

## Regional Economic Integration in the Mekong



“THE RICH BENEFIT from the road more than the poor and the destitute do. The rich have enough money to buy a taxi, but the poor will just walk or ride their bikes on the road,” said a villager in Nakachhay village, Banteay Mean Chey province in Cambodia.

This statement shows how infrastructure development doesn't automatically benefit the poor. With ADB assistance in the Greater Mekong Subregion (GMS) having been concentrated on transport and infrastructure projects along the so-called economic corridors—geographic areas in which infrastructure investments are linked directly with

trade, investment, and production opportunities—an ADB regional technical assistance (RETA 6171) sought to review the poverty impact of regional economic integration (REI) in the GMS.

The RETA, which was financed by the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies, covered the cross-border areas in Cambodia, Lao People's Democratic Republic (Lao PDR), Thailand, and Viet Nam, and two of the three emerging economic corridors in the GMS—east-west and south.

While REI through infrastructure and communications development is expected to significantly contribute to economic growth and improve the livelihoods of the people living in the GMS, appropriate regional, national, and local strategies are required to ensure that the poor benefit equitably from regional integration, especially in communities that are in the frontline of border interactions.

Indeed, based on the RETA's findings, REI has mixed outcomes for the poor and vulnerable groups. While it leads to cross border employment, cross border informal trade, and improved access to education, health services, and information, there are significant costs involved as well.

For instance, the study found that labor migration is both the greatest opportunity and the greatest threat for the poor from REI. The magnitudes of labor movements seen were highly significant, with over 53,000 workers crossing the border from Banteay Meanchay in Cambodia to Thailand daily, and about 52,700 medium and long-term workers crossing from Savannakhet province in Lao PDR in to Thailand. As such, labor migration is the single largest source of direct benefits to the poor households, with estimated earnings of cross border workers as high as \$5.4 million per month in one province of Cambodia alone.

However, despite several attempts to register migrant workers and facilitate cross border movements, labor migration still remains illegal and largely unregulated for the most part. As a result, large numbers of cross border workers are at risk of serious abuse and

punishments by authorities on both sides of the borders. They also get cheated and exploited by brokers and employers in the process.

Aside from labor migration, trade is another way poor households in border communities benefit from REI. While formal trade is much larger in volume, informal petty trade provides the greatest and most direct benefits. Poor households in border areas work as cart pullers and porters carrying goods at the border, with the number of small traders among border communities found to be as high as 22.7% of all households on the Cambodia–Thai border and 13.1 % of all households at the Cambodia–Viet Nam border.

But while cross border trading seems to be getting easier, perceptions from participatory assessments reveal that, over the last 5 years, cross border informal trade has actually declined across the corridor provinces, partly because of the crowding out effect of formal trade.

These results show that the equity and distribution effects of formal integration need careful policy attention.

At the same time, REI carries with it several negative externalities, such as heightened risks of being trafficked into the commercial sex industry and other exploitative situations, and the spread of HIV/AIDS. Unmanaged REI may also result in negative environmental impact and exploitation of natural resources.

The process of REI has significant gender implications as well, with more women than men found to be cross border workers in Cambodia and Lao PDR. Most small traders are women. These women are mobile, traveling across borders. During that process, some of them get into commercial sex work, fueled by the business opportunities at mushrooming casinos and bars in border areas.

Clearly, while the poor have undoubtedly benefited from increased livelihood opportunities through REI, the process of REI has to be managed to ensure that the poor share in the gains from increased trade, employment, and connectivity. Recognizing this, the results of this RETA will feed directly into the 2008 GMS strategy. Through this, the poor can perhaps expect more from REI.