

(As of 26 June 2005)

Summary

Rationale

The flagship initiative for the East-West Economic Corridor (EWEC) directly supports three of the five strategic thrusts of the Greater Mekong subregion (GMS) Strategic Framework: (i) strengthening infrastructure linkages through a multisectoral approach, (ii) facilitating cross-border trade and investment, and (iii) enhancing private sector participation in development and improving its competitiveness. The goal is to develop a highly efficient transport system which will allow goods and people to move around the Greater Mekong subregion without significant impediment or excessive cost or delay. Improvement in the transportation network plays a key role in promoting economic growth and regional development, thereby reducing poverty.

In an effort to improve intraregional transport and maximize benefits derived, GMS countries have begun to adopt a holistic approach to development, in the form of *economic corridors*. In developing these growth corridors, investments in priority infrastructure sectors such as transport, energy, telecommunications, and tourism will focus on the same geographic space to maximize development impact while minimizing development costs. The initiative will also involve carefully planning and managing policy, regulatory, and infrastructure initiatives in support of selected business opportunities.

The East-West Economic Corridor (EWEC) encompasses a road link about 1,450 km long. When the undeveloped or missing sections are in place, it will be the only direct, continuous land route between the Indian Ocean (Andaman Sea) and the South China Sea. Completion of the Corridor will provide the basis for accelerating east-west economic cooperation and development. The corridor will link the following points: (i) Mawlamyine-Myawaddy in Myanmar; (ii) Mae Sot-Phitsanulok-Khon Kaen-Kalasin-Mukdahan in Thailand; (iii) Savannakhet-Dansavanh in Lao PDR; and (iv) Lao Bao-Hue-Dong Ha-Da Nang in Viet Nam. The Corridor intersects several north-south arterial routes: (i) Yangon-Dawei, (ii) Chiang Mai-Bangkok, (iii) Nong Khai-Bangkok, (iv) Route 13, in Lao PDR, and (v) Highway 1A, in Viet Nam. The EWEC will therefore play a critical role in providing access to ports for northeast Thailand and Central Lao PDR, as well as open greater opportunities to several medium-sized cities in the four GMS countries.

Flagship Objectives

The objectives of the East-West Economic Corridor flagship initiative are: (i) to further strengthen economic cooperation and facilitate trade, investment, and development between and among Lao PDR, Myanmar, Thailand and Viet Nam; (ii) to reduce transport costs in the project influence area, and make the movement of goods and passengers more efficient; and (iii) to reduce poverty, support development of rural and border areas, increase the earnings of low-income groups, provide employment

opportunities for women, and promote tourism. The EWEC is also expected to provide focused support for development opportunities, including in agro-industry and tourism.

Key Components

Twelve flagship projects have been identified for the East-West Economic Corridor:

Core Transport:

- a) East-West Transport Corridor
- b) Water transport development
- c) Railway development
- d) Air transport development
- e) Cross-border facilitation in the movement of goods and people
- f) Human resource development for the transport sector

Other Infrastructure:

- g) Development of electric power grid
- h) Promotion of regional energy cooperation arrangements
- i) Telecommunications backbone development
- j) Tourism development
- k) Economic corridor initiatives
- l) Initiatives of the ASEAN-METI [Ministry of Economy, Trade and Industry] Economic and Industrial Cooperation Committee (AMEICC) Working Group on West-East Corridor Development

Most of these projects form part of the work program of GMS forums or working groups, and are in varying stages of development.

The EWEC initiative will require road, rail, water transport, and air transport linkages. Upgrading of portions of the western end of the road corridor – from Mawlamyine to Myawaddy in Myanmar – is expected to commence soon through a 'soft' loan from the Government of Thailand to the Government of Myanmar. The section of the Corridor in Thailand is in good condition and is being maintained and improved by the Thai government using its own resources. A bridge crossing the Mekong River from Mukdahan in Thailand to Savannakhet in Lao PDR is being constructed through loan financing from the Japan Bank for International Cooperation (JBIC). This crucial bridge is expected to be completed in 2006. Sections of the East-West Economic Corridor in Lao PDR are being upgraded with financial assistance from the Japan International Cooperation Agency (JICA) and ADB. The section of the EWEC in Viet Nam – from Lao Bao to Dong Ha, and further to Da Nang along Highway 1 – is being improved by the Government of Viet Nam with the assistance of ADB and JBIC.

At the two endpoints of the Corridor are the medium-sized cities of Mawlamyine in Myanmar at the western end, and Da Nang at the eastern end. Rehabilitation of Da Nang port and access improvement is ongoing with assistance from JBIC. Various options for developing a new deepwater port on the Andaman Sea near Mawlamyine have been proposed but none have so far been subjected to serious physical and economic analyses. Myanmar has submitted a feasibility study of the development of a sea port in Mawlamyine to the Working Group on West-East Corridor Development. Lao

PDR has proposed a project to improve ports along the Mekong river between Vientiane and Savannakhet.

A spur line of the Singapore-Kunming Rail Link project covers part of the EWEC. The Mawlamyine-Thabyuzayat-Three Pagoda Pass rail link, which would connect Myanmar and Thailand, has been included in the EWEC flagship program. The Mawlamyine-Thabyuzayat section is being upgraded by the Government of Myanmar. Financing is being sought for the feasibility study and construction of the Thanbyuzayat-Three Pagoda Pass segment of this rail link.

Lao PDR has proposed the inclusion of a project to improve Savannakhet airport in the EWEC flagship program. This project will make Savannakhet airport a subregional airport, and allow it to accommodate medium-size aircraft.

Equally important in developing the EWEC are the 'soft' aspects – that is, policies and regulations that play a vital role in determining the form, level, and use of infrastructure investments. In this regard, a separate flagship initiative on *Facilitating Cross-border Trade and Investment* is included in the GMS Strategic Framework. As with other GMS economic corridors, implementing the cross-border land transport facilitation agreement is integral to EWEC development. This agreement is expected to simplify customs procedures, facilitate cross-border travel, minimize the need for transshipment, among many other advantages. A human resource development program for the transport sector is also included. Single-stop customs procedures, which would further reduce transportation time and costs, are being pilot tested along the Corridor at the Thai-Lao border at Mukdahan-Savannakhet, and at the Lao-Vietnamese border at Dansavanh-Lao Bao.

A preinvestment study for the East-West Economic Corridor was completed in 2001 under the auspices of ADB technical assistance. The study developed a framework for cooperation and development in agro-industry, infrastructure, trade and investment, tourism, and industrial estates, and recommended 74 projects including policy and institutional development initiatives. Combined total cost of proposed projects for the EWEC is about US\$364 million. Recommendations of the study were endorsed by the 10th GMS Ministerial Conference in Yangon, Myanmar in November 2001.

Power transmission interconnection options that form part of the *Regional Power Interconnection and Power Trade Arrangements Flagship Initiative* also fall within the geographic scope of the East-West Economic Corridor. Three interconnection options identified in the ADB-assisted *Regional Indicative Master Plan for Power Interconnection in the GMS* are situated along or close to the Corridor. These are: (i) the 500-kilovolt (kV) direct current (DC) line interconnection project to connect Roi Et and Savannakhet to the Nam Theun 2 Hydropower Project in Lao PDR, (ii) the 500-kV DC line from the Nam Theun 2 Hydropower Project to Ha Tinh in Viet Nam, and (iii) the 500-kV DC line from Ban Sok to Savannakhet and from Savannakhet to Roi Et.

The EWEC Flagship Initiative includes developing fiber optic transmission links that form part of the *Telecommunications Backbone and Information and Communications Technology* Flagship Initiative. This link which is part of the Telecommunications Backbone Project – Phase I, is the Savannakhet-Dong Ha connection. Implementing policy sector reforms in telecommunications in Cambodia, Lao

PDR, and Viet Nam is part of the Telecommunications Backbone Project. The project is included in ADB's indicative lending pipeline for 2005 to Lao PDR.

There is strong potential for tourism in the East-West Economic Corridor. For this reason, some projects and activities under the *GMS Tourism Development Flagship Initiative* directly impact the East-West Economic Corridor. These include potential tourism infrastructure projects in Lao PDR. Related tourism marketing and promotional materials are being prepared by the Agency for Coordinating Mekong Tourism Activities (AMTA) with the assistance of ADB.

Sequencing Priorities

A specific sequencing and prioritization strategy for all the project components will soon be formulated and agreed upon by the four participating governments. The eastern section of the East-West Corridor transport infrastructure is likely to be completed by 2006. The implementation period for other infrastructure components, notably, the Mawlamyine Port and the power transmission project, is not yet firm. The cross-border land transport facilitation agreement, including its annexes and protocols, is expected to be final and complete by 2005.

Project Financing

The costs of certain major initiatives are also not included, such as the comprehensive development of the western end of the East-West Economic Corridor, as well as economic activities to be established by the private sector.

Several major potential sources of funding have been identified for the various proposals: (i) government, (ii) multilateral development agencies and international lending agencies, (iii) foreign and local direct private investment, (iv) international private equity funds, and (v) international and domestic capital markets. Public sector funds will play a key role in project financing, given the nature of the project components for the East-West Economic Corridor, particularly in the early stages of project development.

The four participating governments will have to shoulder a significant share of project development costs. This is especially the case with policy and program formulation and implementation, and institutional development. In several cases, implementation of various programs and institutions will require multicountry support, and cost-sharing will have to be established on a case-by-case basis, in line with anticipated benefits.

GMS Flagship Initiative
EAST-WEST ECONOMIC CORRIDOR

