East West Economic Corridor and Myanmar

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Introduction and Background

- Cooperation among Asian countries for mutual economic benefit is an old dream.
- ASEAN established in 1967, but in 1992
  - Limited number of members
  - Very Limited achievements
- Alternative regional cooperation mechanism created in the 1990s
  - Growth Triangles in Asia (1993)
  - Economic corridors in Asia (1998)

  (Pioneer for both: Myanmar citizen Dr. Myo Thant – ADB)
Growth Triangles

- a new form of cooperation, focused on trade facilitation.
- Trade & Investment between countries would be promoted though improvement of transport connections, border facilities.
- Closer interaction
  - between private businessmen from different countries.
  - energy, tourism & telecommunications linkages.
- Enlarge economic space & opportunities by removing
  - geographic barriers.
  - structural barriers.
Economic Corridors

- An economic corridor is defined as a mechanism for linking production and trade activities with transport infrastructure, within a specific geographic region.

- Components:
  - defined location.
  - physical infrastructure (road/rail/water linkages).
  - economic activities
  - software (policies, programs, agreements)
  - nodes or urban centers

( corridor concept fist presented by Dr. Myo Thant at 8th GMS Ministerial Meeting, Oct 1998, Manila )
Corridors development

• Level 1 - Transport Corridor
• Level 2 - Multimodal Transport Corridor
• Level 3 - Logistics Corridor
• Level 4 - Economic Corridor

Growth Triangles and Economic Corridors enlarge economic space by reduction economic geographic barriers but do not us tariff reduction (Like ASEAN)
Five economic corridors were agreed upon by the GMS Countries in 1998

- Kunming - Mandalay – Yangon

- Kunming – Lao PDR - Bangkok

- Kunming – Hanoi - Haiphong

- Mawlamyine – Phitsanulok – Savanakhet – Da Nang
  (East West Economic Corridor)

- Yangon – Bangkok – Phnom Penh – Ho Chi Minh City (Rail)

GMS Countries agree to start with East West Economic Corridor (EWEC)
EWEC Study ( 2000-2001 )

- Team leader : Dr. Myo Thant
- The Six volume study covers:
  - Trade.
  - Transport.
  - Agro.
  - Tourism.
  - Industry.
- Identifies the 1500 km routes from Indian Ocean to Pacific Ocean.
LAO: East-West Corridor (Phin-Dansavanh)

VIE: East-West Corridor (Lao Bao-Dong Ha)

JBIC-assisted 2nd Mekong International Bridge

With assistance from the Royal Thai Government

JBIC-assisted Hai Van Tunnel Construction and Da Nang Port Improvement

East-West Economic Corridor
East West Economic Corridor Study 2000/2001 (2)

- The Study
  - Establishes framework for cooperation among four countries
  - Identifies over 70 key projects, policies, programs for action
  - Countries accept recommendations

- The study identifies major economic benefits
  - Improved access to raw materials/markets
  - Increased size of markets
  - Establishment of border industrial estates
  - Increased cross border investment/participation in production chains
  - Increased tourism flows
  - Increased cross border trade
  - Poverty reduction/employment generation
Critical Role of Transport Infrastructure

- Traditional benefits
  - Time saved
  - Lower vehicle operating costs
- New benefits
  - Access
  - Reliability
  - Shorter routes

<table>
<thead>
<tr>
<th>Route</th>
<th>Sea Route</th>
<th>Land Route</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yangon-Bangkok</td>
<td>1,944 miles</td>
<td>450 miles</td>
</tr>
<tr>
<td>Yangon-Da Nang</td>
<td>2,144 mi.</td>
<td>900 mi.</td>
</tr>
<tr>
<td>Bangkok-Da Nang</td>
<td>1,082 mi.</td>
<td>700 mi.</td>
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EWEC provides four major opportunities for Myanmar

1) higher economic growth
2) more employment
3) more exports
4) reduce poverty
Regional development of Kayin and Mon states through integration of EWEC with local multimodal transport links

- linkages from Mawlayamine port to all Myanmar coastal ports as well as Bangladesh, Thailand and Malaysia.

- river transport along the Thanlwin, Attaran and Gyaing rivers.

- air linkage from Mawlamyine to Yangon, Taninthayi and Thailand.

- intersection of EWEC with existing North-South land route from Yangon to Kawthaung.
Myanmar will have new access to a large new market of over 100 million potential consumers in the east. Also, it can increase value-added exports to the large market of Thailand and Viet Nam which is only 36 hours away by truck (fish, agri and forestry products, fruit, rubber, minerals and garments).
- Development of major towns and industrial estates which will serve as growth poles which attract investment and new technology and help SMEs … Light manufacturing, resource based manufacturing and logistics services will be developed. Semi finished parts can be sent to Thailand or Vietnam for final assembly as part of global production chains.

- Development of tourism. World class tourism sites exit in Mawlamyuine, Bilugyun, Kyaikami, Kyaikmaraw, Mudon, Thanbyuzayat and Set Se beach. Nature tourism ( hiking, rafting and mountain climbing ) can also be easily developed along or near the EWEC.
Current Status of EWEC

- Transport
  - All weather road in all countries except Myanmar. Possible to drive from Thai/ Lao border to Da Nang port in one day.
  - Mekong bridge at Mukdahan-Savannakhet opened in 2007
  - Hai Van pass between Da Nang-Hue completed
  - Airport expansions: Da Nang and Hue
  - Da Nang port expansion

- Urban nodes
  - Expansion of Da Nang
  - Expansion of Savannakhet

- Industrial estates
  - Borders of Lao PDR, Lao PDR/ Viet Nam
  - Da Nang: 5

- Extension of EWEC route proposed (June 2009)
  - Laem Chabang port-Bangkok-Lao-Hanoi-Haiphong
    (agreed in principle in 2012)
  - Extension to Yangon and Thilawa being proposed (by whom?)
Myanmar Status in East West Economic Corridor
LAO: East-West Corridor (Phin-Dansavanh)

VIE: East-West Corridor (Lao Bao-Dong Ha)

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**Thingayingnaung – Kawkareik Road Construction**

**Current status**
- narrow road, width 3-4 m. (40 kms)
- Traffic arrangement: 1 day 1 direction
- Thailand will grant a new 2 lanes road
- Detailed design completed in Oct 08 (30 kms)
- Construction budget approved

**Next Step**
- Prepare MOU between Thailand and Myanmar
- Procurement for construction
KawKareik~Mudon

L = 102km
Thai-Myanmar Connectivities:

- Mawlamyine – Kawkareik – Myawaddy Road
- Thanpyuzayat – Three Pagodas Road
- Dawei – Phu Nam Ron (Kanchanaburi) Road
- Myalik – Tanintharyi – Maw Taung Road
Implementation of Transport Linkages

Ministerial Meeting
23 December 2003
New Delhi

Financing Portion:
- Thailand
- India
- Myanmar + maintenance distressed bridges

India – Myanmar - Thailand Trilateral Road – 1360 km
Key Issues for Myanmar to Consider

- Connectivity.
- The actual road from Mawlamyine to the border is short.
- Engineering and technical challenges are not the real issues.

The real issues are:

- Need to be very clear eyed about costs and benefits.
- Need to improve competitiveness.
- Need to develop industrial estates systematically.
Key Issues for Myanmar Policymakers: Cost and Benefits

- **Costs**
  - Of building physical infrastructure can be high
  - Therefore, usually paid by soft loans from Japan, ADB, World Bank
  - Larger cost may be the inability to compete with foreign countries/companies
  - Social costs

- **Benefits**
  - Exist in theory
  - But hard to quantify
  - Must ask: Who gains most? Where?
    - Country
    - Sub-area
    - Income group
    - Ethnic group

- Careful analysis needed before borrowing/investing large amounts
- Government (union and state/division) role is critical
Key Issues for Myanmar
Policymakers: Competitiveness

- Cross Border Transport Agreement
  - Must be ratified
  - Must be implemented, otherwise, very costly delays at border and increase in transport costs
  - Not easy to reform border customs/immigration
  - Learn from other countries experience

- Develop human resources
  - Low wage/high productivity workers need
  - Improve all levels of education and vocational schools
  - Improve English language ability
  - Use skills of return migrants

- Develop major urban areas which will be growth centers
  - Mawlamyine
  - Hpaan
  - Myawaddy

- SMEs need to be promoted to ensure benefits of EWEC spread widely within Myanmar
Key Issues for Myanmar
Policymakers: Systematic Development of Industrial estates

- Industrial Estates with good physical infrastructure and economic incentives for investors will be engines of growth
- Mawlamyine (1,100 cars assembled in 2007-2009) and Bilugyun have good potential.
- Problems must however be addressed
  - Macro-economic conditions/ political risks
  - Policy and regulatory disincentives
  - Poor infrastructure
  - Poor business services
  - Limited human capacity: public and private
  - Low access to information
  - Limited access to finance and credit
  - Poor institutional capacity and governance
- Learn from hard experience of other GMS countries
- Systematic/ sustained package of policies need
Cross Border Transport Agreement (CBTA) (1)

- Hard physical infrastructure must be complemented by “soft” infrastructure
- CBTA consolidates in single legal instrument all key non-physical measures for efficient cross border land transport
  - Main agreement signed by Lao PDR, Thailand, Viet Nam (1999)
  - Ratified by all GMS countries (end-2003)
  - All 20 annexes (technical details) and protocols signed (March 2007)
  - Four countries ratified all annexes (November 2010)
  - Myanmar ratified 16/20 by May 2012
Cross Border Transport Agreement (CBTA) (2)

- Progress on EWEC
  - Lao PDR-Viet Nam: single stop (March 2005)
  - Lao PDR-Thailand: single window (July 2006)
  - Fast track for trucks with CBTA documents (2009)
  - Road transport permit system: 400 permits for trucks exchanged (2009)
  - Thailand and Viet Nam trucks able to pick up cargo in each other’s territory (June 2009)
  - Customs Transit and Temporary Admission System to facilitate seamless movement of goods transit from one member to another while transiting through a third country (June 2009)
Myanmar ratified 16 Annexes and Protocols out of 20. Myanmar Government needs to allow the followings according to the Agreement:-

(a) Exemption from Physical Customs Inspection, Bond deposit, and Escort.

(b) Transit Traffic shall be exempt from any customs duties and taxes.

(c) For Single Window Inspection and Single Stop Inspection; the two adjacent national authorities will carry out these inspections jointly and simultaneously. Where the local configuration does not allow the installation of physically adjacent back to back frontier control posts, the control officials from one Contracting Party shall be allowed to perform their duties on the territory of the other Contracting Party.
Conclusions

- Government (union and state) must LEAD and have OWN
  - Vision .. Think global but act national
  - Strategy .. See the entire picture
  - Good tactics .. Prioritize and be pragmatic

- Government capacity has to be increased
  - Coordination with other countries, within own country, with private sector
  - Negotiation skills
  - Planning and monitoring
  - Implementation

- Private sector needs to be fully involved and see both opportunities and challenges
THANK YOU FOR YOUR ATTENTION