

Soft Infrastructure for Cross-border Transport

To boost the free movement of people and goods across borders it is crucial to develop adequate institutions in addition to physical facilities. In the Greater Mekong Subregion, the multilateral agreement, namely, the Cross-border Transport Agreement (CBTA) was set up in addition to existing bilateral agreements. CBTA stipulations cover (i) facilitation of border-crossing formalities, (ii) cross-border movement of persons, (iii) transit traffic regimes, (iv) requirements for road vehicles in cross-border traffic, (v) exchange of commercial traffic rights, and (vi) infrastructure standards. The Agree-

ment was initially signed in 1999 by Lao PDR, Thailand, and Vietnam, but soon joined by Cambodia in 2001, China in 2002, and Myanmar in 2003. By March of 2007, these countries finished signing all the minutes attached to the CBTA.

Although the signing has been done, ratification is yet incomplete among member countries. It is anticipated that the CBTA will take some time to reach its full stage of implementation.

Existing Regional Cooperation Mechanism

GMS Development Program

The ADB took the initiative of facilitating the formulation of the GMS Economic Cooperation Program, which started in 1992. The program aims to attain subregional economic development and cooperation through efficient investments in cross-border transport infrastructure. Although the primary focus is on transport, the program covers nine other sectors, namely agriculture, energy, environment, human resources, investment, telecommunication, tourism, trade, and private sector investment.

Regional Economic Corridor

To stimulate the effective and efficient growth of direct investments and production, the program prioritizes its development agenda through the identification of major economic corridors for transport infrastructure development. Two north-south corridors, one east-west corridor, and two south corridors were initially identified in 2000. The corridors increased to nine in 2007 with the addition of a northeast corridor from Bangkok to Hanoi, a north corridor that reaches Myanmar as well as two others.

Major Regional Economic Corridors in GMS



Source :ADB. Transport Sector Strategy. 2007

3.GMS Challenge of CBTI/CBTA Implementation

GMS countries have to properly address four challenging issues, namely: (a) development of long-distance land logistics routes including ICD through CBTI development, (b)reduction of institutional cross-border barriers, (c)regional development activities in integration with CBTI, and (d)allaying of negative impacts of an increasing cross-border traffic. The GMS goals of these challenge are to promote economic development with strengthened regional cooperation and to ensure poverty alleviation by narrowing inter-country and intra-country disparities within the region.

Development of Land Routes for Long-distance Logistics through Cross-border

Long-distance freight traffic in the subregion has long depended mainly on maritime shipping. The steady development of cross-border infrastructure which reduces risks and minimizes barriers to travel has made land transport an important alternative to other transport modes. In December 2006, the Second Mekong International Bridge was completed through the assistance of Japan's Yen Credit program. The bridge connects the East-West Economic Corridor which traverses the Indochinese Peninsula from Vietnam to Myanmar. The bridge's opening added momentum to the drive to establish a subregional logistics network.

The multinational company including Japanese companies as well as local one is particularly interested in the Bangkok-Hanoi route. Some decisive steps, including trial runs, have been taken to establish regular transport services. The land trip between Bangkok and Hanoi takes 3 to 4 days passing through the new bridge, which is a remarkable reduction in travel time compared with coastal shipping which takes

about 2 weeks. However, because land transport costs more than twice as much, maritime shipping will retain its advantage in bulk transport. Nonetheless, the speed and the convenience of land transport attract private interests. One immediate issue on this route is the simplification of border formalities for international transit in Lao PDR. Another issue is the volume of backhaul cargo, i.e. the freight back from Hanoi to Bangkok is negligible. This requires the promotion of regional development integrated with cross-border transport infrastructure and development of logistics facilities including ICD along the route.

Transport Route between Bangkok, Thailand-Hanoi, Vietnam



Inter-city Container Cargo Transport in Indochina

Route	Land Transport km	Day	Cost (US\$)	Sea Transport Day	Cost (US\$)	Remarks
Guangzhou-Hanoi customs	1,190	2	3,000	4-6	1,500	40ft container including
HCMC-Hanoi	1,600	3-4	1,200	4-6	750	40ft container domestic cargo
Bangkok-Hanoi customs	1,555	3-4	4,200	10-15	2,000	40ft container including
Bangkok-HCMC	913	2	1,390	2-3	560	10t truck and 20 ft container, excluding customs

Source: NNA, "East-West Economic Corridors developed by Japan", Feb. 2007

Reduction of Institutional Cross-border Barriers

The development of CBTI-related roads and bridges has steadily progressed financed by the ADB, JBIC, and lately by Thailand and China. In contrast, institutional bottlenecks still persist in border-crossing formalities. Cross-border barriers are now largely of institutional origin.

Although the CBTA signed by GMS countries defines the institutional framework for border crossing, many problems and obstacles continue to work against its implementation. In some cases, CBTA stipulations infringe on domestic laws,

while the necessary domestic legislation has been slow in other areas. Also, customs officials reportedly have vested interests in the existing system and resist the CBTA implementation.

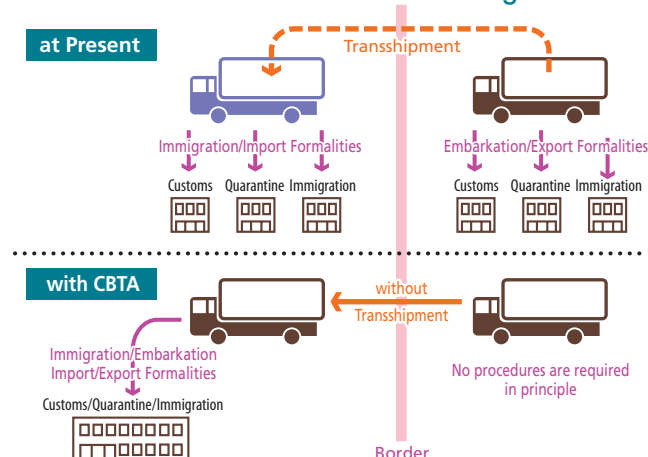


Second International Mekong Bridge
Opened in December 2006 (Sankyu Inc.)

The primary issue is the simplification of border formalities. Currently, crossings have to clear formalities at both sides of the border. Two countries can agree to a single stop where exit and entry formalities are cleared simultaneously in the country of entry. Although customs, quarantine, and immigration formalities are currently handled through separate windows, they can be unified in one window.

The simplification of formalities carries an impact as large as the development of physical border-crossing facilities, which means that it is urgently necessary to step up CBTA implementation.

Mechanism to Facilitate Border-crossing Formalities



Regional Development Activities integrated with CBTI Development

The formulation of regional development strategies is crucial to maximize the benefits of ongoing CBTI development. The usual strategy prioritizes development projects in terms of industrial structure and the inherent resources of a given country. The growing cross-border traffic, trade, and labor mobility necessitate project prioritization that takes into consideration GMS subregional industrial structure and cross-country comparative advantages.

CBTI-integrated regional development efforts will induce the growth of local traffic along border-crossing routes as well as demand shifts from air and maritime transport. It is crucial to implement such integrated regional development projects including natural resources development and agricultural development to tap the benefits of CBTI development, especially in Lao PDR and Cambodia where the economic corridors are expected to transit both cargoes and passengers.

Major Regional Development Proposed at Border Area

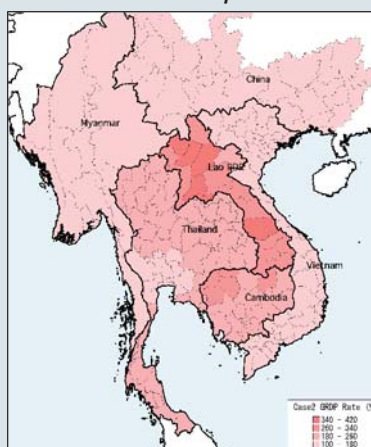
Cambodia	Manhattan SEZ (Bavet) Poipet SEZ KohKong SEZ Sihanoukville SEZ
Lao PDR	Savan-Seno SEZ
Myanmar	Myawadi-Mea Sot Regional Development
Thailand	Chiang Rai SEZ Mukdahan SEZ Trat-Koh Kong SEZ Myanmar SEZ
Vietnam	Lao Bao SEZ Moc Bai SEZ

Expected GRDP Growth from CBTI /CBTA Implementation

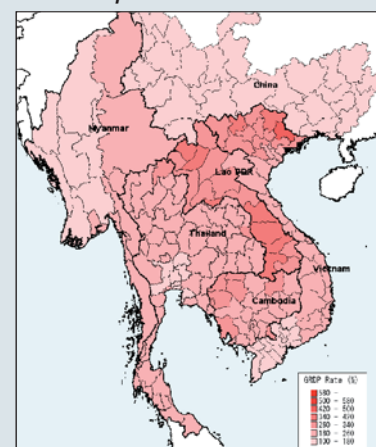
The map A on the left shows GRDP growth that is expected in various parts of the subregion from CBTI development along the three designated economic corridors. The map B on the right similarly shows GRDP growth that is expected from the reduction of time spent at 16 CBTA-designated border crossing points to 30 minutes by simplifying formalities.

The estimation is based on informed judgment over salient factors and does not bear rigorous scrutiny. Nonetheless, it must be noted that the growth is higher in those areas with lower GRDP in Cambodia and Lao PDR, and that simplified border formalities could bring as many benefits as the investment in transport infrastructure.

Map A: GRDP Growth through CBTI Development ¹⁾



Map B: GRDP Growth through Simplified Formalities ²⁾



Source: Formulated by the JICA Study Team based on the data in ADB, Transport Sector Strategy Study, 2005.

Notes: 1) The CBTI development along Bangkok-Hanoi, Bangkok-Ho Chi Minh, and Bangkok-Kunming routes

2) Reduction of time spent at 16 border-crossing points to 30 minutes