role in cooperation efforts in South Asia.

ASEAN has been one of the fastest growing regional alliances in the world and has demonstrated impressive achievements in trade. Yet, today there are questions on how far it can grow and whether this growth can be sustained. Questions on the growth potential are being raised as, in terms of trade, ASEAN faces increasing competition from China, while the financial crisis and member-countries' response to it has brought to the fore the issue of sustainability. These are critical issues for the healthy and sustained growth of ASEAN; yet the many initiatives to widen opportunities of cooperation are not being adequately addressed, with several factors operating to limit ties and block faster growth.

In South Asia, SAARC-SAPTA's role in fostering economic cooperation and improving ties has been quite limited, affected as they are by factors such as the arms race (now nuclear), jingoism and inherent distrust among neighbours and poverty and inequality within and between countries.

Thus these papers project a not-too-optimistic picture of the mega efforts at regional cooperation, especially as counters to globalisation. But what about subregional alliance initiatives?

This second part of the series, *Reflections on Subregional Economic Alliances in the Asia-Pacific*, critically examines the subregional alliances that have been flourishing in the region since the late 1980s. The first paper by Joy Chavez of Focus on Subregional Economic Zones profiles six popular growth centres and attempts to analyse the growth polygon phenomenon as a strategy for economic integration and identify the issues and concerns associated with such strategy. The article points out that even as the growth polygons have achieved some success in providing economic benefits, they have generated new problems for the concerned subregions and their population.

For example, the oldest and most successful, the IMS-GT linking Indonesia, Malaysia and Singapore, is the only one that can be considered fully operational. Singapore, the dominant partner, benefits the most through access to cheap labour and land and the other two points of the triangle, Johor in Indonesia and Riau in Malaysia, gain through the development of their respective subregions. But the latter two operate more in competition than cooperation. So there are very real dangers that growth triangles might widen regional disparities within member countries and pose a threat to national economic integration.

In the first attempts at subregional alliance building that were initiated at the national level, member countries worked out bi- or trilateral agreements among themselves. However, multilateral development banks stepped in soon after with ambitious masterplans covering a greater number of countries and resources. The mega-projects envisaged in these plans involve the outlay of billions of dollars which is far beyond the capacity of the countries, and the MDBs earn billions in interest. This is the case with the BIMP-EAGA and GMS growth polygons, initiated by the Asian Development Bank. The priority in these projects is the export of primary products that will exert tremendous pressure on the environment. In these subregions, '... foreign currency earnings may prove significant, but net earnings (correcting for the cost to the environment and the payments made for imported machinery and consultants, not to mention debt [re]payments) may be way below gross receipts. Unfortunately, mainstream calculation of benefits fails to fully recognise the cost to the environment and human displacement.'

This is also one of the conclusions of Bobet Corral's feature, an indepth study of the Greater Mekong Subregion (GMS) and the myriad infrastructure mega-projects that are being undertaken under the ADB's masterplan, trade being only part of the cooperation. It describes how all this activity will impact upon the different countries, the environment, the people, and the waters of the mighty Mekong river, the region's most precious natural resource.

The river is the lifeline of some 230 million inhabitants of five countries and a province of China - Cambodia, Laos, Myanmar, Thailand, Viet Nam, and Yunnan Province, China. The region is among the poorest in the world — the per capita GDP ranging from $215 to $336 in all the constituents but Thailand, where it is $2,450.

The Mekong is where Yunnan is planning a 'cascade' of 15 dams, Laos topping it with 20 dam and other river basin projects. The countries downstream, specially Cambodia and Vietnam, are feeling threatened because if China wants, it can control the flow of water without alerting the other partners of the GMS. Besides, the ongoing schemes to divert water to Thailand for irrigation will affect Cambodia while silted at the Mekong delta will lead to intrusion of seawater into Vietnam's rice bowl. Vietnam is the third largest exporter of rice in the world, after the US and Thailand.

These are but a small part of the widespread devastation that damming of the river and its tributaries will spark - largescale displacement of populations, destruction of fertile arable land and pristine forests, river bank erosion as the Mekong changes course, the threat to the rich aquatic life including the rare Mekong dolphin - and ultimately lead to complete denudation of the land. The fallout of taming rivers are so well known that there have been protests from several quarters, from international NGOs to grassroots organisations in the region, but these have not been able to even slow down the pace of development.

And it is not only the river that will be affected; the infrastructural projects that have already been launched to facilitate regional integration and the opening up of the economies and those that are in the pipeline will dislocate tens of thousands of people in each of the countries and cause irreparable damage to large tracts of land. In fact, land in the area has been a casualty for varied reasons. The

Indochina area had been the arena of protracted wars which have left permanent imprints on the land. In addition, the introduction of market reforms in the economies in transition is bringing down wages, devaluing labour and increasing polarisation and conflicts. Again, easier cross-border movements is threatening the social fabric of the countries. And while people in general are being adversely affected, the impact on women is especially severe.

There has been a general decline in the position of women in the GMS countries, even in Vietnam where they had achieved a pre-eminent place during the liberation wars. In Cambodia, for example, where women far outnumber men as a consequence of the ravages of war, the combined impact of all these factors has been very severe. Women working on construction sites are exposed to defoliant toxins in the soil of former battlefields, and there documented research has proved that it leads to general health problems, foetal mutations and still births. Prostitution is on the rise in most countries as is the threat of HIV/AIDS mainly because of the tourism projects and also because of the open borders. Cross-border movements have also given a fillip to smuggling activities, including in drugs and endangered species.

These are just a few of the adverse impacts that have already been observed and that are anticipated. Yet work goes on in the GMS regardless. Following the ADB's lead, the World Bank, OECD, and other 'donors' have stepped to stake their claim to the multi-billion dollar profit generating schemes. Apart from other things, this move has exposed what the primary purpose of the GMS is: not to facilitate regional integration, but to use it for easy integration into the global market.

The four studies on regional and subregional alliances underline one common feature, the absence of people. The people were not present when the alliances were in the making; they were not seen when cooperation efforts were being constructed; and their voices are not heard as the alliances are in operation. The absence is not difficult to comprehend: it is obvious that there was no policy or paradigm shift in the construction of the regional cooperation instruments: the states concerned were not moving away from the dominant agenda of development and economic liberalisation. In fact, the agenda has only been strengthened through regional integration.

Even as these studies were going on, ARENA had begun parallel research into civil society alliances and people-to-people contacts, many of which pre-date the regional alliance efforts. Covering broader issues than just economics, it is hoped that the new research will offer some insights into peoples' needs and aspirations and their role in partnership-building. Perhaps, that might ultimately lead to a redefining of alliance work — with people at the centre.

From 'Flying Geese' to 'Cog and Wheel'

Some Issues on Subregional Economic Zones

JENINA JOY CHAVEZ-MALALUAN

In official development and policy circles, subregional economic zones (SREZs), or growth polygons, most of which has a triangular shape, have gained currency since the late 1980s.

In Asia, there are more than half a dozen growth polygons in existence, with more triangles being thought up by the year. Following are some of the more popular ones.

1. South China Triangle which connects Hong Kong, Taipei and Southern China.
2. Tumen River Delta Triangle which integrates the capital and technology of Japan and South Korea with the natural resources of Northern China, Siberia in Russia and North Korea.
3. Northern Growth Triangle (now called the Indonesia-Malaysia-Thailand or the IMT GT) involving Southern Thailand, northwestern Malaysia, northern Sumatra.

4. Southern Growth Triangle, also known as SIJORI links Singapore with the Johor State of Malaysia, and Riau and West Sumatra of Indonesia.

5. BIMP-EAGA Polygon which joins Brunei; Kalimantan and Sulawesi provinces of Indonesia; Sabah, Sarawak and Labuan in Malaysia; and Mindanao and Palawan in the Philippines; and the

6. Golden Quadrilateral which groups Northern Thailand, Myanmar, Laos, and the Yunnan Province of China. This polygon has since evolved into the Greater Mekong Subregion, and now includes Vietnam and Cambodia.

The South China Triangle and the Southern or SIJORI Growth Triangle are the two most established SREZs. These triangles were formally joined in the late eighties, but many of their major points were already established economic or export-processing zones since the late 1970s.

This discussion paper is an attempt to dissect the growth polygon phenomenon. In particular, it will explore a single theme, growth polygons as a strategy for economic growth, and will identify the issues and concerns associated with such strategy.

THE GROWTH POLYGONS IN SOUTHEAST ASIA

Economic cooperation took a backseat in the Association of Southeast Asian Nations (ASEAN) for 25 years before it finally made resolute, but still small and slow, moves. In 1993, the ASEAN launched the Common Effective Preferential Tariff (CEPT) Scheme, a cooperative agreement among the ASEAN members to reduce intra-regional tariffs and remove non-tariff barriers. The CEPT is the main component of the ASEAN Free Trade Area (AFTA), the group's most comprehensive and most ambitious attempt at economic cooperation. In 1995, the group decided to accelerate AFTA, from the original 15 years to ten years. Tariff rates for AFTA qualified products are expected to go down to 0-5 percent by the year 2000 and ultimately to 0 by the year 2003.

In 1997, Southeast Asia was swept by a regional financial crisis that sent many of its better performing economies crashing. Although formal agreements were signed in 1998 to intensify economic cooperation beyond tariff reductions (e.g. the ASEAN Investment

Area Agreement was endorsed), many members sought (publicly or otherwise) tariff covers as a safety net. Every member struggled to comply with the AFTA agreements.

Economic cooperation in the ASEAN has been particularly difficult owing to the economic structures of its members. ASEAN members are fierce competitors, both for markets for their products and for foreign direct investments into the region. Agreement on any economic concession, therefore, takes a long time to materialize.

All its cautiousness notwithstanding, the ASEAN recognizes and appreciates the readiness of some of its members to provide economic concessions more liberal than what the AFTA and related economic cooperation schemes allow. The cooperation mode popularly known as 'ASEAN-X' is a way around the sticky consensus process in the group.

In a milestone declaration, ASEAN acknowledges "that subregional arrangements among themselves, or between ASEAN Member States and non-ASEAN economies, could complement overall ASEAN economic cooperation."[1]

The growth triangle concept has gained popularity within the ASEAN because it limits required concessions to specific territories. Growth triangles are also designed to be export oriented, hence minimizing competition to local industries while maximizing the benefits of the partners' comparative advantages.[2]

To date, four subregional economic zones operate in various pace and stages in the ASEAN.

THE SINGAPORE-JOHOR-RIAU GROWTH TRIANGLE (SIJORI GT/SOUTHERN GROWTH TRIANGLE/IMS GT)

The Singapore-Johor-Riau Growth Triangle, or the SIJORI GT, was the very first growth triangle in the ASEAN. It is also by far the most successful, the only one that can be considered fully and independently operational (i.e. with all projects being designed and implemented on its own terms).

Crucial in the formation of the SIJORI GT were the different but connected developments in the three subregions. Singapore joined the first Asian tigers and faced increasing pressures to relocate some of their activities to other low-cost locations in order to stay competi-

TABLE 1. GROWTH POLYGONS IN THE ASEAN

NAME	COUNTRIES INVOLVED	AREAS COVERED
Singapore-Johor-Riau Growth Triangle	Singapore	Singapore
	Malaysia	Johor, Melaka, Negeri, Sembilan and Pahang states
(SIJORI GT/Southern Growth Triangle/ Indonesia-Malaysia-Singapore or IMS GT)	Indonesia	Riau, Bengkulu, Jambi, Lampung, West Kalimantan and West and South Sumatra provinces
Indonesia-Malaysia-Thailand Growth Triangle	Indonesia	North Sumatra and Aceh Special Territory
	Malaysia	Kedah, Parak, Penang and Perlis states
(IMT GT/Northern Growth Triangle)	Thailand	Satun, Songkhla, Yala, Narathiwat and Pattani provinces
	Brunei	Brunei
Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area	Indonesia	West, Central, South and East Kalimantan; Central, North, South and Southeast Sulawesi; Maluku and Irian Jaya provinces
(BIMP EAGA Growth Polygon/East ASEAN Polygon)	Malaysia	Sarawak, Sabah and Labuan states
	Philippines	Mindanao (Regions 9-12 and ARMM) and Palawan province
Greater Mekong Sub-Region	Thailand	Northern Thai provinces
	Laos	Laos
(GMS/Golden Quadrilateral)	Myanmar	Myanmar
	Cambodia	Cambodia
	Viet Nam	Viet Nam
	China	Yunnan province

tive. Singapore had economic dealings with Riau and Johor which made the idea of a triangle logical. Family and cultural links and affinities in the three points of the triangle have also traditionally influenced the flow of private investments from Singapore.[3]

Singapore and Malaysia had only separated two years before the ASEAN was founded, explaining the close ties. The state of Johor has extensive industrial parks, and was a preferred location for labor-intensive manufacturing investments from Singapore. It is also physically linked to Singapore via a 1.2-kilometre causeway connection.[4] Malaysia's growth rally started in the mid-1980s, resulting in an increase in the standard of living and factor costs, most notably wages. It began looking to ASEAN neighbors, particularly Indonesia, for alternative sources of labor.

Batam Island was developed by the Indonesian Government because of its proximity to Singapore, which was believed to be one of its greatest strengths. The island was promoted as a tourist destination and as an industrial base. Some Singapore-based manufacturers set up factories in the relatively barren Batam Island in the 1970s.[5] The Batam Free Trade Zone was established in 1978 to compete with Singapore as an oil services and transshipment port, export manufacturing location and tourism centre.

The impetus for the formation of the SIJORI GT came from Singaporean President Lee Kuan Yew. In a meeting with then-President Suharto in Jakarta in October 1989, Lee urged Indonesia to modify the investment rules applied on Batam Island in the Riau province to make it a major trading and industrial centre.[6] Singapore was able to persuade Indonesia to allow 100 percent foreign ownership of enterprises in the Batam Economic Zone, including Batam and five surrounding islands. In December 1989 Singapore Prime Minister Goh Chok Tong suggested the joining together of Batam Island, the state of Johor, and Singapore.[7] Since then the SIJORI has been called many names: JSR (Dr. Habibie), Johor-Singapore-Riau Growth Triangle (in Singapore), Nusa Tiga (in Johor), the 'Chinese Triangle' (coined by economist Mohamed Ariff).[8]

By 1994, the SIJORI GT joined together 13 million people in a land area of over 160,000 square kilometres. The triangle had a total

TABLE 2. BASIC INDICATORS FOR THE SIJORI GT, 1994

	SINGAPORE	JOHOR STATE	RIAU AND WEST SUMATRA[a]
Area (square km) Total: 163,895	641	18,914	94,562 48,778
Population (million) Total: 13.1	2.9	2.3	3.7 4.2
GDP (US$ million) Total: 80,694	70,200	4,338	3,320 2,836
GNP Per Capita (US$)	24,425	2,192	897[b] 675[b]
GDP Growth (% p.a.)	10.1	6.3	12.1[c] 9.4[c]

a/ first figure is for Riau and the second is for West Sumatra; data are as of 1993
b/ GDP per capita
c/ data are for 1987-1991
*Source: East Asia Analytical Unit, **Growth Triangles of Southeast Asia** (Commonwealth of Australia, 1995)*

production of $80.7 billion, nearly 90 percent of which was contributed by Singapore. (See Table 2.)

The biggest push came in December 1994 when, encouraged by the progress of the SIJORI, the three governments signed trilateral agreements and adopted the name Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT). The geographic area of the IMS-GT was expanded in March 1996, to include West Sumatra (Indonesia) and three more Malaysian states (Melaka, Negeri Sembilan and Pahang). In mid-1997, Indonesia included five more provinces (Bengkulu, Jambi, Lampung, South Sumatra, and West Kalimantan).

THE BRUNEI-INDONESIA-MALAYSIA-PHILIPPINES EAST ASEAN GROWTH AREA (BIMP EAGA GROWTH POLYGON)

A notable feature of the BIMP-EAGA Polygon is its bigness. It is big not so much because of its population base (48 million) or its total land area (1.56 million square kilometres) - certainly another growth polygon (namely, the Greater Mekong Subregion) is bigger by this standard - but because of the distance between its different points. If one draws imaginary lines between the different points of the different subregional economic zones, the BIMP-EAGA will yield the biggest polygon. BIMP-EAGA has in its physical centre vast bodies of water. Yet the EAGA subregions are linked by a long history of trading activities between its many points. To this day, barter trade is still widely practiced, especially between the Labuan, Mindanao, Sabah and East and West Kalimantan areas. Local currencies are even accepted and local languages spoken in reciprocal fashion.

Another unique feature is that the EAGA is the grouping together of, with the exception of Brunei, the economic laggards of Indonesia, Malaysia and the Philippines. The EAGA involves the least industrial-

TABLE 3. BASKET CASES NO MORE?

BRUNEI	EAGA INDONESIA	EAGA MALAYSIA	EAGA PHILIPPINES
- high per capita GDP at US$17,000 (est.)	- below national per capita GDP except in East Kalimantan	- below per capita GDP in Sarawak	- below national per capita GDP
- resource-based (oil and gas); fast resource depletion	- resource-based (timber, oil, mining)	- resource-based (timber, oil, gas, petrochemicals)	- resource-based (agricultural products)
- small industrial base	- least industrialized areas in the country	- least industrialized areas in the country	- least industrialized areas in the country
- modern and sufficient telecommuni-cations	- domestic investment in resource-based industries	- growing investment in electrical and petrochemicals	- remarkable growth in agro-processing
- strong airline sector	- increasing FDIs	- foreign investment in high value added in timber processing	- significant FDI in agribusiness
Land area: 5,765 square kilometres Population: 300,000	Land area: 1,242,626 square kilometres Population: 28.235 million	Land area: 198,586 square kilometres Population: 3 million	Land area: 116,900 square kilometres Population: 16.6 million

Source: Diomedes Francis Eviota, BIMP-EAGA: A Beginner's Copy (n.d.); Louis Berger International, Inc., loose leaf presentation materials (n.d.)

ized areas of the three countries. With few exceptions, the three subregions also register per capita incomes lower than the respective national averages. Together with Brunei, EAGA's production is largely natural resource-based. Of the four points, only P-EAGA exports agricultural products, with the three other subregions specializing in nonedible primary products like oil, gas, timber and petrochemicals. (See Table 3.)

Poverty in the EAGA subregions of Indonesia, Malaysia and the Philippines is more pronounced than national poverty, by ten percentage points. Unemployment statistics are also worse than national figures, with the exception of the Philippines. The disparity can go as bad as 11.7 percent in M-EAGA against only 2.8 percent national unemployment in Malaysia. (See Table 4.)

Philippine President Fidel Ramos first suggested BIMP-EAGA in 1992. The idea is to maximize the existing links between the different subregions and to explore ways of developing common infrastructure, especially in air and sea transport and communication. Under the BIMP-EAGA masterplan, tourism is to be the 'spearhead sector'.

TABLE 4. LABOR FORCE, UNEMPLOYMENT RATES, AND INCIDENCE OF POVERTY

	[illegible]	[illegible]	[illegible]	[illegible]
Brunei	0.13	66	4.7	..
I-EAGA	3.68	65	3.3	40
M-EAGA	1.75	70	11.7	26
P-EAGA	5.72	69	6.5	49
Indonesia	73.79	57	2.7	31
Malaysia	8.06	67	2.8	17
Philippines	26.88	66	9.3	39

a/ weighted average (poverty incidence by individual state or province ranges from 19 percent for Sarawak to around 50 percent for East Kalimantan and Palawan)

Source: Final Report of the BIMP-EAGA Technical Assistance Study, Asian Development Bank, 1996.

The biggest potential is believed to be in labor complementarities. Brunei and M-EAGA, labor-deficit areas both, can tap into the rich labor markets of I-EAGA and more so of P-EAGA.

The Asian Development Bank financed the BIMP-EAGA Technical Assistance Study which was completed in 1996. The study identified 151 policy, program and project initiatives, which are due for implementation within two- to ten-year periods. Sixty-five percent of these initiatives will be implemented in the short term (period of two years and less). This phase constitutes 98 policies, programs or projects and relies heavily on public sector support. Half of this is included in the so-called early action plan (EAP) of public sector and joint public-private sector initiatives to 'create an enabling policy framework and facilitate cross-border movement of goods, capital, technology, and labor', and will cost over US$100 million.[9] The second phase (medium term, two to five years) consists of 49 single-country specific projects to be implemented by the private sector. The third phase (long term, five to ten years) involves four projects that require the setting up of commercial investment and supporting physical infrastructure. Initial phases of the BIMP-EAGA masterplan focus on agriculture and fisheries, agro-processing, skills development, tourism and manufacturing for export. Later phases will concentrate on transport and communications, energy, and industrial development.

THE GREATER MEKONG SUBREGION (GMS/GOLDEN QUADRILATERAL) [10]

From the basic data it would appear that the Greater Mekong Subregion might be the most enviable of the newer growth polygons. Conceptualized in 1992, the GMS groups together parts or the entirety of six countries, spanning an area of more than two million square kilometres inhabited by 228.6 million people. Production in the subregion totals around US$200 billion. The Mekong countries also register the most impressive real GDP growth performance in Southeast Asia. (See Table 5.)

Countries/territories in the subregion are a mixed lot. Cambodia, Laos and Myanmar represent the smallest economies and by far the poorest. Vietnam and Yunnan province are the mid-range economies that are also favorite trade platforms for many international investors. Then there is Thailand, the most prosperous and around which numerous subregional ventures revolve.

TABLE 5. GOLDEN OPPORTUNITIES IN THE TRANSITIONING SOUTHEAST ASIA[a]

	THAI-LAND	MYAN-MAR	YUNNAN, CHINA	LAO PDR	VIET NAM	CAM-BODIA
Land Area ('000 square km)	513	677	394	237	331	181
Population (m)	58.7	43.9	39.4	4.6	72.5	9.5
GDP Per Capita (US$)	2,450	225	287	336	215	252
Real GDP Growth Rate (%)	8.7	6.8	11.6	8.1	8.8	4.0

a/ data are for 1994.

Source: Asian Development Bank, Economic Cooperation in the Greater Mekong Sub-region: An Overview (Manila, 1996)

A big part of the interest in the subregion focuses on its vast and largely untapped natural resources. There is great promise in agriculture, fisheries and forest (especially timber) production. Multilateral institutions and private investors alike see the potential of the subregion's rich coal, gas, petroleum and hydropower reserves. Current energy production and consumption are way below capacity.

The subregion's population base has also been cited as one of the subregion's strengths. Young, growing, cheap and highly trainable, it is a good foundation to build upon future market and workforce.

With the exception of Thailand, countries in the subregion also share common problems that make it easier (and wiser) for them to cooperate on a subregional scale. All have severe infrastructure backlogs, and face the same environmental issues.

Most of the Mekong countries are also on the transition path to market economy. The requirements of restructuring alone aroused the interest and attention of multilateral development institutions that want to have a hand in the process. All these plus the political will to pursue subregional cooperation makes the Mekong countries a honey pot of sorts, where opportunities and possibilities seem endless.

Since its inception in 1992, a masterplan has been developed for the GMS, the Greater Mekong Subregional Economic Cooperation Program, with the Asian Development Bank at the helm. The GMS Program is supposed to be carried out in three phases. The first phase was the preparatory phase where the GMS countries discussed and agreed on the basic nature, direction and strategy of, as well as initial sector assessments for the subregion. This was completed in 1994. In the second phase from 1994 to 1997, detailed sector analysis and planning was made, and projects were identified. The Program is on its third phase starting 1997. Resource mobilization for and implementation of identified projects characterize this phase.

There are seven priority areas for subregional projects identified in the GMS concept: transport, telecommunications, energy, trade and investment, human resource development, tourism, and environment.

Four official institutional bodies were established to support the GMS Program. The Senior Ministerial body is the overall policy-making and coordinating body. The Deputy Prime Minister/Senior Economic Minister level is where real hard work begins. This body ensures coordination of line ministries and departments for priority projects. The Senior Officials' forums and working groups have clear mandate and responsibility to formulate agreed upon priority projects, and to monitor and manage their implementation. There are three existing forums (transport, electric power, and telecommunications) and six working groups (environment, human resource development, trade facilitation, investment, tourism, private sector). Responsibility over specific projects are lodged in Project-level Management or Steering groups which are formed on an ad hoc basis.

The Program also allows for informal consultative processes with official bilateral and multilateral financing institutions, and private interests in and out of the subregion.

THE INDONESIA-MALAYSIA-THAILAND GROWTH TRIANGLE (IMT GT/NORTHERN GROWTH TRIANGLE)

The IMT-GT gives yet another interesting dimension to the growth triangle concept. The triangle is a first among relatively advanced economies in the ASEAN, with mature political and economic infrastructure, and at roughly equal stages of economic development.

TABLE 6. BASIC ECONOMIC AND DEMOGRAPHIC INDICATORS OF IMT-GT[a/b/]

	POPULATION ('000) 1990	LAND AREA ('000 SQ. KM.)	REAL GDP (US$ BILLION) 1992	REAL GDP PER CAPITA ($) 1992
INDONESIA	179380	1904.6	109.481	572.69
Northern Sumatra	13667	127.07	5.525[c]	404.8[c]
North Sumatra	10252	71.68		
DI Aceh	3415	55.39		
MALAYSIA	17760	329.8	53.474	2845.9
Northern Malaysia	4658	32.26	5.239[c]	1148.5[c]
Perak	2040	21.00		
Penang	1133	1.03		
Kedah	1301	9.43		
Perlis	184	0.79		
THAILAND	56080	513.1	89.391	1547.62
Southern Thailand	2840	20.81	2.2[c]	769[c]
Satun	217	2.48		
Pattani	566	1.94		
Songkhla	1148	7.39		
Yala	364	4.52		
Narathiwat	545	4.47		
TOTAL Three Countries	253220	2747.5	252.346	4966.21
Three Subregions	21165	180.14	12.964	2322.3
AVERAGE Three Countries			84.115	1655.4
Three Subregions			4.321	774.1

a/ Base year of real GDP used: Indonesia – 1990; Malaysia – 1990; Thailand – 1988

b/ Ave. exchange rates per $ in 1992: 2,209 Indonesian Rupiah; 2.574 Malaysian Ringgit; 25.4 Thai Baht

c/ Figures are for 1988.

Source: Myo Thant and Min Tang (eds.), Indonesia-Malaysia-Thailand Growth Triangle: Theory to Practice (ADB, 1996)

The biggest attraction of the triangle lies not so much on economic complementarities as it does on the three government's political will to pursue subregional cooperation.

The IMT-GT covers a land area of 180 thousand square kilometres and a population base of 21 million people. The Indonesian subregion accounts for 65 percent of the total population and 70 percent of the total land area. In terms of relative size, however, the Malaysian part of the triangle is bigger. Twenty-six percent of its total population and 10 percent of its total land area are included in the triangle. Indonesia and Thailand include in the triangle eight and seven percent, and five and four percent, of their total population and land area, respectively. Malaysia also accounts for the biggest relative and absolute contributions to production (10 percent of its national GDP). Only five percent of Indonesia's and two and a half percent of Thailand's GDP emanate from the subregions included in the IMT-GT. This is because the subregions of Indonesia and Thailand are less well developed than other parts of their countries. (See Table 6.)

The IMT-GT began in mid-1993 when Indonesia, Malaysia and Thailand asked the ADB for technical assistance for a feasibility study on the triangle. Encouraged by the findings, a bigger study, that for an IMT-GT development project, was launched in early December 1993, and completed in two years.[11] The IMT-GT is purported to be 'the only growth triangle which has been systematically studied and designed from the ground up.'[12]

The ADB study classified priority sectors as productive (investment, trade, industry, agriculture and fisheries, and tourism) and supportive (labor mobility, human resource development, transport, communications, and energy). There are 97 projects proposed for implementation, of which 24 are policy, 30 program, 32 physical project, and 11 institutional initiatives. These initiatives are in the areas of agriculture and fisheries (21), transport and communications (20), tourism (18), trade, investment and labor mobility (16), general (12), and industry and energy (10). These projects involve one or any combination of the three subregions, with Indonesia figuring in 55 initiatives, Malaysia 58, and Thailand 57. These initiatives are expected to cost more than $20 billion over a 10-year period.[13]

Growth Polygons as an Economic Strategy

In the first half of the 1990s the ASEAN showed exceptional growth as a region. It grew more than twice as fast as the world average. Malaysia, Singapore and Thailand grew fastest, while the Philippines grew slowest. Adding to the strong regional performance was the rapid growth of the so-called Southeast Asian economies in transition (Vietnam, Lao PDR, and Myanmar).

An even more impressive achievement was the rapid industrialization of the ASEAN, second only to the feat achieved by the NIEs in the 1970s and early 1980s. In 25 years, industry share to GDP increased from less than 30 percent to more than 40 percent on average.

The growth of foreign direct investments (FDIs) coming into the ASEAN since the mid-1980s was significant. From the period 1983-89 to 1990-1994, FDIs to the ASEAN-4 grew almost threefold, with Malaysia and Thailand capturing more than 70 percent of total flows.

Development theorists coined a term to describe the rapid growth and industrial expansion in Asia – 'flying geese'. The 'flying geese' model envisages the relocation of production from a lead economy to other countries in search of lower costs. In this model much of the output is exported back to the lead economy, and the followers gain industrial and economic strength that eventually graduates them to the status of secondary geese.

A major link in the 'flying geese' model of development is the export-related FDI flows from the leading or secondary geese to the followers which are used to develop the next generation of productive capacity. However, this process is only possible with dynamic trade flows in both directions: followers import capital goods and more sophisticated products from the leading geese, while the leading geese receive exports (usually intermediate goods or low value-added manufactures) from the followers. 'Flying geese' is really a trade-based model of development.[14]

Growth polygons are almost entirely an Asian invention. East and Southeast Asia have achieved major progress in liberalizing trade outside of formal free trade areas, on a local or subregional basis. Such cooperation takes the form of growth polygons which group provinces or states from different countries. Growth polygons are the supposed subregional answer to declining competitiveness of areas or countries that face rising factor, particularly land and labor, costs. The governments of contiguous territories work together to make the polygons attractive platforms for export. Jointly they design incentives – in the form of policies that are more liberal than national policies, the coordination of such policies, and the provision of essential infrastructure – to attract investments into the polygons. Yet unlike the classic predilection of many Asian governments to steer private investments, the growth polygon concept gives private investors more latitude in deciding where their investments should go.

The polygons are supposed to serve as the new centres of development from the different member countries, thus the 'cog and wheel' metaphor.

It was a secondary goose who first articulated the concept of a 'growth triangle' to promote the integrated development of contiguous territories in Southeast Asia. Singapore illustrated this in the SIJORI GT case.

Of course, particularly in the case of Southeast Asia, the bigger attraction of growth polygons and subregional economic zones is reduced political difficulty. ASEAN governments have embraced the SREZ concept as a way of promoting regional integration without having to change national trade policies.[15] It may also be seen as testing grounds for policies that imply political risk for possible national implementation.[16] The 'cog and wheel' model is supposed to be based on cooperation to develop each nation's own competitive advantage as decided by the market, rather than 'zero-sum cooperation' decided by bureaucrats insisting on 'an equal spread of benefits' among members.

Growth polygons, at least those already well established, just built upon growth strategies already adopted by the different countries. For the South China and SIJORI triangles, existing economic zones were integrated as new ones were opened. In the newer polygons, the creation of special economic zones is not entirely ruled out. In short, notwithstanding claims otherwise, growth polygons to a certain extent are but large scale integrated export-processing zones.

ECONOMIC EXIGENCY FOR CERTAIN POINTS IN THE GROWTH POLYGON

Intra-regional trade may confer some additional benefits and so lead to trade creation. But for the fiercely competing Southeast Asian economies, there are other motivations in joining growth polygons.

The success of SREZs is contingent upon three related factors[17]: a highly developed city (area) that has run out of land and labor, a surrounding area plentiful in both land and labor, and political will to reduce the visible and invisible barriers separating the city from the other areas.

Wage levels in the ASEAN, for instance, vary considerably. Within the EAGA polygon, Brunei workers fetch the highest wages ($19.5 a day for unskilled and $32.5 a day for skilled work), while Indonesian workers fetch the lowest ($3.3 and $6 to $13 a day for unskilled and skilled work, respectively). Only Singapore matches wage levels in Brunei. The transitioning Southeast Asia, for instance Vietnam, offers even lower wage rates that are competitive even with China. (See Table 7.)

TABLE 7. WAGE LEVELS IN SELECT SREZ SITES, 1995

	AVERAGE WAGE IN US$/DAY (UNSKILLED)	AVERAGE WAGE IN US$/DAY (SKILLED)
Brunei	19.5	32.5
EAGA Indonesia	3.3	6.0 to 13.0
EAGA Malaysia	7.3	11.0 to 13.0
EAGA Philippines	5.0	7.0 to 8.5
Viet Nam	1.2	1.8 to 1.9
Singapore[a]	17.5	30
China	2.1 to 5.2	4.0 to 9.7

a/ Approximate, based on 1989 monthly figures: 350 for unskilled and 600 for skilled

Source: Louis Berger International, Inc., loose-leaf presentation materials (n.d.); G. Naidu, 'Johor-Singapore-Riau Growth Triangle: Progress and Prospects', in Myo Thant et al.

TABLE 8. IMPETUS FOR COOPERATION: SOME FACTORS INFLUENCING THE FORMATION OF THREE SREZs IN THE ASEAN

SIJORI GT	IMT GT	BIMP-EAGA
Market-driven (Singapore)	Resource complementarity-driven	Resource complementarity-driven
Provisions for Singapore expansion	Endogenous growth arising from political commitment	Cultural commonalities and 'reunion' of a once dynamic regional economy
Capital inflow for Johor and Riau	Lack of capital and technology	Strong support from respective governments to invest in growth
Endogenous growth for Johor and Riau		Lack of capital and technology

Source: Louis Berger International, Inc., loose-leaf presentation materials (n.d.)

In the SIJORI example, Singapore is the land- and labor-scarce city, and Johor and Riau the complements. To illustrate the importance of land and labor in the triangle, consider this: Tourism and real estate projects accounted for more than half of the over $500 million in foreign investments in Batam between 1980 and 1990, and nearly all of this originated from Singapore. Johor is a favored host location for labor-intensive manufacturing investments from Singapore, given its close proximity, land-bridge connection, infrastructure, and long established close historical, cultural and business ties. But Johor itself is already labor-scarce, and Riau offers a convenient alternative. SIJORI made possible the joint development of Riau by Indonesia and Singapore without excluding Malaysia.[18] (See Tables 8 and 9 for a list of factors influencing the formation of growth polygons in the ASEAN.)

The export orientation of SREZs also makes cooperation between two or more countries, which are fierce competitors otherwise, easier. This means that domestic enterprises are not threatened by competition from enterprises from partner territories.[19] Hence, it took little to convince Indonesia to allow 100 percent foreign equity ownership in Batam enterprises beginning 1989. The policy is effective for the first five years of an enterprise's operation, after which it is required to divest five percent. In other parts of Indonesia, foreign firms must be majority-owned by domestic investors within 15 years.

TABLE 9. RECIPE FOR SUCCESS: COMPARING THE ESTABLISHED AND YOUNG SREZs

	BIMP-EAGA	SIJORI GT	South China Triangle
Capital Availability/ Complementarity	limited capital available within EAGA minor complementarities	marked capital availability through Singapore (capital via Singapore drives the area) noted complementarities	marked capital available through Hong Kong (capital via Hong Kong drives the area) noted complementarities
Land Availability/ Complementarity	land relatively plentiful throughout EAGA (accessibility and use are key issues) minor complementarities geographical proximity not a defining feature	limited land in Singapore noted complementarities Batam provides the land geographical proximity a defining feature	limited land in Hong Kong noted complementarities Pearl River Delta provides the land Geographical proximity a defining feature
Labor Availability/ Complementarity	moderate complementarities usable differences between EAGA members exist	noted complementarities high skilled labor from Singapore lower skilled labor/labor intensive operations in Batam	noted complementarities high skilled labor from Hong Kong lower skilled labor/labor intensive operations in Pearl River Delta

Source: Louis Berger International, Inc., loose-leaf presentation materials (n.d.)

Concerns

THE CENTRALITY OF A HUB POINT THAT PULLS THE POLYGON TOGETHER

Thus far, the South China and SIJORI triangles have been the most successful. None of the other growth areas has as much substantive content because they lack a key component of the two. It is not their triangular shape but rather the central position of Singapore.[20]

In Johor and Batam, more labor-intensive investments were located since 1990, but investors are mainly Singapore companies (including government linked companies), Hong Kong and Taiwan companies, and some multinationals with long-established operations in Singapore. So dominant is the position of Singapore that the SIJORI triangle is touted to constitute 'borrowed economic space' and may even become a 'mega resort' for Singapore.[21]

The newer GMS framework attracts considerable interest because of a focal point, Thailand. But the financial crisis that has infected Thailand has affected somehow the prospects for the subregion. The BIMP-EAGA polygon also implies the development of hubs: Brunei and Labuan as transport and financial hubs.

The concern with needing a hub to pull the polygon together arises not so much from the fact that the hubs identified are invariably the most advanced areas in the polygons. Rather it has to do with the fact that the pace of progress in less developed areas of the SREZs is hinged almost undeservedly upon the hubs. This means that the designs of projects/programs are greatly influenced by the hubs' priorities, and that any fluctuations in the hubs' economies and/or internal affairs affect the programs/projects even if they do not directly involve the hubs.

Thailand and the GMS, especially in light of the Asian financial crisis, is a case in point. The biggest market for which the GMS development is designed is Thailand, which, unfortunately, is one of the hardest hit by the crisis. Thailand is expected to be the main energy export destination in the subregion. Energy projections for the country have already been downscaled by more than ten percent, thereby affecting newly completed energy projects and those which are in the pipeline. The crisis has also effectively dimmed the chance of growing Thai investments focused on the Mekong, at least in the short- to medium-term.

THE CENTRALITY OF NATURAL RESOURCE EXPLOITATION

Land, energy, water. These are the most coveted natural resources in Southeast Asia, and they are at the centre of the various SREZs.

In SIJORI, it is land and tourism for Singapore. As of 1990, one-fourth of total investments in Batam was channeled to real estate, while another one-fourth went to tourism projects. It is also water.

Singapore has long been dependent on Johor for its water supply. In 1990-91, Indonesia and Singapore agreed to the joint development of water resources in Riau.[22] Thus said G. Naidu: By providing a pretext for an agreement with Indonesia to obtain water from the Riau islands, the triangle has enabled Singapore to diversify its water sources.[23]

The GMS Program outlines development in almost all aspects of economic life, but it is the development in the energy sector that gives it prominence. GMS prospects for energy puts heavy reliance on Thailand as a market for energy export. Thailand accounts for 67 percent of the expected increase in energy consumption in the Mekong in the next quarter century. The common utilization of energy resources (the Mekong River being a common resource to the subregion) favors mostly Thailand. For instance, for Laos, the goal is to export up to 5,000 MW of power to Vietnam and Thailand by the year 2010. The current consumption for Laos is 380 MW or a mere 80 kilowatt-hour of power per capita.[24]

For both the GMS and the BIMP-EAGA, the export of timber and wood resources has been given high priority. Just as in the case of water and energy export, export of primary products exerts pressure on the environment. Indeed foreign currency earnings may prove significant, but net earnings (correcting for the cost to the environment and the payments made for imported machinery and consultants, not to mention debt payments) may be way below gross receipts. Unfortunately, mainstream calculation of benefits fails to fully recognize the cost to the environment and human displacement.

DISTRIBUTIONAL ISSUES

Among Points in the Polygon

Uneven distribution of benefits is unavoidable even if there are no hubs that take primary roles. Distributional conflicts among points of SREZs are bound to happen and affect their position in and support to the SREZs. For instance, because of the perceived disparity in the gains within the SIJORI, support from members is uneven. It is strongest in Singapore, and weakest in Malaysia.

The triangle picture also misleads because there is no real link between Johor and Riau. There is little interaction between the two points, except for an Indonesian proposal to develop tourism facilities in Johor, and the proposal for Indonesian and Malaysian interests to jointly explore palm oil plantation possibilities in the Indonesian subregion. Thus, while Singapore is able to overcome its problem of resource scarcity by exploiting its links with both Johor and Riau, Johor and Riau still compete with each other.

Moreover, the influence of Singapore exerts upward pressure on the cost of living in Johor and Riau. This is made possible by the migration of skilled labor to Singapore, pushing up wages, and the increase in Singaporean tourists on shopping trips to Johor and Riau. Naturally, it is the local populace who are most affected.

Internally Within Points of Polygon

Growth polygons might widen regional disparities within member territories and reduce national economic integration. They may also give rise to political conflict between different levels of governments. They can cause conflicts between national/federal and provincial/state governments over granting of concessions which might be at odds with national policies or inimical to the interests of other states/provinces. Concentration of development on areas included in growth polygons might also affect the level of public and private investments that go into these and other areas.

The distribution of costs and benefits internally between subregions of the polygon viz. the country represents a major challenge. For instance, employment gains and income increases may be limited to the subregions included in growth polygons even as said subregions receive inordinately large amounts of public investment from the national or federal government.

Rising costs of living and migration also lead to income disparities within the subregions. Slum communities develop or grow. Of course, there are also those who are directly affected by projects and programs implemented under the growth polygon concept. This includes people displaced and dislocated by energy, plantation or tourism projects.

Lastly, because subregional economic zones imply conferring of benefits and privileges in terms of policy and access to financing, there are valid concerns about the monopolization of economic opportunities by a few interests. For instance in Indonesia, the Salim and Bimantara business groups, both closely tied to the Suharto family, have vast interests in the SIJORI, particularly in the Batam duty free zone. The same concern is valid in all the other growth polygons.

THE ROLE OF MULTILATERAL INSTITUTIONS

A last point which needs to be considered is the changing configuration of the growth polygon dynamics. Whereas before, the lead economy took the challenge of selling the polygon idea, today multilateral development banks have come into the picture. The Asian Development Bank is perhaps the most prominent player in this respect. It has taken the lead in the masterplan for three SREZs: the GMS, the IMT GT and the BIMP-EAGA.

Masterplans ultimately make for more ambitious programs and huge financial requirements, way beyond the need and the reach of local populations. For the Greater Mekong Subregion, costs figure in the order of (more than) $200 billion for energy development alone.[25] In the Indonesia-Malaysia-Thailand Growth Triangle, immediate projects and policies are laid out, and are expected to generate $20 billion in business opportunities for private investors.[26] The same trend holds true for the BIMP-EAGA.

There is agreement even within the ADB that 'regional cooperation studies are relatively expensive and complex.'[27] But this complexity is not for the ADB and its consultants' alone to unravel. Development and cooperation are not the exclusive mandate of the ADB, or any multilateral institution for that matter. It is not something way above the heads of local peoples and communities, and local thinkers and activists —a fact that is conspicuously under-recognized in giant development institutions.

Conclusion

A lot more may be said about the concerns and uncertainties around subregional economic zones. The task at hand, however, is not a matter of cushioning, of mitigation, of the adverse impacts of attempts at subregional cooperation. Indeed the task is to situate where in the development discourse SREZs should be placed.

Subregional economic zones obviously satisfy real needs at the same time that they minimize occasions of potential tension. Different growth triangles in the ASEAN have facilitated more open discussion and adjustment of economic policies, albeit on a limited scale. This is a necessary step in tackling difficult trans-border issues the resolution of which, despite several attempts, has evaded the ASEAN. Openness, even if done painfully little by little, paves the way for greater intra-ASEAN economic cooperation.

Still, there is no escaping the fact that there are varied areas for cooperation that are not only necessary for the economic development of the ASEAN, but also for building up its resistance against external vulnerabilities. SREZs are convenient and accessible. They have their limits. They are but 'second-best' alternatives to genuine economic integration.

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The Greater Mekong Subregion and Its Place in the Sun

VIOLETA Q. PEREZ-CORRAL

"From battlefields to market places," enthuses one Thai official in endorsing the Mekong subregional cooperation to colleagues from Viet Nam, Laos, Cambodia, Burma (Myanmar) and Yunnan. "From landlocked to landlink" goes the attractive come-on for potential Lao investors, as Laos is poised to be "another Switzerland, crossed by roads and railways, a country of services and hydropower." At an ADB-sponsored forum, Asian Development Bank officials happily chirp that the Greater Mekong Subregion (GMS) is "now open for business, with a market potentially larger than the European Union." Quite recently, ASEAN has joined the chorus to turn the Mekong into a "land of economic opportunities."

In recent years, one hears about the Mekong 'subregion', or the six 'countries' (actually, five countries and a province) sharing waters that flow from the Mekong River, in these breathless sound-bytes delivered by various government officials and powerful vested interests that covet its vast natural resources. The 4,200-km river is one of Asia's largest and ranks twelfth worldwide in terms of drainage area. It originates from the highlands of Tibet, cuts across Yunnan province in China (the Chinese call the river 'Lancang'), cascades along the borders of Thailand and Laos, and meanders through Cambodia before emptying into the South China Sea via the Mekong Delta in Viet Nam (Figure 1).

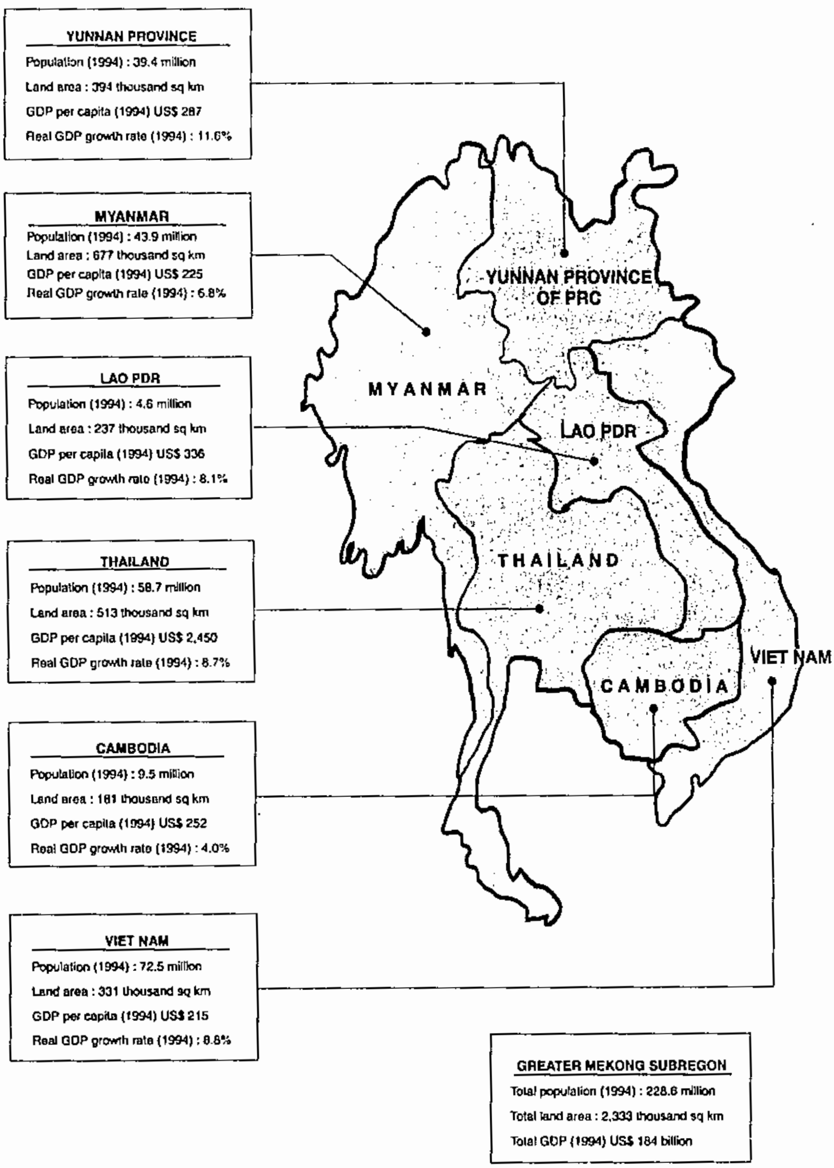
The mighty Mekong is the source of a rice-growing civilization, the 'electricity of life' of millions of people who drink, fish, bathe and live with its waters. Its high tides and low ebbs weave into the traditional rhythm of rural people's lives and their indigenous livelihoods. The river is also home to a biologically diverse fish and aquatic fauna; its large and small tributaries flow into vast pristine forests which provide habitat for many rare animals and wildlife. Today, harmony between river, wildlife, and communities is being disrupted, and the very fabric of life itself being threatened, as large-scale dams, water diversion schemes, canals, highways, and bridges are plotted and designed in faraway corporate boardrooms day by single day.

THE GLOBAL, THE REGIONAL AND THE SUBREGIONAL

Prior to the financial crisis currently plaguing Asia today, some enthusiasts had boldly proclaimed the 21st century as the 'Pacific Century' — an era of unprecedented integration of the global economy gravitating around the Pacific rim countries. In 1995, the creation of the World Trade Organization (WTO) reinforced the multilateral foundation of the world trade system. Parallel to this globalizing trend is a rising 'regionalism', or formation of regional economic blocs, in both the developed and developing worlds.

In Asia, external and internal factors have contributed to the proliferation of these regional blocs (Tang 1995). They are largely seen as an 'insurance policy' or 'hedge' against what is widely perceived as protectionist tendencies in the West with the ascent of the EU (European Union) and NAFTA (North American Free Trade Area). Internally, the combination of high-growth Asian economies, the so-called 'unilateral' liberalization of trade and investment regimes, and market-based reforms in China and other command economies in Asia have vastly expanded the scope for regional economic cooperation. Furthermore, the growing importance of intra-Asian trade and investment flows since the mid-1980s has brought about regional cooperation to the top of international policy agenda. Another contributing factor to the regionalization of Asian economies is international migration and the growing movement of people across

FIGURE 1. MAP OF THE GREATER MEKONG SUBREGION (ADB 1996A).



borders (Fukasaku 1995). Labor migration in Asia is not confined to unskilled labor; there are less visible but fast-growing flows of skilled and professional workers from investing to host countries and from countries with skills surpluses to countries with skills shortages.

These confluence of events have led to Asian countries embracing what they term as 'open regionalism' (Box 1) during the first half of the 1990s where the scope of cooperation is much wider than mere trading arrangements. In Asia, regional cooperation is characterized by the following salient features: (a) still in its early stages of development; (b) a strong willingness to adhere to the principle of open regionalism; and (c) a proliferation of innovative types of subregional arrangements, e.g., 'growth triangles' (Table 1), among countries in various stages of economic development (Tang 1995).

To resolve the conflict between the global and regional approach to multilateral development cooperation, the Asian Development Bank — the region's 30-year old premier development institution — has vowed to foster intra-Asian trade and investment that is consistent with an open multilateral system. The ADB has identified its comparative strengths in the field, thus: (a) it has close ties with borrower governments in the region; (b) it has a strong sector focus; and (c) it can play a unique role in promoting regional and subregional economic cooperation (ADB 1996b). Furthermore, being relatively smaller in size than its 'big brother' the World Bank, the ADB has greater flexibility and quicker response mechanisms.

As far as the ADB is concerned, the Greater Mekong Subregion (GMS) is a successful model of a subregional cooperation scheme. The focus of cooperation goes beyond trade, and on such common areas of interest as infrastructure linkages, foreign investment promotion, and human resource development. According to GMS proponents, subregional cooperation entails lower risks and costs, is non-discriminatory, and has a more outward-oriented structure consistent with open regionalism. It is an interim arrangement prior to the establishment of a more comprehensive regional economic integration arrangement or free trade area (Tang 1995). The GMS is also being touted as a potential model for South-South and South-North cooperation.

THE SUBREGIONAL PARADIGM SHIFT

In the GMS, as with other growth triangles or polygons in the region, the ADB flaunts a new pragmatic paradigm shift idealizing a scenario where subregions of three or more contiguous countries are free of national borders. Consequently, subregional infrastructure projects would not have to deal with sometimes 'cumbersome' national laws or regulations. Furthermore, natural resources would likely be utilized quite differently from current patterns (Tan et al 1995). In the energy sector, for instance, a shift from the traditional national self-sufficiency approach towards an integrated 'subregional approach' would be hailed as a triumph of subregionalism. At a GMS Conference in November 1995, ADB Vice-President Bong Suh-Lee cheerfully noted that in implementing the GMS program, "the participating countries have increasingly developed a subregional perspective whereby national interests are integrated in a complementary manner with those of neighboring countries" (ADB 1996b). Expounding on the same logic, the ADB would have us view the GMS as a Mekong-centred 'natural economic area' where a 'natural process' of integration in trade and investment develops as subsistence levels rise from an expected rapid economic growth (Tan et al 1995).

The ADB's experience in the GMS has considerably strengthened its theorizing on the evolving concept and actual practice of subregional economic cooperation. According to the ADB, the basic rationale for economic cooperation is four-fold (ADB 1994). It supports the development process beyond national limits. It helps exploit 'complementarities' among groups of countries or areas to be able to generate a momentum of growth. It involves the joint development of collective goods such as transportation, telecommunications, and power facilities. It strengthens responses to common concerns involving the environment and human resource development. Subregional cooperation further enhances the investment attractiveness of participating countries as a group, well beyond their individual abilities, i.e. the "subregional whole can be greater than the sum of the individual parts" (Pante 1997a).

GMS cooperation is not covered by any formal treaty or convention, as ADB officials would be quick to point out that this was not an objective in the first place. The framework builds upon existing relationships among countries, and is fed with a good dose of

BOX 1. THE PROBLEMATIQUE OF 'OPEN REGIONALISM'

Two major forces are at work as the world prepares to face a new world order at the turn of the 21st century: globalization and regionalism. Thus far, regional integration agreements — which range from from fully-fledged common markets like the European Union (EU) to ordinary free trade areas like the North America Free Trade Area (NAFTA) — have proven to be compatible with multilateralism and have had a positive impact on international trade and the multilateral trading system. However, will multilateralism and regionalism continue to be complementary in the 21st century?

Some people call the changes in Asia 'open regionalism'. Formal institutional trade and investment arrangements have not yet played a significant role; rather, the main engine driving the de facto integration process appears to be market forces unleashed by economic liberalization. The concept of open regionalism was first defined in a report of the Eminent Persons Group to Asia Pacific Economic Cooperation (APEC) before the Bogor Summit in 1994; it is currently widely accepted in Asia. Open regionalism is a process of regional cooperation whose outcome is not only actual reduction of internal (intra-regional) barriers, but also the actual reduction of external barriers to economies that are not part of the regional arrangements.

The Asian Development Bank (ADB) believes that such an approach to world regionalism need not necessarily conflict with multilateralism; in its 1994 Annual Report, it says that with proper formulation and implementation, open regionalism could even accelerate the multilateral process. ADB economist Min Tang (1995) adds that open regionalism is consistent with and fundamentally equivalent to multilateralism and the GATT agreement. Where some sectors in Asia might be concerned about the possible adverse impact of inward-looking type of regionalism on both the world trading system and their own sovereign interests, open regionalism offers an appropriate approach. It minimizes trade diversion and makes regional cooperation complementary to multilateralism.

Tang (1995), however, concedes that there are some problems inherent in open regionalism. Conceptually, it appears to be an oxymoron. Any form of regionalism will discriminate in favor of members and at the expense of non-members. Therefore, regionalism is contradictory to the 'open' principle. Second, the definition of open regionalism is vague as it can be explained in different ways. In practice, therefore, open regionalism could be an empty concept.

Pelkmans and Fukasaku (1995) of the OECD argue that open regionalism should exclude any trade initiatives leading to free trade areas or customs unions because these trade measures are discriminatory in nature; what it means in practice should be 'concerted unilateralism'. Though a novel approach to regional market-opening negotiations, the snag is when concerted unilateral actions, if substantial, might suffer from severe 'disincentives' inherent to voluntarism and the non-binding nature of trade policy commitments.

Although regional integration agreements — or regionalism — are a hot item on the international trade agenda, the World Bank does not seem overly enthusiastic. The WB (1996) contends that regional trade arrangements are neither necessary nor sufficient to successful trade reform, though they may help cement it. It is hard to make a conclusive assessment of such arrangements; one reason is that many agreements are of recent vintage. Despite the 'inherent' dangers involved in regionalism — e.g. the possibility of trade diversion rather than trade creation — preferential arrangements have become an alluring model for many developing countries which view these arrangements as a means of securing access to technology, capital and markets, and sometimes of fostering increased financial transfers.

WTO Chief Renato Ruggiero has warned that regional groups should remain compatible with the multilateral system or risk splitting global trade into two or three blocs. According to Ruggiero, there is a danger in the open regionalism concept which some groups (like APEC) wanted to adopt in their bid to eliminate trade barriers. The positive aspect of open regionalism is the gradual elimination of internal barriers to trade within a grouping at more or less the same rate, as the lowering of barriers towards those outside the grouping. The main challenge, however, is to ensure that national barriers are not replaced by regional ones. (Between 1990 and 1994, there were 33 regional trading arrangements notified to GATT.)

China's economic official Long Yongtu (1995) opines that as the Asian continent is so large and diversified in so many ways, effective Asian economic cooperation can be started at a subregional level. Open regionalism, however, should be favorable to world economic integration; the rules governing regional cooperation should be WTO-consistent. In April 1996, Singapore Prime Minister Goh Chok Tong likewise defended regional trade groups saying they are the "laboratories of the global trading system undertaking experiments in controlled regional environments."

OECD Chief Jean Bonvin, however, raises the following questions on the Asian brand of regionalism: "(a) What woud be the relationship between a regional liberalization and multilateral liberalization of trade under the auspices of the WTO? (b) Should individual countries be expected to make binding commitments or only voluntary undertakings to liberalize their trade? (c) What sort of timetable for trade liberalization is appropriate for countries at very different levels of development?" (Fukasaku 1995)

TABLE 1. REGIONAL COOPERATION IN ASIA AND PACIFIC DEVELOPING COUNTRIES

NAME	DATE OF INCEPTION	CURRENT PARTICIPATING COUNTRIES OR AREA	POPULATION INVOLVED	FOCUS
ASEAN (Association of Southeast Asian Nations)	1967	Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand, Viet Nam, Burma, Laos	481.2 million[a]	Economic cooperation through a combination of market and resource pooling mechanisms.
AFTA (ASEAN Free Trade Area)	1992	ASEAN	-ditto-	To create a free trade zone in 2008.
SAARC (South Asian Association for Regional Cooperation)	1985	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka	1.1 billion	To promote active collaboration and mutual assistance in economic and social fields.
APEC (Asia Pacific Economic Cooperation)	1989	ASEAN, Australia, Canada, Chile, PRC, Hong Kong, Japan, Korea, Mexico, PNG, New Zealand, Taiwan, United States	2.3 billion[b]	To reduce barriers to trade in goods and services, promote investment among participants and create a free trade zone by 2020.
EAEC (East Asia Economic Caucus)	1990	ASEAN, PRC, Hong Kong, Japan, Korea, Taiwan	1.9 billion	A network of interdependence among economies in the area; facilitate existing trade and capital flows with an envisioned consequence of significant trade creation.
GMS (Greater Mekong Subregion)	1991	Cambodia, Laos, Burma, Thailand, Viet Nam, Yunnan province (PRC)	220 million[c]	Joint development of natural and human resources and strengthening the intraregional economy linkages by improving infrastructure.
Southern China Growth Triangle	Early 1980s	Southern China, Hong Kong, Taiwan	120 million	Relocation of manufactured production and export of labor-intensive goods.
Singapore-Johor-Riau Growth Triangle	1989	Indonesia, Malaysia, Singapore	6 million	Production relocation from Singapore to Johor and Riau Islands, and exploitation of economic complementarity among the three subregions.
Tumen River Area Development	1991	North Korea, PRC (People's Republic of China), Russia	--	Joint natural resource development, infrastructure and free trade zone development.
IMT-GT (Indonesia-Malaysia-Thailand Growth Triangle)	1993	Southern Thailand, Northern Malaysia, DI Aceh, and North Sumatra (Indonesia)	21 million	To exploit economic complementarities and enhance subregional competitiveness for trade and investment, and reduce production and distribution costs through improvement of infrastructure linkage.
BIMP-EAGA (BIMP-East ASEAN Growth Area)	1994	Brunei Darussalam, Indonesia, Malaysia, Philippines (BIMP)	24 million	To improve economic and transportation linkage of the region and sector cooperation in mineral, forest and marine resource.

[a] Including Laos and Burma which formally joined ASEAN in July 1997; [b] Excluding Russia, Viet Nam and Peru which will be formal APEC member economies by 1999;
[c] 237 million in 1996. *Source: Tang (1995).*

economic pragmatism. Being basically project-oriented, its success crucially depends on attracting both domestic and foreign private investments (Siow Yue 1995).

Despite lofty talks of cooperation, however, nobody pretends that the Mekong countries and their potential donors and investors are drawn together by anything other than 'enlightened self-interest.' Put succinctly, subregionalism in the Mekong is propelled by the realities of trade and investment and by market forces, as well as by common social and political goals (Glasser 1997). And though the GMS approach may be gradualist rather than big bang, the ADB takes comfort in the thought that both the ASEAN (Association of Southeast Asian Nations) and APEC (Asia Pacific Economic Cooperation) were slow to get going initially but gathered strong momentum from earlier confidence-building measures.

'SUBREGIONAL BLOCS' GALORE IN THE MEKONG

It should be strongly noted, however, that even before the ADB was established in the late 1960s, very ambitious projects such as the Mekong River Development and the trans-Asian highway were already in the works. These were pet projects by previous groups whose aim was to exploit the resources of the Mekong, and were the precursors of present-day Mekong mega-plans. With the 1991 Paris Peace Agreement setting the stage for peace in Indochina and the eventual resolution of the Kampuchean problem, a host of institutions started displaying an active interest in the former French colonies and their next-door neighbors.

Since 1992, the ADB has organized a series of conferences bringing together several high-level government officials from the GMS 'countries' — Thailand, Cambodia, Laos, Viet Nam, Burma, and Yunnan Province of China. In February 1995, Japan's own Forum for the Comprehensive Development of Indochina (FCDI) launched its first Ministerial Meeting in Tokyo to attract private sector investment in the CLV (Cambodia, Laos, Viet Nam) subregion. In April 1995, the Mekong River Commission (MRC) — consisting of the lower riparian countries of Thailand, Laos, Cambodia, Viet Nam — was formally revived in Chiangmai, Thailand. A year later in Bangkok, Mekong heads of states with ASEAN Summiteers agreed in principle to the joint development of the Mekong Basin.

TABLE 2. MAJOR INITIATIVES IN THE MEKONG, THEIR PARTICIPATING COUNTRIES/INSTITUTIONAL MECHANISMS, DATE INITIATED/BACKGROUND AND SCOPE/PRIORITIES.

MEKONG INITIATIVE/ LEAD INSTITUTION	PARTICIPATING COUNTRIES/ INSTITUTIONAL MECHANISMS	DATE INITIATED / BACKGROUND	SCOPE / PRIORITIES
Greater Mekong Subregion (GMS) / Asian Development Bank (ADB)	CLV [a], Yunnan (China), Burma, Thailand / (1) Ministerial level Conferences, (2) Subregional Working Groups & Fora, (3) National Coordinating Committees, (4) ADB-GMS Unit.	ADB RETAs (Regional Technical Assistance) 5487 and 5535 approved in March 1992 and June 1993, respectively, provided subregional and country level research to identify the scope, opportunities, benefits, cost and mechanisms for enhancing economic cooperation. The First GMS Ministerial Conference was held in February 1993 at ADB Headquarters in Manila; a third RETA marked the implementation phase of GMS cooperation in July 1996.	7 key sectors: transport energy telecommunications tourism environment and natural resources management human resource development trade and investment
Mekong River Commission (MRC) / United Nations Development Program (UNDP)	CLV, Burma / (1) National Mekong Committees, (2) Donor Consultative Group.	Under Chairmanship of UNDP, a Mekong Working Group was initiated in December 1992 to study the creation of a new organization with a new mandate. The four lower Mekong riparian nations of Thailand, Viet Nam, Cambodia, and Laos signed a new agreement in April 1995 for sustainable development of the lower Mekong basin. The new MRC was created to replace the original 38-year old Mekong Committee.	A Basin Development Plan (BDP) will provide a blueprint for programs/ projects, with emphasis on basinwide or Mekong mainstream projects. Infrastructure projects include: hydro and irrigation schemes river ports ferry services, aids to navigation and fish farms

Forum for the Comprehensive Development of Indochina (FCDI) / Japan	CLV, Japan, 26 donor countries, 6 international organizations / (1) Working Committee on Infrastructure Development (WCID), (2) HRD Advisory Group, (3) Private Sector Advisory Group.	Initiated at a Ministerial Meeting Forum in February 1995 in Tokyo to promote a regional approach to voluntary aid (ODA) coordination in CLV, and promotion of private sector activities. Follow-up activities include: Indochina Seminar on Promoting Women's Participation in Economic Development (Hanoi, January 1996); Private Sector Advisory Group Meeting (Bangkok, March 1996); WCID Inaugural Meeting (Sydney, September 1996). In July 1996, a Greater Mekong Task Force composed of Japanese experts drafted a blueprint for development of the entire GMS region as a single economic entity, emphasizing Cambodia and Laos.	6 key areas: transportation network agricultural development legislative and regulatory systems HRD environmental conservation private investment
ASEAN-Mekong Basin Development Cooperation / Association of Southeast Asian Nations (ASEAN)	ASEAN, Cambodia + Dialogue partners / (1) Core Group, (2) Steering Committee, (3) Financial Experts Working Group, (4) Working Group on Railway Linkages.	ASEAN Summit (Bangkok, December 1995) - ASEAN heads of governments and the leaders of Cambodia, Laos and Burma agreed in principle that the joint development of the Mekong River Basin will be beneficial for Southeast Asia's development and cooperative spirit. At the First Ministerial Meeting of ASEAN and Mekong River riparian states (China, Laos, Burma, Cambodia) -- or the Meeting of the Core Group -- held in June 1996 in Kuala Lumpur, Ministers agreed to a Basic Framework of ASEAN Mekong Basin Development Cooperation.	8 priority sectors infrastructure development (transport, telecommunications, irrigation, energy) trade and investment generating activities agricultural sector forestry and mineral resources industrial sector tourism HRD and training Science/technology cooperation

OTHERS:

(1) ASEAN-MITI Working Group on Economic Cooperation in Cambodia, Laos and Burma. Participants include: ASEAN Economic Ministers (AEM), MITI (Japan), Cambodia, Laos, Burma

(2) Quadripartite Economic Cooperation, or Economic Quadrangle. Participants include: Thailand, China, Burma, Laos.

[a] CLV - Cambodia, Laos and Viet Nam.

These various cooperative schemes in the Mekong (Table 2) have similar recurring themes and concerns — the huge amount of physical capital needed; transborder nature of the activities; clear need for 'harmonization' of policies, regulations, regulatory frameworks and definitions; need for human resource development and training; appropriate environmental measures; and importance of private investments (McCawley 1997). In 1994, the ADB sounded a $15 billion wake-up call to private financiers; $9 billion of this erstwhile amount would be needed to finance priority projects in the transport and telecommunications sector alone (Pante 1997a).

Hardly surprising is the tremendous amount of Japanese interest in the Mekong. Japan is the largest single donor in Indochina, Thailand's largest foreign investor, and a major importer of goods from the rest of the subregion and, needless to say, from the rest of Asia. Within the ADB bureaucracy, the 'founding father' of GMS cooperation is a Japanese national. Furthermore, Japan Special Funds (JSF) at the ADB financed most of the preparatory Technical Assistance grants to GMS projects.

At the helm of the newly invigorated Mekong River Commission is a Japanese national. Japan has also been instrumental in the 1991 Paris Peace Accords, and in the ongoing peace plan towards free and democratic elections after the July 1997 coup in Cambodia.

The various Mekong-related initiatives, with each reflecting different political motivations and priorities, has increasingly been burdensome administratively for many of the participating governments (Glasser 1997). In 1996 alone, the same crowd of Mekong government officials attended at least three major subregional meetings — ASEAN's Mekong Basin Cooperation Ministerial Meeting in Kuala Lumpur (June), the GMS Ministerial Meeting in Yunnan (August), and FCDI's Working Committee on Infrastructure Development Inaugural Meeting in September (Sydney). The voluminous documents which usually accompany these meetings in a language that is comprehensible only to very few within the GMS bureaucracy becomes a matter of grave concern. Besides, possible overlapping or duplications among these initiatives may not only overburden or create confusion among government officials but also among the private sector (Hada 1997).

Donors have continually been exhorted to contribute towards developing the Mekong subregion in at least five identified activities: (1) support of project pre-feasibility studies; (2) promotion of the free flow of information; (3) promotion of training and human resources development; (4) promotion of an enabling overall policy framework and institutional strengthening; and (5) financing of specific projects (McCawley 1997). However, the donor community has started to ask increasingly difficult questions as: What are the complementary roles of these various initiatives? How do they coordinate their work? Or, is there any coordination at all?

At the very least, the ADB has played a facilitating role through exchange of information and attendance of the different meetings. The ADB has also played a key coordinating role in the GMS to minimize potential duplication and maximize complementarities. Furthermore, an ADB study on 'GMS 2020' is in the offing which will include a comprehensive assessment of subregional initiatives to date, as well as other factors affecting developments in the region. These factors include: the membership of five GMS countries in ASEAN by year 2000, various initiatives under APEC, sectoral and global/regional trends (Pante 1997b). Despite these efforts, however, there has really never been much success when talking about overall coordination among all the different initiatives, and action is being sought to seriously address this concern (Sutabutr 1997).

Profiling ADB's GMS: 'Country' Participants, Rationale and Milestones

'An airplane taking off with six powerful engines' is how the ADB describes the economic growth potential of the Greater Mekong Subregion. ADB RETAs (Regional Technical Assistance) 5487 and 5535 approved in March 1992 and June 1993, respectively, paved the way for subregional economic cooperation among the six 'countries' in the GMS — Cambodia, Laos, Burma, Thailand, Vietnam, and Yunnan Province of the People's Republic of China (PRC). Through the two RETAs, the ADB conducted subregional and country level consultations to identify the scope, opportunities, benefits, cost and mechanisms for enhancing economic cooperation; a third RETA (RETA 5693) marked the implementation phase of GMS cooperation in July 1996.

BOX 2. FROM STATES TO MARKETS: SOME 'UNILATERAL' INITIATIVES

Out of the six GMS 'economies', five are in varying degrees of transition from centrally planned to market-based systems; only Thailand has established a history of free market-based resource allocation.

CAMBODIA. After the 1993 general elections, Cambodia embarked on an ambitious program of economic and public sector reforms. In 1993, Japan gave one of the first structural adjustment aid (worth $40 million) to support the shift from a centrally-planned to a market economy. The International Monetary Fund (IMF) provided a three-year Enhanced Structural Adjustment Facility (ESAF) package worth $120 million in 1994. Soon after, the World Bank (WB) approved two emergency loans, with the second seen as an intermediate step between emergency credit and structural adjustment lending. (From: McAndrew et al 1996; ESCAP 1997; CRD 1997)

LAOS. Lao PDR began the transition to market economy in 1986 with its adoption of the New Economic Mechanism (NEM) which emphasizes rapid economic growth. With the introduction of reforms, the formula seems to have been: 'party plus market economics equal socialism'. The IMF provided two ESAF packages in 1989 and 1993, respectively. By 1997, economic reforms have substantially: stabilized the economy; liberalized trade, prices, interest rates and foreign exchange regime; and redefined the public sector's role in the economy. The transition also included developing markets for land; in 1992, a Land Decree was drafted on ownership and permissible uses of land. In April 1994, the first bridge across Mekong was inaugurated, which cost Australian citizens some $30 million; it provided the first successful link to the outside world, opening up future transit possibilities. There are internal divisions, however, within the ranks of the ruling Lao People's Revolutionary Party as to the best economic path to take, as some veteran hard-liners would like to exert more control while a younger breed would rather see even wider market openings. (From: ESCAP 1997; Louis Berger 1997; WB-PID 1995; Siebert 1992; Liquicia 1996)

VIET NAM. A 'socialist-oriented market economy', Viet Nam is dubbed as one of Asia's most exciting emerging markets. In 1979, Viet Nam began a reform process to transform its economy; 'doi moi' (renovation) was launched in 1986 at the 6th Congress of the Vietnamese Communist Party and accelerated in 1989 when the government adopted a comprehensive set of reform measures in: land reform, price liberalization, greater autonomy for state enterprises, enactment of a foreign investment code, reform of the banking system, devaluation of the exchange rate, trade liberalization, introduction of a legal system including business and corporate law. In 1993, the economy turned around for the first time in many decades with a surplus of exports over imports. Lifting of the US trade embargo in February 1994 has sparked renewed commercial interest in Viet Nam. It then became the recipient of a three-year IMF ESAF program which supported the government's medium-term economic stabilization and reform program. Predominantly agrarian-based, Viet Nam is now the third largest exporter of rice in the world after Thailand and the US. (From: McDonald 1995; Oanh 1995)

BURMA. After three decades of state control, the ruling SLORC (State Law and Order Restoration Council) opened Burma's economy in 1990 by farming out oil concessions to foreign companies. Since then, private enterprise has been allowed, and state monopolies relaxed. A new Foreign Investment Law has been enacted. Foreign investments has continued at a steady pace; a large chunk came from a huge natural gas project and hotel construction, as the country geared up for 'Visit Myanmar Year' in 1996. The government deregulated the hotel, banking and service sectors rapidly. Burma's privatization program has been ongoing since 1993; the government's plan was to reduce the state sector from 22% to 10% of GDP in two years' time. A serious obstacle to Burma's economic development is the discrepancy between the official and unofficial foreign exchange rates. A larger issue is SLORC's status as an international pariah due to its illegal military junta and notorious human rights record. (From: AWSJ 1995; Tan 1996; Yanwnghe 1995)

CHINA. Since the late 1970s China has put into effect a policy for structural reform and the economy's opening to the outside world. Chinese style capitalism began in the rural farmlands when then Premier Deng Xiaoping permitted the provinces to dismantle their communes and collective farms. In the mid-1980s, Deng's experiment in special economic zones in Guangdong and Hainan turned into a capitalist boom. "Black cat, white cat, it doesn't matter; all that matters is that it catches mice," is Deng's famous maxim. Ailing state enterprises, employing some 100 million workers, are slowly being privatized. An ambitious government restructuring program will cut the 8 million-member central bureaucracy by half (AP 1998). China has been the world's second largest investment target in recent years. Economic liberalization has sparked national growth that averaged 10% a year for the past twenty years (Shishong 1997; AP 1998; McGeary 1997). Yunnan's economy has grown rapidly along with the rest of China. In 1985, Yunnan officials initiated bilateral agreements with its neighbors — Burma, Thailand, Laos— involving the construction of small hydropower stations, sugar plants, cement factories, and highway construction and navigation in the Lancang-Mekong River channels (ADB 1993a).

THAILAND. In 1957, the military regime of Field Marshal Sarit Thanarit initiated the process of Thailand's economic development and its integration into the global market economy. A policy of export-oriented industrialization ensued alongside a period of intensive extraction and exploitation of natural resources such as forests, rivers, and ground minerals. Over the past three decades, the Thai economy has grown at an average of 7% per year. The demise of the Asian economic miracle was triggered by the Thai baht devaluation in mid-1997. (From: Wangpattab 1995)

A BIT OF GMS THEORY

The ADB's rationale for promoting the GMS scheme is two-fold. First, after nearly two decades of war, peace once more reigns in the region. The GMS, therefore, is a peace dividend. Second, the former centrally-planned economies in the GMS are now in transition towards more open and market-based systems through 'unilateral' initiatives [Box 2]. Hence, subregional cooperation is expected to 'expand and mature', resulting in firm economic partnerships for the mutual benefit of the GMS participants (ADB 1997a). GMS is further endowed with rich natural resources and a huge pool of young, industrious, very cheap and highly 'disciplined' labor. On top of all this, next-door East and Southeast Asian neighbors were hailed as the heart of the much-envied 'Asian miracle' before the Asian financial crisis [Box 3]. High-growth, high-living Thailand has been touted as the premier model of this openness and outward-orientedness. In 1991, the World Bank proclaimed Thailand as Asia's 'fifth tiger'; poorer cousins in the GMS stood to benefit from this growth windfall and economic dynamism.

BOX 3. ASIA's FINANCIAL PLAGUE

The 1990s has seen Asia become the most 'open' of developing regions; this was a large factor in the deluge of private financial capital flows into the region which, by 1996, swamped official aid by more than four times. This openness has now proven to be a bane among tiger economies in East Asia, touted as the heart of the erstwhile 'Asian miracle'. On 2 July 1997, the Bank of Thailand unpegged the baht to the US dollar, resulting in its de facto devaluation, triggering the 'contagion effect' which caused currencies throughout the region to collapse; stock markets followed suit.

By late October 1997, the Thai baht had lost about 47% of its dollar value, Indonesian rupiah about 54%, Philippine peso 30%, and Malaysian ringgit 32% (Bello 1997). In late November, South Korea — the world's 11th largest economy — succumbed to the Asian flu and turned to the International Monetary Fund (IMF), making South Korea the recipient of the largest-ever IMF bailout at a total $57 bn. Earlier, IMF-led rescue packages have been lined up for Thailand ($17.2 bn), and Indonesia ($40 bn), and the Philippines (a $1 bn 'stand-by' loan).

Despite oft-repeated 'sound economic fundamentals', once-booming Asian economies which made some social progress over several decades, collapsed in domino-like fashion in a contagion effect which spread throughout the region in a little less than six months. This came in the wake of a casino culture of footloose international capital looking for short-term speculative returns (such as real estate), rather than investments in long-term productive capacities of peoples in the region.

Meeting in late-March 1998, more than 100 civil society groups from Southeast and East Asia declared the crisis a 'crisis of economic globalization' which represents 'the collapse of a model based on indiscriminate integration of national economies with the global capitalist system.' The 'fast-track capitalism' model that has led to the crisis, is one 'based on extreme dependence on foreign investment in various forms, an obsession with high rates of growth; an emphasis on increasing export market shares, the accentuation of inequality along class, gender and regional lines, and the rapid rundown of natural resources.' Furthermore, the crisis also precipitated a 'crisis for authoritarian regimes.' This conjunction of crisis —of globalization and of authoritarianism— however, 'presents a unique opportunity for opening political processes and expanding the possibilities for economic and political democracy.' (From: Statement to the Second Asia Europe Meeting from the Conference on the Social and Political Dimensions of the Asian Economic Crisis, 23-24 March 1998, Chulalongkorn University, Bangkok, Thailand.)

Despite multi-billion dollar bailouts, however, regional currencies continue to plunge to record lows; in the case of Indonesia, for instance, the rupiah fell by 22% in one day alone in January 1998. Growth targets had to be scaled down to conform with IMF-prescribed austerity measures, which have been the subject of severe criticism from all quarters. The IMF cure is not only an 'overkill,' but will also lead to 'moral hazard,' whereby both international creditors and debtors who make unwise investment choices are saved from the consequences of their bad decisions, thus making it more likely that they will re-offend in future (From: Bullard, Bello and Malhotra 1998).

The human cost of the Asian crisis is staggering. The International Labor Organization (ILO) estimates 5 million jobs lost by end-1998 in Asia, 3 million of them in Indonesia alone. Business bankruptcies and the associated industrial restructuring have led to widespread unemployment and underemployment. Women workers are disproportionately laid off; related to this, prostitution and trafficking of women are on the rise. IMF budget cuts result in the slashing of all areas of public spending, including health, education, agriculture, industry and labor, and welfare. The regional landscape is specked with mass demonstrations, food riots, looting and racial tensions, and forced repatriation of migrant workers. 1998 and beyond looks bleak, and the worst is yet to come.

The GMS is not a trade bloc, nor was there any original intention to form one. The approach to cooperation is cautious and is not covered by any formal treaty or convention. The GMS scheme instead will build on existing cooperation, currently mostly on a bilateral basis, and develop multilateral initiatives where appropriate (ADB 1993a). It is understood that strengthening subregional ties will also expedite the process of the globalization and integration of 'national economies'. Other forms of economic cooperation are encouraged, including the broadening of ASEAN and membership in APEC and the WTO (Tan et al 1995; Pante 1997c).

It is in this context that the GMS is described as a natural result of the play of market forces, where a natural process of subregional integration is at work, spurred by the profit incentive as countries rise above subsistence levels and begin to benefit from rapid growth and success in trade (Tan et al 1995; ADB 1993a). This natural economic area has a combined economy of $200 billion and a potential market of $100 million (Pante 1997c). In the same way that earlier intraregional investments — mostly made by Japan and the NIEs (Hong Kong, Malaysia, Korea, Taiwan) — led to extensive industrial restructuring and a sophisticated division of labor within East Asia, so is there a natural division of labor evolving within GMS economies, reflecting their respective wage and productivity levels (ADB 1993a). The Lao manufacturing landscape, for instance, is dotted by low-paying, low-skilled light industries (e.g. garments) which transferred base from Thailand and, increasingly, from Viet Nam. Similarly, as Thailand and Viet Nam experience a rise in wages, the flying-geese model of economic integration is already manifest, as some labor-intensive manufacturing industries have already migrated to Laos and Cambodia (Nakajima 1997a).

In all subregional cooperation arrangements, infrastructure development is viewed as the single most important factor in the creation of a good economic envi-ronment, and investment promotion is the core element (Tang 1995). In the GMS, economic cooperation involves the joint development of public goods, e.g., transportation, energy, telecommunications, education and the environment. With increasing competition as a result of export-oriented and market-based thrusts among participating countries, sub-regional projects enable efficient use of capital, and human and natural resources. Subregional infrastructure projects also provide the basis for private sector growth which draws on the areas of each country's comparative advantage (Tan et al 1995). Thailand, for instance, must draw upon the vast human resources of its neighbors, and hence promote a division of labor that reflects competitive advantage; subregional cooperation, therefore, is a logical complement to free trade (ADB 1993a).

Early on, Cambodia signified its intent to sit as an equal with its neighboring countries in the GMS and resolve, on an equal footing, various impediments to trade and general economic cooperation [Box 4]. To the ADB this was an extremely important point, as it supplements traditional resource efficiency arguments for liberalized trade. GMS subregional cooperation is now also a way of regularizing trade and re-establishing sovereign control, an objective that Cambodia strongly supports. Participating countries have likewise cautioned that GMS be sensitive to 'big country/small country' differences and differences in stages of development of each country (ADB 1993a).

BOX 4. GMS COUNTRY PROFILE: CAMBODIA

Cambodia has one of the smallest populations in the region at approximately 10 million. More than two decades of conflict decimated the population by roughly 2 million people, leaving widows to head almost one-third of all households today (CRD 1997). Cambodia's people is still healing from the trauma of war and international isolation. In the late 1960s until the early 1970s, the country became one of the major battlefields of the Viet Nam war; communist Khmer Rouge guerillas eventually claimed power in April 1975. They established Democratic Kampuchea and embarked on a radical social experiment which resulted in more than a million deaths from starvation, disease, overwork and execution. In 1979, Viet Nam invaded Cambodia and set up a new socialist government; a civil war ensued for the next 12 years. Peace negotiations began in 1988; this eventually led to UN-organized general elections in May 1993. A new constitution was drafted and a fragile coalition government created (Ledgerwood 1996). In July 1997, however, the coalition collapsed as one co-premier deposed the other through a bloody coup d'etat; a Japanese-brokered peace plan has been forged to hold free and fair elections in July 1998.

Successful economic cooperation in the GMS, however, is ultimately built on enlightened self-interest of participating countries — 'enlightened' because it begins from a recognition of shared interest among participants, and 'self-interest' because in order to be sustainable, the results of cooperation must be seen as eventually serving national priorities (Tan et al 1995). The ADB thus identifies several common interests in the GMS: (a) Mekong River runs through or borders all six countries; (b) Sweeping economic reforms are in place, including a shift from inward-looking to outward-oriented policies; (c) Being resource-rich and highly complementary to fast-growing economies in East and Southeast Asia, the subregion could experience double-digit rates of growth; (d) Intra-regional trade has began to blossom, especially between China and Thailand, Viet Nam and Thailand, China and Burma; this is built on historic trade ties that are already existing; (e) The poor state of infrastructure severely limits trade and commerce; (f) There is a severe lack of internal capital; and (g) Common cultural heritages bind the countries together.

The ADB asserts that by initially focusing on specific projects, even a small readjustment in policy may take place to ensure the success of projects and to sustain and deepen subregional cooperation (Tan et al 1995). Thus, the highly pragmatic and project-specific approach to GMS cooperation has proven to be a brilliant formula for slowly chipping away at that phalanx of cumbersome national laws, regulations and policies — e.g., price controls, fiscal controls, tariff rates, export duties, taxation laws, property ownership, state ownership, subsidies, environmental policies, security issues, judicial systems, labor codes, cross-border movements, etc — notorious impediments all to subregional trade and cooperation. There is no better windfall, outside of profits, from this winning of hearts and minds of major policy-makers and petty pencil-pushers alike through the subregional paradigm shift.

A CASE OF 'ENLIGHTENED SELF-INTEREST'

Initial support for the GMS initiative ranged from very enthusiastic, as in the case with Laos and Thailand, to cautious and lukewarm, as with Cambodia. Subtly reinforcing the emphasis on regional cooperation, however, is the sensible realization that the alternative is unattractive, or potentially dangerous, in a region with decades-long recent history of war and conflicts [Box 5].

Before July 1997 fall, Thai officials see Thailand as the natural hub of the Mekong. Thailand is centrally-located within the region. Thais are the most active investors from within the subregion. Its knowledge of the GMS markets put it as the frontline economy and expansion base into these markets. More importantly, by locating in Thailand, companies can also have the best of both emerging GMS markets plus rapidly growing markets of the more developed ASEAN members (Laohaphan 1997). Thailand, however, is keenly aware of the need to move very cautiously and with great sensitivity as it sees possibilities for its own participation in the development of these transitional economies (ADB 1993a). Furthermore, since its industries have reached higher levels of development, Thailand is widely believed to have plans to create a baht bloc in the subregion. All these notions, however, will, have to be reassessed in the light of Thailand's economic recession, and China's new-found role as an emergent financier in the region. (China contributed some $1 bn to the $17.2 bn IMF-led crisis bail-out to Thailand, putting it at par with Australia, Hong Kong, Malaysia and Singapore.)

Laos wants to play a key linking role for energy and power projects in the region, and in the process become 'another Switzerland' (BP 1996). Laos is especially enthusiastic because it sees such cooperation as the best way to overcome its double handicap of being small and landlocked [Box 6]. Because of its small size, the distinction between national and subregional projects is less obvious for Laos than the other participants (ADB 1993a). Laos also aims to join the WTO after its acceptance in ASEAN in 1997.

Following the collapse of its former markets in the former Soviet Union and Eastern European bloc, Viet Nam realized the need to expand its trade horizons. GMS cooperation forms part of its geopolitical strategy for ensuring peace and attracting western aid — which resumed in 1993 — and foreign investment. Viet Nam, however, is concerned about security, and suggested early on that this should be a strong consideration at the GMS (ADB 1993a). It further warned that regional cooperation should not be taken to mean as a 'free-for-all' for the private sector.

Cambodia is a country still healing from the recent trauma of war and international isolation. Its ability to pursue cooperative activities is severely limited by its financial conditions, as well as government's

BOX 5. SOME TENSION POINTS IN THE GMS

Conflicts between upstream and downstream users of the Mekong. Yunnan plans a 'cascade' of 15 dams, with the first —1500 MW Manwan Dam— already operational. Laos also plans another 20 hydropower 'run-of-river' dams to export power mainly to power-hungry Thailand. Downstream countries, especially Cambodia and Viet Nam, are nervous because China can control the flow of water without consulting them. Cambodia is also concerned about the impact, especially on the Tonle Sap Lake, of ongoing schemes diverting water for irrigation in Thailand. Viet Nam is worried that if water flow is reduced, sea water intrusion would result at the Mekong delta, its rice-exporting bowl.

Ethnic fears, discrimination. Laos is the smallest remaining communist state and the threat of cultural and economic domination at the hands of its larger neighbors —Viet Nam, China and Thailand— has always been a pressing issue (Liquicia 1996). There is a a distinct distrust for the Thais due to their large foreign investments in the region (Bello & Kwa 1997). In Mandalay, Burma, fear of Chinese dominance also prevails; it is being overrun by Chinese who are forcing local citizens into the suburbs. In Thailand, the fear is of Chinese goods rather than people (New Frontiers 1996).

Refugee and other border problems. Along the border, the Thai military confronts some 100,000 Burmese refugees; Thailand is faced with the problem of how to protect its territorial integrity, protect refugees from Burma's junta, and maintain comfortable relations with SLORC. In February 1997, Thai military forcefully repatriated 3,000 Karen refugees, women, children who had fled to Thailand. They also pushed all Karen men back to the Nurmese war zone, inc. noncombatants, civilians, sick and elderly. This action met with criticism from the international community. Laos has its own refugee problem that continues to plague its relations with its neighbors, particularly Thailand; Laos has appealed to Bangkok not to allow Hmong resistance fighters to conduct raids into Laos from sanctuaries in Thailand. (From: Bello & Kwa 1997)

Along the Thai-Burmese border, fighting between Burmese government troops and Karen and Shan rebels has been killing the tourism industry; fierce clashes between Burmese military and rebel forces have prompted Burmese authorities to abruptly close their side of the border crossing without prior official warning.

Similarly, a Thai-Cambodian border checkpoint in Aranyaprathet district opened in June 1993 has since been closed by Thai authorities at least six times, following alleged blackmail and distortion by Khmer officials of Thais along the border. Thai sovereignty is constantly under threat from artillery shells straying into Thai territory from the fighting between government troops and Khmer Rouge guerillas. One bank reported that the $20 million per month cash flow of the flourishing times of border trade has dropped to $1.2 million. (From: TIMT/TERRA 1995a)

Moreover, with border opening, there is mounting evidence that illegal activities — including drug use, smuggling, money-laundering and trafficking of women and children — have been thriving in the borderlands. Thai military have been accused of illegal cross-border trade in gems and timber with the Khmer Rouge. (TIMT/TERRA 1995b; The Nation 1995; Bello & Kwa 1997)

Further west, Viet Nam and China have a centuries-old history of border disputes; they clashed in a bloody 1979 frontier war which resulted in more than a decade of hostility. Diplomatic ties were only re-established in 1991, but the 1,130-km land border is still disputed at more than 200 points along its length (Reuters 1998).

Conflict over three other large watersheds in mainland Southeast Asia, in the context of large-dam construction. The resources of the Salween Basin, while contained completely within one country, are nevertheless coveted by another country's logging companies and electrical power authorities. Questions on watershed catchment boundaries and inter-basin transfers plague the Chao Phraya Basin, though wholly within Thailand. The Red River Basin also faces transnational concerns including the siltation of Viet Nam's Hoa Binh Dam on the tributary Black River due to soil erosion and silt exports from China. (From: Hirsch 1995)

Security concerns at the ASEAN Regional Forum involve, among others, a geopolitical strategy vis-a-vis the quadripolar check-and balance relations, wherein ASEAN seeks to manipulate US military presence to check China and Japan. Beijing looks towards Washington to keep Japan under control, while Tokyo continues to rely on Washington to counter China. Washington cultivates Japan, South Korea and ASEAN to contain the China threat. (From: Bello & Kwa 1997)

BOX 6. GMS COUNTRY PROFILE: LAOS

Laos is an ethnically diverse country of some 50 major ethnic groups. Classified by the UN as a 'least developed country,' the Lao People's Democratic Republic (PDR) is wedged between five countries, the most economically significant being Thailand, China and Viet Nam. For most of their history, the Lao people have been occupied or strongly influenced by their neighbors. The 800-year old monarchy was finally abolished in the power struggles between royalists and the communist Pathet Lao from 1957 to 1973. The Pathet Lao won the civil war and in December 1975 declared the people's republic. At the height of the Indochina conflict, Laos remained neutral only on paper. Today, Laos remains a one-party system, although the political structure has separated some state and party functions, and elected and established a National Assembly to formulate laws and review the budget. (From: Chagnon 1996; Siebert 1992)

preoccupation with rehabilitation and reconstruction. The GMS cooperation, however, is regarded as timely as it will provide a forum that can strengthen Cambodia's position domestically and internationally. Cambodia plans to approach subregional initiatives with caution, and with high regard for national sovereignty (ADB 1993a).

Burma, on the other hand, welcomes the chance to be a part of the GMS subregional initiative. It has long been a pariah in the international community and without access to aid and trade. Its interest in subregional cooperation lies primarily in realizing bilateral economic opportunities, as well as enhancing its bargaining power through a united subregional stance. SLORC (now SPCD or State Peace and Development Council) representatives in GMS meetings claim they would support subregional initiatives in combating narcotics trafficking, the AIDS epidemic, and the development of border areas and ethnic minorities, among others (ADB 1993a).

For China, the GMS offers a link with Southeast Asia, and a chance to develop Yunnan. The Chinese government seems to have overcome an initial fear that membership in such fora might weaken central government control in the province [Box 7]. Further, by making Mekong navigable from Yunnan to the sea, a feat of engineering many believe impossible, China has hopes to forestall Japanese economic dominance in the region (New Frontiers 1996). The government has already committed itself to regional cooperation and to the WTO. China is also actively involved in other subregional cooperation arrangements including the southern China growth triangle and Tumen River delta development, as well as APEC.

In its triple role as facilitator, catalyst and 'honest broker,' the ADB is far from a disinterested or neutral player in the whole process. It stands to rake in multimillion-dollar 'facilitation fees' from potential GMS multibillion-dollar investment deals. On a more positive note, the ADB's involvement in the GMS scheme should bring into the picture the various social and environmental policies already in place at the ADB. These policies should automatically apply in the course of implementing GMS infrastructure projects. In the interim, the participation of the ADB should be able to immediately address weak environmental regimes in GMS countries [Box 8]. ADB's policies include transparency and access to project information, requisite community consultations and 'social acceptability' of GMS projects, as well as subjecting potentially disruptive projects to a rigorous environmental impact assessment or EIA.

BOX 7. GMS 'COUNTRY' PROFILE: YUNNAN

China is still a developing country and Yunnan is relatively backward economically. Yunnan province, with its capital Kunming, is 394,000 sq. km. Yunnan ranks first in China in terms of the number of ethnic groups; 25 minority nationalities comprise one-third of its 37.8 million people. Yunnan has a complicated geomorphology and unique climatic conditions which have given the province exceptionally abundant natural resources. It is variously renowned as the 'kingdom of plants', 'kingdom of animals', 'land of spices', 'treasure house of medicinal herbs', 'a natural garden', etc. (From: Guangfan 1993)

ADB: GETTING ITS HANDS DIRTY IN THE MEKONG

The ADB prides itself as having steered the GMS into a highly pragmatic and results-oriented scheme. It aims to encourage trade and investment among GMS countries; realize and enhance development opportunities; resolve or mitigate cross-border problems; and meet common resource and policy needs. Cooperation is pursued in the spirit of friendship, equality and

BOX 8. A SENSE OF GMS ENVIRONMENTAL REGIMES

CAMBODIA. As investment in the industrial sector grows, its negative environmental impact will increase. Currently, there are no specific environmental guidelines, laws, regulations, or standards to govern the siting, or the technological and environmental practices of industries (Mareth 1997).

LAOS. In terms of the environment, the most severe problem in Laos is how to stabilize the slash and burn cultivation practice; the government has implemented a special program aimed at reducing slash and burn by as much as 50-60% by the year 2000. (Mongkhonvilay 1997) . The country's first environmental law, the National Forest Law of 1996, categorizes forests into 5 types — protection, conservation, production, regeneration, and degraded; for each type, the law stipulates permitted and prohibited uses. A pending 'Prime Minister's Decree on Environmental Protection' (draft circulated in1996; for adoption in 1998) provides a legal framework for environment management of development projects. The decree will establish central and local environmental management authorities, and will restrict acts that degrade the natural resource base or contribute to environmental pollution. It will require that medium-scale investments and above be subject to an EIS, or environmental impact statement. The Law on Water and Water Resources (October 1996) establishes a basis for classifying water according to use, defining catchments, and setting out requirements for EIA for any 'large-scale uses', inclusive of construction of water reservoirs for the purpose of irrigation, consumption and energy production. (From: Seatec International 1997)

VIET NAM. Enacted in January 1994, the EIA requirements for development projects are described in the Law on Environment Protection. If projects are of national importance, EIA reports need to be evaluated by the National Environment Agency (NEA); smaller projects are reviewed by provincial governments. The preparation of the EIA report is usually undertaken by the project proponent with assistance from a limited number of qualified environmental research and training institutes in Viet Nam. A recent ADB Technical Assistance project has helped to develop draft EIA procedures which are currently under review by government. These are related to: cement manufacturing and mining operations; thermal power plants and power transmission lines; road construction; and industrial park development. (*From:* Hans 1996)

BURMA. An inter-ministerial National Commission for Environmental Affairs was formed in February 1990 to formulate environmental policies and strategies and to coordinate environmental matters (ADB 1993a).

TABLE 3. ADB-ASSISTED GMS INVESTMENT PROJECTS, 1991-1997

COUNTRY	LOAN NO.	PROJECT NAME	AMOUNT ($US million)	DATE APPROVED
Cambodia	1503	Siem Reap Airport	15.0	12 Dec 1996
PRC	1325	Yunnan Expressway	150.0	29 Sep 1994
Lao PDR	1234	Sixth Road Improvement Project	26.0	1 June 1993
Lao PDR	1266	Airports Improvement	15.0	18 Nov 1993
Lao PDR	1329	Theun Hinboun Hydropower	60.0	8 Nov 1994
Lao PDR	1369	Champassak Road Improvement	48.0	31 Aug 1995
Lao PDR	1456	Nam Leuk Hydropower	52.0	10 Sep 1996
		TOTAL	366.0	

Source: ADB 1997a.

mutual benefit. The 'six-minus-one' principle adopted by the GMS means that subregional projects can involve any number of countries, and not necessarily all six. The GMS program has followed a building-block approach in seven key sectors: transport, energy, telecommunications, environment and natural resources management, human resource development, trade and investment, and tourism.

As a third-party facilitator, the ADB provides a forum for policy cooperation, project identification, and mobilization of financial resources, as well as facilitating the establishment of institutional arrangements (Tan et al 1995).

The current priority subregional projects, numbering 100, is estimated to cost a total of $40 billion (Pante 1997a). Roughly $100 billion will be needed for the period 1998-2010 to construct new GMS generation and transmission projects in the energy sector (ADB 1997b). According to the ADB, the private sector clearly needs to step in. As an 'honest broker' between its member governments and foreign investors, the ADB has in the process effectively repackaged itself as a 'multinational' development bank, ready to bridge the resource gap between public sector needs and multinational private sector capacities. This is not at all a bad strategy for the ADB in the light of dwindling official funds for large infrastructure investments and a continuing need to maintain its relevance as a development institution in the region.

By end-1996, the ADB's own 'catalytic' investments and financing operations in the GMS has reached roughly $20 million in technical assistance grants and $366 million in loans [Table 3]; $300 million more is in the pipeline for GMS projects within the next 3-4 years. An additional $200 million has also been mobilized from other sources (ADB 1997a). Aside from these GMS-related loans and grants, ADB's regular lending operations in GMS participating countries will reach roughly $2 bn yearly; of the total amount, $1.2 bn will go to China [Table 4; Annex A]. Moreover, ADB approved an unprogrammed $300-million 'financial market reform' loan for Thailand in December 1997 as part of the $17.2 bn IMF-led rescue package to the financially-beleaguered economy. Although already tremendous, the amounts generated thus far is a mere two percent of the total projected financing costs for the priority GMS projects. The ADB clearly needs to work double-time to achieve more significant results in the GMS scheme.

TABLE 4. ADB'S LENDING OPERATIONS IN GMS COUNTRIES, 1995-1998.

GMS 'COUNTRY'	AMOUNT OF LOANS (US $)			ANNUAL LENDING (US$) 1996-1998
	1995	1996	1993-1996	
BURMA	No loan has been provided since 1986.			
CAMBODIA	45 M (2 projects)	105 M (5 projects)	180 M	80 M
LAO PDR	93 M (4 projects)	92 M (3 projects)	316 M	75-95 M
PRC	1,201 M (10 projects)	1,102 M (11 projects)	4,500 M	~1,200 M
THAILAND	330 M (2 projects)	330 M (4 projects)	3,700 M[a]	300-400 M
VIET NAM	233 M (4 projects)	333 M (5 projects)	967 M	300-350 M
TOTAL	1,902 M (22 projects)	1,962 M (28 projects)	—	1,955-2,125 M

[a] For total no. of projects (71) as of Dec 1996.

Sources: 1995, 1996 ADB Annual Reports; ADB Country Programming Notes, 1996-98.

GMS MILESTONES AND KEY RESULTS

What has been done to in the GMS? By end-1997, the ADB has already supported several subregional consultations and high-level conferences [Box 9; Annex B], commissioned seven (7) sector studies, identified about 100 subregional projects, financed seven (7) selected projects in different areas and sectors, and has helped mobilize financial flows from official and private sources. The ADB has also reported 'substantial progress' made since 1992, with results surpassing expectations of the GMS originators: (a) agreements reached on framework and guiding principles of cooperation; (b) institutional mechanisms for cooperation established; and (c) high priority projects implemented or entering the implementation phase (ADB 1997a; Pante 1997c).

Furthermore, GMS member governments have shown a stronger commitment to the GMS initiative through their cooperative unilateral or bilateral actions. The ADB reports that the scope and scale of GMS have also expanded gradually, and reflected 'full ownership' by GMS participating countries. From the original focus on transport and energy infrastructure, the growing list of GMS concerns has now included environmental issues, trade and investment facilitation and human resource development.

GMS institutional arrangements are already in place, consisting of: (a) a Ministerial-level Conference that provides overall policy direction and sets priorities; (b) sectoral forums and working groups, currently numbering nine [Box 8]; and (c) National Coordinating Committees with a National Coordinator designated for each country. Within the ADB, a GMS Unit was formally created in July 1996. The Units provides advisory, technical and administrative support. The set-up is not rigid but quite flexible, as countries have avoided being saddled with too much bureaucracy (ADB 1997a; Pante 1997c).

ADB also preens about some strategic 'firsts' in the GMS. For instance, the Theun-Hinboun hydropower project in Laos, dubbed by the ADB as the 1997 'finance deal of the year,' marked the first time that the Lao government embarked on a joint venture with private sector firms to finance, build and operate a power plant. ADB has claimed this endeavor represents 'a new way of thinking' for the government, as well as an increased private sector confidence in Laos.

BOX 9. GMS MINISTERIAL CONFERENCES AND WORKING GROUPS

MINISTERIAL CONFERENCES

1st- MANILA (OCTOBER 1992)

- Initial discussions on potential benefits of GMS, with priority on transport and energy infrastructure projects
- Phase I funded by RETA 5487 ($270,000)

2nd- MANILA (AUGUST 1993)

- Agreed on pragmatic approach
- Endorsed initial set of priority subregional road transport projects
- Start of Phase II funded by RETA 5535 ($4.0 M), supplemented by $1.26 M in Oct 1994

3rd- HANOI (APRIL 1994)

- Movement from conceptual stage to a results-oriented action plan
- 77 subregional projects endorsed for implementation or feasibility study assessment
- Transition to 'full ownership' by participating countries
- Increasing donor attendance reflect growing international support

4th- CHIANG MAI (SEPTEMBER 1994)

- Creation of working groups/ forums and a Ministerial-level GMS mechanism

WORKING GROUPS / FORA

1- PRIVATE SECTOR FORUM (PSF)

- First GMS Forum created
- Organized fora on *Investment Opportunities in GMS* in: Bangkok (Nov 1994), Tokyo (Feb 1995), Seoul (Mar 1996), and Frankfurt, Germany (May 1996)

2- SUBREGIONAL TRANSPORT FORUM (STF)

- Inception Meeting in Burma (April 1995)
- Laos, being at the centre, agreed to consider opening its borders in Aug 1995
- Milestone in 'software' aspects when border opening policies were discussed in Dec 1996
- Agreed on a 2-step plan towards elimination or reduction of barriers impeding movement of goods and peoples

3- SUBREGIONAL ELECTRIC POWER FORUM (EPF)

- Inception Meeting in Burma (April 1995)
- Milestone in shift from a self-sufficiency approach to more integrated energy development

4- TOURISM SECTOR WORKING GROUP (TWG)

- Inception Meeting in Bangkok (April 1995)
- One of busier WGs in GMS
- 1st Tourism Forum held in Pattaya in 1996

5th- MANILA (NOVEMBER 1995)

- Conclusion of planning phase
- Start of implementation phase (Phase III) funded by RETA 5693 ($3.0 M)
- GMS governments encouraged to request official donors for aid to GMS, provide a legal/ regulatory environment conducive to private sector involvement
- MRC and OECD attended for first time

6TH- KUNMING (AUGUST 1996)

- Announced subregional power transmission project
- Review of other Mekong initiatives and mechanisms for coordination; GMS countries requested ADB to continue coordinating role
- Agreed to carry out long-term GMS 2020 collaborative study

7th- MANILA (APRIL 1997)

- Agreed to focus more attention on 'soft' issues
- Advocated a human resource development focus
- Ministers held separate meetings with donor community and GMS business sector for the first time; these will be featured regularly in future meetings
- Endorsed the creation of a GMS Business Forum to serve as the official voice of the private sector
- Endorsed a plan of cooperation with NGOs to address social and environmental aspects

5- SUBREGIONAL TELECOMMUNICATIONS SECTOR FORUM (STCF)

- Created at 5th Conference (Manila 1995), where China opted not to join

6- WORKING GROUP ON ENVIRONMENT (WGE)

- Created at 4th Conference (Chiang Mai 1994)
- An advisory rather than decision-making body; welcomes NGO contribution in this spirit as initiated in Oct 1995

7- SUBREGIONAL INVESTMENT WORKING GROUP (SIWG)

- Inception Meeting in Bangkok (Dec 1995)
- A vehicle for investment promotion and cooperation related to regulatory framework for investment
- Proposed creation of a GMS network of chambers of commerce and industry

8- HUMAN RESOURCE DEV't WORKING GROUP (HRD-WG)

- Created at 5th Conference (Chiang Mai 1994) to address training needs, financial and staff resources for higher education, etc.
- First meeting in Dec 1996

9- TRADE FACILITATION WORKING GROUP (TFWG)

- Most recent forum created in April 1997
- First meeting in Dec 1997

With ADB's aggressive push and marketing, the GMS has been 'put on the map' of emerging economies. In a short span of four years, GMS as an economic entity has caught the attention of developing and developed countries, as well as the international business community (Pante 1997a). Donors started attending GMS meetings in 1994; the Mekong River Commission and Organization for Economic Cooperation and Development (OECD) attended for the first time in 1995. The World Bank's Foreign Investment Advisory Service (FIAS) co-organized with ADB a GMS Subregional Investment Working Group (SWIG). A GMS Chamber of Commerce and Industry was initiated by ESCAP in September 1996, and has been formally meeting with GMS Ministers on a regular basis. ADB's pioneering work in the field has been held in high esteem by colleagues in the private sector (Nakajima 1997b; Panpiemras 1995).

The challenges that ADB and GMS countries will face in future involve 'soft' issues of cooperation — i.e. policy-related matters on cross-border movements of goods and services — and raising the huge amounts of financial resources needed to implement the subregional cooperation (ADB 1997a). Social and environmental concerns hitherto absent in the GMS framework are now being integrated into GMS formula. A process of dialogue and strategy for collaboration with NGOs has also been initiated. Stronger cooperation with the business sector is in the immediate agenda, with the creation of a network of private sector institutions (both domestic and foreign) to encourage investment cooperation. With a great number of infrastructure programs currently in operation at the GMS, intensified competition for financial resources and distribution of costs and benefits among interested parties might create difficulties for regional economic cooperation in future. Streamlining and better coordination among these various programs and projects, as well as their cumulative impacts, needs to be seriously addressed.

SOME HARD FACTS ABOUT THE GMS

The GMS has a land area of around 2.3 million sq. km. and an estimated combined economy of $200 bn; by 2020, the population will grow by more than 100 million (Pante 1997b; ADB 1997a). ADB estimates that in less than 15 years, the GMS could achieve an average per capita income of more than triple the present level. Economic growth is largely consumption-driven; most investments are concentrated on the capital and service sector. GDP growth rates in the GMS have been 7-8% annually in the last 3-4 years. [Annexes C-G also show other economic indicators of the GMS — including inflation and GDP growth rates, exports, top foreign investors and major investment sectors, salient features of foreign investment laws and investment climate.]

Economic indicators in 1996 [Table 5] show a great disparity between Thailand and other GMS countries. Except for Thailand, per capita income in the GMS remains low at under $300, and the countries are very poor. Per capita GDP for Burma and Viet Nam is only one-tenth that of Thailand, and for this reason, Thailand will exert considerable influence on Cambodia, Laos and the others. With the exception of Thailand, the economies of other countries depend substantially on agriculture — more than 70% of all jobs are in farming. In the UNDP's 1995 human development index — an indicator of basic well-being — Laos ranks 138th out of 174 nations, Cambodia 153rd, Viet Nam 120th, and Thailand 58th (Liquicia 1996). The economic slump in Thailand and the rest of Asia due to the financial crisis will surely affect the projected growth potential in the GMS. At this stage, even high-performing China is not immune to the plague. Its 1998 growth rate was expected to dip to 8-10%, down sharply from the 21% reported in 1997 (DPA 1998).

In the transitional economies, economic reforms has not brought about an alleviation of poverty of the majority in society. High growth indicators refer only to the scope and speed of development, and not to its quality and direction. As with many countries in transition, social structural adjustments have not matched economic reforms, leaving large gaps in social services and human resource development. The social costs of adjustment have been severe, and the literature is replete about women especially bearing the brunt [Box 10].

Viet Nam currently experiences environmental and social due to unregulated or inadequately regulated resource exploitation and industrialization (McDonald 1995). Major social problems include: high unemployment or underemployment, acute poverty, widespread health problems, weakened education systems due to fiscal restraints (threatening the country's impressive gains in the past 30 years), and the increasing urban blight. Environmental problems are related to the degradation of the natural resource base that is essential for food

TABLE 5. THE GREATER MEKONG SUBREGION: SELECTED ECONOMIC AND SOCIAL INDICATORS FOR 1996

	CAMBODIA	LAOS	BURMA	THAILAND	VIET NAM	YUNNAN
Population						
Million	10.6	4.7	45.5	60.1	75.6	40.5
Growth (% 1990-96)	3.4	2.2	1.9	1.2	2.2	1.6
GDP (US$ billion)	3.1	1.8	10.0	184.0	24.0	13.0
GDP/capita (US$)	295	390	250	3,100	320	400
Real GDP growth, %	6.0	7.5	6.0	6.7	9.5	11.2
Savings, % GDP	5.7	13.6	--	34.5	17.6	39.3[b]
Investment, % GDP	19.6	30.3	23.9	42.8	29.5	39.6[b]
FDI ($ million)						
Disb. (1996)	171	112	--	1,971[c]	2,300	--
Disb. (1992-96)	402	287	--	7,142[c]	5,920	--
Inflation rate, %	10.0	12.8	25.2[a]	5.9	6.0	6.1[b]
Export growth, %	13.6	-9.5	9.0	-0.1	30.4	1.5[b]
Import growth, %	16.8	15.1	6.0	3.3	35.2	5.1[b]
Current account deficit, % GDP	13.9	17.9	6.4[a]	8.2	11.9	0.3[b]
External debt, % GDP	20.7	43.3	70.0[a]	44.0	38.2	13.3[b]
Fiscal balance	-7.0	-9.1	-4.3[a]	2.5	-0.9	-0.2[b]
Revenue, % GDP	9.0	13.0	6.0	18.3	22.5	10.8[b]
Expenditure, %GDP	16.0	22.1	8.6[a]	16.0	23.4	11.0[b]
Life expectancy	38 (1992)	55 (1992)	62 (1992)	69 (1990)	65 (1992)	69 (1990)[b]
Infant mortality, per 1000 live births	117 (1992)	125 (1995)	98 (1992)	36 (1993)	38 (1994)	30 (1993)[b]
Maternal mortality, per 100,000 births	700-1500	656	123	--	110	--
Adult literacy, %	38 (1992)	50 (1992)	82 (1992)	93 (1990)	92 (1992)	63 (1990)[b]
Access to safe water, % population	37 (1995)	36 (1995)	32 (1992)	72 (1991)	30/70[d] (1992)	71 (1991)[b]

[a] 1995 figures; [b] Figures for People's Republic of China; [c] Disbursements are to the end of 1995; [d] Rural/urban split.

Sources: ADB (1997a); Stensholt (1997).

production, biodiversity and subsistence livelihoods. Furthermore, a new 'poor underclass' has emerged who are different from the pre-doi moi poor who are not able-bodied nor able to support themselves with their own labor (Grady 1993 cited in McDonald 1995). Households which lack sufficient labor, have many dependents, whose landholdings are poor and who lack access to cash and loans, are becoming an underclass of poor that are being left behind. At the village and household levels, two core problems cause severe economic stress — food insecurity and unforeseen crisis such as ill health.

Even with economies opening up, a similar loosening in political structures and Party controls has not been not evident. Burma and China still hold notorious track records in human rights violations and political repression, especially on ethnic minorities; regular crackdowns on pro-democracy movements — the most notorious of which is the Tiananmen massacre in Beijing — are commonplace. After a decade of village elections in China which began in 1988, experts still debate whether these elections really contribute to democratization in China; the Communist Party boss for the village still remains as the ultimate power (Friedman 1998).

The recent power grab in Cambodia by a ruling co-premier is witness to the shaky political coalition set in place by the 1993 UN-organized elections. The year 1997, however, also marked what a prominent Cambodian NGO leader calls a "renaissance of Cambodian democracy and human rights awareness" — with the growing factory workers' movement, an increasing number of Khmer-language newspapers, more freedom of expression in the cities, a strong stand exhibited by political parties, opposition voices within the National Assembly, outspokenness of Cambodian expatriates in both politics and NGOs, and a growing number of peace-oriented organizations and people's participation in the Dhammayietra Peace March (CDRI 1997).

In Laos, there is no suggestion of the Party structure's loosening control of the media and public opinion, nor is a multi-party system discussed openly. Anyone criticizing the government or demanding that intellectual life be opened up is persecuted (Siebert 1997). In one instance, the government was reportedly 'disappointed at some NGOs' which have been very critical of its large foreign-funded

BOX 10. INDOCHINA: IMPACT OF THE TRANSITION ON WOMEN

CAMBODIA. More men than women died during the Khmer Rouge period and the war, which has had a significant impact on the sexual division of labor. Women are doing more of the work in virtually every field — agriculture, industry, the government bureaucracy, and in marketing. Given the 'surplus' of women, it has been argued that women's status has declined in recent years. (1) Lower bride-prices are offered in marriage arrangements, men marry women and then abandon them, many women choose to become second and third wives rather than stay unmarried, and many women are forced into prostitution to survive. (2) This latter problem was exacerbated by the demand for sex workers on the part of UNTAC's (United Nations Transitional Authority in Cambodia) international staff, which included more than 22,000 persons. (3) Furthermore, some of the protections and benefits of the social system for women have been lost in the transition to capitalism, though it is unclear just how well some of these protections actually functioned in the 1980s. (4) Women who worked for state enterprises which have been privatized have been displaced. (From: Ledgerwood 1996)

LAOS. Social structure adjustments in Laos have not matched economic ones, leaving gaping holes in social services and human resource development, especially for the 80% of women and girls living in rural Laos. As the economic transition continues, women are diversifying their roles and entering into sectors other than agriculture. (1) Women comprise 95% of the labor force in the burgeoning garment industry, the sector with the second largest export earnings and the largest employer of female urban labor; violations of the 1994 Labor Law, however, are frequent in most of the small to medium-size foreign-Lao joint ventures. (2) The surge in hotels, restaurants and nightclubs is drawing rural women into the cities to look for employment opportunities, some of which involve risk behavior and introduce social problems. (3) As markets begin to reach the rural areas, women have been operating as the majority of farm-to-market traders and petty business entrepreneurs. (4) Women are also breaking numerous cultural barriers against their participation in public life by emerging as innovative agents of rural development. (5) Retrenchment in the civil service, however, has reduced employment possibilities. (6) Economic reforms have also reduced state subsidies for social services and have brought new pressures that bear upon women that could easily reverse traditional strengths of women's roles, new legal rights and recent economic gains. (7) Furthermore, certain business ventures in hydropower, industrial plantations, agro-industrial farms and mining operations are having socio-economic impacts on rural and remote areas, where the most disadvantaged women dwell and who are the least able to cope with change and mobility. (From: Chagnon 1996)

VIET NAM. Vietnamese women gradually achieved prominence in society since the1930s in the resistance movement against French occupation, and during subsequent decades of war, although traditional Confucian values remain. With the transition and reforms process, many socio-economic indicators provide evidence that gender disparities are increasing. The status and social gains made by women are beginning to erode as the market economy evolves. (1) Viet Nam's reform process has resulted in rapid changes to family life, where women are bearing more of the negative impacts than men. There is an increase in the number of hours women work, a reflection of both the decrease in government-supplied social services and increased emphasis on production activities. (2) Privatization of state-owned enterprises and downsizing of public service has sharply increased unemployment since 1986, with female workers bearing the brunt; a 1990 Viet Nam Women's Union survey of workers released from public sector jobs in Ho Chi Minh City indicated that 69% of those laid off were women. (3) After years of cooperative and communal production, the household has returned to its historic position as the main unit of production, resulting in a rapidly growing informal sector and increased potential for earning independent incomes for women. (4) Transition to market economy and erosion of social safety nets has forced many impoverished women into prostitution; there is a growing threat of prostitution, drugs and AIDS. (5) Women's political representation has decreased. (6) Women's right to land remains unclear as land titling tends to favor male heads of households. (From: McDonald 1995) projects (e.g. Nam Theun 2 dam) and have caused 'international embarrassment' to Laos (Minavanh 1997). The government later questioned the activities of Lao-based international NGOs and expressed concern that 'some NGOs are becoming involved in political issues.'

In Viet Nam, the government remains intolerant of dissent. Press censorship continues, with several newspapers being forcibly shut down for reporting corruption cases. Steps to restrict internet access are being studied. There are new decrees to battle 'social evils' that place heavier restrictions on karaoke bars, massage parlors, and video stores (Bello & Kwa 1997). Viet Nam officials, however, claim that with doi moi, mass media has been given 'unprecendented freedom' to report on accounts of government operations and to disseminate information to the public; furthermore, a new government policy on human rights has been drafted reportedly backed by grassroots support (Oanh 1995).

The Mekong Under Siege: GMS Projects Underway

Since the first GMS project loan (Sixth Road Improvement Project in Laos) was approved by the ADB in June 1993, only one project has been completed (Theun-Hinboun

BOX 11.
7 KEY GMS SECTORS

TRANSPORT
Road transport
Railway transport
Water transport
Air transport
Institutional

ENERGY
Power generation and transmission
Natural Gas Transmission
Institution-building

ENVIRONMENT
Institution-Building
Management of wastes and hazardous substances
Management of natural resources

HUMAN RESOURCE DEVELOPMENT

TRADE AND INVESTMENT
Facilitating and enhancing trade flows
Improving investment climates
Building a strong science and technologybase
An increasing role for the private sector

TOURISM

TELECOMMUNICATIONS
Transmission Projects, Studies

Hydropower in Laos) and at least five others will be in more advanced stages of implementation by early-1998. Five out of the seven GMS projects were invested in Laos, but Yunnan got the lion's share at almost 50% of total amounts invested. Table 6 summarizes the estimated costs of high-priority GMS projects by sector.

Special emphasis is given here to the transport and energy infrastructure projects which are the priority sectors identified in the GMS scheme. Tourism also deserves some significant mention, as it is in this area where the GMS private sector has been most active so far. And an emerging GMS Trade and Investment sector and the consequent freer trade and more liberal investment climates is clearly 'payback' time for all the goodwill, trust and dollar amounts invested by the ADB (and other donors) in the GMS.

TABLE 6. COST ESTIMATES OF GMS PRIORITY PROJECTS BY SECTOR (AS OF JUNE 1997)

SECTOR	NO. OF PRIORITY PROJECTS	COST ESTIMATES
Transport	34	$ 11.9 - 15.4 billion
Energy	12	$4.5 billion
Environment	5	$13.4 million
Human Resource Development	10	To be determined
Trade and Investment	4	> $300,000
Tourism	7	To be determined
Telecommunications	18	To be determined
TOTAL	90	~ $ 40 B

BOX 12. HIGH-PRIORITY GMS TRANSPORT PROJECTS

ROAD PROJECTS

R1 Bangkok-Phnom Penh-Ho Chi Minh-Vung Tau Road
R2 Thailand-Laos-Vietnam East-West Corridor
R3 Chiang Rai-Kunming Road Improve-ment Project via Burma and Laos
R4 Kunming-Lashio Road System Improvement
R5 Kunming-Hanoi Road Improvement Project
R6 Southern Laos-Sihanoukville Road Project
R7 Lashio-Loilem-Kengtung Road Improvement
R8 Southern Yunnan Province-Northern Thailand-Northern Laos-Northern Vietnam Road Improvement
R9 Northeastern Thailand-Southern Laos-Northeastern Cambodia-Central Vietnam Corridor Project
[R10 Southern Coastal Road]

RAILWAY PROJECTS

RW1 Yunnan Province-Thailand Railway Project
RW2 Yunnan Province-Vietnam Railway Improvement
RW3 Thailand-Cambodia-Vietnam Railway Project
RW4 Extending Subregional Railway Network to Laos through the first International Mekong Bridge
RW5 Project to extend the Subregional Railway Network through the first International Bridge
RW6 Project to provide Northeastern Thailand-Laos Railway Links
RW7 Railway developments connected with mineral development in Laos
RW8 Thailand-Burma-Railway Project

WATER TRANSPORT PROJECTS

W1 Upstream Lancang-Mekong River Navigation Improvement Project
W2 Mekong Delta Navigation Improvement Project
W3 Red River Navigation Improvement Project
W4 Southern Laos-Cambodia Navigation Improvement
W5 New Phnom Penh Port Develoment Project
W6 Sihanoukville Port Improvement Project
W7 Central Vietnam Port(s) Improvement Project
W8 Cai Lan Port Development Project
W9 Thi Vai-Vung Tau Port System Development
W10 Yangon-Thilawa Port Improvement

AIR TRANSPORT PROJECTS

A1 Cambodian Airports Improvement Project
A2 Yunnan Province Airports Improvement Project
A3 Myanmar Airports Improvement Project
A4 Second Bangkok International Airport Project
A5 Vietnam Airports Improvement Project
A6 Project to Establish New Subregional Air Routes

GMS TRANSPORT PROJECTS: STATUS, 'sOFTWARE' ISSUES AND POTENTIAL IMPACTS

Within the GMS, transport is accorded the highest priority for cooperation, and within transport, the roads subsector. Thirty-four transport projects (road - 9; railway - 8; water - 10; air - 6) at a total estimated cost of $12 -15 billion are in various stages of implementation [Box 12, Annex I]. As of end-1997, at least three (out of nine) road projects were in an advanced stage of implementation: Bangkok-Phnom Penh-Ho Chi Ming-Vung Tau (R1), Champassak Road Improvement in Cambodia (R6), Yunnan Expressway (R4).

GMS transport projects are needed to encourage trade in goods and services and to facilitate movement of business and tourist passengers. Furthermore, in order to generate sufficient traffic to justify these investments, it is necessary to eliminate barriers to trade in bulk commodities (Padeco 1995).

- Road transport is the dominant mode for freight transport in the GMS. Excepting Thailand, the quality of road infrastructure is generally poor to fair, and will be unable to support the volumes of traffic anticipated if economic growth continues at a rapid pace (ADB 1997a). In all GMS countries, the market share of private operators in the roads subsector has been increasing, following deregulation of the industry.
- The railway network in the GMS, except for Thailand and Yunnan, are generally in poor condition; Laos has currently no railway system. Railways move bulk loads or large numbers of passenger over long distances and provide an important alternative transport mode in the region (ADB 1997a), including resources from the immense and largely untapped mineral lands of Yunnan, northern Laos and Burma. Mining developments are now market-driven, targeting Pacific Rim markets (e.g. Japan); the location of railway projects will depend upon existing mining projects (Padeco 1995).
- Inland water systems in the GMS largely serves domestic traffic, although the Mekong and its tributaries and delta have potential for serving international trade (ADB 1997a). Port projects will provide increased employment opportunities, international trade and facilitate movement of goods and peoples. Although cost-effective, inland water systems involve complex environmental and other issues linked to these projects and need exhaustive studies before actual implementation (Padeco 1995).

- Air transport will allow business and professional persons to link with trading partners and external sources of technology, and will also facilitate tourism, a potentially important source of foreign exchange (ADB 1997a).

The outward-looking nature of GMS transport projects is evident in the various schemes to connect landlocked countries to the sea and eventually to markets beyond the subregion. Railway projects, for instance, have elicited strong Japanese interests since 1975, mainly for export of iron ore from Laos mainly to Japan through the Vietnamese port of Cua Lo. The facilities at Sihanoukville Port in Cambodia (W6) will be improved, mostly with Japanese aid, to promote the development of an Export Processing and Free Trade Zone. Furthermore, road projects that traverse low-income areas will create an immediate opportunity for local farmers to shift from subsistence to cash crop production.

Although Cambodia, Laos and Viet Nam have stressed the importance of feeder roads from the major subregional roads to stimulate the economy in remote areas, these are clearly not a priority. In Viet Nam, for instance, the rural transport network is too fragmented and many small bamboo 'monkey' bridges still exist (Tan Man 1997). A sustainable transport network in the flood submerged areas for the whole Mekong Delta should also take full account of the positive effects of flooding — e.g. transport of alluvial soil for agricultural fields and farms, washing the alum, increasing the fertility level, and exploitation of fish farming. It is also necessary to mobilize contributions from local people and national resources to upgrade canals for waterway transport, and to electrify hamlets and villages and other public welfare facilities.

'Software' as a critical success factor. According to the ADB, 'software' elements of the subregional transport system entail only about 2-3% of project costs, and yet are 'critical success factors'. These 'software' issues that need to be resolved within the GMS include: facilitation of transport and trade across international boundaries; successful completion of transformation from centrally planned to more market-oriented economies, including opening up of transport sector to competition; recovery of infrastructure costs through user charges; forging of shipping, transit agreements, etc. (Padeco 1995). The GMS Subregional Transport Forum (STF) has

BOX 13. SOME 'SOFTWARE' AGREEMENTS ON GMS TRANSPORT

- In a major breakthrough, Laos agreed at the Second Subregional Transport Forum Meeting (August 1995) to consider opening its borders to ensure that the GMS scheme can proceed. Laotian agreement is essential, being strategically located among Burma, Cambodia, Thailand and Viet Nam. (Laos has previously taken a more reserved position fearing it would become a mere transit point.)
- Bangkok-Phnom Penh-Ho Chi Minh City-Vung Tau Road project (R1) and Thailand-Laos-Vietnam East-West Corridor (R2) will be used as pilot projects on the mitigation of non-physical barriers to cross-border movement of goods and peoples in the GMS.
- A draft cross-border agreement is being negotiated between Cambodia and Viet Nam in connection with R1.
- China and Laos have officially opened their border to highway traffic for the Houei Sai-Boten section of Chiang Rai-Kunming Road Improvement (R3).
- China and Viet Nam have agreed to resume direct railway between the two countries starting in February 1996, related to Yunnan Province-Thailand Railway (RW2).
- Bilateral agreement between Thailand and Laos on railway link has been initiated but yet to be finalized, in relation to the Project to Extend Subregional Railway Network to Laos thru the First International Mekong Bridge (RW4).
- GMS water transport projects also include navigation agreements: (a) W1 - the four Mekong River Commission (MRC) countries — Cambodia, Burma, Laos, Thailand — have forged an agreement to promote water transport in the Upper Lancang/ Mekong River for signing within 1997; and (b) W4 - implementation of a navigation agreement between Laos and Cambodia.
- Rehabilitation of Route No. 9 to provide better link between Thailand, Laos, Viet Nam, to harmonize customs systems, motor vehicle insurance systems, and drivers' license systems, for final negotiation by end-1996.
- Yunnan's GMS transport-related initiatives: (a) Has opened air routes from Kunming-Bangkok, Kunming-Hanoi, Kunming-Vientiane, and Kunming-Singapore, aside from Kunming-Bangkok; (b) Will open up shipping on the Mekong-Lancang River — China and Laos arranged a co-investigation of the 701-kilometre river course from Jinghong (Yunnan) to Luang Prabang (Laos) in 1991, and in 1993, China, Laos, Burma and Thailand undertook a joint investigation in the upper reaches of the Mekong; (c) Has improved the road from Kunming to Bangkok within Yunnan; (d) Yunnan has open door policy on developing the water resources of the Lancang River; (e) China and Yunnan province actively support the 'Economic Cooperation in the GMS'; (f) Since China has become a 'Dialogue Country' of the MRC, Yunnan will take part in relevant activities (Shishong 1997).

BOX 14. ADVERSE SOCIAL/ENVIRONMENTAL IMPACTS OF SPECIFIC GMS TRANSPORT PROJECTS

- Projects with some 'road realignments' (or almost similar to new construction) — e.g. R3 and R4 — involve a considerable amount of tree-cutting, and will adversely affect well-preserved forest resources in the project areas. Some residents in small villages (e.g. Burma portion of R3) may need to be relocated as a consequence of road widening and drainage works.

- R4, or the historic 'Burma Road' (also known as the 'Southwest Silk Road'), serves as an important trading route between Yunnan and Burma. The respective governments are investing in a number of agricultural, industrial and tourism programs in the project area to maximize its development potential. However, significant environmental and social impacts are expected since the project traverses through well-preserved forest areas with local inhabitants.

- R6 linking Laos and Cambodia will provide landlocked Laos with access to a deep-sea port through a third country (in addition to Thailand and Viet Nam), and in the long-term will provide Cambodia with direct access to China through Laos. (USAID is upgrading the Phnom Penh-Sihanoukville portion which is considered to be the most important road in Cambodia.)

- Three high-priority inland water transport projects (W1, W2, W4) involve serious environmental and social impacts. A summary environmental assessment for W1 found that the project may cause serious environmental impacts, including possible aquacultural and agricultural impacts as far downstream as the Mekong Delta, eventual river bank erosion and downstream flooding.

- Cai Lai Port Development Project (W8), located in world-renowned Halong Bay (Viet Nam) might result in adverse impacts on aesthetic values, air and water pollution, and threats to a mangrove colony. [From: Padeco 1995]

agreed on a two-step plan towards the elimination or reduction of barriers which impede movement of goods and peoples across borders. By mid-1997, several 'software' agreements have already been reached within the GMS [Box 13].

Adverse social and environmental impacts. The ADB's own transport sector study (Padeco 1995) warns against adverse social and environmental impacts associated with the implementation of GMS transport projects [See also Box 14]:

- Most GMS road (and other transport infrastructure) projects have severe impacts especially due to the destruction of pristine forests, encroachment on precious ecology and on historical and cultural monuments. It should also be strongly noted that improved roads will enhance access on mountainous sections for illegal logging activities.
- GMS railway projects will have significant impacts that also include increased air and noise pollution. World Bank experience in railway projects shows that after implementation, about half experienced increases in traffic, while half showed stagnation or decline. Other constraints include: likelihood of generating sufficiently high levels of traffic (especially in sparsely-populated Laos); removal of non-physical barriers to trade; introduction of technical and administrative complexity of a railway system in a small country (e.g., Laos).
- 'Navigation improvement' projects involve serious environmental and social impacts, including dredging, rock/reef explosion, shoal realignments, river bank erosion and sedimentation changes, increased potential risks of oil spills, disappearance of beautiful rocks, impacts on downstream flood control, and human resettlement. Other adverse social effects of port projects include relocation of people and spread of HIV/AIDS (e.g. through long-haul truck drivers).

Moreover, other potential hazards of transport projects and 'software'-related issues have been identified:

- Road construction introduces associated new concerns such as prostitution and STDs including HIV/AIDS (Chagnon 1996). In Laos, with the opening up of border trade and increased road construction by foreign companies, prostitution, although culturally not acceptable, is on the rise. Before, women and men from the local area made up the road crews; increasingly, the crews consist of migrant men from neighboring countries who are without their families. As foreign and Lao mobile construction crews move into remote areas without health facilities and with little or no public education about STDs, there are growing concerns about organized prostitution and casual sexual relations; both can spread STDs including HIV/AIDS quickly.
- Special consideration should be taken when constructing roads in certain southern and central zones in Laos, as wartime ordinance

and residues of chemical defoliants remain serious hazards and may cause adverse health concerns (Chagnon 1996). Women are often the main laborers engaged in digging along roadsides with hoes, which characteristically detonate 'bomblets' that cause the most injuries and deaths. Research also shows that defoliant toxins in the soil affect women's health and birthing processes, producing fetal mutations and stillbirths.

- 'Unofficial trade' or smuggling of drugs (and its use), arms, logs, jade and other gems, and trafficking of women have also increased with open borders and new roads [Box 15]. A top honcho at the ADB earlier brushed aside concerns that a well-developed road network in the subregion will promote smuggling, reportedly saying that with open borders, there will no longer be a need for smuggling.

Other than anecdotal evidence, there is very minimal information available on the actual adverse impacts of GMS transport projects. In October 1993, for instance, Agence France Presse reported that land prices on the Thai side of the first international bridge crossing the Mekong have increased by a factor of 50 (from $8,000 to $400,000 per rai or 0.16 has.), while land prices on the Lao side have tripled (Padeco 1995). A detailed study of social impacts of subregional transport facilities —including a case study on the Australian-funded First International Mekong Bridge between Thailand and Laos which opened in 1994— has already been proposed. This proposed detailed study, however, is nowhere near the first tier (immediate), second (1994-2000) nor third tier (2001-2010) of GMS transport projects implementation.

Other transport projects in the Mekong. Outside of the GMS scheme, several large-scale transportation infrastructure projects are in the works in the subregion. Under ASEAN, a $1.3 million Malaysian-funded study on a Trans-Asia railway line from Singapore to Kunming (Yunnan) will consider four various routes traversing the GMS (Reuters 1998).

Laos hopes to go from landlocked to landlinked; with the proposed linking of the Thai railway to Vientiane, the ultimate goal is a complete landlink from Singapore to Beijing (Siebert 1996). The Japan-funded second Mekong Bridge in Pakse is expected to commence construction by 1998 (Mongkhonvilay 1997). Recently, Malaysia provided

BOX 15. 'UNOFFICIAL TRADE': THE DARKER SIDE OF OPEN BORDERS

Drugs, women trafficking and HIV/AIDS. Yunnan, with its 1000-m long border with Burma, has become one of the main conduits for the trafficking of drugs from the Golden Triangle; a recent UNDP study estimated that 50% now found their way abroad via China (TIMT/TERRA July 1995). Before 1988, over 90% were trafficked through Thailand. On Burma's northwest borders is Shan state, the country's main source of narcotics production. Economic reforms are opening up the previously isolated frontiers towards South China and Thailand; the expansion of transit routes for narcotics trafficking has also led to the creation of large user groups in China, Viet Nam and Cambodia. Experts say that the increase of intravenous drug use is facilitating the spread of HIV/AIDS transmission among the neighboring countries already struggling with the impact of the disease. In addition, there is a thriving cross-border traffic in Burmese and Chinese women to the sex industry in Thailand.

Arms smuggling, logging and jade trade. As of early 1995, SLORC brought from China alone some $1.8 billion worth of arms. The bridge on the Shweli River from Burma to bordertown Ruili in China is called the 'gun bridge' because of the shipments of Chinese weapons to the military government that has controlled Burma for the last 33 years. In 1993, the Chinese supplied Burma with an estimated $1.4 bn worth of weapons, and just a few months ago, it was reported to have sent another shipment worth $400 million. Heading the other way are convoys of Chinese trucks carrying timber from the forests on the Burmese border towards Kunming. These bordertowns have also profited handsomely from the huge jade market, with some Burmese jade traders smuggling jade into China; and where easy money is to be made, rest, sex and recreation is not far behind. (Yawnghwe 1995; The Nation 1995)

about $800,000 for a feasibility study (FS) on the railway from Vientiane to Thakhek in central Laos, which will eventually go to border of Viet Nam and link with the Vietnamese railway network (Mongkhonvilay 1997). The ADB, OPEC and UNDP have already provided a loan of $30 million for upgrading the runway and all facilities of the Wattay International Airport in Laos to handle wide-bodied aircraft up to Boeing 747.

In Burma, the construction of the Ye-Tavoy railway is perceived to assist the ruling junta meet its primary objective of controlling the ethnic population; 20-30 thousand villagers have been forced to work on construction of this railway (Sherman 1995). In Viet Nam, the WB, ADB and Japan will fund the 3,200-km Highway 1 running from Hanoi to Ho Chi Minh City and Ca Mau in the South (TIMT May 1995). Japan will lend $120 million for the construction of 38 of the highway's bridges. The WB has earlier considered the road construction so vital such that it waived its usual FS for its loan. It has been estimated that 21 million people along the highway will be affected. Some Japanese NGOs have argued that the WB should instead finance alternative less-expensive, energy-efficient and high-speed rail system.

BOT: the private sector steps in. The build-operate-transfer (BOT) scheme is the most attractive to governments, suppliers and development banks. However, contrary to mobilizing what is perceived as additional monies, BOT projects may actually result in unforeseen adverse macroeconomic impacts on the balance of payments, inflation, and interest rates (Padeco 1995). Governments are also cautioned about the great complexity involved in BOT negotiations which need expert counsel on technical, financial and legal issues.

A former ADB Executive Director (now a top AusAID official) has also warned against governments' over-optimism in encouraging private investment through BOOs, BOTs, etc. saying that these schemes are still at an early stage of development. "These acronyms have only entered into international discussion in a substantial way in the last 4-5 years, and already there have been quite a few problems across the region." One clearly emerging lesson has been that "when you move in with large projects of a hundred million, one billion or 5 billion, you rapidly run into all sorts of problems," adding that "it is not clear that private investment is the easy answer at all, although no one can be sure that public investment is either" (McCawley 1997).

Several international companies figure prominently in GMS transport projects where, as usual, tied aid is a thriving business. To name just a few:

- Quasi-public Engineering Consulting Firms Association of Japan is currently involved in at least three projects: Thailand-Cambodia-Viet Nam Railway (RW3), Phnom Penh Port Development (W5), and Cambodian Airports Improvement (A1).
- Australian Maunsell Ltd Pty is involved in the following projects in the Mekong: (a) Mekong River Friendship Bridge - Laos, Thailand; (b) Champassak Road Project (Laos); (c) East West Corridor Study - Laos, Thailand, Viet Nam; (d) Private Sector Linkages Program - Laos; (e) Route 13 Bridges - Laos; (f) My Thuan Bridge Design Phase - Viet Nam; (g) Daewoo HCMC Vung Tau Expressway - Viet Nam (Miles 1997). [Maunsell has boasted a transfer of technology occurs in all its endeavors: In Laos, Maunsell brought Laotian Communication Design and Research Institute (CDRI) into the $40 million Champassak Road project as a joint venture partner rather than as a subconsultant, the first time that CDRI had been treated in this way by an expatriate firm (Miles 1997). CDRI has later taken the lead consultant role on a major road contract in Vientiane and has engaged a foreign firm as a subconsultant.]
- GMS airport and port improvement projects in Burma are mainly on a BOT basis involving foreign investors and Singapore-based corporations in the case of port projects. Italian-Thai Development Public Company is in charge of the Mandalay Airport Improvement; the company is also heavily involved in GMS energy contracts. The renovation of the International Pochentong Airport in Cambodia has been turned over to a private consortium under BOT terms.

GMS ENERGY PROJECTS: STATUS, KEY THEMES, CONTENTIOUS ISSUES

Energy projects in the GMS are built upon certain key messages (Pante 1997b). First, GMS countries are well-endowed with energy resources, primarily in hydropower, coal and hydrocarbon reserves. Second, utlization of these resources is very low; only two percent has been harnessed to date. Third, how to meet the projected demand through private sector participation and an integrated approach is a clear priority. And fourth, energy problems in the GMS are very similar: shortage of capital, high transmission losses, need to restructure and strengthen the capacity of institutions, and need to adjust power tariffs.

In the energy sector, the ADB has so far been successful in introducing the subregional paradigm shift from a national self-sufficiency approach to a more integrated GMS energy development program. Such an approach, estimated to bring $4 billion worth of benefits in 1995-2020 (ADB 1997a), involves subregional transmission grid interconnection for hydropower and cross-border trade in gas and other energy sources.

Twelve GMS projects have been identified as high-priority for the energy sector, most of which relate to power transmission and generation involving hydropower dams in the Mekong; two relate to natural gas transmission and another two to institution-building [Box 16]. Of the 12, one has been completed (Theun Hinboun Dam in Laos), and five others (A1, A7, A9, A8, C1) in advanced phases of implementation [Annex J]. An environmental mitigation measure on marine oil and hazardous substances pollution emergency preparedness has earlier been dropped from the list of high-priority projects.

Three 'medium-scale' dams (ranging from 60-210 MW) are on the priority list: Nam Tha (at pre-FS stage in Laos), Theun-Hinboun (recently completed),

BOX 16.
HIGH-PRIORITY
GMS ENERGY PROJECTS

POWER GENERATION AND TRANSMISSION

A1 Xe Kong and Se San Basin Hydropower Development (Cambodia, Laos, Viet Nam), including Transmission Interconnection with Thailand

A2 Nam Tha Hydropower Project (Laos) including Transmission with Thailand

A3 Transmission Interconnection with Thailand of the Jinghong Hydropower (Yunnan)

A4 Nam Theun Basin Hydropower Development (Laos), including Transmission Interconnection with Thailand and Viet Nam

A5 Thanlwin (Salween) Basin Hydropower Development (Burma) and Thailand, including Transmission Interconnection

A6 Theun Hinboun Hydropower Project (Laos), including Interconnection with Thailand

A7 Immediate Interconnection of Existing Power System

A8 Long-Term Subregional Generation and Transmission Development

NATURAL GAS TRANSMISSION

B1 Yadana-Bangkok Gas Pipeline

B2 Planning and Preparedness for Emergency Response to Marine Oil and Hazardous Substances Pollution

INSTITUTION-BUILDING

C1 Creation of GMS Electric Power Forum

C2 Strengthening of the Legal and Institutional Planning and Framework for Effective Water Management and Nam Leuk (under construction in Laos). In addition, three basin-wide hydropower development projects are in the pipeline: Xe Kong-Se San, Nam Theun, and Thanlwin basins. Although assessed to be 'relatively benign' in their impacts, these projects have been met with vigorous opposition from the growing anti-dam movement within the region and beyond; the subject of raging controversy in the Mekong is the WB-sponsored Nam Theun 2 Dam in Laos.

Wrong economic forecasts and Thailand's insatiable demand. Of the six GMS countries, Thailand has the largest appetite for power. Burma and Viet Nam are developing their offshore petroleum reserves which Thailand will tap into via gas pipelines (ADB 1993a). Laos, where more than 90% of territory lies within the Mekong basin,will become the 'Kuwait of electricity'; besides opium and tropical timber, hydroelectricity is considered as Laos' most promising export (Waldman 1997). Currently, most of the hydropower produced by Laos is exported to Thailand, accounting for about 25% of its export earnings. Dam construction in Laos and elsewhere in the GMS for Thailand's power needs saves the country from facing the adverse environmental and political consequences of building another dam in Thailand; this came in the wake of popular protests over the WB-funded Pak Mun Dam [Box 17].

Energy demand in Thailand, and the rest of the subregion, is based on incorrect growth assumptions of 7-8% per year in the next 20-25 years; this was supposed to multiply the energy demand by seven or eight times over this period (Pante 1997b). Based on this wrong assumption, the ADB estimated total energy sector financing required till 2010 to reach the staggering amount of $100 billion! This demand was largely fuelled, however, by Thailand's insatiable appetite. With economic slowdown in Thailand (and elsewhere in the region) and the associated downgrading of electricity power demands, energy demand will have to be lowered dramatically. Furthermore, projected power exports to Thailand (especially from Laos) will also have to be scaled down considerably in the light of the on-going liberalization of the Thai power sector, the growth of natural gas as a generating source in Thailand, and fall in value of the Thai baht (Ryder 1997a).

A subregional integrated power approach. Two GMS initiatives are already in place: (a) an integrated interconnection grid study

BOX 17. THAILAND: FORUM OF THE POOR & PEOPLES' PROTESTS OVER PAK MUN DAM

Opposition to the dam began even before construction of the dam was initiated in 1989. Initial rallies focused on concerns that the project would totally destroy Kaeng Saphue, a famous Thai tourist spot and excellent fishing grounds. Protests often turned nasty when anti-dam protesters were met with pro-dam protesters who were mostly paid to be there by 'the company.' Throughout 1994, protests continued; in June, 50 villagers petitioned the provincial administration for more compensation for the loss of their jobs and damage to their property caused by the dam. Compensation was due to 2,000 fishermen who can no longer fish in the Pak Mun because of the dam. They also demanded compensation for other villagers whose houses and land are marooned. The villagers also protested for two weeks in Bangkok. In November, 600 villagers dismantled razor wire barriers and occupied the dam site; within days, the crowd swelled to over 1,200. This occupation of the dam site followed more than six weeks of demonstrations as villagers demanded adequate compensation for the destruction of their fishing-based livelihoods. The people demanded $1,400 in compensation for each year of the 30-year period of dam construction. Villagers to this date still have to fight for their rights. The protests over Pak Mun eventually evolved into the present-day Forum of the Poor mostly composed of farmers from northeastern Thailand. (*From*: Sherman 1995).

done by the Mekong River Commission (MRC) with Japanese aid, and (b) establishment of the national power grid company in Laos, which signals the beginning of a subregional transmission network (Pante 1997b).

- LAO NATIONAL POWER GRID COMPANY. Interconnection of GMS countries by high voltage 500-kV lines is already being planned in the likelihood of a region-wide power grid and power market, into which hydropower-generating companies will supply their output. To support the ambitious electricity trade, 'pioneering' Laos has been persuaded to establish its national grid company to provide a 'superhighway' to bring power from one source to final depot. Bangkok is the major destination for Laos; around $1 billion will have to be mobilized by 2006 (ADB 1997b). Laos has earlier been prevailed upon to agree 'in principle' to the routing through its territory of the proposed Jinghong (Yunnan)-Thailand transmission line.

- AN 'eMERGING' REGIONAL ELECTRICITY TRADE. Electricity trade has been identified to enhance regional cooperation and stability. Thailand is the single largest market for electricity trade in the GMS; it has an electricity trade with Laos (import/export), Malaysia (import/export) and Burma (export). Located at the centre of 'ASEAN 10' and the Mekong subregion, Thailand is also the single largest purchaser of electricity in Southeast Asia (EGAT 1996). ADB has forecast that the main energy trade will be in hydropower from Laos, Burma and Yunnan to Thailand, and in natural gas from Burma to Thailand. The prospects for hydropower export projects (and consequently the development of a regional GMS power grid) would mainly depend on the availability of cheap gas for Thailand.
- TOWARDS A REGIONAL POWER MARKET. In December 1996, the World Bank presented an initiative to look at the whole area of power trade, including assessing the regional power market, the potentials and impediments to power trade, and the possible establishment of an electric power pool (ADB 1996c). In October 1997, subregional energy cooperation moved one step further through the creation of an Experts Group that would focus on promoting cross-border trade in electricity, and the attendant requirement of a regional power grid (ADB 1997b). The ADB has also cited Australia's experience in developing its own national electricity market that highlights many of the stages in developing a regional power pool.
- BEYOND GMS TO ASEAN AND 'TRANS-ASIA'. At the ASEAN Energy Business Forum is a long-standing plan to set up a regional gas and electricity 'freeway'. A recently proposed $150-bn gas pipeline project covering the GMS, BIMP-EAGA, Indonesia-Malaysia-Thailand, and Indonesia-Malaysia-Singapore is at FS stage; an earlier study showed that region-wide gas pipeline is one of the best alternatives for meeting the ASEAN's future power requirements (BW July 1997). A Japanese-backed proposal at the ASEAN Council on Petroleum (ASCOPE) challenged the Electicite du Lao (EdL) to promote an 'Asian Energy Community' that could include an

'epic vision' of a trans-Asia pipeline which conveys natural gas eastward and southward from the Russian Far East and Eastern Siberia (Manglapus 1997).

- REFORMING THE GMS ELECTRICITY SECTOR. Control over the electricity subsector in the GMS is traditionally exercised through state ownership and public investments (Norconsult 1995). Governments regulate the natural monopoly parts of power supply to protect consumer interests and to avoid monopoly pricing and excessive rents. This prevailing structure has been justified by the need to realize economies of scale and other social goals (e.g. rural electrification, low-cost electricity supply to the public). With the introduction of IPP (Independent Power Producer) schemes in the last few years, state ownership has slowly changed, and substantial pressure for reforms has slowly spread to the subregion [Box 18, Annex K] .
- ECONOMIC COSTS OF ELECTRIC POWER GENERATION. Starting in 1994, export revenue-generating capacity in Laos would be seriously impaired as the government commences to repay its loans and interests on new for-export power projects which carry market rates. This is in contrast to the existing Nam Ngum plant which was largely financed by grants. If domestic tariff levels would be increased gradually, Laos' Electicite du Lao (EdL) could recover the costs of these investments from local sales revenues (Norconsult 1995). This would then be a clear case of lopsided development with the poor people of Laos subsidizing the electricity consumption of Bangkok's elite! On the other hand, Viet Nam has revised its domestic tariffs to attract more foreign private capital for power investments (Mareth 1997).

Social, environmental costs of large dams. The adverse social and environmental impacts of large dam construction are legend. These include: effects on fish migration, changes in the natural flows of the Mekong river, loss of wildlife and biodiversity with inundation of vast forest lands, downstream impacts on fisheries and water quality, threat of logging and watershed degradation with 'opening up' of areas, loss of livelihoods, cultural heritage and physical displacement of communities [Box 19]. Less well-known are the impacts of 'ancillary' constructions related to large dams, e.g. high-voltage (500-kV) transmission lines that will deliver power from Mekong dams to Thailand (Norconsult 1995). These include the

BOX 18. REFORMING GMS ELECTRICITY SECTOR

- In 1994, **Thailand** launched its program to grant private companies licenses under two categories: small power producers (SPPs) and independent power producers (IPPs). Under the IPP Program, the Electricity Generating Authority of Thailand (EGAT) received over 30 bids from international consortia to supply 32,000 MW; this was more than twice EGAT's projected expansion needs for the next 15 years. With the recent economic downturn and slowdown in electricity demand, EGAT has now cut back on its planned SPP power purchases and may even cancel some existing SPP contracts where companies have run into financial trouble (Ryder 1997a).

- **Laos'** EdL now enjoys considerable freedom to operate as an enterprise; it has recently embarked on a major investment program. Hence, it is not realistic to privatize the institutions at this stage (Norconsult 1995). Private investors are now also allowed to participate in developing Laos' hydropower resources for export.

- With WB and ADB technical assistance, a legal and regulatory framework for the electricity sector has been established in **Cambodia**, including the preparation of detailed regulations (ADB 1996c). In January 1994, the Ministry of Mines, Energy and Industry sought expressions of interest from 50 energy companies around the world for investment in its IPP scheme; the first IPP license was granted in September 1994 to a Malaysian consortium to install an added capacity of 35 MW in Phnom Penh.

- **China** has turned to the WB to help create a new regulatory framework that would commercialize its power industry and clarify terms for private foreign investors; the government will continue to hold an equity stake in all foreign-invested projects and as chief regulator for all power project construction and management (MB 1995).

removal of forest and vegetation to provide clearways, which in turn enhances access to previously inaccessible areas and may thus result in further illegal logging activities. Moreover, transmission lines may have to pass through lands inhabited by indigenous communities and may cause irreversible social and cultural changes. Also, electric and magnetic fields generated from transmission lines may pose health risks.

- NO EIAs. Of 54 identified hydropower projects in a 1995 ADB energy study, only eight are known to be subjected to any form of

BOX 19. DAM-MING THE MEKONG

The major impacts associated with dams are flooding and loss of natural resources and infrastructure, resettlement of people, loss of terrestrial habitats, displacement of communities and fishing-based livelihoods, and loss of cultural heritage.

- The lower Mekong basin provides livelihood to 50 million people, mainly farmers growing rice as their main crop during the wet season. Irrigated rice is grown in much of Thailand and the Mekong delta in Viet Nam which are the major rice producing areas in Asia. Saltwater intrusion into the Mekong delta during periods of low flow is a major concern

- Dam construction destroys downstream fisheries as spawning migrations are obstructed and spawning areas reduced. Mekong is also home to the rare Mekong dolphin and the threatened giant catfish.

- In Laos, all proposed hydropower schemes are located in remote, poor areas where farmers generally face three to six months of rice shortage annually (Chagnon 1996). As the key production and household managers, women bear primary responsibility for seeking out alternative sources of food. When forested and communal lands become inundated or when rivers and streams are diverted and dried up, women lose access to food safety nets.

- Dams can also create additional habitats for water-borne human disease vectors.

- If resettlement is a foregone conclusion, communities must not be made worse off with it. Compensation schemes should also give greater attention to intergenerational equity concerns rather than the traditional one-time compensation payments. Mekong projects should also consider income-sharing programs with the displaced communities for the entire life of the project.

environmental assessment. Environmental information is lacking for most, as many of the studies predated modern-day environmental requirements (Norconsult 1995). In 1991-93, Japanese consultant NEWJEC carried out a ranking of 18 hydropower projects in Viet Nam; it was later found out that the basis for this ranking was rather thin since important data were not available. In Laos, EIAs are available for only seven of 20 IPP projects, while only initial assessments have been two other projects (Lahmeyer & Worley 1997).

- LACK OF TRANSPARENCY AND GENUINE CONSULTATIONS. Aside from lack of pertinent data, meaningful and open debates in a country such as Laos, for instance, is difficult without a free press and no local NGOs nor independent groups, and where dissenting opinions are not well-tolerated. Criticism of Nam Theun 2 Dam has been equated with criticism of the government. The high political profile project, by being so blatantly 'outsider-driven', hinders the development of a genuine and participatory decision-making process in Laos.
- 'CUMULATIVE' IMPACTS ANALYSIS. Amidst severe criticism of large-scale dams, the ADB was hard-pressed to seek some middle ground between its most severe oppositors (largely coming from NGO movements across the globe) and those who would wish to see the region 'develop' at a faster pace. The ADB had conceded that most of the studies on potential hydropower projects were conducted in isolation, rather than within the context of a national or subregional system, and hence should be reviewed (ADB 1997b). The ADB initiated the preparation of individual project EIAs, as in the case of Nam Leuk Dam in Laos, and basin-wide studies, as with Sekong-Sesan Basin project (Pante 1997b). These recent efforts, however, still fall short of a comprehensive and cumulative impacts analysis, and has not appeased opposition to the dams.

Where are the major power projects? Within the GMS scheme, several energy projects are besieged by relentless criticism:

- THEUN-HINBOUN DAM (LAOS), completed in March 1998, is a 'run-of-river' dam on the Theun River, one ot the largest tributaries of Mekong. It is the first subregional project to begin commercial operations. ADB financed the Lao government's 60% equity share; the government then re-lent the money to Theun Hinboun Power Company (THPC) (Pante 1997b). The other joint venture (JV) partners, at 20% each stake, are: Nordic Hydropower AB representing Nordic power utilities; and MDX Lao Company Limited, a Thai real estate developer which diversified into energy infrastructure. The scheme will enable the Lao government to sell 1,600 gigawatt-hours a year to Thailand for $25 million per year under a 25-year sales agreement (ADB News Release). Theun Hinboun is a complicated project where three agreements had to be concluded: (a) licence agreement between the Lao government and THPC; (b) shareholders agreement among the partners in the JV company; (c) power sales agreement between THPC and Thailand's EGAT. Within a month after completion, there were reports about declining fish stocks, increased threat of flooding, and inadequate compensation costs (IRN 1998).

- NAM LEUK DAM (LAOS). In August 1996, the ADB approved a $52 million loan to finance the 60-MW dam in the Phou Khao Khouay Protected Area in Laos. Co-financing the project is Japan's OECF at $38 million, while local costs of $22 million will be borne by the Lao Government and EdL. No budget has been allocated for compensation to affected villagers, the EIA did not include socio-economic analysis of the means of livelihood of communities living on the Nam Leuk River, and there was no study of downstream impacts. The ADB has claimed that great care was taken to address these issues. Critics, however, have repeatedly urged the ADB to delay loan approval pending the completion and peer review of the EIA by independent consultants; their efforts went largely unheeded. The ADB-commissioned French engineering consultants Sogreah Ingenerie for the detailed design stage; they were to receive an additional $5 million to supervise its construction. This clearly smacked of conflict of interest and rendered their findings questionable. Moreover, Lao villagers were unlikely to articulate their concerns in the presence of EdL officials.
- YADANA GAS PIPELINE (BURMA). In February 1995, Burma's ruling junta signed a deal with the Thai government to supply natural gas to Thailand, ensuring the junta an annual revenue of $400 million for the next 30 years. France's Total, Unocal of US and the Petroleum Authority of Thailand finalized details on construction of the $1.1 billion gas pipeline. The pipeline will cut through ancestral lands of the Mon, Karen, and Tavoyan ethnic peoples in Burma. Construction of similar infrastructure projects has resulted in forced labor, forced eviction and other human rights abuses; ethnic armies resisting SLORC military have targeted the pipeline for sabotage. Construction of the pipeline across the Tenasserim Peninsula will also destroy pristine rainforest in the vicinity of a UNESCO World Heritage Site. (From: Terra 1995a)

Outside of the GMS scheme, several controversial energy projects are being lined up [Annex L], the most unpopular of which is the WB-

BOX 20. THE NT2 SAGA & THE 'NO-BUILD' ALTERNATIVE

In Laos, the World Bank has considered providing political risk guarantees to the controversial 680-MW Nam Theun 2 (NT2) dam located on the Theun River (the fourth largest tributary of the Mekong) and biologically diverse Nakai plateau. Leading commercial banks will finance the project only if WB guarantees their investment. Already more than two years behind schedule, NT2 is the largest and most preeminent of any projects under consideration in Laos today, representing a total investment of $1.2 bn, or about three-quarters as large as Laos' annual budget. Laos will have a 25% equity stake in the project; part of NT2 revenues will cover losses to be caused by expected lowered tariffs upon Laos entry to ASEAN. Project developer NTECo — a private consortium which includes Electricite du France and Australian-based Transfield Holdings — has persuaded the Laotian government that the dam will earn millions of dollars from electricity exports to Thailand. More likely the dam will leave Laos seriously indebted and ruin the livelihoods and natural resources of its people, critics contend. Dam construction will displace at least 1,000 families and will destroy fisheries-based livelihoods of communities downstream. Should the WB give its go signal, Laos would be the first IDA country to receive the WB guarantee. NT2 would also be the first hydropower project under BOOT scheme to receive such a guarantee, and NT2 would become the largest dam in Southeast Asia to date. International dam-builders closely watch NT2 developments as it provides a precedent for large-scale hydroelectric dams to be constructed by private financiers in developing countries. The 'no-build' alternative, as espoused by critics, is hinged upon a development strategy of sustainable forestry of the Nakai plateau (Letter of US NGOs to WB-ED Jan Piercy, 11 August 1997). It has many advantages over the NT2 scheme. It does not require a $100 million investment. It could begin today. It does not carry a risk that the Lao government could lose $96 million or more. It has a net present value from timber sales alone of between $45 and $275 million. It would not carry a cost of $95 million for combined environmental and social costs and mitigation measures. It could provide employment for Lao citizens, especially when combined with wood products processing and ecotourism development.

sponsored Nam Theun 2 Dam [Box 20]. Laos has embarked on an aggressive energy investment program involving the construction of some 22 dams that would generate roughly 7,000 MW of hydropower over the next 10-15 years [Annex M]. Of the GMS articipants, only China has been able to start development of the potential of the Mekong mainstream; Yunnan has a planned 'cascade' of 15 hydropower projects, including five major storages, on the Lancang (upper Mekong) with a total capacity of 15,000 MW. The following problematic dam projects are also instructive:

- SE KHAMANA 1 (LAOS). Laos has signed an agreement with an Australian company - HEC Enterprise Corp - to build the tallest hydroelectric dam in Asia at a cost of $407 million (AFP 1995). HEC was granted a 25-year concession for the Se Khamane I dam that will generate 300 MW of electricity. Work is expected to begin in November 1995, and when completed in 1999, the dam will stand 180 m, making it the tallest in Asia and the second tallest in the world.
- SAMBOR DAM (CAMBODIA). The 3,200 MW project was studied at feasibility level by the Government of Japan in 1969, and was included in Mekong Basin's Indicative Plan of 1970. The Mekong Secretariat reviewed the project again in 1988-90 in connection with cascade developments on the Mekong (Norconsult 1995). Sambor Dam has been identified for longer-term export power development.
- SON LA DAM (VIET NAM). The 3,800 MW dam will cost an estimated $3.6 billion, start construction in late 1999, and be ready for commissioning by 2010; some 80,000 people will be resettled (Water Briefing 1996). It will be the largest to be built in Southeast Asia; the WB will fund the $13.5 million FS. The second stage will commence on the condition that Viet Nam use a recognized level of design and construction and protect ethnic minorities who live in the area. An earlier study by Sweden's Sweco Consultancy found that the project was economically viable, and recommended two sites on the Black River, a tributary of the Red River in northern Hanoi. The project will be twice the size of 1920-MW Hoa Binh Dam (completed in 1994 with Soviet aid) which is currently the largest in the region. Viet Nam has hand-picked Moscow-based Designing Survey Research and Production Shareholding Company to carry out the FS because "they are

familiar with the area, have a lot of experience in hydropower projects worldwide, and most important of all, their price is affordable ($675,000)" (Pham 1997).

GMS TOURISM & 'JEWELS OF THE MEKONG'

According to the ADB, the GMS tourism sector forum provides an excellent example of public-private sector collaboration. The 'Jewels of the Mekong' regional package has been actively promoted by private tourism organizations; there are also more recent initiatives on ecotourism and village-based tourism to address the twin objectives of environmental conservation and job creation, especially for minority groups [Annex N]. The tourism sector is still a favorite area for foreign investments in Indochina, obtaining some 74% of the total (by value) in Cambodia, and 33% and 7% in Viet Nam and Laos, respectively (ESCAP 1997). Tourism, however, has its darker side; some concrete examples in the Mekong are given below:

- Cambodia has begun to market itself as a tourist destination and has already attracted the attention of several international hotel and resort companies. Malaysian-owned Ariston Bhd., for instance, was given approval to develop a $1.3 billion tourism project at Sihanoukville, a seaside town 200 km from Phnom Penh. Investments include the building of an international airport, power station and sewerage and water system. The same company will set up a network of tourism and leisure facilities around the capital, building five golf courses in Cambodia, the biggest of such complexes in Asia (TIMT May 1995). Meanwhile, prostitution and trafficking of women is on the increase in Cambodia; there are an estimated 6,000 sex workers in Cambodia, 1,800 of whom are under the age of 17 (TIMT June 1995). Prostitution is a main attraction for tourists visiting Cambodia, and laws currently in place to prosecute traffickers are insufficient.
- In Laos, leading Thai developer Sompot Piyaoui will establish a mega-golf-cum-casino project in the Champassak province. It consists of two golf courses, two casinos, 2,000 hotel rooms and guesthouses, an international airport and the construction of a town. Nearby Lee Pee Falls, however, is world-class 'protected area' and should be designated as such; the site of the golf course should also be moved back from the Mekong river. The controversial resort was approved in March 1994 without requiring an EIA. (From: The Nation Feb 1995).

- In Viet Nam, the Global Anti-Golf Movement (GAG'M) appealed to Prime Minister Vo Van Kiet to review its policy to develop golf courses in the country. Resort and golf course development is one of the most unsustainable forms of development, causing tremendous environmental destruction and social disruption wherever it occurs. GAG'M called for an open and public social and environmental audit of all existing and planned golf projects. Many Vietnamese citizens have repeatedly expressed serious concerns regarding all golf courses already in operation and those still in planning stage. In Vung Tau, for instance, more than 230 ha. of pine forest along the beach were bulldozed to make way for a holiday resort, including a 27-hole golf course; when the Taiwanese developer realized that the site was too windy for golf, the half-completed project was abandoned, completely stripped of its protective vegetation and devastated by soil erosion (Pleumarom 1995). Moreover, when then Prime Minister Vo Van Kiet decreed in March 1995 that no more rice fields in Viet Nam could be converted to other uses, Daeha Co Ltd —a JV company between South Korean conglomerate Daewoo and Hanoi Electronics Corp— received an investment license exactly a week later to develop an 18-hole golf course on a rice field near Hanoi (BP May 1995).
- In promoting tourism as Burma's new path to economic development, forced isolation has become 'forced beautification.' 'Visit Burma Year' kicked-off in October 1996, coinciding with the peak tourist season. There were signs that a heavy-handed, army-led tourism campaign would exact a high price on Burma's culture, relatively pristine landscape, and impoverished people. In eastern Shan state, young laborers toil under the blistering sun to widen roads to accommodate big tour buses. In Mandalay, hundreds of prisoners shovel mud surrounding the ancient palace meant to be a major tourist attraction. In the countryside, villagers are ordered to plant gardens and improve the appearance of their houses. The plight of thousands of poor Burmese, who are expected to share the cost of tourism without receiving any immediate benefit, is immeasurable. (From: ASWJ 1996)

'LESS-DEVELOPED' AREAS OF GMS COOPERATION

Environment and natural resources management. The main GMS objective in this area is to resolve environmental problems on a subregional basis, in the following order of priority: deforestation, hydropower development and downstream implications, biodiversity losses and habitat destruction, and water pollution (ADB 1997a). Ongoing GMS initiatives include measures to strengthen regulations and build national capacities for environmental protection and natural resource management [Annex O]. At the GMS environment forum, a clear need to address transboundary issues has been articulated, so that all countries in the region could establish a new environmental ethic and qualitatively new approaches to environmental protection (Mareth 1997). Among the GMS fora, it is only at the GMS Environment Working Group where NGO participation is grudgingly welcomed, where private sector participation has been actively sought in all the fora.

Human resource development. This is viewed within the GMS as largely a national concern, but subregional cooperation is nevertheless essential in: the fight against HIV/AIDS, malaria and other diseases, skills training and labor market management systems [Annex P].

Telecommunications. This GMS area is focused on building facilities that will connect the countries together and includes: modernization, adjustments and additions to individual national networks; and cooperation on the software aspects, including adjustments in tariffs and regulatory policies. Discussions are ongoing in Indochina on cross-border cables; any relaxation of the international tariffing structure between border communities (such as across Thai-Laos border) has yet to be seen, but is an inevitable development in the near future (Moustafine 1997).

Trade and investment. This area of cooperation in the GMS has thus far been limited to trade and investment promotion and facilitating cross-border trade and investment flows; a new focus will be on trade facilitation measures [Annex Q]. In the GMS, recent cross-border traffic projections indicate that: (i) agriculture will not account for most of the tonnage exchange among the countries; (ii) timber will likely remain a component of subregional trade (given the profitability of quick-yielding varieties); (iii) mineral products are likely to constitute a substantial proportion; and (iv) manufacturing goods will become increasingly important in subregional trade, particularly through Yunnan between China and GMS and ASEAN (ADB 1997a).

An ADB-funded survey in 1993-94 of 40 firms operating in the subregion ranked the top 10 trade and investment impediments faced by the private sector in the GMS as follows: 1) bureaucracy/non-transparent regulations; 2) legal structure/weak dispute settlement mechanism; 3) foreign equity requirements too stringent; 4) smuggling; 5) lack of harmonization of standards and testing; 6) blockages in customs departments; 7) corruption; 8) transshipment costs; 9) language barriers/cultural gaps; 10) small size of markets (ADB 1996b).

Others Players in the Mekong and Resistance From Below

Aside from the Asian Development Bank, other key actors compete for the attention of government officials and the private sector in the Mekong. They include international financial institutions like the World Bank and International Monetary Fund, the Mekong River Commission (MRC), Forum for the Comprehensive Development of Indochina (FCDI), and ASEAN. The combined tandem of WB-IMF, through their structural adjustment programs, have largely contributed to so-called 'unilateral' initiatives in opening up Mekong economies.

MEKONG RIVER COMMISSION (MRC): STILL A DAM-BUILDER's DREAM PARTNER?

At the prodding of Thailand and the United Nations Development Program (UNDP), the four lower Mekong riparian nations of Thailand, Viet Nam, Cambodia, and Laos came together in April 1995 to sign a new agreement for the sustainable development of the lower Mekong basin. The new MRC has had its share of critics who actively sought the review of its dam-dominated plans and non-participatory decision-making processes [Box 21]. The new Commission was created to replace the original 38-year old Mekong Committee. Each nation will have its own National Mekong Committee to coordinate with the MRC, based in Bangkok. China and Burma have adopted a wait-and-see attitude to the MRC. Both countries seem to have shown some interest in joining in recent years.

Although the new MRC's mandate is to promote sustainable development, a quick look at the staff background, policy orientation, and project development focus reveals a strong bias toward the promotion of hydroelectric dam construction and road-building. Similarly, the National Mekong Committees in three of the four riparian states are dominated by power ministries and construction sector personnel, with Cambodia being the exception.

The old Mekong Committee was established in 1957. Japan supported the conduct of three surveys until 1961; hostilities and confusion then broke out in the region and operations had to be suspended by 1975. Laos, Thailand and Viet Nam decided to establish the Interim Mekong Committee as Cambodia failed to continue its participation in 1978. Under the Chairmanship of the UNDP, a Mekong Working Group was initiated in December 1992 to study the creation of a new organization with a new mandate. The rebirth of the MRC in April 1995 marked a new era of cooperation; the new Mekong Agreement called for the establishment of MRC Rules for Water Utilization and Interbasin Diversion. Earlier in December 1994, the Mekong Secretariat published a UNDP-funded study on *Mekong Mainstream Run-of-River Hydropower* which identified 11 dams on the mainstream whose 'scale of development was deliberately constrained to avoid or minimize impacts.' Yet, most of these dam projects are massive with over 1,000 MW generating capacity (Usher 1996).

The new MRC Work Program puts more emphasis on Mekong

BOX 21. THAI NGOs SAY NO TO NEW MRC!

When the Mekong River Commission (MRC) was launched in 1995, 30 Thai and regional NGOs voiced out their opposition to the 'influence of the dam-building industry' in the basin-wide development plan of the MRC. They also decried the lack of transparency and public participation in the whole process. In April 1996, the same critics called upon international donors to suspend funding to the MRC, alleging that the MRC has 'failed to address the basic requirements of sustainable development which must have as its foundation the participation and decision-making power of local resource users.' NGOs, academics, students, and farmers allege that while they fully support the principle of equal cooperation among Mekong countries, they are opposed to decades-old plans behind the Mekong Agreement. This includes large-scale diversion and damming of the Mekong to serve the water and energy demands of rapidly-industrializing Thailand. A 'holistic approach and the decentralization of authority to local communities must replace the concept of large-scale water development centralized within the State,' and critics called for a review of existing plans, comprehensive public consultations, and consensual decision-making at the local, national and regional levels. [From: TERRA 1995b] mainstream and basin-wide projects; most projects are in the pre-investment or FS stage. Heavy emphasis is also placed on integrated or multi-purpose type of water resource development projects (e.g. irrigation schemes, flood control). In water supply, the MRC will concentrate on rural areas and mainly for agricultural purposes (Matoba 1997). Currently, there are 100 major projects, where some 45 are fully or partially funded.

MRC also intends to commence preparation of a Basin Development Plan (BDP) for the Mekong River Basin region in early 1997 (Mareth 1997). The BDP, as defined in the 1995 Mekong Agreement, is the blueprint to identify, categorize, and prioritize programs and projects which seek assistance. The BDP focuses on seven water-related activities: agriculture (irrigation), navigation and transport, tourism and recreation, urbanization and industrialization.

The MRC has also created a Donor Consultative Group, with the UNDP as coordinator; its main donors are Denmark, Sweden, Germany and Australia. The ADB and the MRC exhibit a strong compementarity and close collaboration from the very start, in what has been described as 'just like the left and right hands' pushing for development in the region. The ADB is both a cooperating agency and a strong donor of MRC, while the MRC serves as an executing agency of projects and activities that may be funded by or through the ADB.

JAPAN ON INDOCHINA: COMPREHENSIVE DEVELOPMENT EQUALS PRIVATE SECTOR DEVELOPMENT

Launched in 1995, the Forum for the Comprehensive Development of Indochina seeks to promote subregional development in the three Indochina countries of Cambodia, Laos and Viet Nam (or CLV) - and ease their integration into ASEAN. The Forum aims to ensure that official development assistance (ODA) in the three CLV countries is efficiently implemented through voluntary aid coordination with a 'regional' approach. New elements of this approach include voluntary aid coordination and the effective use of private sector activities. Regional aid coordination will complement national aid mechanisms such as the Consultative Groups and round-table meetings organized by the WB and the UNDP, respectively.

The Forum has three branches: (1) Private Sector Advisory Group, which will examine the status of private sector activities in Indochina and how to match ODA programs with private sector interest; (2) Working Committee on Infrastructure (WCID), chaired by Japan with assistance from the ADB; and (3) Human Resource Development Advisory Group, chaired by France and assisted by the UNDP.

Japan is already at the forefront of development in the region and is by far its largest donor. ODA to Indochina has mainly been directed at bringing about 'enabling environments' for a free market system [Annexes R & S]. Specifically, 40% of the total ODA was targeted at areas which support the CLV governments' transition to market economies (ESCAP 1997). The private sector in Indochina, however, is still at a nascent stage [Annex T] and needs to be fully promoted to participate in Indochina's 'comprehensive' development.

A Greater Mekong Task Force formed in 1996 and composed of Japanese experts has developed a blueprint for future development for the entire Greater Mekong subregion. The Forum has earlier announced its plan to coordinate with the ADB in all its efforts. Activities will be focused on infrastructure development because Japanese aid reflects considerable expertise in this area. Sectoral focus will be on: transportation, agriculture, water resources, electrical power generation and energy, industry, environment. The Task Force also asserts that: (a) CLV development should be comprehensive and should regard the GMS region as a single economic entity; (b) strategic sectors and key industries should be fostered; (c) rural farming villages should be developed; and (d) infrastructure development should be effective and efficacious (Nakajima 1997a, 1997b). The Task Force Report will be implemented by the Japanese International Cooperation Agency (JICA) and Organization for Economic Cooperation Fund (OECF).

Furthermore, the emphasis of the Forum will be on Cambodia and Laos. Laos should obtain its foreign currency through electricity sales to Thailand and Viet Nam, while Cambodia is advised to export locally-manufactured consumer goods and make use of its access to the sea. Laos and Cambodia, hence, need to improve their public infrastructure base to attract labor-intensive industries from Thailand and Viet Nam.

Working with the Forum's WCID, the ADB has come up with a Compendium of Infrastructure Projects for CLV: (a) Transport - 74 national transport projects and 55 subregional projects; (b) Energy - 48 national projects (mostly hydro) and 13 subregional projects (more than half in power transmission); (c) Telecommunications - 5 ongoing projects; (d) Water resources management - 5 subregional projects involving close collaboration between ADB and MRC, and 49 national projects (most involve improvement in water supply and sanitation facilities); and (e) Environment - 9 ongoing and 3 planned national projects (Amerasinghe 1997).

The Forum has its critics. On the occasion of its launching in Tokyo in February 1995, Japan-based Mekong Watch Network —a coalition of NGOs and journalists, critical of the social and environmental impacts of massive development projects in the Mekong River Basin— issued a statement which recommended: the cancellation of large-scale dam construction on the Mekong and its tributaries, a review of existing projects, strict adherence to the principle of consensus, guaranteed sovereignty and participation of affected people, and thorough access to information. When the Greater Mekong Task Force released its report in July 1996, the Network with its international NGO allies criticized the report, alleging that it promotes a flawed development model designed to maximize short-term economic benefits to Japan, at the expense of long-term sustainability in the region.

LOOPING IN THE MISSING LINKS: ASEAN-MEKONG BASIN DEVELOPMENT COOPERATION

In 1967, ASEAN's 'founding fathers' envisaged a community within Southeast Asia that would eventually embrace all ten countries of the region (SEA 10). Thirty years later, ASEAN has become a collegial body where seven-termer presidents sit side by side with bandit generals. Viet Nam joined ASEAN in July 1995, while recent recruits to ASEAN 9 are Burma and Laos which entered in July 1996. Cambodia's membership was put on hold in the aftermath of Hun Sen's coup d'etat.

The 1967 Bangkok Declaration organized ASEAN as a regional body with emphasis on economic, technical and social cooperation. Its early years was more preoccupied with political and security issues and the containment of communism. Since the 1980s, ASEAN revived the importance of economic cooperation (Tang 1995). In 1992, the heads of six ASEAN states agreed to form the ASEAN Free

Trade Area (AFTA). AFTA was designed to lower tariffs for intra-ASEAN trade in manufactured goods to a minimum of 5% by year 2008 and to remove other trade barriers. ASEAN also agreed to hasten reduction of tariffs for 15 broad industrial product groupings. In 1994, the region's economic ministers decided to accelerate the timetable for AFTA from 15 to 10 years. By 2003, ASEAN countries will form a completely free trade area. A new investment scheme is also being proposed to make the ASEAN a single investment area where intra-regional direct investments will be given 'national treatment' (Torres 1998).

TABLE 7. STRENGTHS OF VIET NAM, LAOS, CAMBODIA AND BURMA AND POTENTIAL BENEFITS TO ASEAN

	STRENGTHS	POTENTIAL BENEFITS TO ASEAN
VIET NAM	1. large population 2. rice, rubber production	1. potential market for ASEAN products 2. source of labor supply 3. more supply of agriculture products, oil & gas, cheaper raw materials
LAOS	1. hydropower generation – electricity 2. timber and wood products 3. minerals, e.g. potash, iron ore, tin, salt 4. agriculture - rice, coffee, maize, sugar cane	1. source of electricity supply 2. cheaper agriculture and forestry products 3. source of minerals supply
CAMBODIA	1. timber, rubber, garments 2. hydropower generation 3. tourism	1. cheaper agriculture and forestry products 2. source of electricity supply 3. to enhance tourism in the region 4. minerals and gems supply
BURMA	1. large population 2. rice, maize, vegetables, tea and mate, spices, fruits, feeding stuff for animals	1. potential market for ASEAN products 2. source of labor supply 3. cheaper agricultural products 4. minerals and gems supply

Source: Ling and Heng 1996.

Table 7 shows the 'strengths' of Mekong countries and their potential benefits to ASEAN, largely as potential markets for ASEAN products and as sources of cheap natural resources. Meanwhile, new members Burma and Laos are expected to begin reducing tariffs on trade with other ASEAN nations in January 1998. Burma and Laos have already submitted a list of of applicable items for tariff reduction (43% and 15%, respectively), most of them agricultural products (AP July 1997). ASEAN officials were surprised by the large percentage, so early after their admission to the group, particularly for Burma. ASEAN is a major investor in Laos and Burma, accounting for 52% in Laos and 44% in Burma. ASEAN's involvement in the Mekong is still at an initial stage. ASEAN partners seem less happy about the central role Thailand will play once Cambodia, Laos, and Burma join the regional grouping. ASEAN's own Mekong initiative has largely been commandeered by Malaysia and Singapore (New Frontiers 1996).

At the ASEAN Summit in Bangkok in December 1995, ASEAN heads of governments and the leaders of Cambodia, Laos and Burma agreed in principle that the joint development of the Mekong River Basin will be beneficial for Southeast Asia's development and cooperative spirit. ASEAN's initiative in the Mekong had four main objectives: (a) the rapid development of the economies within subregion to improve living standards of the people; (b) to assist in the restructuring of the economies of Laos, Cambodia, Burma, Viet Nam and China; (c) to mobilize funds, know-how and support from donor countries and international organizations; and (d) to prepare Cambodia, Laos and Burma for eventual membership into ASEAN.

At the First Ministerial Meeting of ASEAN and the Mekong River riparian states (China, Laos, Burma, Cambodia) held in June 1996 in Kuala Lumpur, a Basic Framework of ASEAN Mekong Basin Development Cooperation was agreed upon. The framework identified eight sectors to be accorded high priority: infrastructure, trade and investment generating activities; agriculture; forestry and mineral resources; industrial sector; tourism, HRD and training, science and technology cooperation. The meeting further proposed the Mekong Fund and Trans-Asia Railway concepts. ASEAN-Mekong working groups in place are: (a) Financial Experts Working Group; (b) WG on Railway Linkages; and (c) a Steering Committee to follow up the activities of the WGs.

At the first-ever Asia-Europe Meeting (ASEM) in Bangkok in March 1996, the Trans-Asia Railway Link and development of the Mekong River Basin were taken up on the agenda. At ASEM, Malaysia was entrusted to coordinate a study on a Mekong basin rail link with the European railway system. Malaysia's interest lies in the construction of roads, railways and ports through private sector funding. Thailand earlier floated the idea of a Mekong Development Bank, modeled on the ADB, to later evolve into an ASEAN Fund for Mekong Basin Development; each ASEAN member, excluding Viet Nam, will contribute 0.01% of their GDP as aid to Mekong.

It is doubtful, however, whether ASEAN could generate the amounts needed to jumpstart its Mekong initiative, as members have to battle with their own economic woes brought about by the Asian financial crisis.

RESISTANCE FROM BELOW

Opposition to the onslaught of globalization and economic integration in the Mekong based on a fundamentally flawed development model as espoused by the major financial institutions come from activist groups in donor countries and from within the Mekong. This 'resistance from below' is typically manifested in democratization movements, people-to-people alliances, local protest rallies and demonstrations, global and regional information and media campaigns, letter-signing and other cyber actions, and political lobbies and policy dialogues with relevant officials. More of these kinds of actions will form the critical mass needed to advance an organized and well-articulated alternative approach to the aggressive push for more open economies and greater liberalization at the expense of local communities and their environments.

Some advocacy groups from outside the Mekong region include the following:

- The growing global anti-dam movement led by such groups as US-based International Rivers Network (IRN) and other Southern-based NGOs have direct links with Mekong-based organizations to monitor dam-building plans, promote community involvement in determining their advisability, monitor progress on existing projects, and hold the appropriate authorities accountable for the impacts of the projects they build. Another NGO active in

Mekong dam and energy issues is Canada-based Probe International.

- The NGO Working Group on the ADB (NGOWG-ADB), a loose coalition of Asia and Pacific-based NGOs with a long-sustained policy advocacy on the ADB, has repeatedly urged the ADB to assess the cumulative impacts of the dams and other projects in the entire Mekong region. The NGOWG-ADB has coordinated a vigilant 'Mekong Watch', lobbying Bank officials to heed the concerns of affected communities, serving as an information clearing house, facilitating entry of indigenous Mekong-based NGOs into the region-wide campaign, as well as calling action alerts on individual Bank-funded projects.
- People's initiatives such as the APEC People's Forum and the EU-Asia NGO Conference have created spaces for addressing regional integration issues, as well as exacting public accountabilities from these economic blocs. These fora take up the cudgels for largely silenced voices in the integration debate — local communities, indigenous peoples, women and children, and their living space and natural environments.

Advocacy groups that are based in the Mekong include the following:

- Perhaps the best-known grassroots coalition of activist groups working on Mekong River and hydropower issues in the region is the Bangkok-based TERRA/Project for Ecological Recovery. TERRA (Towards Ecological Recovery and Regional Alliance) has carried out pioneering work in community-based watershed planning. Community-based management represents an alternative approach that starts from the perspective of the primary watershed users (Hirsch 1995). This assertion of the community's right to use and manage their own resources takes many different forms — resistance to encroachment, policy on decentralizing forests and land management, to community. TERRA also continues to be the voice with the greatest grassroots legitimacy. Since 1991, TERRA has been monitoring the impacts of conventional economic development in the Mekong, including the World Bank-funded Pak Mun Dam in Thailand and the proposed NT2 in Laos. The Forum for the Poor is an off-shoot of the staunch criticism against the Pak Mun, among others [See Box 17].

- Another organizing effort of advocacy groups is the Mekong Dialogue on Sustainable Development, a coalition of groups which intend to engage the MRC and National Mekong Committees in ensuring that local communities have a stronger voice in basin-wide development planning. As such, the Mekong Dialogue on Sustainable Development hopes to be an umbrella organization for NGOs working directly with the MRC. The Dialogue came together partly in response to the displeasure of many donors with the MRC's lack of transparency and mechanisms for consulting with communities in the Mekong River watershed. NGOs and other grassroots organizations should be prepared to bring their particular strengths and 'bottom-up' perspective into the Dialogue process in order to strengthen participatory approaches within the MRC.

The development of an indigenous and vigorous civil society sector, particularly in Indochina and in the other GMS participants, is an urgent imperative. For instance, while NGO activities are increasing, there is no existing legal framework for the effective functioning of local NGO and civil society groups.

- The context within which NGOs and people's movements operate is defined largely by the existing policy environments at the country level. Furthermore, it is alarming to note that while market economies are emerging at a rapid pace in Indochina, minimal efforts are being made to strengthen the region's very weak voluntary sectors. Civil society groups will provide the necessary countervailing forces to humanize the road to markets. Building the capacities of local groups to influence public policy and opinion while broadening the legal and policy environment for the free, effective and responsive functioning of the voluntary sector are urgent twin tasks.
- International and indigenous NGOs and other civil society groups based in Indochina have been steadily working to increase their capacities to advocate for a truly sustainable approach to development in the Mekong [Box 22]. Several fora for regular policy dialogue with donors, for instance, have been created in Cambodia and Viet Nam. These mechanisms offer a venue where critical issues raised by NGOs and other community-based groups can be addressed directly by the donor community which funds 'development.'

Trade unions have the role of ensuring that workers' rights are not stampeded in the rush to open markets and attract foreign investments. Independent trade unions formed outside official structures have been some of the strongest critics against unbridled liberalization and free trade.

- China maintains its hardline stance towards all workers advocating respect for workers' rights, or attempting to organize independent trade unions outside the official structures of the All China Federation of Trade Unions (ACFTU). Unions can only be formed under the auspices of ACFTU, which remained an instrument of the ruling party and the state, used as a means to exercise control and surveillance over workers. China's 1992 Trade Union Law was designed to 'promote the furtherance of socialist modernization' under the auspices of the Chinese Communist Party. It provided for the total hierarchical control by the ACFTU of trade unions at all levels. (From: ICFTU 1995)
- There are no trade union rights in Burma. The SLORC military dictatorship which took power in 1988 continues to rule over all aspects of life in the country. The Federation of Trade Unions of Burma (FTUB) was formed in October 1991 by former trade union leaders in exile. It maintains a clandestine network of workplace trade union activity inside the country in several sectors, despite the danger involved. FTUB members report constant surveillance by the police and military intelligence and are liable to be arrested at any time. (From: ICFTU 1995)
- The July 1997 coup d'etat put a halt to the development of the emerging independent trade union movement in Cambodia. After the tenuous coalition between the two prime ministers was formed in 1993, foreign investments in the textile sector grew quickly, exploiting to the full its workers who began to organize. In addition to the Cambodian Federation of Free Trade Unions (CAFTU) created in 1979 by the communist government, several unions have been created since early 1997. The Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC) was formed with the support of the leader of the principal opposition party. The Cambodian People's Party (CPP) of Premier Hun Sen reacted by creating the Cambodian Union Federation (CUF). There were also attempts by independent trade unions to organize in several companies. The coup d'etat has radically changed the

> nature of the problem for the fledging labor movement. Now only trade unions close to the CPP can operate 'freely,' or in other words, reflect the words of the new authorities. The FTUWKC lost its leading lights during the bloody takeover, with their leaders living in exile. Other trade union leaders are in hiding or keeping a low profile, following the scores of arrests and 'disappearances' after the coup d'etat. As for independent trade unions, there are almost none to speak of. (From: Grumiau 1997)

Other sporadic and/or organized people's actions dot the landscape of resistance.

- In Laos, Hmongs increasingly feel alienated and victimized by so-called development projects and recent actions are seen as retaliation against the government (Bello & Kwa 1997). This victimization is brought about by: the construction of a new road to Luang Prabang, gold exploration in traditional Hmong lands, and government policy to relocate more than 800,000 Hmongs and other highlanders in the valley to end their 'slash and burn' agricultural practices, as well as to eradicate domestic opium production.
- In August 1997, the first of the peace marches after the July coup in Cambodia was led by prominent Buddhist monk the Venerable Maha Ghosanonda (Reuters 1997). Around 1,300 participants — Buddhist monks, novices, NGO workers and civil leaders walked and prayed for the end of violence and urge Cambodia's fractious political leaders to resolve problems without violence. Later in December, the largest ever gathering since the UN-sponsored 1993 elections marched in the streets of the capital. Organized by leading political dissidents, the peace rally was joined by some 3,000 saffron-clad Buddhist monks, disabled soldiers, and factory workers.

Breaking Myths: A Post script

Two years after the East Asian debacle which began in Thailand in July 1997, the ensuing economic crisis in the region has resulted in untold misery and social dislocations, the extent of which has yet to be assessed. Once mighty Korea, which before the crisis just joined the elite club of donor countries, went back to square one as a borrower subject to the tutelage of the IMF. GMS countries did not remain unscathed. Intraregional trade slowed down. Potential investors shirked away. Thailand's battered economy brought a halt to the implementation of several projects in the subregion, particularly in the power sector. This has major repercussions on Laos which has hinged its economic development to the export of its hydropower to Thailand as a major market. In Cambodia, GDP dropped for the first time since the country's transition to a market economy, although this was also abetted by internal political conflicts. As expected, the crisis put a break to the GMS momentum. However, are hard lessons being learned or is it business-as-usual at the GMS?

RECAP: GMS MANTRA ACCORDING TO THE ADB

The GMS subregional initiative builds upon the peace dividend in former conflict-torn Indochina which is now in transition towards more open and market-based systems. The subregion has rich natural resources, a huge pool of young, industrious, very cheap and highly 'disciplined' labor. And it is right next door to the 'Asian miracle'.

The underlying assumptions of the GMS scheme include an 'enlightened self-interest' among participants which is propelled by the so-called realities of trade and investment, market forces and common social and political goals. It recognizes that shared subregional interests eventually serve national priorities.

Subregional economic cooperation in the GMS is a development process that goes beyond national limits. It is highly pragmatic, results-oriented and makes use of a project-specific approach. It helps exploit complementarities among groups of countries. It addresses soft issues in cooperation or impediments (policies, regulatory frameworks, definitions, etc.) to subregional trade and cooperation in small measures. Moreover, the subregional whole can be greater than the sum of individual parts due to its efficient use of capital, and human/natural resources and the joint development of public goods (transportation, energy, telecommunications, education, environment).

Cooperation goes beyond trade into such areas as infrastructure linkages and foreign investment promotion; the venture is low-risk, low cost and non-discriminatory. Infrastructure development is the single most important factor which provides the basis for private sector growth. Investment promotion is a core element.

The GMS is also a 'natural economic area' resulting from the play of market forces. A natural process of subregional integration is at work, spurred by the profit incentive as countries rise above subsistence levels and begin to benefit from rapid growth and success in trade. A 'natural division of labor' also evolves which reflects wage and productivity levels and competitive advantage. In this sense, then, the GMS initiative is a 'logical complement to free trade'.

The GMS scheme is a way of regularizing trade and re-establishing sovereign control in a forum where countries sit on equal footing and resolve various impediments to trade and general economic cooperation. It is sensitive to differences in 'big country/small country' at various stages of development. It supplements traditional resource efficiency arguments for liberalized trade.

Finally, the GMS scheme adheres to 'open regionalism' which means consistency with the open multilateral system of the WTO. A formal free trade agreement is not necessary. Its approach is gradualist rather than big bang. Although it is not a trade bloc, it strengthens subregional ties that will expedite globalization and the integration of national economies. It also encourages other forms of economic cooperation, including membership in ASEAN, APEC and WTO.

POST-CRISIS STOCK-TAKING

With the East Asian crisis comes a rethinking of GMS strategy. The crisis resulted in, among others, the economic unviability of several major GMS projects. Private sector monies were not readily forthcoming to finance large infrastructure projects already in the pipeline. After seven years of the program, only ten out of some 100 projects are either completed or in advanced stages of implementation. These projects cost about \$1 billion, with a third provided by the ADB — a trickle compared to mind-boggling amounts earlier expected to be mobilized.

However, rather than drawing back in the face of the regional crisis, subregional ministers opted to further strengthen the GMS, albeit with a slight refocusing of priorities. Thailand batted for 'economic development corridors' along with measures to again reduce barriers to trade and investment. Viet Nam emphasized the need to review priorities in favor of high impact, quick gestation projects. Cambodia affirmed its open door policy of cooperation with all nations and institutions. Laos cited the need to promote the region's competitiveness, while Kunming/China reaffirmed its commitment in contributing to the peace and stability in Asia. Burma proposed a phased approach to project implementation.

The new concept of 'GMS economic corridors' will be adopted linking production, trade and infrastructure within a specific geographic framework. Five potential corridors have been identified, traversing east-to-west and north-to-south that will eventuallly reduce distances between major markets and serve as transshipment areas for South Asia, Southeast Asia, mainland China, and East Asia.

The slack in energy demand will require adjusting priority power projects, although plans to expand power trade and introduce power pooling in the GMS are still on the drawing board, with enthusiastic support from the World Bank. Moreover, the ADB will draft a Policy Statement for Regional Power Trade in the GMS.

GMS proponents pin their hopes on tourism's potential to boost sagging economies, as the Environment Working Group continues its lonely bid to seek public participation and focus on cross-border issues, including trade in endangered species.

Since all participants (except Kunming) have become full-fledged ASEAN members, GMS activities should complement, rather than duplicate ASEAN initiatives by operationalizing trade and investment facilitation at the level of border transactions. Aside from the GMS Business Forum, private sector investments will also be sought at other fora such as the Asia Europe Meeting (ASEM) and the Asia-Pacific Economic Cooperation (APEC).

And finally, GMS participants reaffirmed the ADB's lead role in the GMS initiative. Government ministers expressed their strong support for ADB, rather than a bilateral donor like Japan, to chair any activity that involves the development of the Mekong.

BREAKING SOME MYTHS

Some lessons from the recent economic debacle of countries in the region and beyond seem destined never to be learned in the Greater Mekong Subregion. Many of these lessons stem from myths being perpetuated by institutions like the ADB and the WB-IMF combine which spreads the gospel of benefits for all from open, deregulated, private sector-led, and market-based economies.

This tired old line has been repeatedly attacked and discredited by civil society actors who would rather target poverty solutions that address deeply-rooted economic and social inequities (including gender), the violation of human rights to freedom of expression, for labor rights to organize and strike, for indigenous peoples' right to self-determination, for peasant farmers' legacy to own the piece of land they till. These givens to a more just and equitable social order that ensures benefits for all is not part of GMS theory, nor are they central to the strategy which the GMS scheme espouses. And for this reason, the GMS initiative will go the way of failed development projects in the past, where the region's rich natural resources will be exploited unsustainably as cheap sources of raw materials, and where the region's peoples will be exploited mercilessly as cheap and discardable labor.

The ADB preaches public participation, but nowhere has this been institutionalized in the GMS. The GMS targets the poor, but the poor has not been represented in the GMS table. Now that corruption has finally entered the Bank's lexicon, it should no longer be hard for the Bank to imagine that the same corruption that diverts money away from aid projects also diverts these monies to buy votes, rig elections, build private armies, and get corrupt officials elected to seats of political power and which officials eventually get to be represented at the GMS.

The following highlights some truths to be learned in and about the Greater Mekong Subregion scheme.

1 - The GMS should put a halt to further liberalization and opening of economies, as Thailand is its best witness. Not too long ago, the ADB hailed Thailand as a model of openness where policy-making is guided by the use of the market. Today, the model is in near economic collapse due in no small measure to liberalized

policies that weakened the government's control over its own economy.

2 - The pitfalls of linking economies within the supra-structure of globalization or the free flow of global capital cannot be more clearly demonstrated by recent events in the ASEAN region. The fall of one is the fall of all. Moreover, intense competition for financial resources will promote a race to the bottom — of labor and environmental standards, the most liberal foreign investment incentives, ultra-generous tax breaks. Policies of attraction may even include other 'perks' that commercializes women in the Mekong, as is already happening in the growth of sex-based tourism.

3 - The private sector is not the messiah to national development. The East Asian crisis is largely a crisis of the private sector, of gross mismanagement by the private sector, of excesses posed by greed for more and easy profits that rule the private sector. The private sector can be as corruptible as the public sector. The hype on breathless financing needs causes an over-reliance and continued dependency on outside resources that negates national self-sufficiency goals.

4 - National and peoples' interests should come first and foremost. The GMS scheme subverts national economic sovereignty and democratic processes in participating 'economies'. The GMS was not initiated by states but was inspired merely by an ADB Technical Assistance in 1992 drafted in large part by ADB consultants. GMS countries have not taken 'full ownership' of the process, as the ADB has claimed in 1994, as these countries' peoples and legitimate representatives have yet to be fully informed about what is brewing at the GMS. It is dishonest to claim legitimacy where there is none.

5 - Nothing is 'gradualist' about the GMS approach. Policy reform measures in the Mekong were introduced on a fast-track basis. It took less than a year for ADB to prepare a long list of projects and carry out project identification studies, and for GMS participants to agree to this list. Within five years, if ADB pushers are to be believed, the subregional way of thinking has seeped into GMS bureaucrats' minds. In the same span of time,

several working groups and fora have been created which are notable for the absence of civil society participants.

6 - Nothing is 'low-cost' nor 'low-risk' about the GMS venture. In 1994, ADB sounded a $15 billion wake-up call to foreign investors; by 1997, the ante was upped to $100 billion for power projects alone. Where peoples and communities are not informed nor consulted about future 'developments' in their midst, resistance and the potential for violence re-emerges. Opening borders has its darker sides. Paving concrete over forest lands encroaches on natural environments and their biodiversity. Where titling of lands run counter to common property notions, conflicts may arise. Moreover, it has been said that wars that will be fought in the next century will be over water, and this may not be a too distant reality in the Mekong.

7 - The GMS initiative is discriminatory against peoples in the Mekong and their environments. GMS working groups would rather design projects that are aligned with multinational corporate interests rather than pursue those of local communities whose livelihoods would be adversely affected by large infrastructure projects.

8 - The GMS is yet another free trade bloc which systematically removes nationalist protectionist mechanisms in the guise of 'soft issues' towards trade and investment 'facilitation'. The GMS scheme is slowly but surely moving into the realm of tariff and non-tariff issues, pricing policies, foreign exchange controls, procurement policies, and the role of state enterprises and trading monopolies — the hard issues which need more democratic participation and broad-based consultations.

9 - In its triple role as facilitator, catalyst and 'honest broker', the ADB is not the disinterested nor neutral player it projects itself to be. It stands to rake in multimillion-dollar commissions from multibillion-dollar investment deals. Hence, it goes largely against the ADB's interests if large infrastructure projects are not pushed into fruition. So-called social and environmental policies that the ADB professes to be in place are largely

mitigating mechanisms that act as a security blanket which only ensures that a 'no-action' scenario does not take place.

10 - And finally, the ADB and its ilk are not the experts in GMS development, people living in the Mekong communities are. There is a huge reservoir of people-centred and community-based techniques that has yet to be tapped. Any development in the path of the Mekong should build upon the aspirations of the people. Local communities should be able to chart the kind, the direction and the pace of their own development.

Annexes

ANNEX A. ADB'S OPERATIONAL STRATEGY, POLICY DIALOGUE AND PRIVATE SECTOR OPERATIONS IN GMS COUNTRIES

	OPERATIONAL STRATEGY	POLICY DIALOGUE	PRIVATE SECTOR OPERATIONS
BURMA	Not applicable. ADB continues to monitor economic developments in Burma; an operational strategy will be formulated when appropriate. [Burma, however, is one of six members of the Greater Mekong Subregional Economic Cooperation which ADB has initiated and actively promoted since 1992.]		
CAMBODIA	ADB supports Cambodia's transition to a market economy and assists in strengthening sector institutions, expanding employment opportunities for the poor, developing human resources and protecting the environment.	Focused on macroeconomic management, medium-term economic planning, investment programming and strengthening of institutions and the legal framework, including agriculture sector reform.	Due to nascent nature of the private sector, ADB will focus on providing policy support for assisting the creation of an environment conducive to private investments, and on training relevant agencies in modern methods suited to a market economy. Moreover, co-financing possibilities with the private sector will be explored. ADB has recently formalized the *Private Sector Framework Agreement* with the Government.
LAOS	ADB supports the country's transition to a market economy – mobilization of domestic resources, and promotion of exports, including interventions to encourage private sector investment.	Focused on sectoral reforms to manage resources more efficiently and strengthen capacity-building. Also in privatization of road maintenance companies, while Government has committed to use domestic resources to fund maintenance costs and promote cost-recovery measures in road sub-sector.	ADB's catalytic role has encouraged private sector investment in the power sector; electricity export to Thailand presents an opportunity for future expansion and export earnings. Similar efforts will be undertaken in transport (roads) and financial (banking) sectors where there is immediate potential. Private sector potential in forestry sector is expected to increase after and ADB TA-funded National Plantation Strategy. Bank efforts will attempt to increase private sector role in education and health sectors. Privatization of SOEs has been deemed to proceed satisfactorily.

CHINA	ADB supports market-oriented reforms and the development of appropriate institutional systems, through restructuring of state-owned enterprises implementing Bank-financed projects, and a series of TA aimed at capital market development. ADB is now paying greater attention to the less-developed inland provinces. PRC's lack of access to concessional ADF has limited Bank financing of direct poverty reduction, social sector and environment projects.	Focused on the need to strengthen macroeconomic management through continued monetary, fiscal , financial and enterprise reforms. Also, need to promote private sector role through BOT, BOO and joint ventures, using the Bank's guarantee policy. Also focused on energy/power and transport and communications sector. In the agriculture sector, ADB aid will be geared towards facilitating the transition to a market economy.	In 1996, ADB will make significant efforts to lay groundwork for increased private sector operations in PRC in three strategic areas - infrastructure development, capital market development and enterprise reform. ADB is also helping Government to develop its domestic capital market.
THAILAND	ADB is committed to help improve the country's long-term competitiveness and achieve a balanced development of all its regions. Priority is given to physical infrastructure, develop human resources, and ensure effective management of environment and natural resources.	Focused on encouraging private sector investments, privatize infrastructure and public utilities, enhance efficiency of state enterprises and improving environment and natural resource management.	ADB supports privatization and commercialization initiatives and policies that transfer activities from the public to the private domain, including contracting public sector functions to the private sector and the use of private intermediaries to channel public sector assistance. ADB provides direct loans to private enterprises and aims to play a role as catalyst to mobilize more financial resources. As of Dec 1995, ADB has provided direct support to private sector projects which totaled $58.3 m, of which $26.8 m was provided in equity and $31.5 m in loans without Government guarantee.
VIET NAM	ADB will facilitate transition and restructuring of the economy according to market-based principles, while promoting balanced and sustainable development. In the medium-term: policy reform, institutional/ infrastructure development, rural development, human development, environmental, natural resource management.	Focused on support for policy and structural reforms to improve public sector efficiency, and encourage development of private sector.	In Dec 1995, a *Private Sector Framework Agreement* between ADB and the Government was concluded, paving the way for the Bank's private sector operations in Viet Nam. Potential projects in the next 2 years involve cement production, water supply, and the leasing industry.

Excerpted from: ADB Country Program Notes (1996-1998).

ANNEX B. MEETINGS (DATE/VENUE) OF GMS MINISTERIAL CONFERENCES & FORUM/WORKING GROUPS

	1993	1994	1995				1996				1997				1998
			1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR	2ND QTR	3RD QTR	4TH QTR	
GMS	1-(Feb) 2-(Aug) Manila	3-(Apr) Hanoi; 4-(Sep) Chiang Mai				5-(Nov) Manila				6-(Dec) Kunming		7- (Apr) Manila	Ministerial Retreat (July) Pattaya		8-(Jun)
PSF		1-(Nov) Bangkok	2-Feb) Tokyo				3-(Mar) Seoul	4-(May) Frankfurt				(Apr) 5-Paris 6-London 7-Hague			8-(Feb)
STF				1-(Apr) Yangon	2- (Aug) P. Penh					3-(Dec) Kunming				4-(Nov) Vientiane	
EPF				1-(Apr) Yangon		2-(Dec) Vientiane				3-(Dec) Kunming				4-(Oct) Hanoi	5 Thailand
TWG				1-(Apr) Bangkok		2-(Dec) Vientiane		3- (Apr) Pattaya		4-(Nov) Ho Chi Minh		5- (May) Chiang Rai		6- (Oct) Ho Chi Minh	7- (Mar) P. Penh
STCF						1-(Nov) Manila			2- (Jul) P. Penh				3- (Jul) Pattaya		4-(Jun) Laos
WGE						1-(Oct) Manila			2-(Aug) Bangkok		3-(Mar) Siem Reap				4-(Mar) Hanoi
SIWG						1-(Dec) Bangkok									2-(Apr) Bangkok
ALWG									1-(Aug) Bangkok						
HRD-WG										1-(Dec) Manila					2-(Feb) P. Penh
GMS 2020											1-(Mar) Manila				(Jan) Thailand
TFWG														1-(Dec) Bangkok	

GMS - GMS Ministerial Conference; PSF - Private Sector Forum; STF - Subregional Transport Forum; EPF - Electric Power Forum; TWG - Tourism Sector Working Group; STCF - Subregional Telecommunications Sector Forum; WGE - Working Group on Environment; SIWG - Subregional Investment Working Group; ALWG - Subregional Air Linkages Working Group; HRD-WG - Human Resources Development Working Group; TFWG - Trade Facilitation Working Group. [TBD - To be determined]. (Source: Corral 1998)

ANNEX C. SOME ECONOMIC INDICATORS OF INDOCHINA

Inflation and GDP growth rates (%) in Indochina, 1989-1995.

	1989	1990	1991	1992	1993	1994	1995 (est.)
INFLATION							
Cambodia	63.8	141.8	197.0	75.0	114.3	(0.5)	5.2
Lao PDR	63.0	35.0	12.0	10.0	7.0	5.0	19.7
Viet Nam	34.6	67.5	67.5	17.5	5.2	14.0	12.7
GDP GROWTH							
Cambodia	3.5	1.2	7.6	7.0	4.1	7.5	6.5
Lao PDR	13.5	6.5	4.0	3.5	4.5	7.0	7.1
Viet Nam	7.8	4.9	6.0	8.3	8.1	8.5	9.5

Source: ESCAP 1997.

Exports of Indochina.

CAMBODIA (1993)	LAO PDR (1993)	VIET NAM (1994)
Main export items (in order of value)		
1. Natural rubber	1. Wood and wood products	1. Petroleum/ petroleum products
2. Cut wood	2. Garments	2. Marine products
3. Iron	3. Electricity	3. Rice
4. Fish products	4. Agricultural products	4. Garments and textiles
5. Digging machines	5. Tea and coffee	5. Coffee
6. Motorcycles	6. Forestry products	6. Coal
7. Lotus seeds		7. Rubber
Destination of exports (in order of value)		
1. Thailand	1. Thailand	1. Japan
2. Japan	2. Japan	2. Singapore
3. Germany	3. France	3. Germany
4. Malaysia	4. Germany	4. China
5. Italy	5. Netherlands	5. Australia
6. Netherlands	6. United States	6. France
7. Indonesia	7. France	

Source: ESCAP 1997.

Top foreign investors in Indochina and major investment sectors, circa 1994-96.[a]

	FOREIGN INVESTORS	INVESTMENT SECTORS
CAMBODIA	Malaysia (72%), ASEAN (76%)	Tourism (74%), Agriculture (5%), Infrastructure (5%)
LAOS	Thailand (42%), US (33%), ASEAN (43%)	Energy (76%), Hotel & tourism (7%), Mining (6%)
VIET NAM	Taiwan (18%), Japan (12%), Hong Kong (12%), Singapore (9%), Korea (8%), ASEAN (18%)	General industry (47%), Hotel & tourism (33%), Oil & gas (6%)

[a] Figures in parenthesis is % of total amount of investments.

Excerpted from ESCAP (1997) figures.

Major foreign investments in Indochina by originating country/area, and by sector.

COUNTRY / AREA	NO. OF PRO-JECTS	AMOUNT (US$ '000)	% TOTAL AMOUNT	SECTOR	AMOUNT (US$ '000)[e]	% TOTAL AMOUNT[f]
CAMBODIA[a]				**CAMBODIA[a]**		
Malaysia	25	1,502,790	71.7	Tourism	1,539,748	73.5
Canada	1	80,000	3.8	Agriculture	112,227	5.4
China	19	74,762	3.6	Infrastructure	102,104	4.9
Indonesia	2	58,000	2.8	Textiles	91,840	4.4
Taiwan	20	42,420	2.0	Energy	62,620	3.0
United States	13	40,710	2.9	Others	186,878	8.8
Thailand	14	17,263	0.8	TOTAL	2,095,417	--
Japan	1	1,160	0.05	**LAOS[b]**		
Others	78	278,312	13.3	Energy	4,264,810 (7)	76.0 (1.2)
ASEAN (Total)	68	1,591,523	75.9	Hotel and Tourism	393,824 (30)	7.0 (5.0)
TOTAL	**173**	**2,095,417**	–	Mining	312,336 (28)	5.6 (4.7)
LAOS[b]				Processing industry, handicraft	163,896 (103)	2.9 (17.3)
Thailand	228	1,957,354	42.4	Telecom and transport	71,616 (11)	1.3 (1.8)
United States	37	1,515,820	32.8	Wood processing	71,393 (32)	1.3 (5.4)
Korea	15	394,085	8.5	Textile and garment	68,268 (69)	1.2 (11.6)
France	62	311,755	6.7	Banking and insurance	67,800 (10)	1.2 (1.7)
Taiwan	30	64,690	1.4	Agriculture	54,664 (56)	1.0 (9.4)
China	56	36,096	0.8	Construction	57,484 (34)	1.0 (5.7)
Japan	14	7,348	0.1	Trade	54,299 (92)	1.0 (15.5)
Others	147	326,498	7.3	Other services	24,001 (75)	0.4 (12.6)
ASEAN (Total)	265	2,007,716	43.5	Consultant services	7,232 (47)	0.1 (7.9)
TOTAL	589	**4,613,646**	–	**TOTAL**	**5,611,622 (594)**	–
VIET NAM[c]				**VIET NAM[d]**		
Taiwan	248	3,600,000	18.1	General industry	9,4000,000 (857)	47.2 (59.3)
Japan	145	2,400,000	12.1	Hotels and tourism	6,600,000 (245)	33.1 (17.0)
Hong Kong	186	2,300,000	11.6	Oil and gas	1,200,000 (22)	6.0 (1.5)
Singapore	124	1,800,000	9.0	Transport, comm., post	1,100,000 (48)	5.5 (3.3)
Korea	152	1,600,000	8.0	Industrial zones	472,000 (9)	2.4 (0.6)
United States	58	1,200,000	6.0	Agriculture and forestry	326,000 (43)	1.6 (3.0)
Malaysia	47	896,000	4.5	Finance and banking	265,000 (19)	1.3 (1.3)
Others	485	8,264,000	30.7	Export processing zones	203,000 (60)	1.0 (4.2)
ASEAN (Total)	254	3,601,000	18.0	Others	359,000 (142)	1.8 (9.8)
TOTAL	**1,445**	**19,900,000**	--	**TOTAL**	**19,925,000 (1445)**	--

[a] 1994-95; [b] Jan 1988-Oct 1995; [c] as of May 1996; [d] as of Mar 1996; [e] No. of projects (in parenthesis); [f] % of total no. (in parenthesis). Excerpted from: ESCAP 1997.

ANNEX D. EXPORTS FROM THE GMS

MAIN EXPORTS (by order of value)					
Thailand (1994)	Viet Nam (1994)	Yunnan (1994)[a]	Burma (1993-94)	Laos (1993)	Cambodia (1993)
Manufactured goods	Petroleum and petroleum products	Manufactured goods	Forestry products	Wood/wood products	Natural rubber
Garments	Marine products	Cigarettes	Pulses and beans	Garments	Cut wood
Computers and computer parts	Rice	Machinery	Marine products	Electricity	Iron
Fishery products	Garments/textiles	Electrical/electronic goods	Minerals and gems	Agricultural products	Fish products
Precious stones/jewelry	Coffee	Phosphorus products	Rubber/agro-products	Tea and coffee	Garments
Rice	Coal		Rice	Forestry products	Digging machines
Plastic products	Rubber				Motorcycles
					Lotus seeds
MAIN COUNTRIES EXPORTED TO (by order of value)					
Thailand (1994)	Viet Nam (1994)	Yunnan (1994)[a]	Burma (1993-94)	Laos (1993)	Cambodia (1993)
United States	Japan	Burma	Singapore	Thailand	Thailand
Japan	Singapore	Hong Kong	Thailand	Japan	Japan
Singapore	Germany	Japan	India	France	Germany
Hong Kong	China	Viet Nam	Hong Kong	Germany	Malaysia
Germany	Australia	US	China	Netherlands	Italy
UK	France	Singapore	Japan	US	Netherlands
Netherlands		Thailand		China	Indonesia
Malaysia		Malaysia			
Taiwan					
TOTAL VALUE OF EXPORTS					
$45,500 million	$4,292 million	$1,044 million	Kyat 4,228 million	$326 million	$262 million

[a] For Yunnan, a value ranking for main exports by sector was not obtained; the total export value is provisional.

Source: ADB 1996b

ANNEX E. MAJOR GMS EXPORTS

INDOCHINA. The collapse of trade with the former Eastern bloc, compounded by the virtual cessation of aid, has caused severe problems for Viet Nam, Laos and Cambodia. Viet Nam was able to respond very rapidly by finding alternative markets; for instance, some 80% of Viet Nam's oil exports now are shipped to Japan. Exports from Cambodia and Laos are destined primarily towards three countries: Thailand, Japan and Germany. Malaysia is also a top export market for Cambodia; for Laos, France. For Viet Nam, top markets are Japan, Singapore, Germany and China. (ESCAP 1997)

CAMBODIA exports mainly natural rubber, cut wood and iron. Since April 1994, a moratorium was made on export of whole logs and processed logs and since May 1995, only wood furniture is permitted to be exported instead of whole logs, (Ling and Heng 1996) due to dwindling forest cover in Cambodia -- from 70 to 40% in three decades. Cambodia's major ASEAN trading partners are Thailand and Singapore. (Ling and Heng 1996)

LAOS earns dollars from wood and wood products, garments and its electricity exports (primarily to Thailand). Electricity, almost 100% generated by hydroelectric dams, is Laos' biggest export earner today (AP, The Nation, 28 Feb 1996). Despite a logging ban on timber exports since 1989 and a re-announcement of a logging ban and a nationwide forest inventory in 1991, logs from Laos continue to flow across to Thailand and Viet Nam (Aidwatch No. 2/Dec 1993). In 1962, 63% of the country was stated to be woodland; since then it has shrunk to 42% (Siebert 1996). Outside of natural resource-based exports, Laos also exports garments mostly to the United States and motorcycles to Viet Nam (Liquicia 1996). A decade of free-market reforms have also flooded the French-built capital with Thai, Chinese and Japanese imports; bikes and motorcycles are slowly giving way to automobiles (Waldman 1997).

VIET NAM's main exports are petroleum products, marine products and rice. The lifting of US trade embargo in February 1994 expanded trade opportunities. The energy sector provides about a third of the nation's foreign exchange earnings. Viet Nam is the third largest rice exporter in the world, after Thailand and the US; main export markets for rice are Malaysia, UK, Germany and Switzerland (Ling and Heng 1996) . Currently, Viet Nam trades mainly with Singapore among the ASEAN countries, followed by Malaysia and Thailand (Ling and Heng 1996).

BURMA's major exports are forest and agricultural products such as wood, rice, pulses and beans, oil seeds, vegetables, fisheries products, minerals and gems consisting mostly of low-value added items. Burma's main imports are consumer goods especially foodstuffs, raw materials and capital goods (Ling and Heng 1996) . Singapore is one of the major destinations of Burma's exports and also a main source of its imports (Ling and Heng 1996). Hotel construction, is also a major source of foreign exchange (Yanghwe 1995).

THAILAND's main exports are manufactured goods, garments, computers, fishery products, precious stones, and plastic products; Thailand is also the largest exporter of rice in the world. Main export destinations are: United States, Japan, Singapore, Hong Kong, Germany, UK, Netherlands, Malaysia and Taiwan.

YUNNAN/CHINA. Border trade between Yunnan and neighboring countries has promoted Yunnan's opening up along the border line and economic cooperation with its neighbors (Shishong 1997). Yunnan's border trade with Burma, Laos and Viet Nam reached 2 billion yuan ($364 million) by 1991 (ADB 1993a). China's exports dwarf those of its neighbors; in 1990 alone, its exports were nearly three times those of Thailand, and more than 30 times the combined exports of Cambodia, Laos, Burma and Viet Nam (ADB 1993a). Asia is the destination of some 40% of China's total exports (DPA 1998).

ANNEX F. SALIENT FEATURES OF FOREIGN INVESTMENT LAWS IN THE GMS

COUNTRY	TAX INCENTIVES	PROFIT TAX RATE	IMPORT TARIFF EXEMPTION
Cambodia[a]	Up to 8-year holiday	9%	100% on inputs and capital goods if exporting 80% of production, or located in special export promotion zone
Lao PDR[a]	2-4 year holiday	20%	1% duty on machinery and spare parts; re-exported raw materials/ intermediate components fully exempt
Viet Nam[a]	4-year holiday plus 4 years at 50%	25% (standard) 20% 15% 10%	Machinery, raw materials, parts and components used for exports fully exempt.
Burma[b]	3-year holiday; may be extended if in state interest	30%	Exemption or relief on machinery, parts, components; 3-year exemption or relief on raw materials
Yunnan[b]	2-year holiday, plus 3 years at 50%; plus 10 years at 15-30%	30% (24% in Kunming; 15% in high-tech zone)	Equipment, building materials, and raw materials receive 'favorable treatment' to full exemption
Thailand[b]	3-8 year holiday; Special Investment Promotion Zones reduction of 50% for 5 years after normal tax holiday termination	30%	Reduction of up to 90% of import duties on raw materials and components

Sources: [a] *ESCAP 1997; ADB (June) 1996.*

ANNEX G. INVESTING IN THE GMS

CAMBODIA has adopted one of the most liberal foreign investment laws to attract businesses, heralded as one of the best in the world. In 1994-1995, top investor was Malaysia cornering more than 70% of total; the combined ASEAN investments total 76%. Other major investors come from Canada, China, Indonesia, Taiwan, US, Thailand and Japan. Top investment is in the tourism sector, with 74% of the total (by value), while agriculture, infrastructure and textiles each account for 4-5% (ESCAP 1997). FDI expanded by 95% from $151 M in 1995 to $294 M in 1996; FDI inflow had already slowed in early 1997 and is likely to be slower after the July 1997 coup. In the garment sector, however, investment flowed rapidly even after July (CDRI 1997).

LAOS. Thailand, US and Korea were the top three investors in 1988-1995 comprising 42%, 33% and 8% of the total amount, respectively; ASEAN investments totalled 43% (ESCAP 1997). Japan, which gives the most aid, has so far remained stand-offish but its firms are starting to show interest (BP 1996). Most of the foreign investment is focused on the capital Vientiane, bringing little residue to the rural poor. Energy is the top sector in Laos; roughly three quarters of some $5.6 bn worth of investment pledges since 1986 have been for hydroelectric plants for power sale to Thailand. Mining and tourism each account for roughly 6-7% of total (ESCAP 1997), while some $200 m of light industry and textile projects have been licensed, many making use of Laos' status as a least developed country to benefit from low tariffs on garment exports (BP 1996).

VIET NAM's first investment code was passed in late 1988. Total FDI as of March 1996 is $19.9 bn. The top five major investors come from Taiwan (18%), Japan (12%), Hong Kong (12%), Singapore (9%) and Korea (8%); ASEAN investments comprise 18% (ESCAP 1997). In order to meet the goals of the 5-year plan 1996-2000, Viet Nam needs another $42 bn for development investment to the whole economy (Can 1997). General industry tops the list, cornering 47% of total investments. Despite the growing role of foreign investments in the economy, the government still firmly believes that state-owned enterprises should be the main contributor to government revenues (ESCAP 1997).

Since BURMA opened its economy in 1990, the SLORC claims that some $3.3 bn of foreign investments have been approved by 1996, although actual figures may be one-third less based on WB and IMF data (BW 1996). ADB figures cite $1.3 bn as of December 1994; top five investors come from Singapore (22%), Thailand (20%), US (15%), Japan (7%) and Netherlands (6%) (ADB 1996b). Foreign investments has continued at a steady pace, but is not very diversified; top sectors are hotels/tourism, oil and gas, mining and manufacturing. The military controls most of the foreign investment flowing into Burma through the Union of Myanmar Economic Holdings.

THAILAND. In 1994, FDI was $0.6 bn while foreign portfolio investment was $1.1 bn (Janssen 1996). In 1992-1994, top five investors were Japan (35%), US (14%), Singapore (6%), Taiwan (5%) and UK (5%); major destination sectors were chemicals and paper, services, metal products/machineries, electronics and minerals/ceramics (ADB 1996b).

In absolute terms, CHINA gets the largest amount of foreign private capital worldwide; in 1997, this was estimated at $30-40 bn, smaller than the 1996 figure of $42.4 bn (PNA 1997; AFP 1997). YUNNAN obtained almost $1 bn FDI in 1984-1993; top investors are Hong Kong (52%), Taiwan (16%), Singapore (11%), US (9%) and Thailand (6%) (ADB 1996b). By 1996, Thai investments alone account for roughly $1 bn (New Frontiers 1996). Major investments were made in light industry, transportation, metallurgy, chemicals, tourism and energy (ADB 1996b).

ANNEX H. SUMMARY STATUS OF GMS-RELATED PROJECTS, 1991-1997

TA NO.	PROJECT NAME	AMOUNT ($ '000)				DATE APPROVED	STATUS (as of 2 Oct 1997)
		ADB	JSF	OTHERS	TOTAL		
5487	Studies on Subregional Cooperation - Phase I	270.0	--	--	270.0	9-Mar-92	Completed
5535	Promoting Subregional Cooperation - Phase II	2,000.0	2,500.0	760.0	5,260.0	10-Jun-93	Completed
5586	Study of the Lao-Thailand-Viet Nam East-West Transport Corridor	--	--	1,000.0	1,000.0	18-Jul-94	Completed
5622	Subregional Environmental Monitoring and Information System (SEMIS)	--	1,000.0	--	1,000.0	9-Feb-95	Ongoing
5643	Subregional Electric Power Forum - GMS	--	--	78.0	78.0	20-Sep-95	Completed
5645	Meeting of Telecommunications Officials	--	--	30.0	30.0	2-Oct-95	Completed
5647	Regional Program to Train Trainers in Tourism in the GMS	130.0	--	--	130.0	23-Oct-95	Completed
5649	GMS Infrastructure Improvement: Ho Chi Minh City to Phnom Penh	--	3,000.0	--	3,000.0	9-Nov-95	Ongoing
5681	Cooperation in Employment Promotion and Training	--	600.0	--	600.0	18-Apr-96	Ongoing
5684	Subregional Environmental Training and GMS Institutional Strengthening (SETIS)	--	800.0	865.0	1,665.0	9-May-96	Ongoing
5686	Mitigation of Nonphysical Barrier to Cross-border Movement of Goods and People	180.0	--	--	180.0	29-May-96	Completed
5691	Thailand-Cambodia-Viet Nam Southern Coastal Road Corridor	100.0	--	--	100.0	18-Jul-96	Ongoing
5693	Promoting Subregional Cooperation - Phase III	--	3,000.0	--	3,000.0	23-Jul-96	Ongoing
5697	Se Kong-Se San and Nam Theun River Basins Hydropower Development Study	500.0	--	2,000.0	2,500.0	22-Aug-96	Ongoing
5710	Study of the Lao-Thailand-Viet Nam East-West Transport Corridor	3,000.0	--	--	3,000	11-Dec-96	Ongoing
5728	Chiang Rai-Kunming Road Improvement Road via Lao PDR	--	600.0	--	600.0	27-Feb-97	Ongoing
5738	East Loop Telecommunications Project in the GMS	--	--	770.0	770.0	28-May-97	Ongoing
5741	Subregional Telecommunications Forum - GMS	--	--	50.0	50.0	18-Jun-97	Ongoing
5743	Mekong/Lancang River Tourism Planning Study	--	600.0	--	600.0	24-Jun-97	Ongoing
5749	Cross-border Movement of Goods and People in the GMS	--	550.0	--	550.0	26-Aug-97	Ongoing
5751	Prevention and Control of HIV/AIDS in the GMS	--	--	150.0	150.0	17-Sep-97	Ongoing
	TOTAL AMOUNT	**6,180.0**	**12,650.0**	**5,703.0**	**24,533.0**		

Source: GMS Briefing Notes (ADB, October 1997).

ANNEX I. SOME HIGH-PRIORITY GMS SUBREGIONAL TRANSPORT PROJECTS, THEIR POTENTIAL SOCIAL/ENVIRONMENTAL IMPACTS, AND CURRENT STATUS

PROJECT NAME / ESTIMATED COST (US $)		POTENTIAL SOCIAL/ ENVIRONMENTAL IMPACTS[a]	STATUS / REMARKS (as of June 1997)
ROAD PROJECTS			
R1	Bangkok-Phnom Penh-Ho Chi Minh-Vung Tau-Road/ $490 million (Phase I costs $280 M) (Thailand, Cambodia, Viet Nam)	Options A & B - Slight impacts; Option C - Significant impacts since it involves construction of a new road linking Bangkok and Phnom Penh traversing large tracts of well-preserved forests	FS completed May 1995. ADB approved $3.0 m TA grant in Nov 1995 to cover Phase 1 (Phnom Penh-Ho Chi Minh), including social/ environmental impact analysis; detailed engineering of ADB-assisted project has been completed. ADB has scheduled loan consideration for late 1997/early 1998. Financing options are being discussed with various possible sources. A draft cross-border agreement is being negotiated.
R2	Thailand-Laos-Viet Nam East-West Corridor/ $150 million	Slight impacts, but no adequate information on encroachment on precious ecology and on historical/ cultural monuments	ADB TA ($3.0 m) approved in Dec 1996 and consultants selected to prepare detailed engineering design for Central Corridor (Route 9) option, including a second international bridge over Mekong at Mukdahan-Savannaket in Southern Laos; For completion by Mar 1998, with civil works beginning in Oct 1998 and for completion by early 2002.
R3	Chiang Rai-Kunming Road Improvement Project via Burma, Laos/ $507 - 829 million (Thailand, Yunnan)	Significant impacts - traversing forests, road realignments involved	ADB TA ($600,000) approved in Feb 1997 and consultants selected to update FS for the Yuanjiang to Mohei section in Yunnan, and to assess the private sector proposal to upgrade road linking northern Lao PDR to Chiang Rai, including a bridge crossing the Mekong River near Houei Sei and Chiang Kong. PRC and Laos have officially opened their border to highway traffic for the section from Houei Sei to Boten. (Partial implementation has already been achieved in each country.)
R4	Kunming-Lashio Road System Improvement Project / $629 - 909 million (Yunnan, Burma)	Significant impacts - traversing forests, road realignments involved	ADB loan ($150 m) approved in Sept 1994 to finance improvement of Chuxiong-Dali section in Yunnan (Yunnan Expressway). Other road sections within PRC have either been completed or studied at feasibility level by local PRC authorities. Road section from Muse to Lashio (163 km) will be upgraded by a private company - Asia World Company - as a toll road under BOT scheme, to cost $27 M. (Project will improve historic and well-trafficked 'Burma Road'.)

PROJECT NAME / ESTIMATED COST (US $)		POTENTIAL SOCIAL/ ENVIRONMENTAL IMPACTS[a]	STATUS / REMARKS (as of June 1997)
R6	Southern Laos-Sihanoukville Road Project/ $33 million (Laos, Cambodia)	---	ADB-funded FS and detailed engineering design study for Champassak Road Improvement Project, including a portion of R6 (and R9) have been completed and ADB loan ($48 m) was approved in Sept 1995 for construction of Pakse-Cambodian border portion; civil works is about to commence.
R9	Northeastern Thailand-Southern Laos-North-eastern Cam-bodia-Central Viet Nam Corridor/ $61 million	---	[See R6.] The detailed engineering design of the Mekong Bridge at Pakse is ongoing with JICA assistance; design will be completed by second quarter of 1997.
RAILWAY PROJECTS			
RW1	Yunnan Province-Thailand Railway Project/ $1,800 - 2,100 million	Significant impacts - involves construction of bridges and tunnels over nearly one-fifth of route and would traverse well-preserved forests; increased air and noise pollution.	Detailed FS undertaken for Yunnan portion; local PRC authorities will implement project even without foreign involvement. FS of Nong Khai-Vientiane section funded by ODA-UK is underway. AusAID has expressed interest in cofinancing a new FS of entire Lao section from Thai to PRC borders. Laos has requested ADB assistance in identifying financing sources for Vientiane-Kunming section. PRC has indicated it will complete this connection up to Lao-Chinese border by 2010. Laos hopes that connection within Lao territory could be completed also by 2010 so that it can connect with Thai railway.
RW2	Yunnan Province-Viet Nam Railway Improvement /$65 million	---	JICA-funded FS of Vietnamese portion is ongoing. AusAID has committed to provide A$18 M for upgrading of a communication system signaling for railroad line between Hanoi and Lao Cai. PRC and Viet Nam governments have agreed to resume direct railway between the two countries starting Feb 1996.
RW3	Thailand-Cambodia-Viet Nam Railway Project/ $550 million	---	Studies have been undertaken by UNDP, Engineering Consulting Firms Association of Japan, Japan Transport Consultants Association, and others. Some movement toward implementation, with focus to date on emergency aid.

PROJECT NAME / ESTIMATED COST (US $)		POTENTIAL SOCIAL/ ENVIRONMENTAL IMPACTS[a]	STATUS / REMARKS (as of June 1997)
RW4	Extending Subregional Railway Network to Laos through First International Mekong Bridge/ $210 million	---	FS funded by ODA-UK completed in Aug 1995. Although bilateral agreement between Thailand and Laos on railway link has yet to be finalized, civil works on the Thai side has progressed substantially. [Initial connection is about 16 km long, out of total 150 km.]
RW7	Railway Projects Connected with Mineral Development in Laos (with Viet Nam)/ over $650 million	---	Xieng Khoung-Vinh subproject was studied by Japanese firms in 1975. While construction of Thakhek-Tanap subproject was undertaken by France, no recent action has been taken on either subproject, although a 1991 study by MRC mentioned both options and suggested a new tunneling technology.
INLAND WATER TRANSPORT PROJECTS			
W1	Upper Lancang-Mekong River Navigation Improvement Project / $81 million (Yunnan, Burma, Laos, Thailand)	Serious impacts - including aquaculture and agricultural impacts on Tonle Sap Lake (Cambodia) and as far downstream as Mekong Delta (Viet Nam), eventual river bank erosion, downstream flooding	MRC concluded a *Strategy Study on the Development of Upper Mekong Navigation* in June 1995. The 4 MRC countries have agreed on the text to promote water transport in the Upper Lankang/Mekong River after three successive meetings in 1996; signing of agreement is expected within 1997. Agreement would facilitate fluvial traffic from South China to Northern Thailand and Laos. [Project includes port improvements, dredging, shoal realignments, provision of navigation aids, improvement of waterborne transport, implementation of a navigation agreement, and a variety of institutional measures.]
W2	Mekong Delta Navigation Improvement Studies / $34 million (Cambodia, Viet Nam)	---	As of Aug 1995, recommended studies have been moving forward with aid from MRC, WB, and Belgium government. All but the Can Tho port study were in the MRC's 1993 Work Program. Upgrading of Can Tho port is expected by mid-1997 with WB funding.
W4	Southern Laos-Cambodia River Navigation	---	An MRC proposal for a *Study on Long-Term Development of Inland Navigation in Cambodia* is consistent with the proposal. Inland water transport infrastructure on the Mekong River and Se Kong Tributary will be upgraded by dredging, port

PROJECT NAME / ESTIMATED COST (US $)		POTENTIAL SOCIAL/ ENVIRONMENTAL IMPACTS[a]	STATUS / REMARKS (as of June 1997)
	Project/To be determined (Laos, Cambodia)		improvements, shoal realignments, including implementation of a navigation agreement and institutional strengthening.
W5	New Phnom Penh Port Development Project / $95 million (Cambodia)	---	Project has been studied several times, in 1965-66 by a Japanese consulting firm, in the early 70s by the Port Authority itself, and early 90s by the MRC, another Japanese firm, and by the quasi-public Engineering Consulting Firms Association of Japan. Rehabilitation/upgrading of facilities is being undertaken through a Yen 3,039 million grant from JICA.
W6	Sihanoukville Port Improvement Project / $132 million (Cambodia)	---	ADB will finance some improvements under its Special Rehabilitation Assistance Loan; JICA will formulate a Masterplan and FS for the development of Sihanouk Port. [Improvement of existing port includes dredging, equipment procurement, and development of an Export Processing/Free Trade Zone.]
W8	Cai Lan Port Development Project / $150 - 280 million (Viet Nam)	Located in world-renowned Halong Bay (Viet Nam), might result in adverse impacts on aesthetic values, air and water pollution, threats to a mangrove colony	First-stage development of Cai Lan port commenced in 1987 and a 160-m long berth was completed in Sept 1993. Further development has been proposed in various studies, including an FS funded by JICA. Construction of a new 3-berth facility for Cai Lan Port is being proposed by OECF.
W10	Yangon-Thilawa Port Improvement /Development Project/ $100 million (Burma)	---	UNDP-funded pre-FS was completed in June 1992, followed by a number of missions visiting the Myanma Ports Authority. The Thilawa Port Devt Project is currently being implemented by the following on a BOT basis: (1) C&P Holding of PTE Singapore for the construction of container terminals and bridges; (2) Myanmar Integrated Port Services Pte. Ltd of Singapore for the construction of wharf and related support facilities; (3) Myanmar Port Authority Incorporated, a JV company with Sinmardev International Pte. of Singapore to construct, manage and operate the general cargo handling facilities.

PROJECT NAME / ESTIMATED COST (US $)		POTENTIAL SOCIAL/ ENVIRONMENTAL IMPACTS[a]	STATUS / REMARKS (as of June 1997)
AIR TRANSPORT			
A1	Cambodian Airports Improvement Project / $120 million (Phnom Penh, Siem Reap)	---	Preliminary studies undertaken by Engineering Consulting Firms Association of Japan and Japan Transport Consultants Association. In July 1995, ADB completed a PPTA that included a master plan and FS for the development of Siem Reap and Sihanoukville airports. In Aug 1995, improvement of Phnom Penh airport was underway with French aid, and some work undertaken on a BOT basis by a French-Malaysian joint venture. ADB approved $15 m loan for upgrading/rehabilitation of Siem Reap Airport in December 1996.
A3	Burma Airports Improvement Project / over $150 million (Yangon, Bago, Bagan)	---	EXIM Bank of Thailand provided a $150 m loan to Italian-Thai Development Public Company for the construction of a new passenger terminal and other facilities at Mandalay Airport; construction commenced in March 1994. Construction of new Hanthawaddy International Airport to serve Yangon has also started in March 1994; arrangements underway to construct passenger terminal building and other facilities with a foreign contractor.
A4	Second Bangkok International Airport/ $4,200 - 5,000 million	---	Detailed engineering is proceeding. Soil preparation is underway.
A6	Project to Establish Eight New Subregional Air Routes/na	---	Inception Meeting of Subregional Air Linkages Working Group was held in Bangkok in Aug 1996, which agreed to review air routes proposed in ADB Transport Sector Study.

[a] Excerpted from: GMS Transport Sector Study (ADB, October 1995).

Source: GMS Briefing Notes (ADB, October 1997).

ANNEX J. HIGH-PRIORITY GMS ENERGY PROJECTS, THEIR ESTIMATED COSTS AND CURRENT STATUS

PROJECT NAME	ESTIMATED COST (US$)	STATUS (AS OF JUNE 1997)
POWER GENERATION AND TRANSMISSION		
A1. Xe Kong and Se San Hydropower Development (Cambodia, Laos and Viet Nam)	$2.5 m (ADB TA) and $2 m from France (for A1 & A4 study)	ADB RETA was approved for A1 (and A4) in August 1996. MRC is coordinator. Xe Kong-Se San Basin study started in Jan 1997 and will be completed in Aug 1998.
A2. Nam Tha Hydropower Project (200 MW), inc. Transmission with Thailand	To be determined	Concession for the pre-FS was awarded by the Lao government to Thai SPB Power Ltd in Oct 1995; for completion by mid-1997. Touted to be one of the most promising in northern Laos. [Project will be financed through JV between Electric Power Bureau of Yunnan and Thai MDX.]
A3. Transmission Interconnection between 1500-MW Jinghong Hydropower Project (Yunnan) and Thailand	To be determined	Lao govt agreed in principle to routing the proposed transmission line through its territory. FS by EGAT and Southwest Electric Power Design Institute (SWEPDI) started Sep 1996 and for completion Aug 1997.
A4. Nam Theun River Basin Development in Laos, inc. Transmission Interconnections w/ Thailand & Viet Nam	See A1	MRC has identified 5 projects and carried out pre-FS of another 2 (Nam Theun 1 and 2); Nam Theun 2 and Theun Hinboun are under negotiation for implementation; including transmission interconnection between Laos, Thailand and Viet Nam, and possibly with Guangxi and Guangdong (PRC)
A5. Thanlwin Basin Hydropower Development in Burma and Thailand, inc. Transmission interconnection	To be determined	TOR of techno-economic study for consideration at the Subregional Electric Power Forum (EPF).
A6. Theun Hinboun Hydropower Project (210 MW) in Laos, inc. Transmission Interconnection with Thailand	$270 m (Originally estimated at $235 m in 1993 FS)	Project is a JV between GoL, Nordic Development Fund, MDX Thailand; ADB financed $60 M of GoL equity in Nov 94. 25-year Power Purchase Agreement with Thailand completed. Construction is under way; commercial operation expected in early 1998.

PROJECT NAME	ESTIMATED COST (US$)	STATUS (AS OF JUNE 1997)
A7. Immediate Interconnection of Existing Power Systems in Cambodia, Laos, Burma, Thailand, Viet Nam & Yunnan: (a) Nam Ngum Basin (Laos) / Nong Khai (Thailand) 500 kV Transmission Line; (b) Mukdahan 2/ Chaiyuphan 500 kV Transmission Line; (c) National Grid Company of Laos	(a) To be determined (b) To be determined (c) $600,000	(a) Recommended as a candidate project for interconnection between Laos and Thailand; also being considered for ADB co-financing under GMS arrangements; (b) ---; (c) ADB TA to GoL has been approved. First project to be undertaken by National Grid Company is to evaluate various interconnection alternatives, initially focusing on the HV transmission line from Nam Ngum Basin connecting to Thailand.
A8. Mekong Integrated Transmission Study (Formerly, Long-Term Subregional Generation and Transmission Development)	To be determined	Financed by Japan and completed by MRC, based on long-term generation development, covering mainly Cambodia, Laos, Thailand and Viet Nam. Proposes creation of a Mekong Power Development Public Corporation (MPDPC). Final report was discussed at 3rd Meeting of EPF in Dec 1996.
A9. Nam Leuk Hydropower (60 MW) in Laos	$112.6 m (Nam Leuk/ Nam Song project estimated at $73 m in 1991)	ADB approved $52 m loan in Sep 1996; project is for completion in 1999; OECF co-financed $38 m. Local costs of $22 m to be borne by GoL and EdL. Completion date is late 1999. [Note: A9 was not in the list of high-priority GMS energy projects identified in 1996.]
NATURAL GAS TRANSMISSION		
B1. Yadana-Bangkok (Burma-Thailand) Gas Pipeline Project	Approximately $1.1 bn	Burma signed a 30-year agreement with Thailand to export natural gas from Yadana, starting mid-1997. Burma portion is financed and constructed by JV of Burma govt, a subsidiary of Petroleum Authority of Thailand (PTT) and 2 international companies. Necessary preparations for construction of production platforms and laying of gas pipelines are now in progress; project for completion by July 1998.

PROJECT NAME	ESTIMATED COST (US$)	STATUS (AS OF JUNE 1997)
B2. Planning & Preparedness for Emergency Response to Marine Oil and Hazardous Substances Pollution	---	Identified in 1996 as high-priority, this project was dropped from the list by June 1997.
INSTITUTION-BUILDING		
C1. Establishment of GMS Electric Power Forum (EPF)	$30,000-50,000	EPF was formed at the GMS Ministerial Meeting in April 1995. Its second meeting held in Dec 1995 agreed on implementation agreements for Projects A1 and A4. Third Meeting was held in Dec 1996.
C2. Strengthening of Legal and Institutional Framework for Effective Water Management in River Systems in context of International Law	To be determined	Collaboration yet to be established. [To address utilization of water resources and creation of local agencies with regulatory functions.]

Source: GMS Briefing Notes (ADB, October 1997).

ANNEX K. STATUS, FINANCIAL PERFORMANCE, AND PRIVATIZATION PROSPECTS OF GMS ELECTRICITY INSTITUTIONS

GOVERNMENT AGENCY	STATUS / FINANCIAL PERFORMANCE
Electricite de Cambodge	Operating income negative since 1989 ; Almost 40% of total billing never collected from public sector and a long list of VIPs; High staffing levels.
Electricite du Laos	Now enjoys considerable operating freedom as an enterprise; In 1988-91, EdL made substantial contributions to the general public revenues and to its own investments from international cash generation, as a direct result of relatively profitable sales to Thailand and EdL's still low levels of debt repayments; Starting 1994, EdL will start repaying loans/interests on new projects which may reach $21 million per year by 1998, as EdL moves to the next generation of hydropower projects.
Burma Electric Power Enterprise	Under the supervision of the Ministry of Energy in Burma which has control over policy and substantive decisions.
EGAT (Thailand)	Well-run and efficient, and represents some of the best industry practice in Southeast Asia; currently devising plans for deregulation, restructuring, and privatization to promote private sector role.
Viet Nam	Power companies have traditionally operated as government departments with very little financial and managerial autonomy. Since 1991, steps have been taken towards greater autonomy by corporatizing power companies and reorganizing them along commercial lines. Despite announced policy reforms, however, there is a lack of clearly defined corporate objectives nor management incentives. Also, as of 1990, the power companies combined had a small operating loss by some $8 million.
Yunnan	Basic financial information is unavailable. In recent years, state-controlled pricing and allocation systems in PRC have been dismantled so quickly it is difficult to keep pace with the developments.

COUNTRY	PRIVATIZATION PROSPECTS / STATUS
Burma	There are currently no activities involving private sector investors in the electricity sector, but international oil companies are present in the petroleum sector.
Cambodia	Current problems and weak financial performance of the power sector, but US private interests are dominant in early BOT projects.
Laos	Not realistic to privatize at this stage since EdL is facing a major investment program over the next 10-15 years, and only government may have the capacity to mobilize resources for this program; As a first step, EdL should be corporatized and given full autonomy over its own operations.
Thailand	EGAT will be restructured as part of government's policy to promote a larger role for private sector in power supply. EGAT will retain responsibility for hydropower and thermal power-peaking plants together with transmission. Cogeneration and participation from IPPs (independent power producers) will also be encouraged. By 1996, the privatization process will involve: (a) deregulation and corporatization of EGAT; (b) sale of 51% of shares in the EGCO (EGAT subsidiary created in 1992); (c) invitations for BOO proposals for new generating capacity through open competition among IPPs and EGCO; (d) corporatization of MEA and PEA.
Viet Nam	Viet Nam is now actively inviting foreign participation in the energy sector through BOT arrangements.
Yunnan	There have been discussions in 1993 with foreign delegations over planned power development programs. An MoU was signed with Thai MDX and companies from Canada and Brazil for joint-venture development of some specific projects, although these projects may be realized well into the future.

Excerpted from: GMS Energy Sector Study (Norconsult 1995).

ANNEX L. MAJOR ENERGY PROJECTS (OTHER THAN THE ADB-GMS INITIATIVE) IN CAMBODIA, VIET NAM, THAILAND AND YUNNAN

NAME/ LOCATION	COST (US$)/ CAPACITY	SPONSORS/ INVESTORS	STATUS/REMARKS
CAMBODIA			
Sambor Dam	3,200 MW	--	FS by Government of Japan in 1969, and included in Mekong Basin's Indicative Plan of 1970; MRC reviewed project again in 1988-90 in connection with cascade developments on Mekong
Lower Se San 1	375 MW	--	For long-term hydropower development or energy export-oriented projects.
Lower Se San 3	900 MW	--	For long-term hydropower development or energy export-oriented projects.
Stung Metouek 2 (Mnam)	90 MW	--	For long-term hydropower development or energy export-oriented projects.
Gas turbine station (Phnom Penh)	$170 m / 106 MW	US Intercore	Major contribution in stabilizing power supply in Phnom Penh.
Combined cycle power plant (Phnom Penh)	$70 m / 60 MW	Beacon Hill (US)	IPP deal signed with Cambodian government in March 1996.
Various power projects	$7 m	Westinghouse (US)	Signed a deal October 1996 with Cambodian government to build 4 power plants. Have set up a joint venture in Viet Nam to install a $100 m plant, construction time over one year.
VIET NAM			
Quang Ninh thermal power station	1200 MW (1st stage 600 MW)	--	# 1 priority for private financing (as of Mar 1994); MBf has shown interest
Son La Dam	$3.6 billion $675,000 FS / >1000 MW	--	FS by Moscow-based Designing Survey Research and Production Shareholding Company; Construction to start in late 1999, for commissioning by 2010; No funding yet; Resettlement of some 80,000 people, mostly indigenous groups of Son La and Lai Chau provinces.
Phu My thermal power station	600MW	OECF	OECF commitment as of Mar 1994

NAME/ LOCATION	COST (US$)/ CAPACITY	SPONSORS/ INVESTORS	STATUS/REMARKS
Pha Lai thermal power station	600 MW	OECF	OECF commitment as of Mar 1994
Ham Thuan-Dai Mi hydropower station	470 MW	OECF	OECF commitment as of Mar 1994
Ban Mai hydropower station	350-400 MW	--	Priority for private financing (as of Mar 1994)
Thermal power project in Mekong delta	200-400 MW	--	Priority for private financing (as of Mar 1994)
Amata City Diesel/Cogeneration Project	$200 m / 214 MW	Amata Power Company	Amata City Bienhai Industrial Estate, 30 km from Ho Chi Minh City
Gas/Combined cycle	$100 m	Asea Brown Boveri (Switzerland) and Marubeni Corporation (Japan)	---
Pleikrong thermal power station	120 MW	# 2 priority for private financing (as of Mar 1994)	---
THAILAND			
Mae Kham Lignite-fired power station	300 MW	To be developed by IPP between 1995-2001	Thailand's first power plant built and operated entirely by an IPP
Chachoengsao Gas/Cogeneration Project	$120 m / 210 MW	Alpha Company and Sight (US)	Companies expect $200 m annual revenue from electricity and steam sales; chilled bottled water as a by-product, and will sell EGAT 70 MW of surplus power.
Mab Ta Phud Gas/Combined Cycle Project	$400 m / 300 MW	Banpu, Imatra Voima (Finland), and Nordic Power Invest (Denmark, Finland, Norway and Sweden)	Mab Ta Phud Industrial Estate
Rayong Gas/Combined Cycle	$280 m / 230 MW	COCO (Cogeneration Co.) (Thai-Scandinavian)	Phase III planned expansion; private capital. COCO is also vying contracts in Viet Nam, Malaysia, Philippines.

NAME/ LOCATION	COST (US$)/ CAPACITY	SPONSORS/ INVESTORS	STATUS/REMARKS
Nakorn Sri Thammarat Gas/Combined Cycle	823 MW	Khanom Electricity Generating Company	EGCO subsidiary. EGAT privatized this plant in 1996.
Rayong Gas/ Combined Cycle	1200 MW	Rayong Electricity Generating Company	EGCO subsidiary. EGCO proposing this for Phase II of EGAT's IPP Program.
Rayong Gas/ Cogeneration	1232 MW	Rayong Electricity Generating Company	EGCO subsidiary. EGCO privatized this plant in 1996.
Gas/Combined cycle Project	$440 m / 450 MW	Siam Power Generating	Subsidiary of SSP Group, a Thai steel and property company. Siemens (Germany) is supplying and installing the combined-cycle block; Siemens also plans to invest several hundred million dollars in joint ventures by 2000.
YUNNAN			
Manwan Hydropower	1,500 MW	--	Already operational; First of a 'cascade' of 15 dams along the Mekong mainstream.
Nuozhado Hydropower	>1000 MW	--	--
Jinghong Hydropower Project	$965 m (1997) / 1500 MW	JV between Yunnan Electric Power Bureau and MDX of Thailand.	FS completed. Construction to begin early 1998, completion in 2005. Project will export 80% of its output to Thailand.
Xiaowan Hydropower	>1000 MW	Guangdong Province (60%), Yunnan Province (15%), Central Government (25%).	Concept and financing mix approved in principle by central authorities; Final FS report due in 1996. Transmission line from Yunnan to Guangdong for part- financing by OECF

Sources: Norconsult 1995; ADB 1997a; Ryder 1997b; Others.

ANNEX M. LAOS IPP PROJECTS UNDER CONSIDERATION.
(AS OF JUNE 1997)

PROJECT	CAPACITY (MW)	COMMERCIAL OPERATION	STATUS
Candidate IPP Projects for export to Thailand			
1 Hong Sa Lignite	600	Jun-02	CA, FS, EIA
2 Theun Hinboun	210	Mar-98	CA, FS, EIA, PPA
3 Houay Ho	150	Jun-98	CA, FS, EAI, PA
4 Nam Theun 2	680	Late 2003- 04?	FS, EIA, PA (lapsed), RAP
5 Nam Ngum 2	615	Dec-02	FS
6 Nam Ngum 3	460	Sep-02	CA, FS, EIA
7 Xe Pian SNN	390	2004	CA, FS, EIA
8 Xe Kaman 1	468	2004	FS
Less certain projects, but still likely			
9 Nam Theun 3	237	2006-2010	CA, FS
10 Nam Tha 1	200	2006-2010	FS
11 Nam Theun 1	540	2006-2010	FS, EIA
12 Nam Lik 1/2	100	End 2002	FS
13 Xe Katam 1+2	130	2006-2010	PFS
14 Nam Ou	630	2006-2010	PFS
15 Nam Ngum 5	100	2006-2010	PFS
Candidate IPP projects for export to Viet Nam			
16 Xe Kong 4	250	2003	Preliminary studies
17 Xe Kong 5	200	2003	Preliminary studies
18 Nam Mo	100	2004	only MOU
Government projects, output partially for export			
19 Nam Leuk	60	End 1999	FS, EIA
20 Nam Nhiep 1	440	2007	FS
Dormant IPP projects, for export			
21 Nam Nhiep 2+3	565		Unknown only MOU
22 Nam Suang 2	190		Unknown only MOU
TOTAL	7,315 MW		

MoU = Memorandum of understanding; CA = Concession (power development) Agreement; PPA = Power Purchase Agreement; PFS = Prefeasibility study; FS = Feasibility Study; EIA = Environmental Impact Assessment; RAP = Resettlement Action Plan; Except for Theun-Hinboun, Houay Ho and Nam Leuk, all other projects connect to 500 kV collector stations which connect to major 500 kV receiving stations in Thailand.

Source: Lahmeyer + Worley International 1997.

ANNEX N. SOME PRIORITY GMS TOURISM PROJECTS, THEIR ESTIMATED COST, SCOPE AND CURRENT STATUS

PROJECT / ESTIMATED COST	SCOPE	STATUS (as of June 1997)
TOUR1: Promoting the Subregion as a Tourist Destination/ Variable	To establish a joint subregional marketing program aiming at high-yield, trend-setting markets; a careful selection of the main 'jewels' would be made and promoted as a 'quality' package.	Ongoing. Current and planned activities include: promotion of the video 'Jewels of the Mekong'; distribution of promotional brochures to all PATA offices; familiarization trips to the Mekong subregion.
TOUR2: Subregional Tourism Forum / $70,000 - $100,000 per year	Regular meetings of national tourism organizations to coordinate their tourism efforts, and bring together government and non-government tourism people on an annual basis.	First Tourism Forum was held in Pattaya in 1996 and was co-sponsored by ADB, ESCAP and PATA; the Second Forum was held in October 1997 in Ho Chi Minh City.
TOUR3: Mekong River Tourism Planning Study / To be determined	Studies on river-based tourism on the Mekong. Phase I will conduct an assessment study of the tourism resources of the river and the potential for development.	ESCAP has conducted Phase I of the study which identified overall tourism patterns along the river. Phases II has commenced under ADB RETA.
TOUR4: Village-based Tourism/ To be determined	Identification of villages with potentials to offer unique tourist products or themes and a collaborative effort at packaging these products/themes for international promotion. GMS countries agreed that potential environmental, social and cultural impacts of village-based tourism should be carefully considered.	Possible funding sources are being considered, including the ADB, New Zealand Government and the Mekong Institute at Khon Kaen University. UNESCO assistance was also sought for project formulation.
TOUR7: North South Tourism Corridor/ To be determined	Corridor staring from China – with Kunming as centre – to the countries of Southeast Asia. The proposed corridors would be linked to plans of liberalizing aviation and transport policies within the subregion. A macro-scale study of tourism flows throughout the GMS would be undertaken probably by Thailand.	A draft TOR for the project has been prepared by the Tourism Authority of Thailand for comments.

Source: GMS Briefing Notes (ADB,October 1997).

ANNEX O. SOME PRIORITY GMS ENVIRONMENT PROJECTS, THEIR ESTIMATED COSTS, SCOPE AND CURRENT STATUS

PROJECT/ ESTIMATED COST	SCOPE	STATUS (as of June 1997)
ENV1: Subregional Environmental Monitoring and Information System (SEMIS) / $2.0 m ($1 m each from ADB and UNEP)	The objective is to establish a subregional environmental database and information exchange network which will enable governments to make informed decisions regarding sustainable development, and which will provide an early warning system for environmental management.	ADB RETA 5622 ($1.0 M) was approved in February 1995; Commencement Workshop in October 1995; First Steering Committee Meeting in January 1996. Remaining expected outputs for completion by Consultants.
ENV2: Subregional Environmental Training and Institution Strengthening (SETIS)/ $2.37 m (ADB - $800,000; Norway - $765,000; Fin-land $100,000)	To improve GMS countries' capacities to plan, formulate and implement environmental policies and programs, establish training centres; EIA training was singled out as the most important.	ADB RETA 5684 ($ 800,000) was approved in May 1996. All national training modules will be implemented September-November 1997; all subregional training modules will be implemented Sept 1997 - March 1998. Consultants' final report for submission to ADB in June 1997.
ENV3: Poverty Reduction & Environmental Improvements in Remote Watersheds in the GMS / $4.0 m	To build national capacities to protect and conserve areas of significant biodiversity value by addressing linked problems of rural poverty and resource degradation in critical watershed areas. Includes review of national policies/ legislation/ strategies, review of timber supply scenario, plantation establishment, reforestation, and timberwood, fuelwood pricing policies, and selection of 6-10 pilot sites.	ADB's RETA will be finalized following comments from the Third Meeting of the GMS Working Group on Environment in March 1997.
ENV4: Environmental Strategy for the GMS / $1.0 m	To ensure environmental stability of economic development undertaken within the context of the GMS program by integration of environmental considerations in economic development planning and implementation.	ADB TA is being processed for this project.
ENV5: Management and Protection of Tonle Sap and Critical Wetlands of the Lower Mekong Basin/ $4.0 m	To ensure long-term preservation of the benefits provided by the wetlands in the Lower Mekong Basin, especially the Tonle Sap, including fisheries, flood control, water purification, transportation, and critical habitat for many species.	ADB TA is being processed for this project.

Source: GMS Briefing Notes (ADB,October 1997).

ANNEX P. SOME PRIORITY GMS HUMAN RESOURCE DEVELOPMENT PROJECTS, THEIR ESTIMATED COSTS, SCOPE AND CURRENT STATUS

PROJECT/ ESTIMATED COST	SCOPE	STATUS (as of June 1997)
HRD 1: Cooperation in Employment Promotion and Training in the GMS/ $920,000	Sharing labor market information, applying uniform standards of training, and mutually training trainers as part of technology transfer. Aims to establish a subregional labor information network (SLIN), develop training and certification standards, and identify centres of excellence in vocational training.	ADB RETA 5681 ($600,000) was approved in April 1996 and the Technical Assistance Agreement with ILO as executing agency was signed in November 1996. Project implementation started in January 1997.
HRD 2: Centres of Excellence Institutional Network / To be determined (TBD)	To develop and share specialization in various fields, thus minimizing duplication and enhancing complementarities. Project would have the following components: distance education, skills development, teacher upgrading and training; school management training.	A more detailed project profile was prepared for consideration at the Seventh GMS Ministerial Conference in April 1997.
HRD 3: Health Surveillance and Information Sharing / To be determined	Will cover HIV/AIDS, sexually-transmitted diseases (STDs), malaria, other communicable diseases and pharmaceuticals.	A more detailed project profile was prepared for consideration at the Seventh GMS Ministerial Conference in April 1997.
HRD 4: Subregional Cooperation on HIV/AIDS / Phase I - $100,000 Phase II - TBD	Focus on socio-economic and administrative issues rather than biomedical topics. Identify possible joint programs and projects and an action plan on AIDS.	ADB will finance and implement Phase I. For Phase II, participation of other donors and GMS countries will be sought.

Source: GMS Briefing Notes (ADB,October 1997).

ANNEX Q. SOME PRIORITY GMS TRADE AND INVESTMENT PROJECTS, THEIR ESTIMATED COSTS, SCOPE AND CURRENT STATUS

PROJECT/ ESTIMATED COST	SCOPE	STATUS (as of June 1997)
Subregional Investment Working Group (SIWG) / $50,000-70,000 per year	Formally agreed at 3rd GMS Conference in April 1994 to coordinate subregional activities on investment, improve investment climate and attract foreign capital.	Three themes – investment promotion, general investment facilitation and regulatory framework for investment – is organizing framework of SIWG. Will explore collaboration with other initiatives, institutions, e.g. ASEAN.
Subregional Trade Facilitation Working Group (STFWG) / $50,000-70,000 per year	Formally agreed at 3rd GMS Conference in April 1994. With ESCAP collaboration.	Inception Meeting held in December 1997.
GMS Business Forum / $100,000 for Phase I	A more extensive and continuing involvement of the business sector in the GMS program.	Establishment of the GMS Business Forum was endorsed at the Seventh Ministerial Conference.

Source: GMS Briefing Notes (ADB,October 1997).

ANNEX R. SOME MAJOR ODA STRUCTURAL ADJUSTMENT PROJECTS IN INDOCHINA

PROJECT TITLE	DURATION / DONOR(S)	BUDGET (US$ '000)	OBJECTIVES
CAMBODIA			
Promotion of economic structural adjustment	1993-95 Japan (OPS/UNDP)	40,268	Provide assistance in macro-economic management of the economy including advice and support in shifting from centralized, command economic structures to a greater market orientation.
Enhanced structural adjustment facility (ESAF)	1994-97 IMF	120,000	Contribute to Cambodia's balance of payment.
Emergency rehabilitation credit budgetary support	1994-96 WB/IBRD	37,500	Strengthen macroeconomic stabilization.
LAO PDR			
Structural adjustment facility	1989-94 IMF	51,350	Structural adjustment credit in the context of a program of macro-economic reform.
Program support to New Economic Mechanism (NEM)	1990-94 UNDP (IBRD)	2,232	Support to the Government's NEM in the areas of divestiture, legal framework, taxation and custom, foreign investment and socio-economic statistics.
Program support to economic and financial management	1992-94 UNDP	1,530	Strengthen government capacity in economic and financial management, particularly in macroeconomic planning, policy analysis and coordination, public investment programming, budgeting and monitoring, accounting and control, and cash and internal department management.
ESAF arrangements	1993-96 IMF	35,190	Provide fund for technical assistance activities and program facilities in fiscal, monetary, statistics and macroeconomic sectors.

VIET NAM			
Strengthening economic management	1990-94 UNDP	1,795	Facilitate exchange of experience on economic reform and macroeconomic policy instruments with other countries; organize seminars, trainings of economic managers; support development of appropriate legal framework.
Financial system development	1991-94 UNDP (IMF)	1,918	Support the government program of economic reform by strengthening and adapting Viet Nam's major financial institutions enabling them to operate effectively in a liberalized economy.
Restructuring and divestiture of state enterprises	1992-95 UNDP (IBRD)	2,975	Assist the government in designing and implementing a comprehensive program for restructuring the state enterprise sector to improve its performance.
Transition to market economy technical assistance program	1994-97 EU	18,801	Prepare and implement sustainable reform strategies in key sectors of the Vietnamese economy; Transfer know-how and practical training to establish market economy principles and create a favorable environment for the emergence of the private sector; Assist European operators to gain a foot-hold in Viet Nam and vice-versa; Provide policy advice and support to institution-building in five major accounting, BOT projects, intellectual property, industrial standards development, introduction of quality concepts.
ESAF program	1994-97 IMF	519,019	Support the government's medium-term economic stabilization and reform program.
Consultancy Fund II	1994-97 Sweden/SIDA	32,829	Support Vietnamese training and studies in stabilizing the economy and implementing an economy recovery program.

Excerpted from: ESCAP 1997.

ANNEX S. ODA DISBURSEMENT BY AREA OF FOCUS IN CLV, 1994 (US$ MILLION)

THEME	CAMBODIA	LAO PDR	VIET NAM	TOTAL
Economic, legal and public institution reform for transition to a market economy	160.2 (44%)	92.0 (39%)	233.6 (39%)	485.8 (40%)
Development of the private sector	0.3 (<1%)	2.1 (<1%)	24.7 (4%)	27.1 (2%)
Environment and natural resources management	70.5 (19%)	75.9 (33%)	140.0 (23%)	286.4 (24%)
Social policy, investment and adjustment	133.8 (36%)	64.0 (27%)	205.6 (34%)	403.4 (34%)
TOTAL	364.8	234	603.9	1202.7
Approx. ODA per capita (US$)	41	51	8	14

Source: ESCAP 1997.

ANNEX T. THE PRIVATE SECTOR IN INDOCHINA

COUNTRY	CONTRIBUTION TO THE ECONOMY	COMMITMENT TO THE PRIVATE SECTOR
CAMBODIA	In 1993, 94% of large establishments (> 10 workers) were private enterprises. Only 30 state enterprises were reported: 20 in utilities, 10 in manufacturing. In 1993-94, 89.2% of the labor force were self-employed or working without pay in family firms or business. Only 7.2% worked for the public sector.	"The objective of the Royal Government is to play the role of a facilitator within the framework of the free market system where open competition will be encouraged." (Taken from a Government policy statement) "Cambodia's approach to foreign investment is one of open encouragement. This is manifested in a liberal foreign investment law and streamlined bureaucratic procedures for foreign investors. The approach is genuine, not reluctant, and in most cases every effort is made by government departments and officials to facilitate the needs of foreign investors." (Coopers and Lybrand 1995)
LAO PDR	Indirect estimate that private sector credit grew from 11% of non-government credit in 1989 to 55% in 1993. Rapid privatization of state-owned enterprises and growth of private sector investment in place of public sector investment.	"Foreign investment is allowed, encouraged, and actively promoted in Lao PDR as an important element of the New Economic Mechanism." (Taken from a Government policy statement) "Although there are those within the leadership who accept that the state should play more of a facilitating and less of a direct role in the economy, there is no agreement on the issue. Even those who accept that the state should relinquish control of certain sectors of the economy believe that state control over a sizable core should be maintained." (EIU Country Reports Feb 1995)
VIET NAM	Private sector accounted for 56% of GDP in 1995, down from 67.5% in 1990. Agriculture is dominated by non-state operations. Industry is dependent or overshadowed by numerous state enterprises. Services split equally.	"A report prepared for the Vietnamese Communist Party Congress in June 1996 envisages a lively private sector over the next 5 years, but says the state should be the main engine for growth." (*The Economist*, April 1996) "All participants have the view that Party members must be good at business. But the majority also said that Party members cannot do private capitalist business, because a communist cannot be a capitalist." (Quote from a Vietnamese official, *Vietnam Investment Review*, Feb-Mar 1996)

Source: ESCAP 1997.

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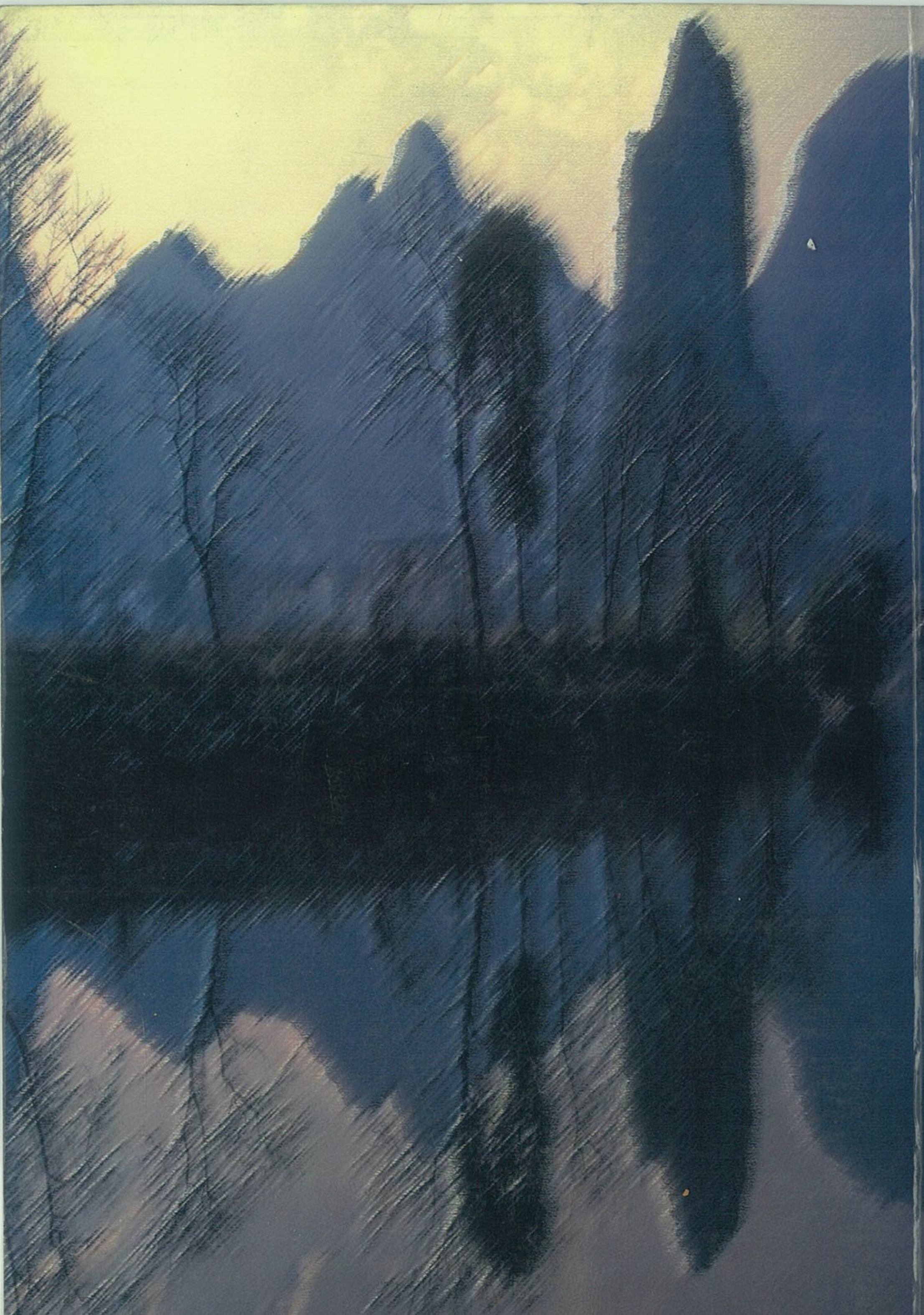

ARENA's goal is to build and sustain a community of concerned Asian scholars, intellectuals and activists that will spearhead a process of social awakening and thereby contribute to the people's struggle for a new, just and more humane social order.