

I. INTRODUCTION

1. The inaugural issue of *The Mekong Region: An Economic Overview* (MREO) is designed to complement the Greater Mekong Subregion (GMS) Regional Cooperation Strategy Program (RCSP) of the Asian Development Bank (ADB) by providing the necessary economic context and background to support it. The MREO provides a detailed analysis of the topics covered in Chapter II of the RCSP, particularly in relation to external debt, and analyzes other key regional economic issues.

2. The MREO is organized as follows:

- (i) We begin by reviewing recent economic performance, both at the regional and the individual country level.
- (ii) Next, we review country-specific challenges before reviewing a number of common transitions that the region is undergoing. Managing these transitions, and responding effectively to the challenges that they pose, will significantly affect the future economic development of GMS.
- (iii) We analyze how the different modalities of economic cooperation—subregional, regional, and multilateral—can contribute to overcoming these challenges. Particular attention is paid to items like delineating complementarities among the different modalities of economic cooperation, and identifying if and how subregionalism can promote regionalism or multilateralism, or how regionalism in turn can promote multilateralism. The question that we try to answer is whether subregionalism and regionalism can act as building, rather than stumbling, blocks to free and open trade and investment in the GMS.
- (iv) Finally, we examine in detail the special topic for this inaugural issue: the question of external debt burden and sustainability in the transitional economies of GMS.
- (v) A concluding section summarizes the main points.

3. We analyze how the different modalities of economic cooperation—subregional, regional, and multilateral—can contribute to overcoming these challenges. Particular attention is paid to such items as delineating complementarities among the different modalities of economic cooperation, and identifying if and how subregionalism can promote regionalism or multilateralism, or how regionalism in turn can promote multilateralism. The question that we try to answer is whether subregionalism and regionalism can act as building, rather than stumbling, blocks to free and open trade and investment in GMS.

4. Finally, we examine in detail the special topic for this inaugural issue: the question of external debt burden and sustainability in the transitional economies of GMS. A concluding section summarizes the main points.

5. The GMS comprises five countries and one province: Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, Viet Nam, and Yunnan Province of the People's Republic of China (PRC). The GMS has a combined land area of 2.34 million square kilometers (km²). Its population was 257.5 million in 2002, and its population density was about 110 people/km². The nominal GDP of the subregion in 2002 was estimated at about \$200 billion. The average per capita GDP, measured in purchasing power parity terms, was \$3,288 in 2002.