Britannica Encyclopedia of Social Sciences defines "regionalism" as a concept which "properly represents the regional idea in action as an ideology, as a social movement, or as the theoretical basis for regional planning; it is also applied to the scientific task of delimiting and analysing regions as entities lacking formal boundaries." Regionalism does not arise with the mere signing of an agreement or treaty, but is created by the leaders of the countries who share "a homogeneous area with physical and cultural characteristics distinct from those of neighbouring areas." On the other hand, sub-regionalism is one of the venues where states can target specific areas within their boundaries for development. The contiguous areas, which more often have had no prior interactions, albeit informal, have the states' blessings to promote a 'borderless' environment.

Therefore, sub-regional co-operation is a kind of economic co-operation, whose main aim is to spur social and economic development through collaborative efforts. The expectation is that inter-governmental support would encourage other actors like the business sectors to invest in the physical and human development. Experiences in some cases like in southern China and in the Association of South East Asian Nations (ASEAN) case, Singapore-Johor-Riau (SIJORI), have had positive results. They attracted foreign investments and thus increased employment opportunities and industrial development in the participating localities, though distribution of benefits may not always be equitable across the region. Designated growth areas seem to be a popular approach to sub-regional development in Southeast Asia, as it already had another two sub-groupings before ASEAN focused on the Mekong area. Jorn Dosch and Oliver Hensengerth are of the view that "the idea of sub-regional co-operation in Asia is closely associated with the concept of growth triangles (GTs), a term first used in the late 1980s by the then Singaporean Deputy Prime Minister Goh Chok Tong to circumscribe the economic co-operation between Singapore, the Malaysian state of Johor and the Indonesian province of Riau (SIJORI)."

According to Asian Development Bank report, "regional economic co-operation is one of the oldest themes in developing economies, although genuine successes have been few. Regional economic co-operation in Asia has focused on the
traditional approach of trade liberalisation through reduction of tariffs. Following the major global political changes of the late 1980s, non-traditional forms of regional economic co-operation, focusing on the removal of structural impediments to cross-border movements of goods and services, emerged. Prominent among these non-traditional types of co-operating was the Greater Mekong Sub-region (GMS) programme, in existence since 1992. This economic corridor approach, which merges geographical space with economic activities in an integrated manner, was first discussed in late 1998 as a key means of further developing co-operation in the GMS (ADB 2001: xi)

Here, economic corridors are geographically defined areas that facilitate the national or trans-national movement of goods, services, capital, people, and information. They have been developed around the world as a mechanism to promote cross-border trade, investment, and export-oriented production. Economic corridors and growth triangles share many similar characteristics, but differ in three major ways. First, economic corridors encompass a smaller, defined geographic space. In most cases, they straddle a central transport artery such as a road, rail line, canal, or other such facility. Second, they necessarily place a greater emphasis on bilateral rather than multi-lateral initiatives. It is at strategic nodes within the corridor—particularly border crossings between two countries that—the scope of regional co-operation can be most quickly realised. Third, they place a much greater emphasis on the careful spatial and physical planning of the corridor and its surrounding area, to concentrate infrastructure development and achieve the most positive benefits (ADB 2001).

The Association of South East Asian Nation (ASEAN), South Asian Association for Regional Co-operation (SAARC) Bangladesh, India, Myanmar, Sri Lanka, and Thailand Economic Cooperation (BIMST-EC), and Mekong Ganga Co-operation (MGC) are few examples of regional co-operation in Asia. BIMSTEC an economic association was established on 6 June 1997, by the littoral states of the Bay of Bengal; Bangladesh, India, Myanmar, Sri Lanka and Thailand. This economic grouping aims at promoting rapid economic co-operation between members in key areas such as trade, investment, tourism, fisheries, agriculture, transportation and human resources development. Two years later in August 1999, India, Myanmar, Bangladesh and China launched the “Kunmin Initiative” to strengthen economic co-operation among these four countries. Subsequently, in July 2000, the foreign
ministers of India, Myanmar, Thailand, Laos, Cambodia and Vietnam announced at Bangkok the Mekong Ganga Cooperation (MGC) Project. The six countries also undertook to develop transportation networks including the East-West Corridor Project and the Trans-Asian Highway. Among the above sub-regional co-operation organisations, the BIMSTEC has undergone the most rapid development.

For many years the Southeast Asian region was racked by war and conflicts. As a result, relations among the member countries remain cold for most of the period. With the end of the cold war, peace was restored in the Indo-China and its surrounding countries. Accordingly the leaders of the region began to firm up their policies on the “development strategy for their people towards prosperity” (Limskul and Kaji Taniguchi 1996). In the light of this background, the Greater Mekong Sub-region (GMS) was formed in 1992 with the initiative by the United Nations Economic Commission for Asia and the Far East (ESCAE). Since then the relations between the countries of the region took a new turn especially in the economic field. The principle policy goals of the Mekong Committee initiated by the ESCAE and the four riparian countries of the Lower Mekong Basin (Cambodia, Laos, Thailand and South Vietnam) were aimed at tackling “the pressing problems of poverty and political instability along the lower river basin and to promote peace, progress and prosperity through the effective joint utilisation of the Mekong’s resources” (Dosch and Hensengerth). Since the GMS programme is closely linked with “market-based integration, the GMS agenda concentrated on the provision of physical infrastructure that has public good characteristics, for example, cross-border infrastructure” (Menon, 2007: 255).

Unfortunately, the Asian Economic crisis of the late 1990s led million of native Southeast Asian to become “unemployed without alternative means of support for their families” (Panitchpakdi, 2001: 166). Thus, the GMS countries in its move to bring about rapid economic development in the region deliberated in detail the importance of the development of economic corridors in their subsequent ministerial conference. Consequently, they adopted an important strategic change at the Eight Ministerial Conference in October 1998 by endorsing the economic corridor approach. The leaders of the GMS countries felt that if special preferences were extended to certain economic activities within the corridors, it would increase investor appeal of projects, and expand sources of finance. The key elements that would facilitate the emergence of economic corridors includes: (i) identifying the economic
rationale, including the basis for related economic zones; (ii) physical infrastructure connecting centers of economic activity to each other; (iii) streamlined policies and procedures to allow cross-border utilisation of the corridor; (iv) site-specific physical infrastructure and streamlined policies within such zones; and (v) effective marking strategy of the concept as a set of specific, tangible investment opportunities (ADB).

At the 6th ASEAN summit held at Hanoi in 1998, the ASEAN leaders agreed to create a regional investment area by the year 2010 as well as to turn ASEAN into an Economic Region by 2020 (Panitchpakdi 2001: 162). In 1999, the Cross Border Agreement was signed in Vientiane between the governments of Laos PDR, Thailand and Vietnam to facilitate the movement of goods and people along the East-West Economic Corridor (Panitchpakdi 2001: 269). The GMS priority projects are grouped into 11 flagship initiatives in which the East-West Economic Corridor is one of them. EWEC was initiated in 1998 by the Asian Development Bank (ADB) in collaboration with the Japan Bank for International Co-operation (JBIC) and the Japan International Co-operation Agency (JICA) in the framework of the Greater Mekong Sub-region (New Frontiers 2004). The central component of the EWEC flagship is the 1,450 km long road connecting Da Nang in Vietnam on the eastern end, with Mawlamyine in Myanmar on the western end, cutting across central Laos PDR and north and northeastern Thailand. It is the only direct and continuous land route between the Indian Ocean (Andaman Sea) and the South China Sea. An initial impact assessment of the development impact of EWEC on Savannakhet province found significant benefits such as, (i) reduced travel time from the Lao-Vietnam border of Lao-Baodansavanh by bus from about 12 hours to only about three hours presently; (ii) increase in foreign direct investment and joint ventures in Savannakhet Province, much of which has been influenced by EWEC development; (iii) expansion in employment and income-generating opportunities; and (iv) improvement of access of rural students to secondary schools (Alice Pham 2007). It is also claimed that the EWEC will make significant contribution to poverty reduction.

Taking into consideration GMS with the EWEC as a priority corridor project, ADB approved approximately US $ 740 million for the project in December 1999. This fact clearly indicated that a key objective of the Asian Development Bank (ADB) programme is to develop the GMS market and the cross border movement of goods and people. The promotion of transport and economic corridors was central to this objective (Asian Development Bank 2004:1). The EWEC is expected to improve
access to raw materials, stimulate trade and exports, bring together many of the inherent factors of production found throughout the region, and create higher growth rates for many of the secondary cities and towns along the route (UNESCAP 2002: 10). The GMS is rich in natural resources as well as cultural and historical heritage. It is strategically located, and has the potential to serve as an important land bridge between and among Southeast Asia, South Asia and East Asia. But, the sad reality is that most of the regions are under-developed, highly populated and geographically remote. Indeed essential infrastructure of all types remains under-developed in most of the GMS economies. Therefore, the development of EWEC offers enormous scope for creating the linkages among the South East Asian countries in general and the GMS in particular. Because it will not only bind the region together but will also open avenues for rapid economic development within the region.

Border trade has a rather significant role to play in the relationship between two or more neighbouring countries. It is considered a key indicator of health of such relationships and provides quite largely for the livelihoods of their people (Alice Pham 2007). It is a fact that better means of transports and communication contribute to increased regional trade, investment, and economic development, particularly for geographically disadvantaged members of the region (Fujimura 2006: 48). Once again the leaders of the GMS-countries in its Summit Declaration in November 2002 reiterated to continue to work towards the “vision of freeing their people from poverty and providing sustainable development opportunities for all their citizens” (Asian Development Bank 2004: 1)

Exhorting the importance of the EWEC, the then Thailand Prime Minister, Thaksin Shinawatra in his lecture on Forward Engagement: The New Era of Thailand’s Foreign Policy, on March 12, 2003 said, “The East-West Economic Corridor, stretching through India, Myanmar, Thailand, Loas and Vietnam will help integrate the Mekong Sub-region with the Indian Sub-continent. The “roads of opportunities” will be the basic in opening up trade, investment, and stimulating tourism across the region (Buakaew 2003: 14-15)

Once again in the Second Greater Mekong Sub-region Summit held at Kunming, Yunnam, People’s Republic of China on 4 and 5 July 2005, the GMS leaders declared (Kunming Declaration): “Cross-border infrastructure is key to economic development and prosperity in the region. A well-built, seamless, multi-modal infrastructure is essential to the facilitation of trade, movement of people and
the provision of basic services throughout the whole region.” And they also agree to complete the major transport links along the East-West corridor by 2008 (ADB).

ADB country director for Vietnam Ayumi Konishi speaking with the Vietnam News Agency about the East-West Economic Corridor Week 2007 said, “The EWEC is to be an “economic” corridor rather than a mere “transport” corridor, and therefore the EWEC is not simply about infrastructure improvement. Its ultimate objective is the development of an economic corridor, with the transport corridor only serving as the base. This means that infrastructure needs to be integrated with trade, investment, tourism, and other economic opportunities. This involves planned, co­ordinated and systematic project, policy, and institutional interventions that will allow reductions in transport costs and a more efficient movement of goods and people. Beyond these, the development of the EWEC aims to help alleviate poverty, support development of rural and border areas, and increase the earnings of low-income groups in the corridor’s coverage area (Vietnam News Agency 2007).

Cambodia, China, Myanmar, Thailand, Loas and Vietnam play an important role in the EWEC. The success and development of the region will largely depend on the plans and policies carried out by these countries. An analysis of each country’s role is briefly discussed in this chapter.

Cambodia

Cambodia which is also called Kampuchea lies in the southern part of Indo-Chinese peninsula in Southeast Asia. It is bordered by Thailand in the west, Laos People’s Democratic Republic in the north, Vietnam in the east and by the Gulf of Thailand in the South. The country is divided into two dominant topographical regions. One is formed by the Mekong River and the other by the Tonle Sap and the Bassac river systems, located in the central part of Cambodia. Cambodia gained its independence from the French in 1954. However, political crisis in the country continued till the early 1990s. The first free elections took place in May 1993 and Cambodia was declared a constitutional monarchy (ESCAP 2004: 2)

The Royal Government of Cambodia in its official website (2008) reported that civil war and Cambodia-Vietnam War in the 1970s not only destroyed Cambodia's fledgling manufacturing industry, road and rail networks but has also completely destroyed Cambodia's economy. As a result, Cambodia was forced to
import even essential commodities like rice in the mid 1970s. Even today Cambodia is classified as one of the least developed country in the world.

After years of political uncertainty, the Kampuchea People's Republic Party (KPRP) took over the administration of the state in 1985 and “embarked on a market-oriented reform.” Subsequently, in 1989 it adopted a substantial quasi-official cross border trade with Thailand and Singapore via Koh Kong and Kompong Som ports. Since then, Cambodia has taken significant steps towards integrating its economy with that of its neighbours and the rest of the world (Murshid and Sokphally 2005). Cambodia officially became a member of ASEAN in 1999 and joined the ASEAN Free Trade area. It is also a signatory to Common Effective Preferential Tariff (CEPT) and has joined the World Trade Organisation (WTO) in 2003.

Cambodia also played an important role in the sub-regional trade co-operation by engaging in bilateral trade-relation with many of its neighbouring countries, which includes signing of Cambodia-Laos PDR Trade agreement in May 25, 1998; Cambodia-Malaysia Trade agreement in February 4, 1999; Cambodia-Thailand trade, economic and technical co-operation agreement in September 20, 1996; Cambodia-Thailand MOU on intellectual property co-operation agreement in March 5, 1997; Cambodia-Thailand MOU on joint committee on trade agreement in May 22, 2000; Cambodia-Vietnam trade agreement in March 24, 1998; Cambodia-Vietnam transit agreement in September 7, 2000; and Cambodia-Vietnam commercial transaction in border areas agreement in November 26, 2001 (ESCAP 2004: 5-6).

To further boost trade and investment in the country the government of Cambodia has enacted various laws on industrial and export processing zones. “In the Mekong sub-region, this has taken the shape of special (export processing) zones set up (or planned) along the border areas, and promotion of the ADB-led Greater Mekong Sub-region concept to integrate regional economies through transport-infrastructure linkages and trade facilities reforms” (Murshid and Sokphally 2004: 19). ESCAP remarked that the Mekong River plays an important waterway for cross-border transportation between Cambodia and Vietnam because the Mekong runs through Vietnam before reaching the South China Sea and the second main port of Cambodia; Phnom Penh is located on the Mekong River (ESCAP 2004).

**China**

Cao Daming (2007) contends that “for many years, insisting on adhering to the principles of equal consultation, mutual benefit and common development, China
has been actively participating in GMS cooperation in various fields and continuously strengthening its connection with Cambodia, Lao PDR, Myanmar, Thailand and Vietnam socially, economically, culturally and politically. One of the reasons for adopting this cordial foreign policy by the Chinese policy makers has been due to China close linkage through Lancang Jiang-Mekong River with Cambodia, Lao PDR, Myanmar, Thailand and Vietnam. Another reason being that "the East-West economic corridor under the GMS programme links the South China Sea to the Bay of Bengal, that is from Vietnam's Danang Port in the East to Myanmar's Mawlamyine in the West. Mawlamyine-Danang land route will take only 1,000 km, whereas the sea route which passes through the Malacca Straits takes 4,000 km. Thus, one has witnessed the government of China playing an active role in the development of the GMS programme since its formation.

It is a known fact that the aim to develop China’s landlocked western provinces Yunnan and Guangxi is one of the main reasons for China active participation in GMS cooperation. The Chinese government aim to transform the Southeast Asia region into a market for its products coming from Yunnan and Guangxi. Further, China policy makers hope the GMS economic zone would create an avenue to “provide an excellent ‘southern gateway’ that could bring greater economic prosperity to the south and southwestern provinces of China” (Medhi Krongkaew 2004:980). Thus, China has signed a number of agreements with the Southeast Asian countries bilaterally and jointly to develop better relations with these countries. The signing of the US$ 5 million “Navigation Agreement” for the development of the upstream Mekong River in June 2001, with Lao PDR, Myanmar and Thailand is one such example. China joined the “Cross-border Transport Agreement” (CBTA), subsidized the project of improving the navigation lines of the upper Mekong River and the initial research of the Pan-Asian Railway beyond China’s border and signed “GMS Intergovernmental Electric Power Trade Agreement” (Cao Daming 2007).

Subsequently, China and ASEAN signed a free trade area agreement in November 2002 to establish a free trade zone by 2010. A year later, on October 7, 2003, China, Japan, Korea and the ASEAN agreed on a plan of setting up a bigger free trade zone by 2020 (Yao Chaocheng 2008: 95). And on October 8, 2003, China formally signed the ASEAN Treaty of Amity of Cooperation becoming the first member nation outside Southeast Asia. China too has being playing a leading role in the FTA programmes of ASEAN +1 and ASEAN+3 (Yao Chaocheng 2008: 98). The
establishment of ASEAN-China Free Trade Area clearly indicate that China is interested in connecting the GMS countries to its market and institutional framework.

For instance, the ASEAN-China Development Fund, the ASEAN-China Trade Negotiating Committee (ASEAN-China TNC), and the Sixth ASEAN-China Summit on Co-operation on Non-Traditional Security all simplify the institutional framework that is fundamental for strengthening regional integration. However, it also appears that the China-ASEAN Co-operation goes beyond the economic interest. The China-ASEAN Co-operation is, rather, a comprehensive security strategy which helps to maintain stability and cohesion of the region by way of economic co-operation with the peripheral states of mainland China. China made it clear that regional security is important for its own national security, national interest and development (Zhang Bin 2003).

If China adheres to its pledges in the Eighth ASEAN Summit, Sixth ASEAN-China Summit, and the Tenth GMS Summit, its participation in the GMS is contributory to a very strategic setting for regional economic and political interests. From an economic point of view, pending agreement on the provision of the ASEAN-China Free Trade Area, and the ASEAN-China Comprehensive Economic Partnership, China could be the gateway and market destination for GMS countries and may thus reduce their export dependency on the international market. Likewise, Southeast Asia could become a strategic market space within the region for China. From this scenario, the ASEAN-China economic trade-off seems to be mutual, but the economic parity is by far in favour of China for several reasons. First, China has a much larger export capacity. Second, China has much more human and financial capital. Third, China is more competitive in attracting foreign direct investment. Fourth, China is more technologically advanced. But all is not well with the social, political and economic structure of China, it still has a high incidence of poverty and not all provinces sustain equitable growth. Moreover, in China, capital management is still problematic largely due to structural issues.

Nonetheless, within the ASEAN-China Free trade Area, China has agreed to expand its co-operative activities in five priority areas: 1) agriculture; 2) information and communication technology; 3) human resource development; 4) two-way investment; and 5) Mekong River Development. In the area of agriculture, ASEAN

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1 Press Statement by the Chairman of the Eighth ASEAN Summit, The Sixth ASEAN+3 Summit and the ASEAN China Summit, 4 November 2002, http://aseansec.org/13189.htm

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and China signed a MOU between the Ministry of Agriculture of the People’s Republic of China and the ASEAN Secretariat on behalf of the ASEAN Member Countries on Agricultural Cooperation on 2 November 2002 in Phnom Penh, Cambodia. This MOU is an agreement on technical co-operation on implementing training programmes for ASEAN participants in China. Specific areas of co-operation include forestry, livestock production, fisheries, biotechnology, post-harvest technology and the field harmonisation of quarantine measures and standard conformity of agricultural products. The ASEAN-China co-operation is also extended to the Greater Mekong Sub-region Framework, ASEAN Mekong Basin Development Co-operation and the Mekong River Commission. China has expressed interest in sponsoring an Initiative for ASEAN Integration (IAI), “Inland Waterway Improvement Project in CLMV Countries.

What features prominently in the China-ASEAN economic relations is not investment and economic aid but the rapid growth of bilateral trade, at an annual rate of 20.8 per cent from 1990 to 2003, and over 30 per cent from 2001. In 2003, it reached US$78.3 billion, up by 42.9 per cent over the previous year. In 2004, it was over US$109.9 billion with a growth rate of nearly 40 per cent, with ASEAN becoming China’s fourth biggest trade partner, and China the fifth biggest partner of ASEAN. (People’s Daily on Line 2005).

However, Chinese companies find it difficult to compete in ASEAN markets, especially against MNCs there. First, they are mainly small and medium companies that lack the capital and expertise to effectively compete with foreign companies that are already firmly established in ASEAN markets. Second, they are not co-ordinated among themselves and not well integrated with ASEAN markets. Most lack sufficient knowledge of the ASEAN market, and often operate in a “hit-and-run” fashion for immediate and once-for-all profits at the expense of their overall long-term interest and reputation, thus rendering them vulnerable to the competition of both foreign and local companies. There is a flood, for example, of cheap and low-quality Chinese products such as garments and textiles in some ASEAN markets. But Chinese companies have not yet posed strong competition in the upper tier of the economic ladder. Thirdly, it is China’s Yunnan Province and Guangxi Autonomous Region that have the strongest enthusiasm for pushing into the ASEAN market. The better-developed coastal provinces focus on Western markets and look to ASEAN primarily when they are unable to expand further in Western markets. In 2001, for example,
trade with ASEAN comprised the largest portion of the foreign trade of Guangxi and Yunnan at 35.6 per cent, but only a combined US$1.6 billion, which made up only 3.8 per cent of China’s total trade with ASEAN at US$41.6 billion. The Guangdong Province traded US$15.4 billion with ASEAN counties, which made up 37 per cent of China’s total trade with ASEAN in that year. However, for Guangdong, China’s top exporter, this was only 8.47 per cent its total foreign trade. Its focus was on the US, Japan and other Western markets. It is the same for other developed Chinese provinces and cities, such as Shanghai, whose trade with ASEAN comprised only 8 per cent of its total foreign trade in the same year.

Though ASEAN as a whole has increased exports to China, their exports to Western markets have decreased over the past years, partly due to competitive Chinese exports there. Both China and ASEAN have adopted export-oriented strategies and their economies are mostly competitive rather than complementary with the exception of Singapore (John Wong and Sarah Chan 2003). A sound China-ASEAN economic relationship in future will depend on how fast China can upgrade its economic structure to trim its competitiveness with ASEAN economies and how much more the Chinese market can absorb of ASEAN’s products. This poses a big question since China is now attempting to move from an export-and-investment-led growth strategy to one balanced by healthy consumer spending (Stephen S. Roach 2006). If successful, this re-orientation of its development strategy will greatly improve China’s economic relations with ASEAN countries. However, this change will not be abrupt.

One of the most notable developments witnessed in the last ten years is the initiative taken by China to improve and strengthen its relationship with Southeast Asia (Herman Joseph S. Kraft). A number of bilateral visits and the signing of substantive agreements, including trade and even security co-operation took place between China and the ASEAN states. In 2001, Chinese Premier Zhu Rongji proposed a free trade agreement between China and ASEAN that was endorsed by the ASEAN leaders at their meeting in Brunei that same year. The proposal intended to push China and the ASEAN states towards a free trade area within a five-year period (Herman Joseph S. Kraft).

On March 21, 2003, China acceded to the Treaty of Amity and Co-operation (TAC) in Southeast Asia (TACSEA), marking an increasing acceptance by the ASEAN states of China’s role in the region (Herman Joseph S. Kraft). But, China’s
diplomatic success with ASEAN is often fortuitous, notwithstanding its diplomatic skills. For example, Chinese success has much to do with the US obsession on terrorism and its relative negligence of the region. It also has a lot to with the 1997 financial crisis and ASEAN’s subsequent efforts to engage China in order to achieve a constructive balance of power in the region. Many observers notes that only Chinese “pushes” into the region without seeing ASEAN’s “pulls.” Without such “pulls,” however, China’s “pushes” will not get far and may backfire. Take for instance, the warming in China-Indonesia relations. They recently declared each other as strategic partners. This may have a lot to do with Indonesia Muslim’s frustration with the excessive US pressure on it against terrorism and consequently its intention to use China to balance the US pressure. Its overture to build defence ties with China and to buy Chinese weapons can be interpreted as a tactical rather than a strategic re-orientation, a means to pressure the US to lift its arms embargo on Indonesia.

The strategic and political basis for Chinese primacy in Southeast Asia is even weaker than the economic basis. Though there is less public talk of the “China threat,” suspicion and distrust of China remains deep-rooted and may grow if a rising China rushes into Southeast Asia. ASEAN countries are not bandwagoning with, but “hedging” against China and engaging China while developing robust ties with other extra-regional powers to balance China (Colloquium Brief 2006).

In terms of regional international relations, the Chinese “push” into Southeast Asia has alerted other major powers, especially Japan, to stronger efforts to offset Chinese advances. It is true that ASEAN offers to engage China in the effort to avoid the past Cold War conflicts and to encourage regional peace and security. It also wants China’s political backing for its emergence as the primary driving force in regional affairs. However, the Chinese “push” has evoked concern among ASEAN countries that ASEAN’s standing may be compromised. Over the years, China has repeatedly proposed initiatives such as “China-ASEAN FTA,” “China-ASEAN strategic partnership,” “commemorative summits”, China-ASEAN expo in Nanning, forming an Eminent Persons Group (EPG) for China-ASEAN relations and many others. ASEAN was characteristically in the position of responding to Chinese initiatives. China is diplomatically skilful in mapping such proposals, which ASEAN is not very keen about, but has no reason to turn it down.

There is growing concern, however, that ASEAN is being led by China down the road towards a tipping point in the regional strategic balance. With internal
challenges, such as uneven economic and political developments among the member states (such as the growing “two tiers” of ASEAN) and the complexity of ASEAN integration (ASEAN Community), ASEAN needs “a breathing space” to consolidate as the driver in regional affairs. China, by being pro-active with multiple initiatives, risks alienating an ASEAN concerned about maintaining regional leadership. Worse, these multiple initiatives may make some ASEAN countries feel that the regional strategic balance may be tipped. Efforts to preserve this balance was reflected in the East Asia Summit (EAS) of December 2005, when, with the exception of Malaysia, ASEAN nations supported India’s participation in the EAS, (Mohan Malik, 2006: 19) and many supported Japan’s proposal to include Australia and New Zealand. In an effort to keep the driver’s seat from external powers, ASEAN decided not to hold a second EAS in Beijing as China requested, but to assure that the next and subsequent summits would be held in ASEAN countries.

China formerly favoured the EAS as leading the way toward East Asia regional integration. Malaysian Prime Minister Dr Mahathir Mohamad proposed the EAS at the ASEAN+3 Summit in 2000. Singapore supported the proposal and suggested having the Summit every five years, to be hosted in turn by China, Japan and South Korea. In 2001, the East Asia Vision Group, formed in 1999 on the proposal by South Korean President Kim Dae-Jung, presented the formal report to establish the EAS to the thirteen ASEAN+3 countries. In early 2003, Malaysia asked to host the first East Asia Summit, a request that was formally endorsed by ASEAN countries at their Summit at the end of 2004. China was happy with that development, but was surprised when ASEAN suddenly proposed bringing Australia, New Zealand and India into the EAS. As one strategist in the think tank of China’s Ministry of Foreign Affairs points out, this enlargement of membership challenges China’s previously favourable position in the EAS process (Wei Min 2006).

Beijing has evidently read the message and re-adjusted its approach towards ASEAN. Beijing can be expected to be more attentive, more cautious and subtle. It will shift its focus from East Asian integration to its bilateral relations with ASEAN, i.e. the China-ASEAN FTA, and with individual ASEAN countries. It will continue to stress economic relations and maintain a low profile but substantive diplomacy. It may not attempt to “walk fast” but rather prioritise “walking stable” and even “standing stable,” emphasising consolidating what it already has as the basis for further development. It will also seek to broaden the social basis in ASEAN countries.
for a stable bilateral relationship. Historically, a sensible strategy for a big power is to build a long-term and solid moral and economic basis and wait to be invited in, rather than force its way in. The best diplomacy is to arouse enthusiasm among countries by dealing with them in a way that makes them feel important and appreciated, engaging them without making them feel manipulated, making them feel that the new relationship is their own initiative and in their own interest, winning them over gradually without causing offence. China is on the learning curve now.

Lao People’s Democratic Republic

Lao People’s Democratic Republic (Lao PDR) which was established in 1975 is a small independent country and centrally located in South-East Asia. It is geographically land-locked, sparsely populated and is one of the least developed countries of the region. The development of transport facilities in the country is extremely poor, and thus makes communications difficult within the country and between Laos and most of its neighbours (Caldwell 1983: 317). It is bordered by China to the north (505 kilometers), Cambodia to the South (435 kilometers), Vietnam to the east (2069 kilometers), Myanmar to the north-west (236 kilometers) and by Thailand to the west (1,833 kilometers) (UNESCAP 2002: 57). The country is divided administratively into 17 provinces and one special zone.

ADB reported that because of the very narrow resource base, Laos’s capacity to diversify its production and exports has been limited. It further stated that “institutions remain weak and human resources under-developed. The pace of economic reform has been slow, so its transition to a fully-fledged market economy remains a long-term challenge.” In the light of this background, Laos “is keen to promote connectivity with its GMS neighbours to explore development opportunities” (ADB 2004: 6). Analysing the country’s economy, Caldwell stated, “In the 1960s about 60 percent of Laotian revenue came from foreign aid. In 1968 the United states alone contributed $ 58 million, aside from military assistance” (Caldwell 1983: 319).

In 1986, the Laos government adopted a relatively comprehensive reform programme called the New Economic Mechanism (NEM) to shift from centrally planned to a market-oriented economy. Development efforts were aimed at achieving transition from a command economy to a market economy, and from a substances-based and isolated rural economy to a production and service economy, guided by the state through market forces and private initiatives (Dr. Leebouapa, et al, 2005).
In 1997, Laos became a full member of ASEAN. In the context of regional and global integration, the government stresses the importance of trade with neighbouring countries as well as other countries worldwide. It considers borders trade as one of the most important components of its foreign trade policy, contributing significantly to economic growth as well as improving the living standards of Laos’ people in the border regions. (Dr. Leebouapao, et al, 2005)

Hence, it has made a commitment to liberalise its trade with the other members in accordance with the ASEAN Free Trade Area (AFTA) arrangements. Lao PDR government officially determined two border trade zones as focal points for border trade development. The first is located in Dansavanh village, sharing a border with Vietnam in Savannakhet province, located along Route 9, the east-west corridor of South-East Asia. The second is the Boten trade zone, sharing a border with Yunnan province in China, and which is located in Luang Namtha province, along Route 2, the north-west corridor between China and Thailand. The purpose of the policy is to attract FDI and to promote commercial production for export as well as to create jobs and generate income, which will contribute to the socio-economic development of the country. (Dr. Leebouapao, et al, 2005)

In line with this policy, in 2001, the Ministry of Commerce issued Instruction No. 0948 on Small Export Border Business. “The proposal of the instruction is to promote small-scale commercial production for export and border trade management as well as to promote job creation and income generation.” Subsequently, on March 25, 2002, the prime minister of Loa PDR issued a decree on the Dansavanh Border Trading Commercial Zone (BTZ). The government has the following policies to encourage Lao and foreign nationals to invest in the BTZ like Land Leasing, Duty Incentive Policies, Taxation Incentive Policies, Export and import, Investment License and Migration Policy (Dr. Leebouapao, et al, 2005).

Speaking at the Economic forum at the EWEC Week in Vietnam in 2007, the standing deputy Prime Minister of Laos, Somsavat Lengsavat said, “The Laos Government had invested in the construction of roads No. 8, 12 and 18B that link Vietnam to Thailand and run parallel with Road No. 9.” He further stated that “Laos was joining hands with Thailand to build the Third International Mekong Bridge between Thasek and Nakhon Phano” (Vietnam News Agency 2007).

Besides, Laos has made significant progress in tourism development, keeping pace with other countries in the Greater Mekong Sub-region (GMS) Cooperation
Programme. The country has been working on several projects to promote tourism, establish tourism forums, train tourism professionals, preserve historic sites, and improve traffic infrastructure. The country has also co-operated with other members of the programme to facilitate tourists’ passage through immigration and customs procedures” (New Frontiers 2004).

Myanmar

Myanmar is located between China, Lao PDR, Bangladesh, India and Thailand. For decades Myanmar politics has been marked by conflicts and political crisis. In 1988, a new military regime called State Law and Order Restoration Council (SLORC) took over the administration of the state. The military leaders renamed SLORC as the State Peace and Development Council (SPDC) in 1997. For more than two decades (1962 -1988) Myanmar followed a socialist economy. It was reported that due to its strict implementation of socialist principles Myanmar had little contact with the rest of the world. Thus, by late 1980s Myanmar economy is said to have broken down “due to the low productivity and inefficiency of state-owned enterprise, low level of skill and a shortage of capital and technology” (UNESCAP 2002: 90).

The SLORC took over the reign of the state in the midst of the economic crisis and changed many of the previous plans and policies to restore its devastated economic condition in the state. However, UNESCAP reports that despite bringing some major impact on the economic condition on the life of the people in the state, “the structure of Myanmar’s present economy has changed very little compared to the pre-independence years (before 1948)” (UNESCAP 2002: 90).

The United Nations listed Myanmar as one of the least developed country in the world. With the economy of the country deteriorating Myanmar military rulers in its plan to regenerate the deteriorating economy opened its economy in the late 1980s and early 1990s. Further, the Myanmar military rulers taking into consideration the importance of cross-border trade has signed bilateral trade agreements with several of its neighbouring countries including China in 1988 and Thailand in 1996. “The policy of the Government of Myanmar is to utilise border trade as a mechanism to further develop and strengthen bilateral trade relations with all five of its immediate neighbours and with other states in the region” (Mya Than 2005: 49). U Maung Myint, the then Deputy Minister for Foreign Affairs of Myanmar speaking at the EWEC week in August 2007 at DA NANG city at Vietnam said, “facilitation of
transport is a key factor for all-round development of the corridor.” He further added, “Located to the west of the trans-Asia Highway, Myanmar had taken an effort to develop infrastructure facilities to help connect the country to EWEC, such as deepwater seaports and industrial parks. Myanmar had also prepared special economic zones which would help promote trade with other EWEC countries” (Vietnam News).

Myanmar is an active member of the Greater Mekong Sub-region economic co-operation programme. As a result, the ADB has been supporting Burma in various technical assistance projects. Myanmar as a member of the GMS participates in different GMS-related activities especially in the EWEC. As part of the EWEC programme, “the ADB identifies the building of an industrial port at Moulmein in southern Burma on the Andaman Sea, as well as a road leading to it from the east, eventually connecting to Da Nang on the South China Sea in Vietnam” (BOC 2005: 17). Myanmar had its Trade offices along the Myanmar-Thai border at Tachileik, Kawthaung, Myawaddy and Myeik. It is also reported that further plans were formulated to open more new posts at Dawei, Maung, Taung, Nataintaung and Payathonesu along the Myanmar-Thai border, at Mailar and Pansan along the Myanmar-PRC border and at Wanpon along the Myanmar-Lao PDR border to enhance its trade relations with the neighbouring countries (Mya Than: 41). The Myanmar government in June 1993 also accepted a loan of 336 million baht from Thailand to help in the improvement of the road from Tha Chilek, just across from the northernmost border of Thailand, to Keng Tung, a distance of 164 km (Medhi Krongkaew 2004: 981).

Vietnam

Vietnam is located in the Eastern part of the Indo-China peninsula, bordering China to the North, Laos and Cambodia to the West with a long land border of 4,550 km, and facing the Eastern Sea (South China Sea) and the Pacific to the East and the South (Vietnam, Ministry of Foreign Affairs,). Vietnam like most of other Southeast Asian countries is economically poor and undeveloped. Thus, the government of Vietnam in its plan to develop its economy carried-out intensive socio-economic reformation programme in the early 2000. One such policy of the Vietnamese government was to integrate its economy with its neighbouring countries economy.
Vietnam Ministry of Foreign Affairs reported that Vietnamese communication equipment especially rail infrastructure are out-dated. It stated that "only 40% of the railway stations are supplied with semi-automatic signals. Train operating speed are (as low as) 40 km/h for train passenger trains and 22 km/h for freight trains" (Vietnam, Ministry of Foreign Affairs.). Since the management of the negative impacts of transport infrastructure is an imperative factor for any development in the country, the government of Vietnam has taken a loan of US $ 25.00 million from ADB for the development of transport infrastructure in the East-West Corridor in the country. Besides, it also aims to "mitigate non-physical barriers to the movement of people across borders." Some of the main plans are to upgrade "83 km of NR 9; and constructing the 9.7 km of Dong Ha bypass and 10.7 km of Dong Ha Southern Bypass," including the Quang Nam-Da Nang-Quang Ngai corridor in the central part of the country. The Quang Nam-Da Nang-Quang Ngai corridor is included because unlike the northern and the southern part of the country, this region is comparatively less developed. Those plans and policies are clear manifestation Vietnam government places more "emphasis on investment and infrastructure development" so as to generate income and help reduce poverty in the less develop part of the country (ADB 2008).

The government of Vietnam also took active part in various other regional developmental programmes. One such example was the hosting of a regional tourism and cultural festival entitled "Trans-Asia Bridge" in July 2004 in Vietnam’s province Quang Tri. The leaders of the region considered the event as an important move towards cultural and economic integration of the Mekong countries on the East-West Economic Corridor (EWEC), since "it was especially designed to help countries and provinces along the EWEC and the sub-Mekong Delta region to promote their tourism products and introduce World Heritage Sites in Vietnam (New Frontiers July-August 2004).

Further, in its hope to further integrate itself into the regional and international economy and actively contribute to addressing issues of concern in the region and the world, Vietnam hosted the APEC meeting in 2006 (Vietnam, Ministry of Foreign Affairs.). Besides, "to promote the corridor's potential, and attract more investors and sponsors," Vietnam also organised the East-West Economic Corridor week (August 27 to September 2) in 2007 (People Daily online, August 28, 2007). The theme of the EWEC week The East-West Economic Corridor: A Bridge of Friendship,
Cooperation, Economic Integration and Development indicates Vietnam’s desire to develop the region as a whole through economic integration.

Vietnam has also initiated bilateral relations with the member of the countries included in the EWEC seeking to develop transit trade with Myanmar through the East-West Economic Corridor Highway. Citing Weekly Eleven News, People Daily online reported that in 2007, Vietnamese trade delegation paid a visit to Myanmar's border town of Myawaddy linking Thailand to study trade and investment there as part of its trip to four countries along the East-West Economic Corridor Highway (People Daily online, August 7, 2007). Somsavat Lengsavat, standing deputy Prime Minister of Laos and head of Laos’s delegation, said Laos and Vietnam had discussed on how to further reduce import tariffs on goods originating from their countries, and had addressed and removed various barriers for trade promotion. The call by the Vietnamese Deputy Prime Minister, Pham Gia Khiem to utilise the EWEC highway “into a corridor of economic co-operation and development in the region,” at the Corridor (EWEC) Investment-Trade-Tourism forum in Da Nang in August 2007 is a manifestation of this point (Vietnam News Agency 29 August 2007).

Association of Southeast Asian Nations

Association of Southeast Asian Nations (ASEAN) had been a six-country organisation from 1967 until the mid-1990s. It was mainly a maritime-based organisation since only Thailand was from mainland Southeast Asia. The continual conflicts in Indo-China had also kept it away from interacting with the mainland states. However, ASEAN took an active role in opposing Vietnam when it invaded Cambodia to depose the Pol Pot government and installed another in its place in 1979. ASEAN canvassed regional and international forum for the withdrawal of Vietnamese forces from Cambodia as it was against any foreign occupation. It was only a decade later that compromise was reached and the Paris Peace Conference was held in 1991. The UN’s leading members and ASEAN were at the forefront in seeking a peaceful settlement. Thus, began ASEAN’s initiation into friendship with the former Indo-China states and Myanmar. Member states agreed that it would be in the regional interest to engage in dialogue and participation, from both the political and economic perspectives.

By the early 1990s, with the end of the Cambodian conflict, mainland Southeast Asia underwent great changes in political and economic domain. Consequently, ASEAN was never to be the same again. Its inclusive and slow paced
activities dramatically changed and its very structure altered. A brief look at the milestones in ASEAN history since the Paris Peace Conference will indicate its growing interest in the countries along the Thai border, spurred by Thai leaders’ political and economic interests in ‘turning the battlefields into market places.’

Change was as much systematic as it was from within the organisation. It was the exuberance of the end of the cold war, the new world order, the demise of communism in Eastern Europe and the dissolution of the Soviet Union that Southeast Asia was also affected by the euphoria. A brief survey of the changing perceptions and actions indicated that the grouping was keen on expanding its ties with its neighbours, whatever their past and their political ideologies; and thus the Mekong basin countries became an ideal focus for co-operation. The pace of co-operation quickened in 1995. Vietnam was admitted as the seventh member in mid-1995 and later that year at the ASEAN summit in Bangkok, the Thai government, as host of the meeting invited, as guests, the leaders of the neighbouring three states. Thus for the first time all the leaders of ten states came together, leading to future progression for membership of all ten. The Singapore Prime Minister, in his address, extolled the positive effects of cooperation between the Mekong and non-Mekong states.

However, ASEAN did not wait for full membership before offering the Mekong initiative. With Thailand and Vietnam already in its ranks as the 2 Mekong members, ASEAN prepared its sub-regional policy, in line with the mood of the 1995 summit. At a ministerial meeting in June 1996 in Kuala Lumpur, attended by the seven ASEAN members, Cambodia, Laos, Myanmar (CLM) and China, the Basic Framework of ASEAN-Mekong Basin Development Co-operation (AMBDC) was approved. The AMBDC, to be co-ordinated by the ASEAN Secretariat, was ASEAN’s participation in the Mekong subregion; and it complemented the ADB partnered GMS and the UN supported MRC that were already in existence.

The 1996 first ministerial meeting identified the ten Southeast Asian states and China as the core group. Others, especially Japan and South Korea were expected to join as well. The AMBDC would meet annually, preceded by the meeting of the Steering Committee of senior officials and ASEAN secretariat officials. As is customary, the meetings were to be hosted by involved parties on a rotational basis. (The sixth in the series of ministerial meetings convenes in Laos in 2004). The objectives as identified in the Basic Framework were: to enhance economically sound and sustainable development, encourage dialogue, and establish economic linkages
between the ASEAN member countries and the Mekong riparian countries. The activities would complement national development plans of the Mekong basin countries with the aim of benefiting their people through employment, social improvements and rising standards of living. ASEAN welcomed the participation of other interested countries as well as regional and international institutions.

Peace and economic co-operation is of utmost importance to new states. In an uncertain global system, politically and economically influenced by powerful forces, groups of states can co-operate for mutual gain, adopting various schemes be it region wide or in parts at the sub-regional level. ASEAN has shown that it is resourceful in seeking ways to achieve its goals for a regional community in Southeast Asia, working amongst its ten members and with its close allies. The Mekong sub-region will indeed attest to how groups may co-operate at different levels, with different organisations and even with different powers, like China which was only two decades ago openly supporting anti-government insurgencies in some of the ASEAN states. ASEAN and the GMS have shown that politics and economics need to be intertwined skillfully for satisfactory results for the governments, the business community and the society at large.

In terms of the policy process the AMBDC and the GMS differ. The ASEAN institutional structure is highly formalised and 'top-down'; it is the perceived notion that ASEAN is highly elitist. Not much room is given to inputs from non-governmental organisations, interest groups and small business. Perhaps it could adopt some of the features of the GMS that have shown a more open system. At the same time ASEAN policy makers need to be prepared to face criticism and feedback from sections of affected communities. As globalisation affects more and more dispersed communities, a larger segment of the population will expect to participate in the policy process (Thambipillai 2004: 197-207).

Politically, there is now peace and stability in the sub-region where there was none for many years. There is also likely to be better confidence-building among the participating countries together with improved dispute resolution mechanisms. This will enhance the development of all the participating countries and GMS co-operation.

As far as economic implications are concerned, generally speaking, members of any regional free trade area can potentially enjoy: 1) more trade and investment links within the region; 2) increased attractiveness to foreign direct investment (FDI)
from outside the region; 3) more secure access to the greater market of the region; 4) improved resource allocation from specialisation according to comparative advantage and economies of scale in an enlarged regional market; 5) enhanced industrialisation prospects of small and medium-scale enterprises; and 6) especially for less developed members, spillover effects and infant industry learning effects with improved quality control, design, and marketing, and thus improved competitiveness in the world market, among others.

All in all, as trade and investment links in and outside ASEAN increase, more international and intra-regional co-operation in infrastructure and finance is expected in the GMS. However, it is important to note that there are conditions for the CLMV countries of the GMS to enjoy benefits from the ASEAN enlargement. First, these new member countries must have industries that possess comparative advantages—for example, industries processing agricultural products. Secondly, state-owned enterprises (SOEs) in these countries must increase their efficiency in order to take advantage of the new opportunities. Thirdly, the new members will also need to improve the quality of human resources and initiate qualified and less corrupt bureaucratic systems. Fourthly, they need to establish a strong legal framework and regulations to attract FDI. These should be accompanied by adequate infrastructure. Finally, it is essential for new members to enhance production and exports.

Another important issue is whether the GMS co-operation arrangement will be overtaken by ASEAN. Stensholt (1996: 145-146) has suggested, “the overriding future relationship is likely to be encompassed in ASEAN. It is possible to argue that Mekong co-operation or indeed the Mekong sub-region is merely a passing phase of fad to be totally replaced or engulfed by the wider ASEAN”. However, the other growth triangles in Southeast Asia suggest that this is not the case. This is because investments in growth triangles will not be at the expense of the other areas of ASEAN, but will eventually generate benefits which will spill over elsewhere in ASEAN. As for the growth triangles’ relationship with larger groupings and the free trade area, both AFTA and APEC would enshrine an overall environment where there are low barriers to trade and more opportunities for investment co-operation (Baldwin 1997: 78).

Furthermore, the sub-groupings are a product of geographical proximity, historical links, and economic complementarities with the aim of developing infrastructure to enhance trade and investment opportunities. Impact of ASEAN
membership on infrastructure financing and development in the GMS is likely to evolve over time, as ASEAN and AFTA evolve, and as the new GMS member countries become increasingly active partners. The recent regional economic crisis (REC) is likely to have a significant impact on GMS infrastructure financing over the medium term. Therefore, we may think of the “ASEAN Factor” in financing GMS infrastructure projects in two dimensions: “traditional ASEAN factors”, and “revised ASEAN factors” (after the REC). The first relates to membership in ASEAN and its general implications. The second relates to the new and emerging conditions in the region, as a consequence of the regional crisis.

1) Traditional ASEAN Factors

With expanding membership, the general knowledge and interest of the ASEAN business community in investment in the GMS countries are likely to increase. Over the longer term, increasing familiarity is expected to lead to increased involvement, and investment and trade are to be adjusted to facilitate cross-border investment and linkages. Over the longer term, investment in infrastructure in the GMS is likely to benefit both directly- easier framework for investment – and indirectly-increasing the need for such investment with expanding economic/trade relations within the region. Thirdly, ASEAN may become more effective in developing mechanisms specifically focused on mobilizing and channeling resources to GMS development, for example, through the ASEAN-MBDC, and ASEAN-MITI programmes, and the increasing partnership with the ADB.

2) Revised ASEAN Factors

The revised ASEAN factors are related to recent developments in Southeast Asia. The regional economic crisis and the associated uncertainty (and devaluation) of most ASEAN currencies have cast a cloud over projects in the region. The fundamental issues pertain to country (or regional) risk and domestic liquidity. The perceived risk of doing business in the region has increased significantly, reducing the availability (and increasing the cost) of foreign financing, including for infrastructure projects. At the same time, under the pressures of the economic crisis, many of the countries of the region do not have the domestic resources necessary to finance the investment needed to ensure transition from stabilisation to sustainable growth.
Therefore, the current crisis should emphasise the need for the region's economies to develop and deepen their capital markets so that the reliance on foreign capital can be reduced in areas such as infrastructure financing. In practice, the opposite is likely to happen over the short term. The perceived need to prop up local currencies and the fear of inflation is driving up interest rates in the region, making domestic financing more expensive relative to foreign capital. Furthermore, the crisis has hit the region's stock markets heavily, sending investors looking for safety. Thus, equity project finance in the region, including the listing of infrastructure projects, is likely to be limited until the markets settle down and domestic liquidity is restored. Therefore, project financing over the shorter term is even more likely to require and seek offshore financing – with relatively fewer takers. The pace of projects coming to the market is likely to slow down significantly over the medium term.

Once the region’s economies put their houses in order, domestic interest rates are likely to fall, opening the door to more local and capital market financing of projects. Fundamentally, when growth once again becomes robust (that is, at 6 per cent or more), demand for infrastructure will also rebound. However, the banking system has longer memories, and it will take more time to recover, reinforcing the need for non-bank sources of debt (such as bonds).

Over the longer term, the economic crisis may therefore result in net gains for infrastructure project financing in the region in three ways:

- increasing the role and ability of regional capital markets to finance regional infrastructure projects, with appropriate instruments and institutions;
- refocusing on and increasing the capacity with respect to the basic principles of project finance, especially the conditions for cross-border financing within the region - a more realistic position for both private investors and governments in terms of expected revenues and allocation of risks; and
- the present crisis may produce viable opportunities for serious project developers and strengthen their capabilities in project analysis and preparation through a “shakeout” of projects and developers, reducing the gap between the number of memorandums of understanding (MOUs) and implemented projects (on both sides of that equation).

The potential longer-term impact of the regional crisis on economic cooperation in the GMS countries cannot be ignored and require a co-operative response. However, within a longer historical context, the prospects for further
economic integration in this sub-region continue to be strong for political and economic reasons. Political tensions that had existed for more than four decades along with the Cold War have subsided. Economic development has become a priority, replacing ideology. All six participating countries have agreed to development projects initiated by the ADB with financial assistance from donor countries, participating countries, international agencies and the private sector, and many of these projects are under way. In addition, borders have been thrown open for the movement of people, goods, and investment. Moreover, all except Yunnan have been integrated into ASEAN. Since these countries have become the new members of ASEAN, they will automatically have to join the ASEAN Free Trade Area. By doing so, they will be gradually integrated into ASEAN’s economic sphere.

In terms of economic growth, this area is one of the fastest growing regions in the world, with an average annual growth rate of about 8 per cent. Statistical evidence shows that intra-sub-regional trade and investments are growing very fast, and many European and East Asian countries have shown interest and support for further economic integration in this area. Tourism is already showing signs of further growth. Moreover, many road projects linking Laos, Thailand, Myanmar, and Yunnan will be completed soon and the road from Chuxiong to Dali in Kunming (Yunnan)-Lasio (Myanmar) is being upgraded. In addition, a feasibility study of the Thailand-Laos-Vietnam East-West Corridor is under way and the ADB has given approval for regional technical assistance for the conduct of detailed engineering design for the Phnom Penh (Cambodia)-Ho Chi Minh City road project. More importantly, the private sector is already active in conducting business in this area, even with minimum help from the governments.

In sum, because of the political will of the participating governments and the private sector, together with assistance from international agencies, the opening of borders in the region as a result of liberalisation policies of all the riparian countries, and abundance of natural and human resources, prospects for further economic integration in the region are ensured. Hence, the prospects for ASEAN co-operation in infrastructure and finance are likely to be bright.

Evidence shows that even before the four new member countries joined ASEAN, co-operation in infrastructure development, and financing of development projects within and outside the sub-region, was impressive, although the experience of ASEAN suggests that economic integration among the developing countries of the
region is a slow process. For example, it took ASEAN twenty-five years to reach agreement on the establishment of AFTA. It is more difficult for the six riparian countries in the Mekong group because of the differences in political, economic, accounting, and legal systems, as well as the level of development. Moreover, it is important to note that although China and Myanmar have agreed to ADB-initiated development projects in the Mekong region, they are yet to become members of the Greater Mekong Commission.

Politically, China, Vietnam and Laos are still “communist” countries ruled by a single party respectively; Myanmar is still under a military regime which is under attack by the West for alleged human rights records; Cambodia is still struggling to become a fully democratic society; while Thailand, on the other hand, is a democratic country by any standard. These ideological differences could create mistrust among the participating countries, not to mention the historical confrontations among them. And there is, at least in theory, a possibility that hard-liners in the ruling communist parties of these countries may come back and reverse the course.

Another political issue is the relationship between Myanmar, on one hand, and the United States and the EU, on the other. Since Myanmar is one of the participating countries, some potential financial sources from the United States and the EU may shun the sub-region because of the West’s hostility towards the ruling regime.

Another obstacle for economic co-operation in the region might be the riparian states’ natural resistance to giving up part of their national sovereignty over shared resources. This may create a stumbling block for cross-border infrastructural and financial cooperation. Given the complexity of the multi-country, trans-border nature, and context of projects, and given that implementation of the projects is occurring in two or more different political, legal and economic environments, the risk associated with project preparation and implementation may increase.

The different economic systems might also pose obstacles. All the economies of the riparian countries, with the exception of Thailand, are transforming from a rigid centrally planned economy to a market-oriented one whereas Thailand is fully a market economy. The legal systems in these transitional economies are very ambiguous and clear-cut property rights and transparent laws relating to companies, bankruptcy, and anti-monopoly are needed. In addition, there are different accounting systems in the Mekong region which are difficult for foreign investors to adjust to. Despite all efforts, it will take time to overhaul the existing legal and institutional
framework, and to enact new legislation to smoothen the transition process. Furthermore, the differences in the level of development can create problems for economic integration, as the ASEAN experience has shown. It could take a long time to agree on the extent and speed of trade and financial liberalisation and industrial co-operation. This is because the pace of the grouping can only be as fast as the weakest members.

Another issue to address is the risk of severe debt associated with major development assistance from multilateral development banks since large amounts of capital would have to be pumped in to finance infrastructural and other development projects. This results in an urgent need for debt management by these participating countries. There also exist fundamental flaws, including the clash of developmental objectives among the participating countries themselves. For example, Thailand, a buoyant economy, is keen to harness the hydropower potential of the Mekong for its enormous energy needs and to divert water for irrigation. On the other hand, Vietnam is determined to guard its fragile Mekong delta (Sunday Times, 8 September 1996).

To conclude, as the past experience of the GMS suggests, regional and international institutions can play an important role as facilitators of sub-regional co-operation in infrastructure and finance. They may be a key source of technical and financial support, including helping to mobilise international financing, both official and private, and in helping to reduce risk to investors (Abonyi, Pante November 1996). Moreover, the joining of the six participating countries of the GMS in ASEAN will create a more conducive environment for such co-operation, and the credibility of ASEAN as a good place for investment will definitely complement and supplement it.

ASEAN & GMS

All of the members of the GMS, except for Yunnan, are concurrently members of the Association of Southeast Asian Nations (ASEAN). ASEAN was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei Darussalam became its member in 1984. ASEAN originally proclaimed that its intention was to foster economic and social co-operation, but the organisation implicitly focused on political and security matters for the first few decades. Although the goal since ASEAN's formation in 1967 was to encompass all 10 Southeast Asian countries, the political and economic complexities in the region kept the ASEAN members apart from their other neighbours until the mid-1990s, while the remaining
Southeast Asian countries gradually became members. Vietnam joined in 1995, followed by the Lao People’s Democratic Republic and Myanmar in 1997. Cambodia’s domestic turmoil postponed its membership until 1999, and after 32 years ASEAN finally became complete. As the political landscape in Southeast Asia changed in the 1990s, as well as ASEAN’s membership, there has been a noticeable shift in ASEAN’s goals. Nowadays, the association focuses on economic co-operation such as the ASEAN Free Trade Area (AFTA), cultural and social co-operation (women, health, poverty eradication, and other issues), and the environment.

ASEAN does not compete with GMS, nor is it contrary to the GMS’s goals and strategies. In fact, ASEAN and GMS are highly complementary and work towards the same goals, only with slightly different arrangements. ASEAN has an explicit focus on raising the standard of living and closing the gap between the original members and the newer (and poorer) members. As early as 1996, ASEAN devised its “Basic Framework of ASEAN-Mekong Basin Development Co-operation,” which provided the foundation for the ASEAN Mekong Basin Development Scheme. The seven members of ASEAN at that time formed a “core group” for the Mekong Basin scheme that included Cambodia, the Lao People’s Democratic Republic, and China.

The framework laid out the objectives and principles for co-operation, and also identified priority sectors: infrastructure, trade and investment activities, agriculture, forestry and minerals, industry, tourism, human resource development, and science and technology. It also recognised the role of the other Mekong-related multilateral institutions in the development process and sought to complement their activities. Of particular interest to the local and foreign business communities are the various economic co-operation programmes that the newest members of ASEAN will benefit from, and even Yunnan is likely to benefit at least indirectly. The most ambitious economic programme is AFTA, which aims to reduce tariffs in most product categories. ASEAN agreed on the AFTA framework in 1992, but it has been amended several times as a result of the new members and other circumstances.

Under the Common Effective Preferential Tariff (CEPT) for AFTA, many manufactured products had tariffs at 0-5 per cent by 2003 (the original schedule being 2008). A 1999 agreement allows the member states to phase in tariff reductions on sensitive and highly sensitive products. Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand must phase in the 0-5 per cent tariff on sensitive
products by January 1, 2001 or at least by January 2003, with full implementation complete by January 1, 2010. For highly sensitive products, such as rice and other agricultural goods, the end tariff rates are flexible but will likely be around 20 per cent. These will be phased in beginning in January 2001 or by 2005, with full implementation by January 2010. AFTA also includes a schedule for eliminating quantitative restrictions between 2010 and 2017, depending on the agreement made by each state.

The five GMS members, who are also a part of ASEAN are participating in the ASEAN Industrial Co-operation Scheme (AICO), which was created in 1996. AICO promotes joint manufacturing industrial activities involving two or more companies from two or more ASEAN states. The objective is to promote investment in technology-based industries and enhance value added activities among the members. Firms participating in AICO receive special tariff and non-tariff incentives. Another ASEAN economic co-operation scheme is the ASEAN Investment Area (AIA). The agreement, reached in 1998, intends to promote investment from within and outside of ASEAN. AIA’s main objectives/benefits are to coordinate investment facilitation programmes; open industries for investment; and grant national treatment to firms that qualify.

Speaking at the Twelfth Meeting of the Working Group on Tourism, Mr. Arjun Thapan, Manager, Water Supply, Urban Development, and Housing Division (West) ADB, “noted the strong relationship between tourism, economic growth, and poverty reduction” and said that tourism sector’s could play great role in the “economic development and cooperation in the GMS” (ADB). He further said, “The tourism sector offers unique possibilities for benefiting the poor, especially in areas where the attraction is based on nature, culture, and adventure” (ADB). Subsequently, in its move to boost trade and tourism in the region, the Government of the member GMS countries has developed road, rail, and air transport to facilitate the flow of tourists to the region and has initiated various programmes like a visa free traveler within the region. Besides, new international checkpoints like (i) Phnom Den in the Cambodian/Vietnamese border; (ii) Don Kralor in the Cambodian/Laothian border; and (iii) Koh Kong water checkpoint were created.

Conclusion:

The EWEC is the co-operation of former socialist economies and capitalist economy in an area notoriously known for the wars and conflicts in the past. As a
result, the three members of this group, "Cambodia, Lao PDR, and Myanmar, were previously classified by the UN systems as the 'least-developed countries' reflecting their relatively poor state of economic development" (Krongkaew 2004: 981). The formation of EWEC is a milestone achievement for regional development. It not only binds the region together but also provides avenues for rapid economic development.

The East-West Corridor is rich in natural, cultural, and historical tourism resources that could be developed individually or jointly. For this reason, the governments of the region have initiated various socio-economic and political developmental plans. The signing of transport agreement in Rangoon between Thailand, Indian and Burmese agreeing to construct road from the border town of Mae Sot in Thailand, turn north to Pagan in Burma and join up with Moreh, a small border town in the Northeast Indian state of Manipur, a distance of roughly 1,500 km is one such example. Besides, various other projects like the "Three Countries One Destination" for tourism promotion and "Single-stop Customs Inspection" for trade facilitation" are also carried out by the members' countries (Dr. Surakiart Sathirathai 2002).

Several travel agencies in Vietnam, Laos, and Thailand have already taken the opportunity to launch short-travel bus trips allowing tourists to visit major cities of the three countries. Vietnamese newspapers report that on a single day as many as 500 international tourists enter Vietnam by the EWEC. Vietnam's Lao-Bao Border Economic Zone continues to attract investors, and the Cross Border Transport Agreement has been implemented at the Dansavanh (Laos)-Lao Bao (Vietnam) border point (Tran Dinh Thanh Lam). The member countries (Vietnam, Laos and Thailand) are trying their best to realise the East-West Corridor because both Thailand and Laos want to have the shortest possible exit way to the South China Sea. (Chongkittavorn 2003: 127)

The role of ADB in the development of EWEC cannot be ignored. ADB provides monetary and technical assistance to the countries of the region for the smooth implementation and success of EWEC projects. One such example was the approval by ADB in December 1998 of US $ 40 million loan for Cambodia and a US $ 100 million loan for Vietnam for Phnom Penh-Ho Chi Minh City Road Project. Again in 1999 ADB approved US $ 32 million loan to Lao PDR and US $ 25 million to Vietnam for the East-West Corridor Project (ADB 2002).
The development of EWEC has greatly enhanced the socio-economic condition of the people of the region. The region is well integrated; as a result there is faster movement of transportation of goods and people between the countries of the region. Despite the rhetoric claim of the progress and development of the EWEC by the leaders of the participating countries, ADB President, Kuroda is not so optimistic about the development of the EWEC and said, “The region still faces many challenges. It is in need of massive infrastructural development. A very large number of its people are still poor, with little access to education, healthcare, sanitation, or drinking water” (President Kuroda 2007: 2). Similarly, Judy Bryant said, the GMS is rich in human and natural resources and make it a new frontier for economic growth. Despite its geographic advantage and resources, about 50 million of the sub-region’s 300 million people are still living in poverty on less than the equivalent of one dollar a day (Judy Bryant 2005: 7)

This brings to light that despite a large potential for joint promotion, marketing, and product development in the region, the economic and social development of the region has failed to reach its desired goal. Various factors like (i) lack of facilities and infrastructure; (ii) entry barriers to private sector investment; and (iii) limited promotion and marketing and product development often curtail the development process. Another major disturbing factor which has often impinged on regional co-operation and development is the animosity between the countries of the region. The restriction of Thai vehicles with “right-hand steering” to enter Vietnam by the Vietnamese government is an indication of such point. The Vietnamese authorities’ action was very surprising because Vietnam is one of the six countries who signed the Greater Mekong Sub-region (GMS) Agreement. Such instances are not new in the South East Asian region which like other regions of the world is known for its border dispute. Further, whenever any border skirmishes take place the conflicting governments have used its border check-points as political weapon to counter the other. For instance, the closing of border check-points on May 22, 2002 by the Burmese military junta at Mae Sai and Tachilek, Mae Sod and Myawaddy, Three Pagoda Pass and Pyathuangsu, and Ranong and Victoria point connecting Thailand. Such incident bring to light the continued existence of the age old historical problem and crisis between the countries of the region.

There are also political issues which affect the progress of the regional co-operation and development. The tourism industry which is the major source of income
in the region witnessed a downtrend because of boycott of Burma by various western countries and Non-Government Organisations (NGOs) of the world as they view traveling to Burma directly helps in funding the military dictatorship. Many countries and companies such as German subsidiary Euro Lloyd, US subsidiary In-travel and Kuoni have dropped Burma from their travel list and also advised their citizen not to travel to Burma. This world wide boycott was joined by many publishers as well. The Highbury House Communications, Oddessy Guidebooks, Carnival Corporation/P&O and the Orient and Explorers Tours have stopped promoting tourism to Burma. The boycott not only impinged Burmese economy and development but also had an adverse affect on the economic development of the region as a whole.

Besides the above factors, there are also various other factors which has caused colossal damage to image and development of the region. The Bali bombing in October 2002, SARS in 2003, the Tsunami in 2005 and the increasing rise of the oil price has put the Southeast Asia’s tourism industry into deep trouble. The decline of travellers in the region due to Tsunami still continues to be large. As a result, Thailand’s tourism industry on which its economy substantially depend has received a serious blow.


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