

Improving Infrastructure, Facilitating Trade and Reducing Poverty in the Greater Mekong Subregion (Stone, Strutt and Hertel)

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Presentation Outline

- **The Greater Mekong Subregion**
- **The Economic Corridors in the Region**
- **Projects undertaken in transport and trade**
- **Evaluating impacts**
- **Outcomes**

GREATER MEKONG SUBREGION



Myanmar
 Land area: 677 thou sq km
 Population: 56.2 M
 GDP per capita: US\$231

Thailand
 Land area: 513 thou sq km
 Population: 65.2M
 GDP per capita: US\$3,162

Cambodia
 Land area: 181 thou sq km
 Population: 14.2 M
 GDP per capita: US\$513

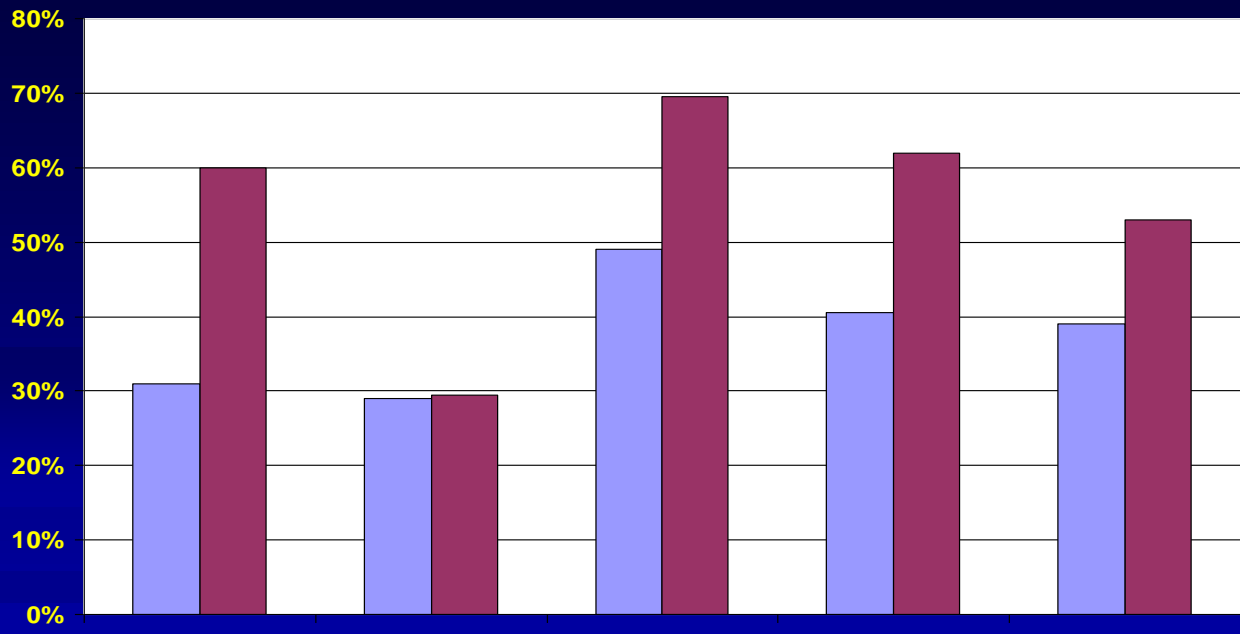
People's Republic of China
 Land area: 633 thou sq km
 Population: 94.1 M
 GDP per capita: US\$1,173
 (figures for Yunnan and Guangxi only)

Viet Nam
 Land area: 332 thou sq km
 Population: 84.2 M
 GDP per capita: US\$723

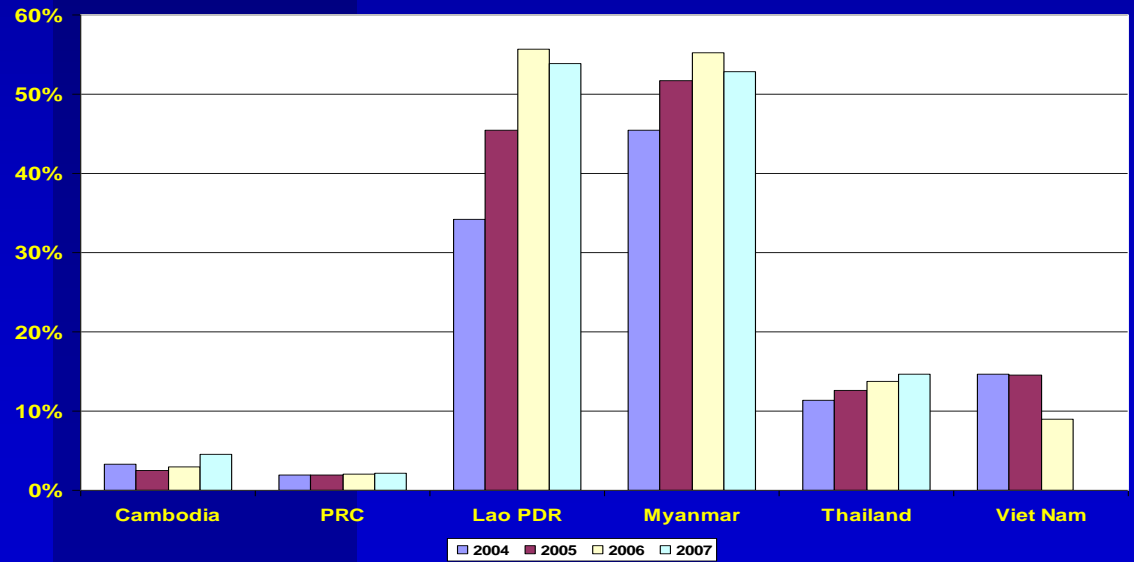
Lao PDR
 Land area: 237 thou sq km
 Population: 5.7 M
 GDP per capita: US\$599

Trade Statistics

Average Share of Exports to GDP



GMS Share in Exports



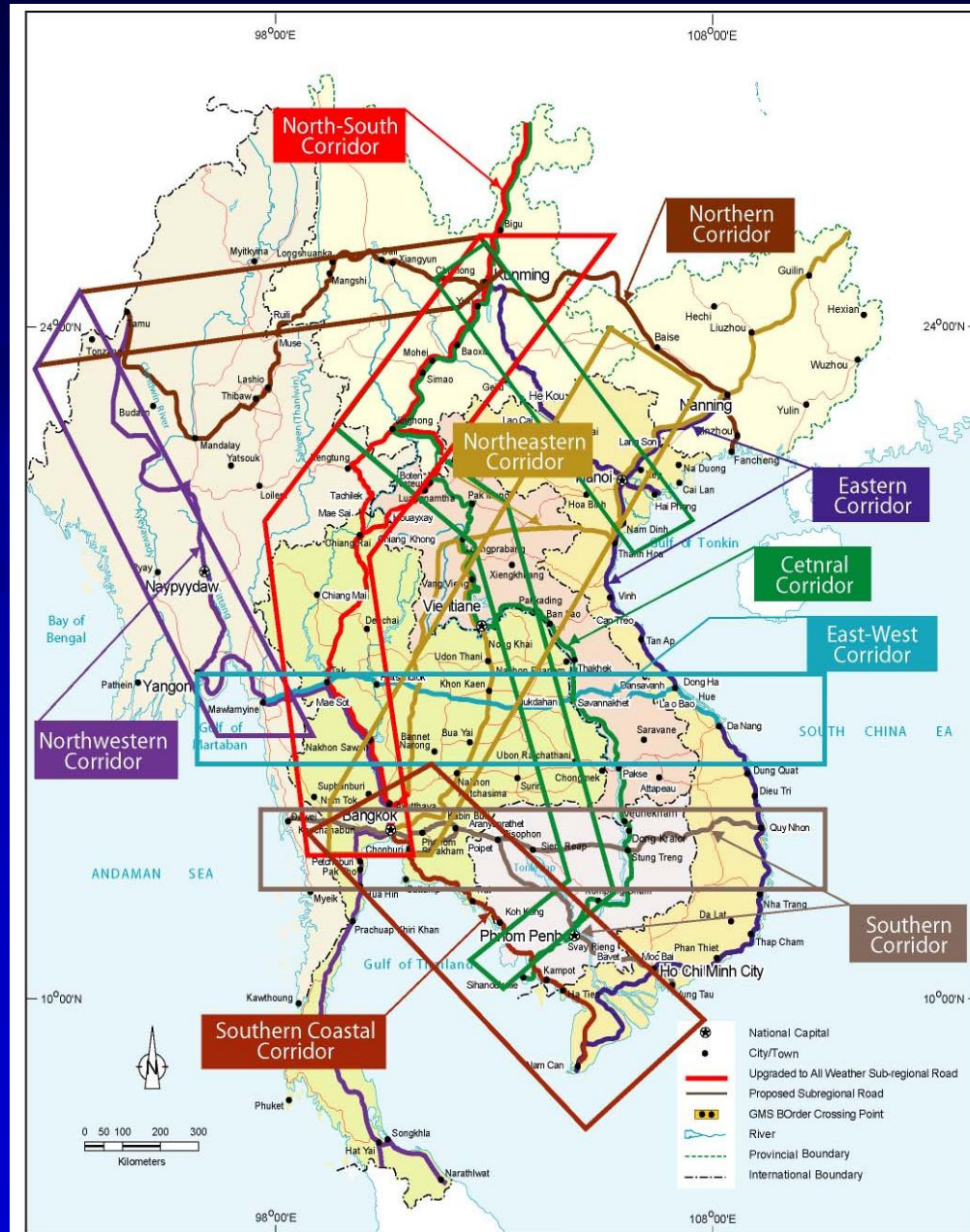
1993-2000 2001-2006

2004 2005 2006 2007

GMS Program

- Investment in the development of infrastructure to
 - enable the development and sharing of resource base, and
 - promote the freer flow of goods and people in the subregion.
- Investment in capacity building and support to implement Cross Border Transport Agreement (CBTA)
 - Covers all the relevant aspects of cross-border transport facilitation.
 - Not yet fully implemented but key pilot programs underway.
- Assessing economic outcomes:
 - Change in economic flows across border points.
 - GTAP model along with household survey data.

Corridor Development in GMS



Transport and Trade Facilitation Projects in the GMS Program (as of December 2008)

- 41 ADB assisted projects
 - 28 (68%) in the transport sector
- Total project costs around US\$11 billion
 - US\$9.1 billion in transport
- ADB provided funding for 42% or US\$3.8 billion of transport projects, most in road
- 64 Technical Assistance grants
 - 9 for trade facilitation worth US\$7 million
 - 55 for transport worth \$41 million.
- ADB funding US\$36 million or 75%.

National-level Impacts on Trade Growth

	Lao Bao- Dansavanh Border Crossing	Bavet - Moc Bai Border Crossing	Impact on Lao PDR	Impact on Cambodia	Impact Viet Nam
Year	Trade Value (US\$ mil)	Trade Value (US\$ mil)	% Trade Value at Dansavanh to Total Lao PDR Trade	% Trade Value at Bavet to Total Cambodia Trade	% Trade Value at Lao Bao and Moc Bai Total Viet Nam Trade
2000	58	8	5.4	0.3	0.2
2001	46	7	4.2	0.3	0.2
2002	22	5	2.0	.02	0.1
2003	29	24	2.3	0.7	0.1
2004	46	22	2.9	0.5	0.1
2005	68	22	3.5	0.4	0.1
2006	136	43	4.9	0.7	0.2
2007	148	68	4.5	0.7	0.2

Pilot implementation of CBTA at these border crossing points

Simulations of Regional Impacts

- Following construction of the supporting databases and development of specific scenarios, we simulated anticipated economy-wide outcomes by:
 - Lowering land transport costs within GMS by **45%**
 - Reducing costs of trade within the region by **25%**

Simulated Regional Impacts of Reduced Transport and Trade Costs

	Cambodia	Lao PDR	Myanmar	Thailand	Viet Nam	PRC
GDP (US\$m)	403.9	173.4	363.2	1,822.3	1,539.2	1,201.8
GDP %	8.3	7.1	4.7	1.1	3.6	0.1
GDP% <i>excluding PRC</i>	7.7	6.9	4.1	0.7	2.4	0.0
Exports (US\$m)	226.6	-28.1	50.5	3,356.8	1,201.0	1,787.1
Exports (%)	5.3	-4.3	1.7	2.8	3.7	0.3
EV (US\$m)	480.6	261.3	618.6	2,955.5	2,157.9	1,441.0
EV <i>excluding PRC</i>	460.4	259.5	557.6	1,734.9	1,390.7	-206.5
% Contribution to welfare						
Allocative efficiency	12.6	4.8	12.5	16.8	5.0	6.0
Improved terms of trade	10.5	22.6	37.3	39.9	21.8	15.7
Improved transport	0.1	3.6	3.9	2.8	5.7	2.2
Improved trade facilitation	71.8	62.7	47.2	45.0	66.7	77.4

Change in poverty headcount

\$1/day Stratum	Cambodia	Lao PDR	Thailand	Viet Nam	GMS-4
Agriculture	83,504	54,483	936	7,720	146,643
Non-Agriculture	7,289	2,760	1,087	1,035	12,171
Urban Labor	4,272	1,121	230	2,280	7,903
Rural Labor	3,905	303	2,879	6,219	13,306
Transfers	1,658	236	9,670	6,010	17,574
Urban Diversified	14,858	5,409	3,206	1,741	25,214
Rural Diversified	101,467	11,323	35,994	34,762	183,546
Total	216,953	75,635	54,002	59,767	406,357
\$2/day Stratum	Cambodia	Lao PDR	Thailand	Viet Nam	GMS-4
Agriculture	106,708	102,610	6,263	62,333	277,914
Non-Agriculture	22,648	5,472	25,440	14,039	67,599
Urban Labor	7,291	3,640	14,010	82,203	107,144
Rural Labor	6,747	409	44,533	34,885	86,574
Transfers	1,333	190	22,142	4,560	28,225
Urban Diversified	39,558	15,507	33,258	146,793	235,116
Rural Diversified	198,348	36,923	161,429	549,520	946,220
Total	382,633	164,751	307,075	894,333	1,748,792

But haven't included

- Potential Negative impacts on:
 - income disparities
 - trafficking
 - traffic accidents
 - environmental outcomes
- Potential Positive impacts of:
 - economies of scale and scope
 - spillovers
 - dynamic resource markets impacts
 - long term gains from improved access to education and health facilities

Some concluding thoughts

- Benefits realised to date mainly national:
 - National traffic growth has been rapid while growth in international traffic has lagged.
- Importance of 'software'
 - CBTA not fully implemented.
 - While roads (including cross-border) have been rehabilitated, not fully utilised.
- '...efficiency in the use of resources can be realized only if the supporting regulatory and policy framework is in place.' ADB 2008

Thank You!