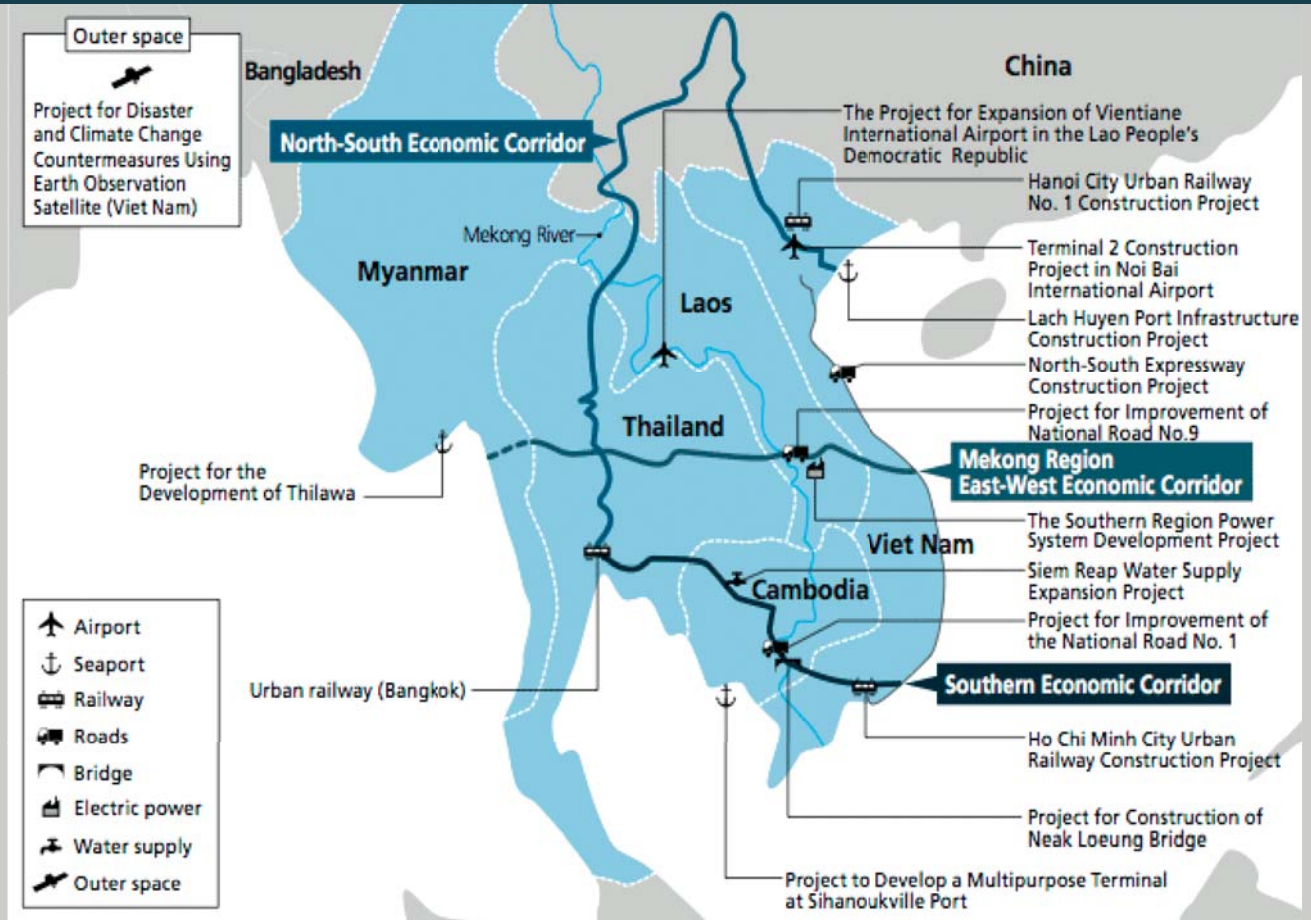




OUTCOME REPORT

Regional Conference on Mekong-Japan Cooperation: Progress and Challenges since 2015

23 March 2018
Phnom Penh, Cambodia



REGIONAL CONFERENCE ON

**MEKONG-JAPAN COOPERATION:
PROGRESS AND CHALLENGES
SINCE 2015**

23 March 2018

Phnom Penh, Cambodia



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Regional Conference
 on
 Mekong-Japan Cooperation: Progress
 and Challenges since 2015

23 March 2018
 Raffles Hotel Le Royal, Phnom Penh

ACKNOWLEDGEMENTS

Since its inception in 2008, under the Japanese government initiative, the Mekong-Japan Cooperation has played an important role in shaping the development aspects of the Mekong region, particularly enable those countries to overcome their enduring challenges in order to achieve quality growth by narrowing down the development gap, ensuring inclusive and sustainable growth, as well as eliminating any short pitfalls that would disrupt the stable and sound development prospect of the region.

During the 7th Japan-Mekong Summit held in Tokyo on 4 July 2015, the '*New Tokyo Strategy 2015*' was adopted as a new strategy for Mekong-Japan Cooperation in the next three years. The Strategy has been regarded as the continuation of Tokyo's perception and interest in the Mekong region for its strategic geographical position and abundance of natural resources, whilst *vis-à-vis*, an essential part of the recent CLMTV countries' development success.

CICP is particularly pleased to be able to host this important regional conference amidst rising debates on other existing and parallel cooperative mechanisms such as the Mekong River Commission (MRC), Mekong-Lancang Cooperation (MLC), and Lower Mekong Initiative (LMI). The Conference also assessed and discussed on the progress and challenges of the MJC2015, CLMTV's national perspectives, and the ways forward for the Mekong-Japan Regional Cooperation.

Last but not least, we would like to express our utmost appreciate to all the eminent role players, distinguished guests and participants, whose expertise and experience have enriched the discourse on Mekong-Japan Cooperation tremendously. It is also in the hope that the compilation of views and ideas in this Outcome Report would stimulate more concrete deliberation on regional cooperative mechanism across wider scholastic audience and academic community.

Ambassador Pou Sothirak

Executive Director

Cambodian Institute for Cooperation and Peace



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Chulalongkorn University, Thailand

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CONTEXT AND OVERVIEW

The Mekong region countries (CLMTV, i.e. Cambodia, Laos, Myanmar, Thailand, and Vietnam) have significant potential to serve as a key global growth center in the coming decades, concurrently achieving (or in some cases exceeding) their respective Millennium Development Goals (MDGs).

The ‘New Tokyo Strategy 2015 for Mekong-Japan Cooperation’ has been an essential part of the recent CLMTV countries’ development success. As this initiative enters its third year and, as noted by Prime Minister Shinzo Abe in his recent remarks at the Ninth Mekong-Japan Summit Meeting in November 2017, the strategy has already demonstrated real, on the ground results. Two thirds of the Japanese government’s commitment of 750 billion yen in Official Development Assistance (ODA) to the Greater Mekong region has already been expended and has positive outcomes in the form of significant improvements to quality infrastructure in the region, including the development of Sihanoukville Port in Cambodia, Yangon-Mandalay railway in Myanmar, and high-speed railway in Thailand.

At the same time, Japan’s support has facilitated new developments in soft connectivity to strengthen intra-regional trade, and has helped to lay groundwork to realize the “vibrant connectivity” among CLMTV countries. This initiative is essential to achieving “quality growth” in the future through further narrowing of the development gap within the region while maintaining a stable and sustainable macroeconomic environment that ensures inclusive and sustainable growth.

The New Tokyo 2015 Strategy has been constructed around four key pillars. The first of these, “Hard Efforts,” focuses on hard connectivity in the region, buttressing industrial connectivity through land, maritime, and air connectivity. The second pillar, “Soft Efforts,” recognizes the need to place “quality growth” at the center of the region’s development efforts, developing human capital while concomitantly strengthening industrial, economic and people-to-people connectivity in the region. The third pillar of the strategy emphasizes the importance of the sustainability of development in the region and the salience of a “Green Mekong.” Finally, the fourth pillar focuses on coordination among stakeholders, inclusive of state-to-state coordination among the CLMTV states, improvement of coordination with the Asian Development Bank (ADB), and

the inclusivity of other existing regional development mechanisms (e.g. Japan-US coordination).

This conference will examine these successes as well as the challenges to coordination that remain, bringing together key stakeholders from the CLMTV countries, Japan, as well as an outside expert to identify existing challenges as well as potential solutions to improve the effectiveness of the New Tokyo Strategy in supporting sustainable, quality growth and human development in the region. The conference also aims to produce a set of recommendations in a form of an outcome report which will be widely distributed to relevant stakeholders and interested parties.

Beside the opening session, there will be three interactive sessions to follow with intense discussion based on the pertinent sub-themes. The opening session will be reserved to set stage for welcoming comments by the hosts, substantive remarks by a Distinguished Official from Japan, and a Keynote Address by the Guest of Honor from the Royal Government of Cambodia. The first session will assess the achievements, ongoing challenges, and future prospects of the 'New Tokyo Strategy 2015 for Mekong-Japan Cooperation (MJC2015)' by selective experts who have deep knowledge on these issues.

The second session will seek the CLMTV's perspective views and insights with regards to the prospects and challenges of Mekong-Japan Cooperation in which each country has faced. One expert from each of CLMTV countries are invited to share their respective country's proposition.

With that, it brings about the third and final session of which the practical 'next-steps' is put forward attempting to improve further human development, alternative green development, coordination among other sub-regional mechanisms, and hard/soft infrastructure development in the CLMTV states in order to foster the Mekong-Japan Cooperation to a new level.

PROGRAM AGENDA

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| 8:30 – 9:00 | Registration | |
| 9:00 – 9:10 | Welcome Remarks | H.E. Ambassador Pou Sothirak Executive Director Cambodian Institute for Cooperation and Peace (CICP) |
| 9:10 – 9:30 | Special Remarks | Mr. Kentaro SONOURA Special Advisor to the Prime Minister of Japan |
| 9:30 – 10:00 | Keynote Address | H.E. Dr. Sok Siphana Advisor to the Royal Government of Cambodia; High Representative of <i>H.E.</i> <i>Prak Sokhonn</i> , Senior Minister and Minister of Foreign Affairs and International Cooperation of Cambodia |
| 10:00 – 10:05 | Group Photo Session for Role Players | |
| 10:05 – 10:30 | Coffee Break | |
| 10:30 – 11:15 | <p><u>SESSION I: The 'New Tokyo Strategy 2015 for Mekong-Japan Cooperation (MJC2015)': Building on Past Successes, Confronting Challenges, and Prospective Opportunities</u></p> <p>The focus of this session is to summarize both the successes and “lessons learned” over the last three years of the 2015 Tokyo Strategy. While highlighting prior achievements, primary attention will focus on the changing needs and challenges confronting the region and the practicalities involved in the amelioration of coordination. It also aims to look at how to ensure the sustainability of development cooperation among the CLMTV countries in the long term, potential cooperation with the existing institutions such as ADB and MRC, the prospect of intra-regional connectivity and cooperation, among others.</p> | <p>Chair: H.E. Dr. Chap Sotharith Advisor and Chief of Cabinet of Deputy Prime Minister H.E. Ms. Men Sam An; Member of the Board of Directors of CICP</p> <p>H.E. Dr. Sok Siphana Advisor to the Royal Government of Cambodia</p> <p>Prof. Manabu Fujimura Aoyama Gakuin University Tokyo, Japan</p> <p>Dr. Bradley J. Murg Visiting Senior Research Fellow of CICP; Professor of Political Science and Director of Global Development Studies, Seattle Pacific University (USA)</p> |

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|---------------|---|---|
| 11:15- 11:45 | Questions & Answers | |
| 11:45 – 13:00 | Lunch | |
| 13:00 – 14:15 | <p><i>SESSION II: National Perspectives from CLMTV countries: Opportunities and Challenges of Mekong-Japan Cooperation</i></p> <p>Recognizing the diversity of perspectives at national levels, this session brings together experts from Cambodia, Laos, Myanmar, Thailand, and Vietnam to set out their respective views on the potential challenges as perceived in their own countries, to [future] intra-regional coordination, as well as coordination with the government of Japan in the short and medium terms.</p> | <p>Chair: Ms. Pich Charadine Assistant to the Executive Director and Senior Research Fellow, CICIP</p> |
| | | <p>Dr. Chheang Vannarith Board Member and Senior Fellow of CICIP</p> <p>Dr. Lattana Thavonsouk Deputy Director General of Institute of Foreign Affairs (IFA) of MOFA, Laos PDR</p> <p>Ambassador U Khin Maung Lynn Joint Secretary Myanmar Institute of Strategic and International Studies (MISIS)</p> <p>Dr. Thitinan Pongsudhirak Director of the Institute of Security and International Studies, Faculty of Political Science, Chulalongkorn University, Thailand</p> <p>Dr. To Minh Thu Director, Center for Security and Development, Diplomatic Academy of Vietnam (DAV)</p> |
| 14:15 – 14:45 | Questions & Answers | |
| 14:45 – 15:15 | Coffee Break | |

| | | |
|-----------------------|---|--|
| 15:15 – 16:00 | <p>SESSION III: <i>Responding to CLMTV Perspectives and Paths Forward for Mekong-Japan Regional Cooperation</i></p> <p>This final session closes the event with experts from Japan and Cambodia summarize and respond to the perspectives set out in the preceding session towards practical next steps to improve human development, green development, and hard/soft infrastructure in the CLMTV states.</p> | <p>Chair: H.E. Ambassador Pou Sothirak Executive Director, CICP</p> <p>Dr. Han Phoumin Energy Economist, Economic Research Institute for ASEAN and East Asia Jakarta, Indonesia</p> <p>Professor Fumiharu Mieno Centre for Southeast Asian Studies, Kyoto University, Japan</p> <p>Gwen Robinson Chief Editor, Nikkei Asian Review; Senior Fellow, Institute of Security and International Studies, Chulalongkorn University, Thailand</p> |
| 16:00 – 16:30 | Questions & Answers | |
| 16:30 – 16:45 | Wrap-up Session and Closing Remarks | H.E. Ambassador Pou Sothirak Executive Director, CICP |
| End of Program | | |



ROLE PLAYERS



H.E Mr. Kentaro SONOURA

Advisor to the Prime Minister of Japan (National Security)

H.E. Mr. Kentaro Sonoura is a member of the House of Representatives from Liberal Democratic Party of Japan (LDP). He has been elected four times from Chiba 5th Electoral District since September 2005. Previously, he joined the Yomiuri Shimbun at 1996 and worked as newspaper journalist. He served as Director of Committee on Foreign Affairs of the House of Representatives, Director of Committee on Security of the House of Representatives, and Director of Special Committee on North Korean Abductions and Other Issues of the House of Representatives at 2013. From September 2014 to October 2015, he served as Parliamentary Vice-Minister for Foreign Affairs, and he also served as State Minister for Foreign Affairs since August 2016. He was appointed at August 2017 and has served as Advisor to the Prime Minister (National Security).



H.E. Dr. Sok Siphana

Advisor to the Royal Government of Cambodia

H.E. Dr. Sok Siphana is a practicing attorney and the Managing Partner at Sok Siphana & associates, a law firm specialized in international trade and corporate law in Phnom Penh since 2009. He was appointed by Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, concurrently as Advisor to the Royal Government of Cambodia, Advisor to the Supreme National Economic Council (SNEC) and to the Council for the Development of Cambodia (CDC) with rank of Minister in 2009, 2011 and 2013 respectively.

Since 2013 he acted as Cambodian SOM Leader for the five Mekong Cooperation mechanisms and recently as Chair of the National Secretariat of Cambodia for Mekong-Lancang Cooperation under the Ministry of Foreign Affairs and International Cooperation of Cambodia.

From 2005 to 2009 he served as Director at the International Trade Center (ITC) a joint technical agency of UNCTAD and WTO in Geneva, Switzerland. Previously from

1999 to 2005, he served as Secretary of State at the Ministry of Commerce, where he worked extensively on issues related to trade policies and development, commercial legal framework and economic integration. During his service at the Ministry, he was also a negotiator in Cambodia's accession to the World Trade Organization (WTO). Between 1993 and 1999, he was a legal adviser with the United Nations Development Programme attached to the Office of the Council of Ministers and subsequently to the Council for the Development of Cambodia. From 2011 to March 2018, he served also as Chairman of the Board of Cambodia Development Resource Institute (CDRI), Cambodia's oldest and prominent independent research institute.

Dr. Sok holds a Juris Doctor (J.D.) from Widener University School of Law, Delaware (USA) and a Ph.D. from Bond University School of Law, Gold Coast (Australia). He is currently pursuing another Ph.D. with the University of Paris II Panthéon-Assas, Paris (France).



H.E. Ambassador Pou Sothirak

Executive Director

Cambodian Institute for Cooperation and Peace (CICP)

In addition to being the Executive Director of the Cambodian Institute for Cooperation and Peace (CICP) since 2013, Ambassador Pou Sothirak also serves as Advisor to the Royal Government of Cambodia as of February 2014.

He was appointed as Secretary of State of the Ministry of Foreign Affairs and International Cooperation of Cambodia from September 2013 to January 2014. He was a Visiting Senior Research Fellow at the Institute of Southeast Asian Studies (ISEAS) in Singapore from January 2009 to December 2012. He also served as Cambodian Ambassador to Japan from April 2005 to November 2008. He was elected Cambodian Member of Parliaments twice during the national general election in 1993 and 2003. He was appointed as Minister of Industry Mines and Energy of the Royal Government of Cambodia from 1993 to 1998.

He obtained a degree in Electrical and Computer Engineering from Oregon State University, USA in March 1981 and had worked with the Boeing Company from 1981-1986.

Ambassador Pou Sothirak has written extensively on various challenging issues confronting the development of Cambodia and threatening peace and security of the region of Southeast Asia.



H.E. Dr. Chap Sotharith

*Advisor and Chief of Cabinet of
Deputy Prime Minister, H.E. Mrs. Men Sam An;
and Member of the Board of Directors of CICP*

Dr. Chap Sotharith is Board Member of the Cambodian Institute for Cooperation and Peace (CICP). During the past 15 years, Dr. Chap has been involved in various policy research networks including the Economic Research Institute for ASEAN and East Asia (ERIA), the East Asian Development Network (EADN), and the ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS) that provides policy inputs to the ASEAN policy-making processes. Within these networks, he is very active in writing papers, presenting ideas in many regional and international conferences in many topics related to international relations, international politics, trade, investment, and international economies.

Dr. Chap Sotharith was the former Executive Director of CICP from 2004-2008. He currently serves as an Advisor to Deputy Prime Minister, H.E. Mrs. Men Sam An, in economic and social development strategy. He, from time to time, worked as Consultant to many international organizations such as World Bank, UNCTAD, and FAO.

Dr. Chap holds a Master of Science from Asian Institute of Technology (AIT), Bangkok in 1994, and Doctor of Philosophy (PhD) in Economics from Sydney University, Australia in 2006. He has published many books both in English and Khmer on topics related to Cambodia and regional development.



Dr. Thitinan Pongsudhirak

*Director, Institute of Security and International Studies (ISIS);
Associate Professor of International Political Economy, Faculty of
Political Science, Chulalongkorn University, Thailand*

Dr. Thitinan Pongsudhirak is the Director of the Institute of Security and International Studies (ISIS) and Associate Professor of International Political Economy at the Faculty of Political Science, Chulalongkorn University. He has authored a wide range of articles, books and book chapters on Thailand's politics, political economy, and foreign policy, as well as ASEAN and East Asian geopolitics and geo-economics. He is frequently quoted and his myriad op-eds have appeared in international and local media, including CNN, BBC, Financial Times,

The International New York Times, Nikkei Asian Review, Wall Street Journal, Bloomberg, among others, as well as a regular column in The Bangkok Post and The Straits Times.

Dr Thitinan's work experience includes The BBC World Service, The Economist Intelligence Unit and many consulting projects related to ASEAN, mainland Southeast Asia, and Thailand's macro-economy and politics.

He received his BA from the University of California at Santa Barbara, MA from the Johns Hopkins School of Advanced International Studies, and PhD from the London School of Economics where his work on the political economy of the 1997 Thai economic crisis and was awarded the United Kingdom's Lord Bryce Prize for Best Dissertation in Comparative and International Politics.



Dr. Bradley Jensen Murg

*Assistant Professor of Political Science,
Director of Global Development Studies
School of Business, Government, and Economics at Seattle Pacific
University, USA*

Dr. Bradley Jensen Murg is Assistant Professor of Political Science and Director of Global Development Studies in the School of Business, Government, and Economics at Seattle Pacific University. He is also Affiliate Professor at the Henry M. Jackson School of International Studies at the University of Washington.

Dr. Murg's research, supported by grants from the Social Science Research Council and the International Research and Exchanges Board, focuses on legal reform, the political economy of foreign aid, and economic development in the Mekong region, China, and the former Soviet Union. His current work as research director at the Greater Mekong Research Center explores the history of foreign aid in Cambodia, paying particular attention to Soviet assistance in the 1980s as well as Chinese aid and investment today.

Dr. Murg graduated Phi Beta Kappa from Emory University with a BA/MA in philosophy, received his MSc. in economic history from the London School of Economics, and his M.A. and Ph.D in political science from the University of Washington. Dr. Murg has worked in Asia for nearly 20 years, initially having moved to the region as a Henry Luce Scholar at the Asian Development Bank in 2000.



Dr. Chheang Vannarith

Senior Fellow and Member of the Board

Cambodia Institute for Cooperation and Peace (CICP)

Chheang Vannarith is Senior Fellow and Board Member of the Board of the Cambodia Institute for Cooperation and Peace (CICP), Opinion Editor with the Khmer Times, National Advisor to Civil Society Alliance Forum (CSAF, Council of Ministers), Vice-Chairman of the Cambodian Institute for Strategic Studies (CISS), and Associate Fellow at ISEAS-Yusof Ishak Institute. He was a visiting fellow at various think tanks including ISEAS-Yusof Ishak Institute in Singapore, China Institute of International Studies (CIIS) in China, IDE-JETRO in Japan, and East West Center in the US. He was a lecturer of Asia Pacific studies at the University of Leeds for three years after serving as executive director of CICP for five years.

He earned his PhD in Asia Pacific Studies from the Ritsumeikan Asia Pacific University, MA in International Relations from the International University of Japan, and BA in International Relations from the Diplomatic Academy of Vietnam. He was honored a Young Global Leader by the World Economic Forum in 2013.



Pich Charadine

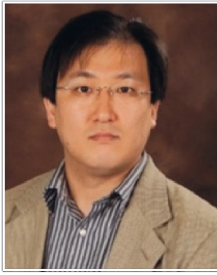
Senior Research Fellow

Cambodian Institute for Cooperation and Peace (CICP)

PICH Charadine is the senior fellow and the coordinator of the Global Center for Mekong Studies (GCMS) of the Cambodian Institute for Cooperation and Peace (CICP). She is also the adjunct lecturer in the Department of Political Science at Zaman University, Cambodia. She had been working with several non-government organizations and had also jointly conducted numerous research fieldwork projects, prior to her current affiliation.

Ms. Pich obtained her Bachelor of Arts in Political Science and International Relations with High Honors from Zaman University (Cambodia) and holds a Master of Arts in Dialogue Studies (concentrated on political dialogue) with Merit from Keele University (United Kingdom).

She has written on various issues concerning Cambodia's political development and its subsequent foreign policy implications. Her focus is on Sino-Cambodia relations (particularly political economy dilemma, foreign aid policy, and economic statecraft), ASEAN studies, Cambodia's politics and foreign relations.



Professor Fumiharu Mieno

Professor of Economics

Center for Southeast Asian Studies, Kyoto University

Fumiharu Mieno's major research areas are financial system in economic development, the financial sector in Southeast Asia, and the economies of Southeast Asia, Thailand and Indochina countries. His major publications are *Economic Transition in Myanmar After 1988: Market Economy Versus State Control*, (NUS Press, Singapore, 2009), *Financial Reform and Southeast Asia: Analyzing Regional Long-term Trends and Corporate Finance* (in Japanese, KeisoShobo, 2015), "Fund Mobilization and Investment Behavior in Thai Manufacturing Firms in the Early 1990s.", *Asian Economic Journal*, 20.1, 2006, and "Toward Myanmar's New Stage of Development: Transition from Military Rule to the Market", *Asian Economic Policy Review*, 8.1. 2013. He obtained Bachelor of Social Study in 1992 and Ph.D. of Economics in 1999 both at Hitotsubashi University. Before attaching the current position, he worked as research associate at Hitotsubashi University, associate professor at Hosei University, and professor at Kobe University, He was also visiting faculties in Thammasat University, and Chulalongkorn University (Thailand), and Columbia University (the U.S.).



Professor Manabu Fujimura

Professor

College of Economics, Aoyama Gakuin University (Tokyo)

Professor Manabu Fujimura is a Professor at the College of Economics of Aoyama Gakuin University (Tokyo) since 2003. He teaches courses in the area of development and international economics. His main research interest for the last 15 years has been the economic impacts of cross-border transport infrastructure in the Greater Mekong Subregion (GMS). In FY2017, he served as an advisor in the evaluation team commissioned by Japan's MOFA to assess the role of Japan's ODA in the Mekong Region's connectivity. His career has been half academic and half professional: Research Staff at the Japan External Trade Organization (1985-1990); Degree Fellow at the East-West Center in Hawaii (1990-1994); Research Associate at the University of Shizuoka (1995-1998); and Economist at the Asian Development Bank (ADB) (1998-2003). He authored and co-authored many publications on economic analysis of investment projects in various sectors and under varied themes. He earned his Ph.D. (1994) and M.A. (1992) in economics from the University of Hawaii, and his B.A. (1985) in political science from Waseda University (Tokyo).



U Khin Maung Lynn

Joint Secretary, Myanmar Institute of Strategic and International Studies (MISIS)

U Khin Maung Lynn has served in the foreign service of the Government of the Republic of the Union of Myanmar for over 36 years before retiring as Charge d’Affaires/ Minister-Counsellor at the Myanmar Embassy in Kuwait. He held various diplomatic posts at the Myanmar missions in London, Geneva, New York, Tokyo, Islamabad, Kuala Lumpur, Manila, Riyadh and Kuwait.

During his career, he also served in various capacities in the Ministry of Foreign Affairs of Myanmar at the International Organizations and Economic Department, Minister’s Office, and the Political Department where he served longest. He was Assistant Director of the Boundary Division, Political Department from 1993 to 1996 and served as Deputy Director in the Southeast Asia Division, Political Department, from 1998 to 2001 and as Director from 2005 to 2007. He led diplomatic missions to open new Myanmar embassies in Riyadh in 2007 and in Kuwait in 2009.

He retired from the Myanmar Foreign service in January 2011 and since August 2012 he has been involved in Track II diplomacy by attending some of the conferences and workshops in the region. He was also a part-time advisor from 2012 to 2013 with the International Management Group (IMG), an intergovernmental organization, for on implementation of capacity building projects for personnel of the Myanmar civil service and the Myanmar Foreign Service, with funds provided by the Norwegian Government and EU.



Dr. To Minh Thu

*Director of the Center for Security and Development
Institute for Foreign Policy and Strategic Studies (IFPSS)
Diplomatic Academy of Vietnam (DAV)*

Before joining the DAV in 2010, she was an expert at the Department of Economic Affairs, Ministry of Foreign Affairs of Vietnam (MOFA).

At the DAV, she was in charge of non-traditional security and development issues. She also serves as country coordinator for several academic networks in ASEAN and ASEAN+3 frameworks. During 7/2013-7/2016, Dr. To was a fellow researcher at the Mitsubishi Research Institute, Tokyo, focusing on issues relating to ASEAN economies, ASEAN Economic Community and assessment of TPP.

Dr. To got her B.A. in International Economics from the Hanoi Foreign Trade University in 1997 and her MBS in International Economics from Massey University (New Zealand) in 2000. She earned her Ph.D of Public Policy in Economics from the Osaka University (Japan) in 2010. Her research interests include regional trade arrangement, general equilibrium model of trade, Vietnam's economic integration and ASEAN economic integration.



Dr. Lattana Thavonsouk

Deputy Director General

*Institute of Foreign Affairs (IFA), Ministry of Foreign Affairs,
Lao People's Democratic Republic*

Lattana Thavonsouk has been with the Ministry of Foreign Affairs (MOFA) since graduation, starting out as Desk Officer at the Consular Department. A 4-year stint as Attaché at the Lao Embassy in Budapest, Hungary, followed, after which he was appointed Desk Officer for three Department in MOFA successively, namely Europe and America, Asia-Pacific, and finally ASEAN. In 1997, he became Second Secretary at the Lao Embassy in Manila. In 2001, he was appointed Director and Analysis Division of Cabinet under the supervision of the Permanent Secretary of MOFA, Minister Councilor, Lao Embassy in New Delhi and then Deputy Director General of IFA as current position.

Fluent in English, French and Russian, he has published amongst others, in Lao language, "The Fundamental Issues of the Asia-Pacific Region in the Cold War Era", "Islam and Terrorism", "China-Japan Relations", "The concept of development", and "Theory of International Relations".

He holds a Bachelor Degree in International Relations (1985) from Russia, a Master Degree in Public Policy (1994) from National University of Singapore and Doctoral Degree in Social Development (2001) from the University of the Philippines. He also received diplomatic training from the Institute of External Relations (1992) in New Delhi, Diploma on Professional Training Program, China Foreign Affairs University (2003), Institute of International Relations of Vietnam (2003), l'Ecole Nationale d'Administration, Paris, France (2005) and Asia-Pacific Center for Security Studies, Hawaii, USA. Lattana also teaches international relations at the National University of Laos.



Dr. Han Phoumin

Energy Economist, Economic Research Institutes for ASEAN and East Asia (ERIA)

Dr. Han Phoumin has about 18 years of experience working at various international and inter-governmental organizations and multi-disciplinary research consortiums related to poverty, governance, integrated water resource management, economic development and energy economics in the region of ASEAN and East Asia. He specialized in economic development and policy and applied econometrics. Much of his career in the past 10 years involved with power sectors, especially with sustainable hydropower development, renewable energy research, energy efficiency, clean coal technology, energy security, and energy demand and supply forecasting.

He is a co-author of published book on “ASEAN Rising Beyond 2015” and also co-editors to various publications such as “ERIA Energy Market Integration; Energy Security; and Energy Outlook and Saving Potential in East Asia” and others. Further he also published various articles and working papers related to energy issues and challenges.

He obtained a Ph.D. specializing in Economic Development and Policies from Kobe University, Japan, and a Master of Science specializing in Regional Economic Planning from Asian Institute of Technology (AIT), Thailand.



Gwen Robinson

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EXECUTIVE SUMMARY

The New Tokyo Strategy has made significant achievements in supporting the sustainable development of the Greater Mekong region since its inauguration in 2015. Across the diverse sectors that the Japanese government has supported, particularly in the areas of hard connectivity, “Green Mekong,” and the essential expansion of the region’s “East-West Corridor” – a diversity of metrics presented by delegates depicted the positive results of the New Tokyo Strategy not just for those within urban areas but also for populations resident along the corridor as a whole.

Improved connectivity has and can continue to bridge the current development gap, while the states comprising the region will be able to better take advantage of their respective, differing comparative advantages that offer significant gains from integration. The Japanese government’s policy emphasis on industrialization was highlighted as a particularly strong benefit and filling a significant gap in assistance from other ODA donors.

At the same time, delegates noted a diverse set of impediments to be addressed in future. The divide between *de jure* and *de facto* regional integration was noted by several presenters as a particular impediment to the expansion of intra-regional trade and investment. Specific areas of concern included: the continued presence of non-tariff barriers; weak or limited implementation of agreements on the ground; lack of capacity for cross-border cooperation; and technology gaps between states. The perception of “fairness” in terms of gains from trade was also underscored as an issue to be addressed in future.

Delegates highlighted that in 2018 the Mekong region confronts new challenges – particularly the issue of aid fragmentation and donor coordination in light of China’s increasingly assertive approach as illustrated through Beijing’s dramatic increase in aid and investment and the establishment of the Lancang-Mekong Cooperation (LMC) mechanism. While Beijing has served as a significant catalyst for growth in the region, questions remain as to the future influence of existent institutions supporting regional cooperation, e.g., ASEAN, the Greater Mekong Subregion and the Mekong Region Commission. Determining a strategy as to how these entities and the LMC can cooperate rather than compete will be essential in order to ensure continued sustainable growth and economic integration. Universally, delegates were of the view that Japan can play a vital “balancing” role via its continued engagement in the region through additional support of the seven priority areas – particularly in

light of the United States’ less active role in the region under the new administration in Washington.

The importance of continued Japanese development assistance to the region was also noted in the diverse contexts of: the increasing shift to protectionism globally; the rise of automation in the “Fourth Industrial Revolution;” and the increasing environmental challenges that the region is confronting in lights of its rapid growth. On the whole, delegates expressed strong enthusiasm for the future of the New Tokyo Strategy in the region and deep support for its vital role in the development of intra-regional trade, new production chains, and the buttressing of the region’s medium to long term economic growth.



SUMMARY OF THE PROCEEDINGS

H.E. Ambassador Pou Sothirak, Executive Director of the Cambodian Institute for Cooperation and Peace (CICP) opened his welcoming remarks by noting the importance and significance of Mekong-Japan cooperation for the development of the CLMTV states. He highlighted the fact that since 2008 nine summit meetings and ten foreign ministers' meetings have been held in support of deepening this relationship, depicting Japan's enduring and vital engagement across the Mekong region. Subsequently, Ambassador Pou reiterated the words of Foreign Minister, H.E. Taro Kono during the 10th Mekong-Japan Meeting held on 6 August 2017 during which he stressed the importance of Japan's assistance in improving intra-regional connectivity and pledged to Japan's support to further advance the development of the Mekong region.

With regard to The New Tokyo Strategy 2015, H.E. Ambassador Pou viewed it as an important continuation of Japan's interests in the region. With more than two thirds of the initial 750 billion yen in Official Development Assistance (ODA) allocated to the Mekong region already having been allocated, he highlighted some of the primary achievements of that funding: the expansion of the port of Sihanoukville in Cambodia; the Yangon-Mandalay railway in Myanmar; and the high-speed railway in Thailand. He stated that he had "no doubts" that when this initiative is fully implemented, the people of the CLMTV countries will be able to look forward to a higher level of human development and a better quality of life, buttressed by improved connectivity and promoting ASEAN regional integration.

At the closing of his speech, he set out the objective of the conference: to examine successes, challenges, and diverse perspectives from the key stakeholders of The New Tokyo Strategy 2015 while emphasizing the point that the conference also aims to produce a set of recommendations as to next steps.

The opening session proceeded to the special remarks made by H.E. Mr. Kentaro Sonoura, Special Adviser to the Prime Minister of Japan. He began by pointing out the history of Japan's engagement in the Mekong region: the promotion of economic development; narrowing of the development gap; and the fostering of development and trade. In 1995, the Ministerial Meeting of the Forum for Comprehensive Development of Indochina was hosted by Japan. Following the Asian currency crisis, during the 2003 ASEAN Special Summit Meeting, Japan presented the "New Concept of Mekong Region Development," which proclaimed its readiness to support projects key to the MJC including the

construction of “the East-West Economic Corridor” and the development of “the Southern Corridor” into “an Economic Corridor”.

Following this, H.E. the Special Adviser turned to discuss Japan’s support for Cambodia in particular. He pointed out several achievements including the construction of National Routes 1 and 5; the construction of the Tsubasa Bridge; and improvement to the new container terminal at the port of Sihanoukville. He then set out seven main areas where the Japanese government is considering further support: (i) openness, (ii) transparency, (iii) economy, (iv) financial viability of recipient countries, (v) safety, (vi) job creation and capacity building, and (vii) social and environmental programming.

In addition to hard infrastructure projects, Japan is also working to foster human capital development; to generate growth areas along the various economic corridors; and to facilitate flows of people and goods in the Mekong region. Japan believes that this vibrant connectivity will further develop the region.

H.E. Mr. Sonoura said Japan will redouble its effort to support Cambodia’s integration in ASEAN as part of the Mekong-Japan Cooperation initiative.

The aim of Mekong-Japan Cooperation, “what the Free and Open Indo-Pacific Strategy is attempting to accomplish,” according to H.E the Special Adviser is to realize economic growth and to promote development in the Mekong Region and throughout ASEAN in order to ensure prosperity and stability across Asia as a whole.

The Free and Open Indo-Pacific Strategy is defined by three main pillars: (i) promoting and establishing basic rules including freedom of navigation, the rule of law, and free trade; (ii) pursuing economic prosperity by improving connectivity through development of “quality infrastructure” and enhancing the business environment; and (iii) securing peace and stability including building the capacity of maritime law enforcement authorities and promoting disaster prevention. H.E. Mr. Sonoura noted that ASEAN is the key to the realization of this strategy.

He further stressed that this strategy was created neither to contain any country nor to threaten ASEAN’s unity and centrality. Rather, Japan needs “the cooperation of ASEAN” to realize the Free and Open Indo-Pacific Strategy. Moreover, he noted that the strategy had already appeared in a speech of Prime Minister Shinzo Abe in 2007.

At the end of his speech, H.E. Mr. Kentaro Sonoura expressed his sincere hope that Japan and Cambodia will further develop friendly relations through this strategic partnership.

The session continued with the keynote address made by H.E. Dr. Sok Siphana, Adviser to the Royal Government of Cambodia and High Representative of H.E. Prak Sokhonn, Senior Minister and Minister of Foreign Affairs and International Cooperation of the Royal Government of Cambodia. He started his speech by acknowledging that Japan's assistance to Cambodia has led and continues to lead to prosperity not only for people living in urban areas but also for those people living along the corridors. This connectivity can bridge the existing development gap. With Japan's help, H.E. Dr. Sok said, Cambodia "can catch up" with other developed countries in the region.

He further noted that "we are in the unstable world" given that the International Monetary Fund has noted signs of broader economic uncertainty as well as the nascent signs of growing protectionism owing to policy changes in the United States, i.e., the imposition of tariffs on certain goods, including steel and aluminum. However, H.E. Dr. Sok felt optimistic about The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or TPP11 and hoped that the trade deal will become TPP12 again in the future. He also hoped for the conclusion of Regional Comprehensive Economic Partnership (RCEP) by this year.

Before ending his remarks, H.E. Dr. Sok Siphana noted that the Mekong region needed to have coherent policies, rather than "win-lose" policies, to support further development.

THE "NEW TOKYO STRATEGY 2015 FOR MEKONG-JAPAN COOPERATION (MJC2015)": BUILDING ON PAST SUCCESSES, CONFRONTING CHALLENGES, AND PROSPECTIVE OPPORTUNITIES

The session was chaired by H.E. Dr. Chap Sotharith, Adviser and Chief of Cabinet of Deputy Prime Minister H.E. Ms. Men Sam An; Member of the Board of Directors of CICP. H.E. Dr. Chap started the session by noting the significance of the Mekong region. The creation of regional mechanisms such as the Mekong River Commission, the Lancang Mekong Cooperation and the Mekong Japan Cooperation have well illustrated that significance.

He then gave the floor to H.E. Dr. Sok Siphana, Advisor to the Royal Government of Cambodia to share his perspectives towards the topic of the session. H.E. Dr. Sok began by mentioning that the Mekong region has five main partners: China, Japan, India, South Korea and the US. He then pointed out five of the main challenges confronting the MJC today:

- ❖ Myriad non-tariff barriers still exist which create significant difficulties for the flow of goods and services.
- ❖ Implementation of the various agreements on the ground is still limited.
- ❖ Many infrastructure projects require extensive cross-border cooperation; however, the reality on the grounds continues to prove difficult when close collaboration between relevant stakeholders is required.
- ❖ A technology gap among member states continues to exist. Some states have modern technology while others access thereto remains underdeveloped. On this point, he mentioned the relatively limited capacity of Cambodia's train services.
- ❖ Natural disasters remain a recurring challenge. H.E. Dr. Sok specifically stated that flooding continues to be a major issue for Thailand. If nothing is done to resolve this problem, Japanese firms could decide to shift operations elsewhere.

H.E. Dr. Sok Siphana reiterated the need for coherent policies that recognize both strengths and weaknesses in order to create “win-win” cooperation.

The floor was then given to Professor Manabu Fujimura from Aoyama Gakuin University, Tokyo, Japan. He outlined five main points: (i) the context of regional integration in the Mekong region and Japan's involvement; (ii) de jure and de facto integration; (iii) the assessment of the East-West and Southern Economic Corridors; (iv) lesson learned and (iv) a set of associated issues. In the first point of his presentation, Professor Fujimura displayed several graphs illustrating the contemporary economic realities of the CLMTV states, i.e. socioeconomic indicators; major export destination and import origins; intra-regional trade; foreign direct investment; and the activities of bilateral donors. He also set out the number of member firms in the various Japanese Chambers of Commerce across the Mekong countries - illustrating the extensive role of Japan's private sector in the region.

He then moved on to set out the divide between *de jure* and *de facto* regional integration. Professor Fujimura conceptualized *de jure* integration as associated with formal agreements between governments such as free trade agreements and economic partnership agreements; while *de facto* integration is associated with the deepening of intra-regional trade and investment driven by private entities. He stated that the development of economic corridors in the Mekong region represents *de facto* integration driven mainly by developments in transport and logistics infrastructure. However, Professor Fujimura also noted that institutional coordination still lags behind at present.

“The positive impacts of economic corridors” was the third point that Professor Fujimura presented. He set out a fresh set of metrics that collectively seek to determine, indirectly, the impact of Greater Mekong Subregion (GMS) economic corridors utilizing an econometric model deploying a set of standard variables that influence living standards along the corridor routes. Despite some missing data from Cambodia, Laos and Myanmar, his findings showed several positive indications of development along the economic corridor:

- ❖ Traffic growth at subnational level is associated with higher growth in per capita GDP.
- ❖ GMS corridors as a whole have a positive impact on regional income.

Professor Fujimura then moved on by displaying a map of the East-West and Southern Economic Corridors and explained the significance of these in the region’s development. He noted the importance of the timely development of an East-West Corridor to Yangon, highlighting the importance of Myanmar’s capital as an economic hub. He then presented a fresh and timely set of new data collected in the region: a series of “test-runs” as to the time spent at customs points along the East-West and the Southern Corridors.

After explaining the economic corridors, Professor Manabu Fujimura then set out five main “lessons learned” from the current realities of economic integration in the Mekong region:

- ❖ Differing comparative advantages across countries offer gains from integration. Firms have an incentive to relocate their labor-intensive processes to less developed and relatively labor-abundant countries to optimize their supply chains. Owing to these economic complementarities, host government have the opportunity to meet

private sector demand by establishing and supporting industrial zones and special economic zones along economic corridors, e.g., the “Thailand-Plus-One” and “China-Plus-One” strategies.

- ❖ “Gravity” relations are difficult to beat. Large economic hubs and shorter distances between them are very important for economic corridors. Therefore, the location of industrial zones and special economic zones should take this into consideration.
- ❖ Transport costs in the region tend to be higher, leading to inefficient logistics.
- ❖ Crowding of border gates as cross-border traffic increases. Professor Fujimura noted the need for the creation of separate gates for cargo traffic and the construction of bypass access.
- ❖ The perception of fairness in integration is essential. Facilitation of cross-border traffic would involve an asymmetric distribution of benefits and costs. For example, Lao PDR and Cambodia are likely to function as transit routes on major economic corridors. Therefore, a transparent compensation scheme such as transit fees or subsidies across countries would be warranted. Professor Fujimura noted that in the case of the Lao route of the North-South Corridor, the Lao section was financed by China, Thailand, and ADB.

The final points that Professor Fujimura set out were a set of remaining issues for further connectivity. At present, the logistical performance of the region remains still low. Two points are particularly salient.

The first relates to border procedure:

- ❖ The paper work in CLMV costs more than in Japan.
- ❖ While all Mekong region countries introduced electronic customs declaration systems, in some (particularly Cambodia Laos and Myanmar) often times hard copy documents must be presented to at customs points.
- ❖ Many of the border offices in CLMV lack adequate Information and Communication Technology (ICT) Infrastructure, slowing customs clearance.

- ❖ Various practices such as distorted incentives, excessive red tape and implicit fees at immigration further slow the process. However, Professor Fujimura also acknowledged that the situation has much improved for Vietnam with the introduction of Vietnam Automated Customs Clearance System (VNACCS) and Japan's capacity building support thereto.

The second issue relates to cross-border transport. Agreements and implementation on the ground are inconsistent.

- ❖ The Cross-Border Transport Facilitation Agreement (CBTA) signed by all GMS members has been slow in implementation. Single Stop Inspection (SSI) is only operational at the Densavanh-Lao Bao border at the moment.
- ❖ Vehicle licenses for cross-border passage are based on bilateral or trilateral MOUs. The conditions vary across countries and subject to often unclear implementation. Most borders require trans-shipment in practice.
- ❖ Thailand, Lao PDR, and Vietnam agreed in 2009 to permit Thai vehicles to travel up to Da Nang and Vietnamese vehicles to travel up to Khon Kaen. However, in practice, vehicles are subject to Thailand-Lao PDR and Lao PDR-Vietnam bilateral agreements. Vietnam's transport ministry prohibits right-hand wheeled vehicles from running in the country.
- ❖ Lao vehicles holding CBTA licenses are permitted to run both in Thailand and Vietnam, but in practice Lao vehicles are not allowed to enter Thailand. In turn, Thai drivers are hesitant to drive in neighboring countries and transport companies do not usually permit them do so either as they use right-hand-wheeled vehicles which are opposite in all neighboring states other than Malaysia.
- ❖ Additional constraints include different languages and traffic signs across borders, necessitating personnel training and insurance for drivers and vehicles.

At the end of his presentation, Professor Manabu Fujimura stated that Japanese people are eager to work with CLMTV to promote further connectivity in the region for mutual benefits. He concluded a note of optimism: "Let us continue along the path: Asian Way, ASEAN Way and Mekong Way".

The floor was then passed to Dr. Bradley J. Murg, Visiting Senior Research Fellow of CICP; Professor of Political Science and Director of Global Development Studies, Seattle Pacific University (USA). He started by acknowledging the past successes of the MJC discussing the various infrastructure and connectivity projects and the measurable impacts that these have had as regards poverty alleviation in the region in general and in Cambodia in particular, paying particular attention to the various corridors. He noted Japan's "excellent commitment" to the third pillar of the MJC2015, the Green Mekong, and the increasing salience of this particular issue in light of relatively weak environmental safeguards across the region as a whole. However, he also highlighted that efforts on water management in the region has been mixed at best - noting the role that Japan can play as a key "focal point" for deepening environmental cooperation across the region.

Dr. Murg then moved on to discuss the importance of Japan's "balancing" position in the region in light of the rapidly increasing role played by the People's Republic of China. Pointing out China's growing dominance in aid provision in the region, a declining commitment to the region from the United States, and the implications derivative therefrom for the Mekong area - he noted the importance of Japan's continued support specifically in the development of the East-West economic corridor. He also raised the question of the future of the region's existing institutions for regional cooperation, e.g., the Mekong River Commission and the Greater Mekong Subregion - noting the challenges presented by the establishment of the Lancang-Mekong Cooperation Mechanism and the possibility of competition rather than cooperation between these entities. He highlighted the need for strengthening existing institutions in the Mekong if they are to remain relevant in the context of fresh, well-funded institutional competition. In his concluding remarks, Dr. Murg called for the MJC countries to redouble the commitment to support for the Green Mekong initiative.

NATIONAL PERSPECTIVES FROM CLMTV COUNTRIES: OPPORTUNITIES AND CHALLENGES OF MEKONG-JAPAN COOPERATION

The session was chaired by Ms. Pich Charadine, Assistant to the Executive Director and Senior Fellow, CICP. She briefly made welcome remarks before handing the floor to Dr. Chheang Vannarith, Board Member and Senior Research Fellow, CICP. He began his presentation by referring to the Mekong region as "a new growth center and a strategic frontier of Asia." He then

stressed the need to craft a “holistic development strategy” between the Mekong countries and development partners as, at present, there are development practices in place such as dam construction which are unsustainable and negatively affecting local livelihoods and long-term development in the region.

After that, he turned to discuss the significance of Mekong-Japan Cooperation in promoting connectivity and prosperity in the region. He then discussed two key challenges in Mekong regional cooperation. The first of these being fragmentation within the region. Countries are developing along the river without adequate consideration of impacts on others while diverse sectors have their own respective development plans that often not aligned with one another. The second challenge highlighted was the lack of policy coordination and sectoral cooperation between and among the CLMTV countries, development partners, and international organizations. These result from a lack of political will and leadership as well as of differences in institutional capacity among the Mekong states.

Dr. Chheang Vannarith made four recommendations:

- ❖ ***Institutional Connectivity***: enhanced policy coordination and integrated project implementation. As there are numerous mechanisms under the Mekong cooperation framework, strengthening synergies among them is needed. Good governance should be placed at the core of policy coordination.
- ❖ ***Knowledge Connectivity***: more research studies examining sectors such as water and energy need to be completed. He also noted the need of Mekong institutions to translate their studies into local languages such that the local stakeholders are able to comprehend and engage with this work. He mentioned that until now, only the Mekong River Commission (MRC) has followed this approach.
- ❖ ***Social Innovation***: the development of local solutions in order to respond to local issues. He stated that this concept does not need extensive investment. Rather what is required is genuine multi-stakeholders partnership (public-private-people partnership) to facilitate deeper understanding of the realities at hand.

- ❖ *Water governance.* He urged that the proposal for the creation of a Code of Conduct for the Mekong River and Mekong Basin should be considered.

The floor was then given to U Khin Maung Lynn, Joint Secretary, Myanmar Institute of Strategic and International Studies (MISIS). He began by expressing his optimistic view that when a Myanmar-Laos friendship bridge is opened, the entire Mekong region will benefit from this form of the hard connectivity. He then went on to highlight Japan's vital effort in supporting the development of the region through frameworks such as the Tokyo Strategy 2012 and the New Tokyo Strategy 2015. He noted that the development of the CLMTV countries will lead to the revitalization of the Japan's economy as well.

Subsequently, he turned to the question of Myanmar's commitment to cooperation. He pointed out that Myanmar is implementing macroeconomic reform including the creation of the new Investment Law aimed at attracting increased FDI. He noted that Japan's investments in the country has been growing and are found across major sectors of the economy, such as manufacturing, energy, transport and telecommunication. Moreover, Myanmar plans to set up two major SEZs: the Thilawar SEZ near Yangon and the Dawei SEZ close to Myanmar-Thailand border. These two SEZs are under the Action Plan of the MJC2015.

In order to promote Mekong-Japan Cooperation, he recommended that a network of Young Entrepreneurs Association between Japan and CLMTV be established in order to find innovative, effective and better practice ways and to promote the imagination, analytical skills, and development research among the younger generation. He noted that young business people should be encouraged to think creatively as to new mechanisms to increase trade and to create better business environment among Japan and CLMTV countries. He stated that only through private-public partnership and initiative will the Mekong countries' economies be able to develop more effectively and rapidly.

When discussing the Mekong cooperation, he insisted that China cannot be forgotten. Myanmar would like to see a better, warmer relationship between Japan and China for peace, stability and economic development in the Mekong region.

The chair then handed the floor to Dr. Thitinan Pongsudhirak, Director of the Institute of Security and International Studies, Faculty of Political Science,

Chulalongkorn University, Thailand. He opened his presentation by highlighting the increasingly significant presence of China in the Mekong region. He raised a specific example by comparing huge differences of China's rapid investment in Cambodia now to 20 years ago.

He then went on to point out how assertive China has become in the Mekong. Its power projection in the Mekong region is undeniable as it provided dramatic amount of aids and investments. This can be seen through the Lancang Mekong Cooperation (LMC). Within two years, two leaders' summits could be held. He noted these achievements of the cooperation in this short period was more significant than what the Mekong River Commission (MRC) had achieved over the 20 years of its existence. Dr. Pongsudhirak mentioned that the LMC might be coordinating with the MRC in the future given that the former's repeated statements as to its desire to avoid antagonism towards the latter, but that questions remained as to how this would be accomplished. Subsequently, he stated governments in the Mekong region are becoming more authoritarian and relations with China – in comparison with Japan – have been facilitated by that authoritarian shift in that China has generally embrace authoritarian regimes while it is a dilemma for Japan to do so given its long-standing role as a leading liberal democracy.

At that end of his presentation, he agreed that there is a need to have a rule-based COC in the Mekong.

The next speaker of the session was Dr. To Minh Thu, Director of Center for Security and Development, Diplomatic Academy of Vietnam (DAV). She discussed various new trends and implications for Mekong regional cooperation. She highlighted three trends in particular: the development model toward green and sustainable growth; the Fourth Industrial Revolution; and the emergence of China-led cooperation mechanisms.

In this first trend, Dr. To Minh Thu viewed "Green Growth" as a major mechanism to reconstruct the economy in order to promote long-term development by improving resource efficiency, reducing pollution, increasing market demand and creating new jobs. She noted that there is an important convergence between environmental protection and economic growth. However, the concept, she continued, is not so simple for the Mekong region whose members are developing countries. They face various challenges in this area:

- ❖ Limited institutional, budgetary, infrastructure and management capacity.
- ❖ Demand for high growth to meet current demands, leading to a marked division between short and long-term interests.
- ❖ Conflict of interests among member countries due to the trans-boundary nature of environmental issues.

She then moved on to her second point, the 4th Industrial Revolution. She said that the trend provides both opportunities and challenges. On the opportunity side, she mentioned that the new industrial revolution can enhance rates of worker productivity; create new opportunities for Small and Medium-sized Enterprises (SMEs) owing to greater availability of capital; and reduce risks to the livelihoods of the population. She mentioned that digitalization can ensure efficiency and development as it requires fewer workers while gaining higher results. However, Dr. To Minh Thu also raised three main challenges from this trend:

- ❖ Challenges caused from automation leading increased unemployment.
- ❖ Challenges caused from low quality human capital.
- ❖ Challenges to social order and the increased prospect of rising inequality

In the third point of her presentation, Dr. To Minh Thu discussed the emergence of China-led initiatives. She noted that with its economic power, China has emerged as a new and strong player in hastening regional cooperation through various mechanisms such as the Shanghai Cooperation Organization, the Regional Comprehensive Economic Partnership (RCEP), Asia Infrastructure Investment Bank (AIIB), the Belt and Road Initiative (BRI), and the Lancang Mekong Cooperation (LMC). In the Mekong, she noted, in just two years, the LMC framework had made important achievements, particularly in its rapid institutionalization.

China's active engagement in the Mekong region brings new momentum to regional development. It also acts as a catalyst for other major countries such as the US and Japan to pay greater attention to the region. These present opportunities for the Mekong countries as the involvement of these players in cooperation across the region can be translated into greater availability of funds that can be used for development. However, with many existing mechanisms in place already, it remains unclear whether the LMC is complementary or

competitive with them. In her view, the outcome depends on how all parties will work together to make each mechanism efficient and to have its own value.

At the end of her presentation, Dr. To Minh Thu made three recommendations:

- ❖ Develop transportation corridors and logistic systems to support the Mekong region as a bridge between the Indian and Pacific oceans. Noting China's plans for North-South connectivity from Kunming to Singapore, Japan's support for the East-West Corridor would greatly enhance connectivity of the region and develop the Mekong as the primary hub for inland transportation.
- ❖ Assist Mekong states in the continued shift towards green and sustainable development; develop a model of energy saving; support a sustainable balance between energy-food-water security, and ensure green, sustainable, and efficient management and use of water resources.
- ❖ Support Mekong countries in the development of high-quality human resources, enhancing the region's capacity of research and development to meet the need of development and industrialization.

The floor was then given to Dr. Lattana Thavonsouk, Deputy Director General of Institute of Foreign Affairs (IFA) of MOFA, Laos PDR. He highlighted the history of Japan's policies, engagement, and achievements in Southeast Asia, the Mekong region, and Laos including the Yosida Doctrine, the Fukuda Doctrine, and Mekong-Japan Cooperation.

Subsequently, Dr. Lattana addressed two main challenges related to the New Tokyo Strategy 2015:

- ❖ Five projects in the southern part of Laos in the MJC2015 framework have not yet been considered owing to the fact that Japan has stated that this assistance should be executed on bilateral rather than multilateral basis.
- ❖ Certain projects lack experts to write the requisite proposals to submit to the Japan International Cooperation Agency (JICA) and the Japan-ASEAN Integration Fund (JAIF).

Dr. Lattana then made two main recommendations:

- ❖ Conduct a feasibility study of the Vientiane-Hanoi expressway.
- ❖ Tourism authorities of all states should commit to focusing on improved dissemination of information on tourist destinations in order to support “win-win” outcomes.

He concluded by noting that Laos is on its way to studying and to considering the Free and Open Indo-Pacific Strategy. The country welcomes and supports whatever initiatives are conducive for wide and useful cooperation.

RESPONDING TO CLMTV PERSPECTIVES AND PATHS FORWARD FOR MEKONG-JAPAN REGIONAL COOPERATION

The final session of the conference was chaired by H.E. Ambassador Pou Sothirak, Executive Director of CICP. After a brief introduction, he handed the floor to Dr. Han Phoumin, energy economist of the Economic Research Institute for ASEAN and East Asia. His presentation, “Perspectives and Paths forwards for the Mekong-Japan Regional Cooperation for Inclusive Growth and Mutual Benefits,” raised five main points: (i) connectivity and innovation; (ii) development of The Greater Mekong Subregion (GMS) Economic Corridors; (iii) GMS Power Grid Integration; (iv) Mekong-Japan Cooperation for Inclusive Growth; and (v) Challenges and Paths Forwards.

On the first point, Dr. Han began by setting out the link between economic development and regional connectivity. He stated rapid economic development has made the Southeast Asia into an “international production network”. This leads to the improvement of regional connectivity through road, railway, sea-lanes, and air which also benefits the Mekong region as a whole. Additionally, human capital development has also supported development of the region as a whole. He then also linked connectivity and innovation, highlighting how innovation enhances connectivity while connectivity overcomes distance and generates innovation. He said that since mid-1980s, the Southeast Asian region closely engaged with “the second unbundling¹”, leading to a “Great Convergence” in which the area enjoyed significant gains stemming from this advancement in technology. As the wave of “the third unbundling” is

¹ The Second Industrialization

forthcoming, he said, countries will have to incorporate these realities more deeply into their respective development strategies.

Dr. Phuomin then moved on to the question of the development of the Mekong region's Economic Corridors. He noted the progress along various metrics as to the development of the region and the its infrastructure, including the North-South and Southern Economic Corridors. The third main point that he raised was the development of Mekong region power grid integration. He began by highlighting the Energy Cooperation in the GMS initiative, launched in 1992, which developed a comprehensive agenda for renewable energy, energy efficiency, regional energy planning, oil and gas, coal, power trade, and interconnectivity. He then set out a roadmap for energy and power integration in the GMS (discussed in detail in the attached appendix). Subsequently, he moved on to discuss the question of energy integration within the ASEAN framework, noting that in light of significant increases in energy demand, the question of power grid integration needed to be raised and discussed in ASEAN.

Dr. Phoumin turned to the question of Mekong-Japan Cooperation by briefly explaining its objective, pillars and achievements. He then pointed out the primary infrastructure contributions of the government of Japan to the development of the East-West and Southern Economic Corridors. Lastly, he recommended ways to move forward, highlighting the particular importance of improvements in connectivity and greater emphasis on infrastructure quality.

Professor Fumiharu Mieno from Center for Southeast Asian Studies, Kyoto University was the next speaker to be handed the floor. He discussed cooperation for institution building in the context of the transition economies of the region. He began by discussing the economic reform dialogues in the CLMV states conducted by JICA. The function of these dialogues has been to organize committees with economists and experts from both sides, to conduct joint research and set out policy recommendations. He noted the case of Myanmar, in which this collaboration brought together both economists and civilian technocrats in the government to develop two new programs: the Myanmar Economic Adjustment Program (MEAP) and the Myanmar Economic Development Program (MEDP).

Professor Mieno then turned to discuss the importance of "Economic Reform Dialogues" in CLMV countries. Noting the economic history of the region, he pointed out the legacies of the command economy, state socialism, and the import substitution industrialization strategies undertaken by these states

before economic reform. Transformation towards a market economy resulted in various problems owing to the speed of liberalization which necessitated the restructuring of various core institutions. In light of these challenges, the dialogues facilitated have been and can continue to be very useful in supporting the development of much needed human resources through the establishment of training programs and the facilitation of research collaboration.

In the last point of his presentation, he described the differences in focus in cross-national cooperation. He noted that Japan's agenda has focused on support for industrialization while the US and World Bank have placed greater stresses on free market principles and macroeconomic stabilization. He further touched on the distinctiveness of the European Union and the United Kingdom, whose economic cooperation has focused more on issues of human rights protections and natural resources control. Concerning China's Belt and Road Initiative, it is, he said, a persuasive yet still unclear approach for the rest of the world. Owing to these differences, he saw the need to continue holding dialogues to discuss both real consequences and to support the construction of deeper trust.

The next speaker was Ms. Gwen Robinson, Chief Editor, Nikkei Asian Review and Senior Fellow, Institute of Security and International Studies, Chulalongkorn University, Thailand. She said the Mekong region is "at risk" of being a victim of its own success due to the competition between aid donors including China and Japan. In her opinion, the prospect of the Lancang Mekong Cooperation (LMC) being China's game seems to be "true".

Touching on the prospect of having a Code of Conduct (COC) in the Mekong region, she expressed her doubts that such a code can be achieved. She said as long as it is "security-focused," it would remain politicized – as has been the case in the South China Sea.

To move regional cooperation forward, she stated that aid coordination mechanism should be discussed in more detail in order to make it more inclusive and practical as it is not realistic to have one country leading other countries' respective development strategies. Ms. Robinson continued on to note that the Mekong Region should have a "revamping rather than creating" strategy. New mechanisms only create more bureaucracy which make them ineffective. She also urged that the issue of the rivalry of donors receive greater attention.

COMMENTS, QUESTIONS AND ANSWERS

An official from Ministry of Foreign Affairs and International Cooperation referred the question to Professor Manabu Fujimura about why until now Japan does not maintain a “Vietnam Plus One” strategy such as that with Thailand. He added that doing so would also benefit Cambodia as it will facilitate the distribution of labor and industrial facilities.

- ❖ Professor Fujimura said Japan wants to test the strategy in Thailand first as it has already maintained good supply chains. He continued by noting that the supply chain in Vietnam remains relatively limited.

Ms. Gwen Robinson from Nikkei Asian Review asked how to promote a coherent aid strategy between China and Japan.

- ❖ H.E. Dr. Sok Siphana called that a “utopian question”. He said the aid strategy should depend on donor countries themselves. He pointed out institutions such as ADB which adopt such a strategy can be seen as “toothless.” Cambodia needs China’s aid, but he further stressed that the development coming from that also benefits Japan in the long run. He raised a specific example showing this trend in the energy sector. With China’s aid in developing electricity in Cambodia, thereby reducing power costs, this situation paves the way for Japanese firms to invest in the country.

Dr. Chheang Vannarith commented that Japan needs to be more supportive as regards providing funding. The Mekong-Japan Fund should be created. He said the current practice takes more time and involves too many processes.

An economist from a research institute asked how to move beyond “water security” in the Mekong cooperation mechanisms and to develop holistic approaches for the regional security.

- ❖ Dr. To Minh Thu responded that a call for engagement from the Mekong countries to work together is very important to achieve this outcome and that regional cooperation mechanisms should focus on economic development. Also, she added that there is a need for Mekong countries to diversify their energy strategies. She stated that Laos should not focus too much on hydro-energy but also on renewable energy such as wind and solar.

A delegate from the Embassy of China made commented that regarding the Mekong regional cooperation, any donor countries which take the lead should take care of it. He stated that China's approach to cooperation today has been based around learning from the past mechanisms. Therefore, he argued, it is more important to shift attention to focus on how to move forward rather than assigning blame. He hoped every concerned party could understand one another and cooperate. He then asked how the existing mechanisms including those led by China and those led by Japan could work together rather than compete with each other.

- ❖ Dr. Chheang Vannrith noted that institutional connectivity can accommodate the existing mechanisms. For China and Japan-led cooperation, connectivity can start from Cambodia as it is a close friend to both countries.
- ❖ Dr. Thitinan Pongsudhirak said that China should be more accommodating to other mechanisms and should show more good will. Mekong regional cooperation should be a rule-based order, not any country's game. He also noted that Free and Open Indo-Pacific should be carefully implemented otherwise it would be viewed negatively by China.

H.E. Ambassador Pou Sothirak commented that there should be coordination between existing mechanisms. The discussion should not concern itself as to whether cooperation is led by either China or Japan but instead focus on how to attract both countries to continue to support development in the Mekong region. He then raised a question about what the Southeast Asian mainland should do in order to raise Mekong related issues for discussion in ASEAN.

- ❖ Dr. Chheang Vannarith said there are some voices from Maritime Southeast Asia stating that Mekong is "not an ASEAN issue" in a closed-door meeting that he participated in Singapore. He admitted his disappointment and cautioned that ASEAN unity is at risk. If this perception continues, some other issues such as the South China Sea dispute could be classified as non-ASEAN issues as well.
- ❖ Dr. Thitinan Pongsudhirak said the South China Sea can be agreed to be classified as an ASEAN issue because one of the mainland Southeast Asia states, Vietnam, is a party to the dispute. For the Mekong river, the situation is different in that it concerns only the mainland countries. This situation, Dr. Pongsudhirak said, is unfair to the Mekong states.

- ❖ Dr. To Minh Thu stated that it is possible for the Southeast Asian mainland to bring the Mekong issues to ASEAN-Institutes of Strategic and International Studies (ASEAN-ISIS) to further discuss.

A senior fellow from CICP asked Dr. To Minh Thu a question as to Vietnam's position on Mekong-Japan cooperation.

- ❖ Dr. To Minh Thu said Vietnam supports Mekong-Japan Cooperation. She also said all concerned parties should take advantage of this cooperation in order to prosper together.

Dr. Chheang Vannarith posed a question to Dr. Han Phoumin as to what policies should be taken to have "location advantages".

- ❖ Dr. Han responded that every location has different advantages but some policies can be done in order to boost them, e.g., developing human resources and creating economic and industrial zones to attract exporters.

A senior fellow from CICP asked Ms. Gwen Robinson whether or not she think there will be any collaboration between Mekong Japan Cooperation, Mekong River Commission and Lancang Mekong Cooperation.

- ❖ Ms. Robinson did not think there will be any collaboration. It is akin to, she added, "sticking apples and bananas in a basket" - owing to their different functions and their different forms of membership.

CLOSING REMARKS

Before ending the conference, H.E. Ambassador Pou Sothirak noted the significance of Mekong-Japan Cooperation. He predicted that Japan will commit funds again in the coming MJC summit this year. He called on the CLMTV countries to continue working with Japan to do so.



WELCOME REMARKS

Ambassador Pou Sothirak

Executive Director, Cambodian Institute for Cooperation and Peace

- H.E. Dr. Sok Siphana, Advisor to the Royal Government of Cambodia and High Representative of H.E. Prak Sokhonn, Senior Minister and Minister of Foreign Affairs and International Cooperation of the Royal Government of Cambodia
- H.E. Mr. Kentaro SONOURA, Special Advisor to H.E. Shinzo Abe, Prime Minister of Japan
- H.E. Hidehisa Horinouchi, Ambassador of Japan to Cambodia
- Excellencies, Distinguished Participants, Ladies and gentlemen

Arun Sour Sdey and Good morning!

First and foremost, on behalf of HRH Samdech Norodom Sirivudh, Chairman of the Cambodian Institute for Cooperation and Peace (CICP), I would like to extend a heartfelt welcome to each and every one of you to our regional conference on the theme of "*Mekong-Japan Cooperation: Progress and Challenges since 2015*", organized by my Institute, CICP.

It is indeed a great privilege to have so many distinguished participants attending our regional conference. Especially I would like to acknowledge the presence of two honorable guests of honor, H.E. Dr. Sok Siphana, Advisor of the Royal Government of Cambodia and High Representative of H.E. Senior Minister Prak Sokhonn, Minister of Foreign Affairs and International Cooperation of Cambodia, and H.E. Mr. Kentaro Sonoura, Special Advisor of H.E. Shinzo Abe, Prime Minister of Japan.

Excellencies, Distinguished Participants, Ladies and Gentlemen

Recognizing that the Mekong region has the potential to be a 'global growth center' with geopolitical significance and economic weight located in the

dynamic and emerging markets among countries such as China, India, and other ASEAN countries, the Japanese government has been endeavored to pursue a proactive engagement consistently with Mekong region countries. On the other hand, the CLMVT countries highly appreciated the role which Japan has thus far played toward the development of the Mekong region, and expressed their expectations for Japan's further constructive role and contribution through Mekong-Japan Cooperation which will enable the Mekong region countries to overcome challenges such as persistent impediments to achieve quality growth through further narrowing the development gap within the region, and to remove any such shortfalls that would prevent the maintenance of a stable and sound development environment, and ensure inclusive and sustainable growth.

In this context, it is worthwhile to recognize that there have been 9 Mekong-Japan Summit Meetings and 10 Mekong-Japan Foreign Ministers' Meetings which took place every year starting from January 2008 until now. This is quite significant in terms of Japan's enduring engagement with the five mainland Southeast Asia countries.

During the 10th Mekong-Japan Foreign Ministers' Meeting on 6 August 2017, H.E. Foreign Minister Taro Kono expressed optimism that through the implementation of various assistances, under the Japan - Mekong 'hard' and 'soft' initiatives, there have been marked improvements in intra-regional connectivity in the Mekong region which contributed to the acceleration of growth. In 2016 the National Road No. 5 improvement project in Cambodia has been implemented as part of the Southern Economic Corridor between Cambodia and Thailand. The North-South Expressway construction project in Viet Nam has been implemented as well, and a Memorandum of Cooperation between the Ministry of Foreign Affairs of Japan and the Ministry of Foreign Affairs of the Kingdom of Thailand on Industrial Human Resources Development in Thailand has been concluded. In addition, economic exchanges between Japan and the Mekong region have also been invigorated and there is a high degree of interest in the Mekong region among Japanese companies. Furthermore H.E. Foreign Minister had stated that Japan will make concerted public and private-sector efforts to further advance development in the region, including people-to-people exchanges.

I would now like to say a few words about The New Tokyo Strategy 2015 which was adopted during the 7th Japan - Mekong Summit in Tokyo on 4 July 2015 by the leaders as a new strategy for Mekong-Japan Cooperation in the next three years.

The New Tokyo Strategy 2015 has been regarded as the continuation of Tokyo's perception and interest in the Mekong region for its strategic geographical position and abundance of natural resources. The Strategy is also an essential part of the recent CLMVT countries' development success.

As this initiative enters its third year and, as noted by H.E. Prime Minister Shinzo Abe of Japan in his recent remarks at the Ninth Japan - Mekong Summit Meeting in November 2017, the strategy has already demonstrated real and beneficial, on the ground results. Two thirds of the Japanese government's commitment of 750 billion yen in Official Development Assistance (ODA) to the Greater Mekong region has already been utilized and has produced positive outcomes in the form of significant improvements of quality infrastructure in the region, including the development of Sihanoukville Port in Cambodia, Yangon-Mandalay railway in Myanmar, and high-speed railway in Thailand. The Strategy also aims to facilitate new developments in soft connectivity to strengthen intra-regional trade, and has helped to lay groundwork to realize the vibrant connectivity among CLMVT countries. I have no doubt that when this initiative is fully implemented the Mekong countries can look forward to achieving better quality of livelihoods of their citizens, improving connectivity, and promoting ASEAN regional integration.

Excellencies, Distinguished Participants, Ladies and Gentlemen

I would like to say a few words as well about this conference.

The proceeding sessions will examine these successes as well as the challenges to the coordination effort and evaluation process of the Japanese initiative by bringing together key stakeholders from the CLMVT countries, and Japan, as well as an outside expert to identify existing challenges as well as potential solutions to improve the effectiveness of the New Tokyo Strategy in supporting of sustainable, quality growth and human development in the region. The conference also aims to produce a set of recommendations in a form of an outcome report which will be widely distributed to relevant stakeholders and interested parties.

Beside the opening session, there will be three interactive sessions to follow with intense discussion based on the pertinent sub-themes. After my welcoming remarks, we will hear substantive comments by a distinguished high-ranking official from Japan, and a Keynote Address by the Guest of Honor from the Royal Government of Cambodia. The first session will assess the

achievements, ongoing challenges, and future prospects of the 'New Tokyo Strategy 2015 for Mekong-Japan Cooperation (MJC2015)' by selective experts who have deep knowledge on these issues. The second session will seek the CLMVT's views and insights with regards to the prospects and challenges of Japan - Mekong Cooperation in which each country has faced. lastly, the third session of which the practical 'next-steps' is put forward attempting to improve further human development, alternative green development, coordination among other sub-regional mechanisms, and hard/soft infrastructure development in the CLMVT states in order to foster the Japan - Mekong Cooperation to a new level.

Excellencies, Distinguished Participants, Ladies and Gentlemen

Before closing my remarks, I would like to take this opportunity to express my sincere appreciation to H.E. Mr. Kentaro Sonoura, Special Advisor of H.E. Shinzo Abe, Prime Minister of Japan for traveling all the way from Japan despite his busy schedule to give a special remarks on the essence of the Japan - Mekong Cooperation at our conference. My gratitude goes to H.E. Dr. Sok Siphana, Advisor of the Royal Government of Cambodia for being so considerate in giving a keynote address on behalf of H.E. Senior Minister Prak Sokhonn, Minister of Foreign Affairs and International Cooperation of Cambodia of which we will have the pleasure to hear in short while. I also would like to thank H.E. Hidehisa Horinouchi, Ambassador of Japan to Cambodia for his kind present at the conference as well. I shall not forget to express my sincere appreciation to all my friends as role players and speakers who are experts and scholars from CLMVT countries, Japan, and USA for contributing their valuable perspectives to this conference.

Lastly, I would like to thank all of the distinguished national and international participants who have taken their valuable time to attend this conference.

I shall look forward to learning more from all of you and I wish the conference fruitful deliberation.

Thank you very much for your attention!

SPECIAL REMARKS

H.E. Mr. Kentaro Sonoura
Special Advisor to the Prime Minister of Japan

1 Opening

It is an honor and a privilege to have this opportunity to speak here at the Cambodian Institute for Cooperation and Peace, the leading thinktank of Cambodia. I think it is timely to discuss Mekong-Japan cooperation this year during which we will have of the 10th Mekong-Japan Summit Meeting in Tokyo.

Today, I would like to look back on the history of cooperation between the Mekong region countries and Japan, and talk about “the Free and Open Indo-Pacific Strategy” Japan has been promoting.

2 Mekong-Japan Cooperation

10 years have passed since the framework for cooperation between the Mekong region and Japan was launched. We have been implementing a variety of cooperation projects under the framework since the first Mekong-Japan Summit Meeting in 2009. Japan has always considered the Mekong region as an integrated whole and has been providing strong support for its development. Back in 1988, Thai Prime Minister Chatichai Choonhavan (チャチャイ・チュンハワン) expressed his hope to turn Indochina “from a battlefield into a trading market.”

Hand in hand with the Mekong countries, Japan has been providing support to promote the economic development of this region, narrow the development gap, and foster investment and trade as Mekong’s partner.

More specifically, Japan hosted the Ministerial Meeting of the Forum for Comprehensive Development of Indochina in Tokyo in 1995. There, we discussed the utilization of private-sector dynamism for the development of the Indochina Peninsula and the importance of streamlining legal systems and human resources development.

Later, following the Asian currency crisis, Japan presented the “New Concept of Mekong Region Development” on the occasion of the ASEAN Special

Summit Meeting held in Tokyo in December, 2003. This concept declared that Japan would attach importance to the Mekong region in the context of the narrowing of the gap within ASEAN and promoting the integration of the region. It proclaimed Japan's readiness to support the projects that are, among others, key to Japan-Mekong cooperation. They include the construction of "the East-West Economic Corridor" and the development of "the Southern Corridor" into "an Economic Corridor."

They show visions that align themselves with Mekong-Japan cooperation at present such as strengthening regional integration, attaining sustainable economic growth, and harmonizing with the environment. Simply reflecting on these developments makes it clear that Mekong-Japan cooperation has been undertaken as a continuous and consistent policy.

This long-standing Mekong-Japan cooperation is in line with Japan's support for Cambodia. Japan has been assisting Cambodia's regional integration through the strengthening of its connectivity. This is based on Japan's belief that Cambodia will develop further by identifying itself with the dynamics of development in the region. Specifically, Japan has focused on the improvement of the Southern Economic Corridor which corresponds to Asian Highway 1. The construction of National Route 1, and 5, and "Tsubasa Bridge" are cases in point. More recently, Japan decided to support the improvement of a new container terminal at Sihanoukville (シハヌークビル) Port, Cambodia's sole deep-water port, when Prime Minister Hun Sen visited Japan in July last year. What, then, are the things that Japan considers important in supporting these infrastructure development projects?

They are: i) openness, ii) transparency, iii) economy, iv) financial viability of recipient countries, v) safety, vi) job creation and capacity building and finally, vii) social and environmental consideration. The promotion of "Quality infrastructure" in line with international standards will greatly contribute to reinforcing Cambodia's economic base in a sustainable manner.

Let me go further. Japan's support is not confined only to the construction of highways and bridges. It will not only facilitate the transportation of goods through improvement in customs procedures at national borders, but also foster human resources that will sustain these infrastructure projects and systems, develop areas along the economic corridors, and generate the flows of people and goods. We are convinced that the creation of this "vibrant" connectivity will be highly instrumental in contributing to the further development of the Mekong region.

From this perspective, we have implemented a human resources development project over two years involving nearly 50,000 people in Asian countries, including Cambodia, in accordance with the Industrial Human Resources Development Cooperation Initiative. A graduate of the Institute of Technology of Cambodia received a Ph.D. from a university in Japan through our country's human resources development support, then he went on to work as a member of an expressway development project in Phnom Penh. This is a symbolic example of our project to realize "vibrant connectivity."

As the ASEAN Economic Community has been established and the potential for regional development grows even further, Japan will continue to redouble its support for Cambodia's regional integration as part of Mekong-Japan cooperation.

What, then, is Mekong-Japan cooperation trying to accomplish in the future? Simply put, it is to realize quality growth of the region to promote the development of the Mekong region as well as ASEAN, and thereby assist the whole of Asia, including Japan, to enjoy prosperity and stability together. And this is what the Free and Open Indo-Pacific Strategy – which I would like to discuss today – is attempting to accomplish.

3 Free and Open Indo-Pacific Strategy

Before I talk about the Free and Open Indo-Pacific Strategy, I would like you to watch a video clip we have made. (Viewing the video). This strategy is designed to maintain and strengthen a free and open maritime order based on the rule of law in the Indo-Pacific region. In order to do so, it aims to, among other things, promote peace and stability in the entire region centering on ASEAN and turn it into "international public goods," as well as to improve connectivity between the Asia-Pacific region, which is experiencing dynamic economic growth, and the Middle East and Africa, which are brimming with potential.

The strategy has three pillars, specifically: i) promoting and establishing basic rules including freedom of navigation, rule of law, and free trade; ii) pursuing economic prosperity by improving connectivity through the development of "quality infrastructure" and enhancing the business environment; and iii) securing peace and stability including support for building the capacity of maritime law enforcement authorities and promoting disaster prevention.

The ASEAN countries are key to the realization of this strategy. For Japan, they are extremely important partners in economy, national security, and a wide range of other areas. Making efforts to maintain and strengthen a free and open maritime and economic order based on the rule of law, enhance connectivity in and outside ASEAN, and address the regional development together with the ASEAN countries is consistent with the goals Mekong-Japan cooperation has been trying to attain for many years.

Certain people take the position that this “strategy” is aimed at containing some countries. But let me stress that that sort of perception is completely wrong.

The strategy is by no means intended for specific countries. We think it is possible to cooperate with any country that supports the principles of the strategy. Also mistaken is the opinion that this strategy threatens ASEAN’s unity and centrality. Let me ask this question: How can we realize this strategy without the cooperation of ASEAN that connects the Indian Ocean and the Pacific Ocean?

Prime Minister Abe has long been stressing the importance of a free and open Indo-Pacific region. For instance, he made a speech in the Parliament of India in 2007 about “the Confluence of the Two Seas,” that is, the Indian and Pacific Ocean.

He is hoping to formulate cooperation projects in line with the principles of this strategy while considering the needs and conditions of each country and thereby contribute to the further development of the Mekong region. Together with you, I would like to consider what the Mekong region needs and what is important for the region, based on our discussions today.

4 Conclusion (Bilateral Relations)

Japan’s “Proactive Contribution to peace” based on the principle of international cooperation began here in Cambodia. As you know, my country has been actively participating in peace-building activities in Cambodia through initiatives such as hosting the Tokyo Meeting on Cambodia since the second half of the 1980s. And in 1992, we sent Self-Defense Forces personnel and civilian police officers to the United Nations Transitional Authority in Cambodia in accordance with the International Peace Cooperation Act. During this time, two Japanese citizens lost their precious lives.

One of them was Police Superintendent Haruyuki Takata who participated in peace-keeping operations as a civilian police officer. The other was Atsuhiko Nakata, a UN volunteer who was employed to support national elections. I will visit their memorials later. Despite these tragedies, however, my country continued to support Cambodia which was embarking on an attempt to build a new nation based on democracy. That, more than anything else, was because of our strong determination to contribute to building peace that is the foundation of a free and open international order.

And it was because we went through these experiences that Prime Minister Hun Sen’s declaration of support for the “Proactive Contribution to Peace” and “Free and Open Indo-Pacific Strategy” was all the more deeply touching. Together with the people of Cambodia, we intend to do all we can to establish a free and open Indo-Pacific.

In closing, let me conclude my speech by expressing my most sincere hope for the further development of the friendly relations between Japan and Cambodia under the strategic partnership. Thank you very much.





KEYNOTE ADDRESS

H.E. Dr. Sok Siphana

Advisor to the Royal Government of Cambodia

His Excellency Ambassador Pou Sothirak, Executive Director of the Cambodian Institute for Cooperation and Peace,

His Excellency Mr. Kentaro Sonoura, Special Advisor to Prime Minister Shinzo Abe Prime Minister of Japan,

His Excellency Hidehisa Horinouchi, Ambassador of Japan to Cambodia,

Excellences, Distinguished Participants, Ladies and Gentlemen,

Let me foremost convey the sincere regrets of H.E. PRAK Sokhonn, Senior Minister and Minister of Foreign Affairs and International Cooperation, for not being able to address this event due to his prior commitments. He asked me to convey his best wishes for a successful conference. On his behalf, let me congratulate the Cambodian Institute for Cooperation and Peace (CICP) and the Embassy of Japan to Cambodia for the initiative in convening this event. The broad participation of academicians and professionals from the region attests to the importance of this Track 2 gathering, which, I am sure, can contribute good ideas for our Track 1 officials and policymakers.

Before I move to address the topic of this conference, and seizing the opportunity of having *His Excellency Hidehisa Horinouchi* present, I would like to bring to the attention of the audience that this year marks both the 65th anniversary of Cambodia-Japan diplomatic relations and the 5th anniversary of Cambodia-Japan Strategic Partnership. It is also in this historical context that I would like to present my views on the progress and challenges of the Mekong-Japan Cooperation.

Excellences, Ladies and Gentlemen,

This regional conference on the Mekong-Japan Cooperation takes place at an important juncture when the Mekong-Japan Cooperation will see its landmark 10th Summit later this year, during which time the six Leaders will review the achievements of the “*New Tokyo Strategy 2015*” and the “*Mekong-Japan Action Plan for Realization of the New Tokyo Strategy 2015*”. It is also expected that the Leaders will share their vision on taking this cooperation framework to a higher

level. Personally, I am pleased to have been able to participate in the evolution of this mechanism since 2012 in my capacity as a Senior Official.

Let me go back in time a bit to just set the background. If my memories serve me well, the initiative started with a humble *“Japan-Mekong Region Partnership Program”* in January 2007. The 1st Mekong-Japan Foreign Ministers' Meeting was convened a year later in Tokyo in January 2008 and the fast momentum led to a Summit level just about one year after in November 2009.

Indeed, Japan recognized that the Mekong Region has emerged as a potential growth center with the Mekong countries becoming more and more interdependent. For their part, the Mekong countries acknowledged that Japan has been a long-standing and indispensable development partner for the region. Years after years the Mekong-Japan cooperation was strengthened with the elaboration of three important milestone documents, namely the *“Tokyo Declaration 2009”*, the *“Tokyo Strategy 2012”* and the *“New Tokyo Strategy 2015.”*

Excellences, Ladies and Gentlemen,

The scope of the New Tokyo Strategy 2015 was quite comprehensive, covering both the hard and soft connectivity aspects of development, with a strong focus on industrial human resource development. A series of concrete plans were subsequently implemented, such as the *“Plan of Action for Realization of the New Tokyo Strategy 2015”*, the *“Mekong-Japan Connectivity Initiative”*, and the *“Mekong Industrial Development Vision (MIDV) and its Work Programme”*.

To implement this strategy, Japan pledged around 750 billion JPY in ODA to the Mekong region for a period of three years (2016-2018). I am pleased to inform you that, by the time of the Summit held last year in the Philippines, Japan has already implemented more than two-thirds of its total pledge.

Excellences, Ladies and Gentlemen,

A decade long has passed since the first Foreign Ministers' meeting. What can we account for? I feel that it would not do justice to the Mekong Japan Cooperation if we only go back to 2015. Building hard infrastructure takes time. Negotiating soft infrastructure rules of engagement sometimes takes more time.

One thing is clear though. We can see the tangible benefits arising from the construction of new regional highways, bridges and other infrastructure facilities, in term of their economic regeneration effect and impact of the future

growth of the whole Mekong area. With Japanese loans, grant aid and technical expertise, the Mekong region is now intertwined with a series of strategic north-south, east-west highways and economic corridors, which, I must say, are stimulating more trade and investment.

More specifically, we have the 1,450-kilometer East-West Economic Corridor that, once completed, will link the Myanmar port of Mawlamyaing with the Vietnamese port city of Da Nang, by way of Thailand and Lao PDR. Goods that used to take two weeks by sea transport between Bangkok and Hanoi will take only three days on overland route.

Another corridor is the Southern Economic Corridor extending from Ho Chi Minh City to Bangkok by way of the improvements of National Roads No. 1 and No. 5 in Cambodia. The real link is Japan's Tsubasa bridge over the Mekong river at Neak Loeung. Container trucks awaiting hours at the ferry crossing is a thing of the past.

In addition to land-based transportation networks, Japanese finance and expertise have also helped to rebuild a series of airports in Yangon, Vientiane and Ho Chi Minh City. Similarly, for seaports, we have witnessed substantial investment in Hai Phong and Cai Lan ports in Viet Nam, the Sihanoukville Port in Cambodia, the Map Ta Phut and Laem Chabang ports in Thailand and the Yangon port in Myanmar.

These recent improvements of hard infrastructure projects in the Mekong sub-region have gradually enabled industries to thrive under the "*Thailand+1*" phenomenon, whereby countries in the sub-region are playing complementary role as a region-wide production and supply chain, boosting in the process the competitiveness and investment attractiveness of the Mekong region.

Excellences, Ladies and Gentlemen,

In strengthening this "*hard connectivity*", Japan has placed great emphasis on assisting the Mekong region in enhancing the "*soft connectivity*" by way of advancing industrial structures and human resource development, and strengthening public-private cooperation and institutional and people-to-people connectivity.

Speaking of that, Japan has trained since 2016 over 12,000 people in the Mekong region under its "*Industrial Human Resource Development Cooperation Initiative*." I can share with you some examples in Cambodia. Under the "*Project for*

Improving TVET Quality to Meet the Needs of Industries", JICA has developed and provided a standardized training package as a national TVET curriculum in the fields of electricity with various TVET institutions and industries. Another example is the "Project to Strengthen Capacity for Maintenance of Roads and Bridge Project". Since 2015, a "Bridge Maintenance Manual" was prepared and some 2000 bridges nationwide have been surveyed using iPad. The project also included the "Training of Master Trainers on Road Maintenance" and the revision of a "Road Maintenance Manual".

Excellences, Ladies and Gentlemen,

I can say with great satisfaction that up to now the Mekong-Japan Cooperation has been quite impactful for the connectivity development of the sub-region. But what does the future holds for us?

I am of the view that it is important to consider the global and regional context. Various interrelated trends are likely to be of particular relevance for the future of this cooperation framework.

First, we have to recognize two most important trends, namely the unsettled global economy combined with a new era of geostrategic rivalries.

Since the global financial crisis, growth has been subdued and uneven across major economies. The International Monetary Fund (IMF) has labelled the global economy as entering a "new mediocre" period of protracted sluggish growth.

On top of these economic challenges, a number of geopolitical trends are shaping and will continue to affect the sub-region over the coming decade, including the shift towards a multipolar global power structure, some unresolved and overlapping territorial and maritime claims, some ethnic and religious strife and displacement of people, and various transnational non-traditional issues.

Second, the Mekong region are acutely exposed to the risks of climate change and to the environmental pressures of rapid urbanization and air pollution, groundwater depletion, and unsustainable management of fisheries, to cite just a few.

Amidst such challenges, I believe there will be a significant need for the Mekong countries, *first*, to upgrade their respective infrastructure to grab a

larger share of the global manufacturing footprint. Improving productivity in Mekong countries will be vital to maintaining the current growth momentum in the sub-region. The promotion of free flow of goods, services, investment, and skilled labor among the Mekong region could further support intra-regional trade, which, in my humble view, is currently still low, even by ASEAN standards. The region needs to capture a greater share of global flows in trade, services and investment when the major trade deals are concluded this year like, hopefully, the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive Progressive Trans-Pacific Partnership (CPTPP) or the TPP 11.

Third, the issues of funding that could support infrastructure development need to be addressed. Despite an increase in availability of funds through various multilateral vehicles, like the ASEAN Infrastructure Fund (AIF), the expanded Partnership for Quality Infrastructure (PQI), and the Asian Infrastructure Investment Bank (AIIB), it is crucial for the Mekong countries to encourage more private sector investment in infrastructure. Improving modalities for Public Private Partnership (PPP) framework, ensuring more transparency in risk-sharing arrangements and project development, are some suggestions to that effect.

Fourth, synergies between Japan, Mekong countries and other sub-regional arrangements, like the Greater Mekong Subregion (GMS), the Mekong Lancang Cooperation and the Mekong River Commission (MRC), should be encouraged for further enhancement of regional connectivity.

Excellences, Ladies and Gentlemen,

There are two other important trends that, in my view, are already so visible in the Mekong countries: the rise of the “middle class” and the “consuming class” and the digital economy opportunity, both of which are certainly linked to the infrastructure topics I have highlighted previously.

Every year, we have witnessed million of new households joining this consuming class, which has significant discretionary purchasing power. As the rural population continues to move to cities in search for better job opportunities, there is a clear imperative to improve the urbanization in the Mekong region through development of efficient and sustainable infrastructure solutions. Many of the fastest-growing towns and cities will become larger and larger and key logistics routes will need to be improved.

Along with the rise of the middle class, there are several areas relating to disruptive technologies where Mekong countries are already at the forefront of change. These disruptive technologies, particularly mobile Internet, big data, cloud technology, the Internet of Things, the automation of knowledge work, etc., could potentially unleash some serious economic impact for the Mekong countries, whether they be in the education, e-commerce, payments solutions, and cloud-based technologies. One way or the other, many tangible benefits may be derived from increased efficiency, new products and services.

Excellences, Ladies and Gentlemen,

I have spoken a lot about infrastructure, but let's not forget that the rich cultural heritage and natural attractions in the Mekong countries are significant strengths as well for the Mekong-Japan Cooperation. In my view, these factors suggest considerable potential in tourism, especially considering the growth of the consuming class in the Mekong countries. From a people-to-people connectivity perspective, capturing the combined growth of intra-ASEAN, intra-Mekong countries and Mekong countries-Japan tourism is expected to provide an powerful impetus for the growth of the Mekong region.

Excellences, Ladies and Gentlemen,

All these trends will necessitate policy responses, whether within each respective Mekong countries or sub-regionally. I am convinced though that the Japan-Mekong Cooperation can substantially add serious value propositions, in terms of bringing coherent and collaborative win-win solutions for both Japan and the Mekong countries.

Economically speaking, we see the important role of Japan in helping the sub-region boosting its competitiveness in the face of soaring wage and insufficient industrial human resource development. Strengthening regional supply chain and capitalizing on regional network of Japanese enterprises in the region is another consideration. And so is the accelerating sub-regional economic growth through science and technology to maximize the benefits from the Digital Economy and the Industry Revolution 4.0. With Japan's cutting-edge technologies, the Mekong countries could expect Japan to assist in developing their skilled workforce and enhancing technical, vocational and STEM training. Moreover, Japan could support research and development and facilitate technology know how and transfer.

Excellences, Ladies and Gentlemen,

Before I close my speech, let me by touching briefly on the political security aspects the Mekong-Japan Cooperation. Cambodia, and I am quite certain that I can speak on behalf of Mekong countries, views Japan as an important and strategic partner, not only for the Mekong countries but also for ASEAN, in maintaining regional peace. Cambodia welcomes Japan's efforts to play a major role in *"Proactive Contribution to Peace"* and my Prime Minister, Samdech Techo Hun Sen has voiced his support for the *"Free and Open Indo-Pacific Strategy"* initiated by Japan for the cause of peace, stability, development, and common prosperity in the region and the world.

Last, on a more bilateral note, let me stress that Cambodians from all walks of life share the common feeling that Japan is a sincere friend and partner of Cambodia, as attested by the fact that Japan has always been present during Cambodia's peace-building process and its socio-economic reconstruction and development. We owe a great deal of our "peace and prosperity" to the Government of Japan and to the people of Japan. On behalf of the Royal Government of Cambodia and particularly on behalf of my Foreign Minister, let me express once again our thanks to Japan, for the trust and confidence in our government in steering our country on a steady democratic path, and for the sincere time-tested friendship between our two countries.

May I now conclude my speech by wishing you all a fruitful exchange and a successful outcome for this event.

Thank you.



ACHIEVEMENTS, LESSONS LEARNED AND REMAINING ISSUES FOR FURTHER CONNECTIVITY IN THE MEKONG REGION

Prof. Manabu Fujimura
Aoyama Gakuin University

Introduction

The Greater Mekong Subregion (GMS), composed of Cambodia, Lao PDR, Myanmar, Vietnam, Thailand, and Yunnan Province and Guangxi Autonomous Region of China, has recently seen a remarkable progress in the development of cross-border transport infrastructure along its “economic corridors”. Its significance lies in the corridors’ contribution to higher regional economic growth through promotion of intra-regional trade and investments than would be possible by independent efforts of national investment projects alone.

The GMS cooperation program was initiated by the Asian Development Bank (ADB) in early 1990s and gained its momentum since early 2000s when actual infrastructure investments made a remarkable progress with Japan being a significant development partner in the process.

2015 was an epoch-making year as the formation of ASEAN Economic Community (AEC) was formalized and Japan announced the “New Tokyo Strategy for Mekong-Japan Cooperation” to help promote the region’s connectivity. This conference is an opportune event to take stock of what developments have unfolded since then and discuss what needs to be done to further advance the region’s connectivity toward a win-win future.

Context of the regional integration and Japan’s involvement

As you can see from the socioeconomic indicators [slide #3], Mekong countries have all entered the middle-income group as classified by the World Bank, with Thailand in the upper-middle bracket and the others in the lower-middle bracket. Remarkable growth records by CLMV countries in the last decade or so made the region a successful case of “convergence” in which lower income countries catch up with higher income countries. Much of this phenomenon could be attributable to the accelerated economic integration in the region driven by freer movement of goods, people, and ideas.

While the portfolio of trading partners varies across the region depending on each country's geography and history, broadly, intra-regional trade increasingly plays a larger role now than before [slide #4-5]. With the help of external assistance including Japanese ODA, the Mekong region made a significant progress in physical connectivity, which has helped increase the weight of intra-regional trade. Broadly, GMS members' dependence on intra-regional trade has increased over the last two decades [slide #6]. This trend would accelerate with continued improvements in cross-border transport infrastructure in both hard and soft aspects. The same could be said for investment flows. Intra-regional FDI appears to be gaining a relative importance in the total FDI flows to the region [slide #7-11]. Notable external players in both trade and investments for the region are China and Japan, with the U.S. remaining an important export market for the Mekong countries, and South Korea emerging as a significant investor in CLMV.

While Japan's economic influence in the region has somewhat declined relative to China's, its engagement in the region through ODA to CLMV tops the other development partners in the OECD group [slide #12]. For Japan's private sector, historically, Thailand has been the forefront business partner in this region. But in recent years, Japanese businesses have expanded their ties dramatically in CLMV countries as indicated by a steep increase in the number of member firms registered with the Japanese Chambers of Commerce in these countries [slide #13]. Japan's public-sector assistance to the Mekong connectivity and its private-sector network expansion went hand-in-hand.

De jure and de facto integration

The current global economy involves many sets of regional integration in different parts of the world. They could be broadly grouped into "de jure" and "de facto" integration. The former is associated with agreements between national governments such as FTA, EPA and TPP with harmonization of rules, regulations and institutions for cross-border business activities – a top-down approach. The latter is associated with deepening intra-regional trade and investment driven by private entities – a bottom-up approach.

Unlike the EU-style approach with its member countries sharing relatively similar historical, cultural, ethnic and religious backgrounds and their sovereign rights partially entrusted with super-national bodies, our diverse Asia has sought a more pragmatic path. Developments of economic corridors in the Mekong region represent de facto integration driven mainly by private sector interactions in response to improvements in transport and logistics infrastructure. The region has its geographical advantage of contiguity. With the benefit of peace dividends since

early 1990s, the region has demonstrated a case for a de facto integration. De jure integration understandably lags behind but would eventually catch up through regional dialogues and interactions such as this conference.

Earlier the author attempted to quantify the impact of GMS economic corridors using an econometric model that involves major variables considered to influence living standards along the corridor routes. Extending from the neoclassical growth accounting framework, the dependent variable was taken to be the growth rate of per capita GDP for each subnational administrative unit while explanatory variables included population growth, physical capital growth, human capital growth, and then various transport-related variables such as vehicle ownership and haulage, and dummy variables representing economic corridors in the GMS.

Panel dataset comprised 24 administrative units for Cambodia, 17 for Lao PDR, 14 for Myanmar, 63 for Vietnam, 76 for Thailand, 16 for Yunnan Province, and 14 for Guangxi Autonomous Region, totaling 224 units and over the period of 2001-2012. Despite very constrained dataset, a few positive indications of economic corridor developments were obtained: (i) traffic growth at subnational level is associated with higher growth in per capita GDP; (ii) GMS corridors as a whole have had a positive impact on regional income. (For details, please see M. Fujimura. 2017. "Evaluation of cross-border transport infrastructure in GMS: Three approaches" ADBI Working Paper No.771).

This analysis considered only physical infrastructure development. While further analyses incorporating physical and institutional developments since 2013 are warranted, the author would argue that "network impacts" from GMS corridor developments continue to have significant net positive effects for all participating countries.

Assessment of the East-West and Southern Economic Corridors

Upgrading of Road No.9 across central Vietnam and Lao PDR and the completion of Hai Van Tunnel made the travel on the eastern end of the East-West Corridor significantly easier. Road No.9, as well as Road No.12 in Lao PDR, also serves as a transit route for trade between Bangkok and Hanoi for firms with production bases in both areas. The completion of the Second Mekong Friendship Bridge in 2006 opened up for cross-border tourism as well as investments from Thailand. In particular, Japanese affiliated firms in Bangkok area set up their manufacturing operations at the Savan-Seno SEZ in Svannakhet. On the west side of Thailand, Mae Sot area has seen development of a garment industry utilizing Myanmar workers coming across the border. While the new bypass between Myawaddy and Kawkareik is a big progress, continued road upgrading is necessary in the

Myanmar section for private businesses to start using the corridor for their supply chain activities involving Myanmar.

Turning to the Southern Corridor, the road travel from Bangkok to the Aranyaprathet border is smooth but the border area is congested with a mix of travelers and cargo trucks. A new cargo-only gate is being developed to mitigate the congestion. Sanco Poipet SEZ involving Japanese developers is attracting “Thailand-Plus-One” investments from Japanese-affiliated firms with their bases around Bangkok. NR5 from Poipet to Phnom Penh is being upgraded partly with Japanese assistance. Phnom Penh SEZ saw an investment boom between 2011 and 2014 mainly among Japanese affiliated firms. NR1 in Phnom Penh’s suburb toward the Bavet border has been upgraded also with Japanese ODA. “Tsubasa” Bridge was completed in 2015 and reduced the travel time between Phnom Penh and Ho Chi Minh City to 6-7 hours. SEZs at the Bavet border attracted “China-Plus-One” investments even before the opening of the Tsubasa Bridge. The Bavet-Moc Bai border on both sides is congested with increased cargo traffic. An obvious remedy would be to build a bypass access road and a cargo-only crossing gate as being done at the Aranyaprathet-Poipet border.

In late 2017, JICA consultant team carried out test-runs on the whole distances of the two corridors with a 20ft-container truck. The team started from Da Nang on the East-West Corridor and Ho Chi Minh City on the Southern Corridor, respectively, and traveled westward. The results are summarized in the time-distance diagrams (slide #17-18).

Times spent at border-crossing points are indicated by the line segments on vertical dotted lines. Travel speeds between border-crossing points are indicated by the slopes of the lines between vertical dotted lines. The steeper is a slope, the slower the travel. On both corridors, Thai sections provide relatively smooth travel supported by well-paved multiple lanes in much of the domestic highway network. The slower travel in Vietnam sections on both corridors is due to heavy traffic relative to road width between Da Nang and Hue on the East-West Corridor and between Ho Chi Minh City and the Moc Bai border on the Southern Corridor, respectively.

In contrast, the slower travel in the Myanmar section on the East-West Corridor is due to poor road condition between Mawlamyain and Kawkaeh. The Lao section (Road No.9) on the East-West Corridor has improved much after road rehabilitation assisted by Japanese ODA in 2015. However, as the road is used by trucks carrying heavy materials mined at the Sepon Mine, the need for re-rehabilitation might arise in the near future. According to JETRO Daily (26 Feb

2018), cargo trucks traveling between Bangkok and Hanoi are increasingly using Road No.12 instead of Road No.9 for transit transport despite the harsher terrain of the former in order to save travel time by about two hours (150km is shortened) as well as to avoid spending overnight in the Lao section.

Breakdowns of times spent at each border-crossing point are indicated in the diagram (slide #19). Regarding the East-West Corridor, thanks to the implementation of the single-stop inspection (SSI), the time spent at Densavan customs is minimal. Much of the cross-border transactions seem to be carried out at Savannaket customs. Much of the time spent at the Mae Sot border is due to a long queue. Regarding the Southern Corridor, the congestion at the Moc Bai customs causes a long queue while the document processes take a few hours at Bavet and Poipet customs in Cambodia.

Lessons learned

While the above observations indicate broadly positive impacts of economic corridors in the Mekong region, there seems to be a large room to further advance the benefits from inter-governmental cooperation and coordination and capacity building in various institutional aspects.

Differing comparative advantages derived from varied endowments as well as different stages of economic development across the Mekong countries offer gains from integration. Firms have incentive to relocate their labor-intensive processes to less developed and relatively labor-abundant countries to optimize their supply chain. In the context of Japanese affiliated firms, this trend has been visible and it is often termed “Thailand-Plus-One” and “China-Plus-One” strategy. Host governments have opportunities to meet their demand by preparing industrial zones (IZs) and special economic zones (SEZs) along promising economic corridors.

In so doing, it should be noted that a “gravity” relation is rather difficult to beat. As in the law of gravity in physics, empirical studies in economics have often found that trade and investment flows seem to follow a similar pattern: the economic interactions are greater, the larger the economies are on both ends of a corridor and the shorter the distance between them. It is not surprising therefore that we are witnessing a greater increase in traffic and trade along the Southern Corridor compared with the East-West Corridor.

Transport costs tend to be higher with asymmetric trade volumes. Cargo volumes are disproportionately higher for flows in the direction of Bangkok-to-Yangon,

Bangkok-to-Vientiane, Bangkok-to-Phnom Penh, HCMC-to-Phnom Penh, etc. than the opposite directions. This asymmetry leads to inefficient logistics and high unit transport cost on land. Both public and private efforts and their mutual dialogues are warranted to remedy the situation.

As cross-border traffic increases, border gates get crowded. Separate gates for cargo traffic and bypass access roads become necessary: e.g., Poipet and Bavet borders on the Southern Corridor.

Perceived fairness in integration is important for inter-governmental cooperation in facilitating cross-border traffic. For example, Lao PDR and Cambodia are likely to function as transit routes on major economic corridors. Some transparent compensation scheme such as transit fees or subsidy across countries may be warranted. In the case of the Lao route of the North-South Corridor, the Lao section was financed by China, Thailand, and ADB.

Remaining issues for further connectivity

Despite commendable progress to date, logistical performance of the Mekong region is still low as indicated by the World Bank ranking (slide #22). Customs procedure is still costly both in terms of time and expense (slide #23). Myanmar stands out in both export and import clearance time. Cambodia and Lao PDR take more time than Myanmar in paper work. Paper works in CLMV cost more than in Japan.

While all Mekong region countries introduced electronic customs declaration system, often times hardcopy documents need to be presented to the customs and inspection – particularly for CLM. Many of the border offices in CLMV lack adequate ICT infrastructure, making the customs clearance slow. There are distorted incentives (e.g., Thailand’s “rebate” system for customs officers), seemingly excessive red tape (e.g., CAMCONTROL), implicit fees at immigration (e.g., borders in Vietnam), etc. The situation has improved much for Vietnam with the introduction of VNACCS and capacity building assistance from Japan.

Cross-Border Transport Agreement (CBTA) signed by all governments of GMS members is slow in its implementation. SSI is operational only at the Densavan-Lao Bao border at the moment.

Vehicle licenses for cross-border passage are based on bilateral or trilateral MOUs. Its conditions vary across countries and subject to often unclear implementation. Most borders require transshipment in practice. Thailand, Lao PDR, and Vietnam

agreed in 2009 to permit Thai vehicles to travel up to Da Nang, and Vietnamese vehicles to travel up to Khon Kaen. However, in practice, vehicles are subject to Thailand-Lao PDR and Lao PDR-Vietnam bilateral agreements. Vietnam's transport ministry prohibits right-hand-wheeled vehicles from running in the country.

Lao vehicles holding CBTA licenses are permitted to run both in Thailand and Vietnam, but in practice Lao vehicles are not allowed to enter Thailand.

In turn, Thai drivers are hesitant to drive in neighboring countries and transport companies do not usually let them do so either. While right-hand-wheeled vehicles run on the left side of roads, it is opposite in all its neighbors except Malaysia.

Other constraints include different languages and traffic signs across borders, necessitating personnel training and insurance for drivers and vehicles. Even when a three-country passage is allowed by trilateral agreements, transport service firms may be deterred from entering such business.

A final word

Japanese people are eager to work with colleagues in CLMVT to promote further connectivity in the region for mutual benefits. Let us all continue along the path – Asian way, ASEAN way and Mekong way.

NATIONAL PERSPECTIVES FROM CLMV COUNTRIES: OPPORTUNITIES AND CHALLENGES OF MEKONG-JAPAN COOPERATION TO THE

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The history of relationship between Japan and Southeast Asia had been marked since the seventeenth-century when Japanese traders expanded their business and settled down in major port cities in South East Asia. They were engaged in trading such things as the “forest products” available in the country of the residence. Once the “Sukaku policy” was promulgated these overseas Japanese were not allowed to go back home for fears that they would bring with them other cultures such as Christianity, Catholic, etc... (Professor Seiichi Iwao).

South East Asia became attractive to Japanese traders again after “Meiji Restoration” when Japan opened the country and began interacts with outside world. South East Asia was the passage of Japanese ship to Europe for the purpose of technological modernization enabling Japan as one of the sea power later on.

After recovering from the scourge of war, Japan, as one of developed country, committed to engage with South East Asia. In so doing, Japan had set up the strategy to deal with it step by step. In the history of Japan, there were two most prominent Japanese politicians who initiated doctrines, which paved ways to restore and improve ties with the region. These politicians are formers Prime Ministers Shigeru Yoshida and then Fukuda Hideko.

The above-mentioned politicians had clear far sight and long vision on the active involvement of Japan with the region not only manifested through huge investments of capital but also the involvement in development plans and projects.

The Yoshida and Fukuda doctrines became the catalysts for Japan to engage with South East Asia in terms of economic development. These two doctrines serve as tools which provide a firm background to rebuild relations with the region severed by Japan during the war.

Being promulgated in 1957, the Yoshida doctrine can be characterized as “Economic Diplomacy” with the aim to prioritize on two aspects. Firstly, Japan sought to improve relations with South East Asian region. Secondly, Japan wants to expand its markets abroad aiming at rebuilding its economy and raising the living standards of its population.

Whereas Fukuda doctrine was Japan’s economic strategy towards Southeast Asia. This doctrine was promulgated in 1976 when the region still faced the vacuum power while the United States withdrew from Indochina left Southeast Asia vulnerable of pressure from other major powers to fill up the gap. Japan replaced US withdrawal with the expansion of aid and trade networks in the region. One of the reasons for the initiative of the Fukuda Doctrine was partly the concern for Japan’s image in the region and became the symbol of amity and cooperation between Japan and Southeast Asia in the post-cold war era. This doctrine served as “the blueprint of Japan’s foreign policy towards South East Asia”.

Japan believed that its soft power through the use of FDI, ODA, and other financial aids could assist Japan’s role to bring peace and stability into the region. In this, Japan foresaw that its Foreign Direct Investment could be the starting point for the region’s own industrialization. This soft power was projected as mean to enlarge Japan’s relationship beyond the economic field, further contributing to long term stable ties with the region.

To help the region to meet peace and stability, Japan utilized its soft power to foster better relationships and cement ties between two antagonist camps in Southeast Asia: Indochinese and ASEAN countries. In this process, Japan had deployed its every effort to providing itself a political role in ASEAN and Indochina. This approach demonstrated Japan’s belief in the use of soft power as useful means. It was for this very reason that Japan was so keen on encouraging the development of multilateralism in South East Asia. Japan also played the pivotal role in the process of national reconciliation in Cambodia after the end of the cold war era. In that spirit, Japan’s ODA drastically grew in magnitude to assist the region, becoming the largest donor country among the DAC members.

To cope with the financial assistance Japan helped establish the Asian Development Bank (ADB); the Asian and Pacific Council (ASPAC); the Ministerial Conference for the Economic Development of Southeast Asia.

The end of the cold war in early 90's gave the impetus for countries in the region to cluster for the benefit of interdependence, economic development and poverty reduction. This trend had brought three Indochinese countries as well as Myanmar to join the main stream: ASEAN.

The CLMV countries have specific geographical location by having the Mekong river passing through their territories. Their status still lag behind the founding ASEAN countries in terms of economic development, human resources development and poor infrastructure to connect with the rest of the region. In addition to that, they are much behind in technological development, which are needed to fill up the feasibility of advanced technical projects in the region.

In this regard, Japan fully understands their order of priority and is fully committed to their development by utilizing Japan's expertise in areas such as human resources development, health and medical care and environmental technologies, in addition to the development of "quality infrastructure" that conforms to international standards to help them out of being left behind technological development.

Due to complex and multifaceted issues such as challenges and opportunities in the Mekong basin, Japan expressed its willingness to engage in it by setting up the Mekong-Japan forum in 2007 conducive to the establishment of the Mekong-Japan Cooperation. There is mechanism to execute the cooperation. Up to date, there were eight Summits and nine Minister's meetings between the Mekong countries and Japan.

Japan has come up with many projects and plans of actions with the aim to narrow development gap and strengthening regional integration and connectivity. Japan, the main donor to the Mekong countries, facilitates not only "hard connectivity" but also "soft connectivity". The aim of this valuable assistance is to help reduce poverty line, improve infrastructure and better regional connectivity.

It is worth noticing that since the first Mekong-Japan Summit held in Tokyo in 2009 there was the progress made in the execution of the Mekong-Japan framework cooperation.

To inject more funds to the Mekong countries, Japan adopted the New Tokyo Strategy 2015 which has clearly demonstrated Japan's commitment to providing official development assistance of 750 billion yen in three years particularly the implementation of Mekong-Japan Action Plan for Realization of

the New Tokyo Strategy 2015, encompassing the four priority pillars: Industrial Infrastructure Development, Industrial Human Resource, Sustainable Development and Coordination with various Stakeholders.

As a member of the Mekong River Commission, Laos sees Japan as the second largest aid donor through ODA in the world and is a significant partner in Southeast Asia. Being locked in the Mekong region, Laos is trying its best to transform its geographical location into land-linked country. Japan had contributed in the “Hard Efforts” such as East-West Economic Corridor Vietnam-Laos-Thai-land-Myanmar and other infrastructure projects.

Japan understands the geographical status of Laos, which is abundant of rivers to generate power through the hydro-power projects. In this, Laos closely cooperates with Japan’s JICA in terms of loans to enlarge the generating capacity of Nam Ngum I by installing the turbo 6 (capacity of 40MW). Also, JICA gives loans to the Nam Ngiep hydro-power project in Bolikhamxay province with capacity of 290 MW. The progress has been made up to 64% and once completed this project can generate 1.620 GWh per year. The other hydro-power project like Xekatom cannot be implemented due to the disagreement between the Japan’s Kansai and Laos’ SV Group.

In addition to that, Japan has concentrated on the Southern Region Power System Development Project, the Project for Construction of Sekong Bridge and the Project for Acceleration of UXO clearance.

The air link between Laos and Japan Regarding this issue Laos and Japan in principle bilaterally agree on regulations of the air service but cannot implement due to the volume of tourists of both countries is still low. The other reason comes from the Japanese side could not exempt the entry visa for Lao and other Mekong countries citizen who are holders of ordinary passports. The Vientiane International Airport Terminal Expansion Project, which started since 2015 has progressed by 15,93% and is expected to finish by this year to accommodate the 2018 Lao Visit Year.

So far, the frame of Mekong-Japan Cooperation has been satisfactorily progressed in 2017 compared to the past years. The future projects which are requested to implement steadily mainly the infrastructure, capacity building and rural development to name the few...

Challenges

Five projects in the southern part of Laos in the framework of the “New Tokyo Strategy 2015” for Mekong-Japan Cooperation are not yet considered because Japan says that this assistance should be executed on bilateral basis rather than multilateral basis.

There are difficulties to follow up the execution of some projects under Mekong-Japan Cooperation and no report on the financial payment causing delay in construction. Some projects lack experts to write the proposals to submit to JICA and JAIF. Laos proposes Japan to finalize projects and action plans of New Tokyo Strategy 2015 which will be terminated by the end of 2018. Also, Laos requests Japan to implement the Free and Open Indo-Pacific Strategy into reality to facilitate trade, investment and connectivity aiming at attracting foreign investors namely Japanese.

Recommendations

It is recommended to verify and study the earlier agreement between the two Prime Ministers of Laos and Vietnam on one hand and that of Japan on the other hand on the issue to conduct the feasibility study of the Vientiane-Hanoi express way. The concerned authority of both Lao and Vietnam has completed their work field. And Japan has sent its experts to join the feasibility study.

The tourism between Japan and Laos should be promoted for the benefit of both sides. The touristic authorities of both sides should emphasize more to disseminate information on tourist destination on the give and take basis and on win-win situation.

Laos is on the way to study the Free and Open Indo-Pacific Strategy and considers it as the new interesting initiative. Of course, this initiative will be raised in different fora both in track one and track two. In general, Laos welcomes and supports whatever initiative conducive to wide and useful cooperation, promoting the connectivity and globalization.

MEKONG-JAPAN COOPERATION: STRENGTHENING CONNECTIVITY THROUGH SOCIAL INNOVATION

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The Mekong region is a new growth center and a strategic frontier of Asia. However, unsustainable development practices-particularly with regards to the adverse impacts of a series of construction of hydropower dams along the mainstream of the Mekong River-are posing significant threats to local livelihood and long-term development of the region.

Development planning in one country can adversely affect the development of other countries if cross-border impact assessment of the development projects is not carried out in a transparent and inclusive manner. Hence the Mekong countries and development partners need to craft a holistic development strategy to meet new realities and emerging issues in this dynamic region. There is a need to strengthen the synergy of regional mechanism and initiatives, and develop a cross-country regional development model that can strengthen regional inclusiveness, sustainability, and resilience.

Mekong-Japan cooperation is one the key vehicles in promoting regional connectivity and prosperity. Currently, there are multi-layered cooperation mechanisms including Mekong-Japan Summit Meeting (started in 2009), Mekong-Japan Foreign Ministers' Meeting (started in 2008), Friends of the Lower Mekong Ministerial Meeting (2012-2014), Meeting of the Japan-China Policy Dialogue on the Mekong Region (2008-2014), Public-Private Cooperation in the Mekong Region (2010-2014), Green Mekong Forum (started in 2011), Mekong-Japan Exchange Year (2009), and other ad hoc working groups meeting and workshops.

In 2015, a New Tokyo Strategy for Mekong-Japan Cooperation was introduced with the aims to strengthen cooperation under four pillars. First pillar is focused on "hard" efforts, which refer to industrial infrastructure development and physical infrastructure development. Second pillar is focused on "soft" efforts, which refer to industrial human resource development and soft connectivity. Third pillar is focused on sustainable development (including disaster risk reduction, climate change, water resource management,

conservation and sustainable use of aquatic fishery resources). Fourth pillar is focused on coordination with various stakeholders (see Appendix 1).

Japan has both comparative and competitive advantages in knowledge and technological innovation in assisting the Mekong countries to develop and prosper. To scale up socio-economic impacts and strengthen regional connectivity, Japan should invest more in soft connectivity in which social innovation is can be one of the key elements. Here, suggests two strategic interventions for Japan to consider, with a focus on soft connectivity, namely institutional connectivity and knowledge connectivity, and social innovation is a tool to scale up social impacts of both institutional and knowledge connectivity. Japan should assist the Mekong countries in developing innovative solutions to emerging regional issues, particularly water security is getting more complex and multi-dimensional.

Challenges and Issues

The Mekong region is fragmented at three levels. Geographic fragmentation: different countries are developing individual futures without sufficient consideration of each other of the functions of the river outside their boundaries. Thematic fragmentation: Sectors have their own development plans that are often not well aligned with each other, both within countries and between countries. Temporal fragmentation: Inadequate consideration of short, medium and long-term impacts of different development futures within the Mekong. ²

In addition, there is a lack of policy coordination and sectoral cooperation between and among regional countries, development partners, and international organizations. The lack of political will and leadership hinders regional integration and community process and a lack of bureaucratic capacity in connecting regional mechanisms (including formal and informal institutions) and promoting political coordination at the operational level.

Institutional Connectivity

There are a number of existing regional cooperation mechanisms aimed at developing the Mekong region, including the Mekong River Commission (MRC), Greater Mekong Subregion (GMS), ASEAN-Mekong Cooperation,

² World Wild Fund (WWF) (2016) Mekong River in the Economy.
http://d2ouvy59p0dg6k.cloudfront.net/downloads/mekong_river_in_the_economy_final.pdf

Cambodia-Lao PDR-Myanmar-Vietnam (CLMV), Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), and Cambodia-Lao PDR-Vietnam Development Triangle (CLV). Development partners have initiated their own mechanism to engage the Mekong region, including Mekong-Japan Cooperation, China's Mekong-Lancang Cooperation (MLC), Mekong-ROK Cooperation, US's Lower Mekong Initiative (LMI), India's Mekong-Ganga Cooperation, Australia's ASEAN and Mekong Program.

These regional mechanisms and initiatives cover a wide range of cooperation areas, including human resource development and capacity building, transport, trade and investment facilitation, tourism, environment, water resource management, technology and innovation, hard infrastructure development, agriculture, fishery, rural development, industrial infrastructure and production capacity, and energy (see Appendix 2).

However, these regional cooperation mechanisms lack policy coordination. Hence strengthening the synergies among these mechanisms and institutions is needed. Institutional connectivity- referring to policy coordination and integrated project implementation - can scale up positive impacts, while reducing unintended consequences. For instance, the development partners that share common objective and interest on water security can work together to craft a holistic solution to water resource management.

Japan has taken a proactive approach in coordinating its policy with the US and China. However, due to political and diplomatic tension between Japan and China over the East China Sea, both countries postponed their policy coordination concerning the Mekong region. Japan and China should resume their policy coordination concerning the Mekong region.

Policy coordination among the development partners of the Mekong region such as Japan, China, US, ROK, India, and Australia is instrumental to facilitating functional cooperation, long-term peace and development in the region. The Mekong region is emerging to be an important economic and strategic platform for major powers to interact, cooperate, and compete.

To strengthen regional institutions, good governance should be placed at the core of policy coordination and institutional connectivity. Governance here refers to bureaucratic capacity, democratic participation, transparency, accountability, and the rule of law. Moreover, human-centered regional institution building and inclusive growth model need to be further strengthened in order to ensure that everyone gets involved and fairly benefits

from regional cooperation. Development gap and inequality will potentially derail regional cooperation and integration projects.

Knowledge Connectivity

Research publications relating to the Mekong region have not been widely shared and translated into local languages. Research-practice gap remains wide. The research-practice gap exists because researchers, policy makers, and service providers differ in goals and priorities, and do not have opportunities or platforms to engage in multi-stakeholder policy consultation and intellectual dialogue. Cultural diversity and language barrier also pose constraints on knowledge sharing.

The stakeholders at regional, national and local levels need to have comprehensive, scientific knowledge in order to develop a public policy based on sound evidence (integrated body of evidence) with effective implementation plan. Therefore, knowledge connectivity needs to be promoted. Knowledge connectivity refers to the process of exchanging and connecting knowledge (experience, skills, understanding, research findings) among policy makers, development partners, service providers, and researchers.

Social Innovation

Social innovation- referring to the development of novel solutions to social problem- should be promoted to address unmet social needs and emerging issues. There are five main steps in social innovation namely identifying pressing social problem and unmet social needs, developing innovative solutions in response to the social problem and needs, promoting multi-stakeholders partnership (public-private-people partnership), assessing the effectiveness of new solutions in meeting social needs and addressing social problem, and scaling up social impacts through networking and technological tools.

Stakeholders are the main actors who have valid view, relevant knowledge and experience. The multi-stakeholder partnership approach is a process of trust building and collaboration between the actors. The process needs to ensure that the views of the actors are heard and integrated solutions that benefit everyone. The process depends on the issues to be covered, the specific objectives, the expertise available, the participants, the time and resources available.

The Multi-stakeholder partnership approach is a human-centered approach in which everyone involved takes responsibility and ownership of the decisions made. A greater sense of ownership leads to greater responsibility and compliance. The process needs to cover a wide range of structures and levels of engagement (regional-national-local engagement). The key inputs of the multi-stakeholder approach include expertise in facilitation, time to allow trust building, willingness of participants to learn, and the participation of main actors. And the key outputs include transparent and inclusive decision making, strengthened stakeholder networks, solutions, and impacts.

Innovative Solution to Water Security

Water security, which is defined as the sustainable use and protection of water systems, the protection against floods and droughts, the sustainable development of water resources, and the safeguarding access to water functions and services for humans and the environment, is increasingly becoming a regional security and development concern.

Managing trans-boundary water resource requires three-pronged approach. First, we need to promote political will and trust building. The political will can be promoted based on the awareness and common understanding of water security, and convergence of interest and values. Trust can be enhanced through frank, open, and inclusive dialogues, information sharing, and win-win cooperation. Transparency can help promote political trust as well.

Second, we need to promote institutional innovation, which involves the development of a normative framework (such as good governance, respect of human rights, social justice, and sustainability), the development of specific mechanisms that help prevent and resolve conflicts and disputes (such as the provision of good offices and mediation), and the strengthening of institutional capacity for early warning and monitoring of emerging water security challenges. Third, we need to craft consensus solution to water resource disputes by enhancing regional and national capacity in engaging in “good office” diplomacy.

Developing a code of conduct for the Mekong River and Mekong Basin should be considered in order to promote a rules-based trans-boundary resource management. Rules-based water resource management is pivotal to conflict prevention. Development partners of the Mekong should help develop capacity building program in preventive diplomacy and conflict resolution on water

security. The Mekong River Commission has the legitimate role and mandate to promote and strengthen a rules-based water governance regime. Reforming the MRC is therefore needed to strengthen the relevant role of the institution.

MEKONG-JAPAN COOPERATION: MYANMAR PERSPECTIVE

Khin Maung Lynn

Joint Secretary

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Myanmar shares a roughly 99 km of Mekong River boundary with the Lao People's Democratic Republic and the two countries have spanned a friendship bridge over the Mekong since May 2015 but it is still not yet opened either for trading purpose or for connecting the two countries by road due to some technical reasons over placing of a boundary line over the bridge. If it is opened, it will be a valuable asset towards improvement in hard connectivity for our region as well. Further efforts on study and field survey should be made between Myanmar and Laos with necessary expertise and assistance from Japan and our other fellow Mekong riparian countries to open and use this connection or link for the benefit of our whole Mekong region.

Myanmar has no doubt about Japan's strong resolve and sincere commitment towards Mekong region's all-round development as envisaged in both Tokyo Strategy 2012 and the New Tokyo Strategy 2015. We fully support and welcome Prime Minister Abe's opening remarks at the 9th Mekong-Japan Summit held in Manila in November 2017. We whole-heartedly support and value working toward the overall development of our Mekong Region according to set plans and strategic projects. And we truly believe that the Japanese economy will be revitalized in near future due to developments and improvements in the Mekong Region and also along with the maturity of our on-going ASEAN Economic Community.

ASEAN's success is also Japan's success not only in terms of economy and prosperity but also stability in the areas of security, political, social and culture. Japanese Government's helping hand towards CLMV countries in narrowing the development gap with our richer member countries of ASEAN has been paying off with concrete and visible results nowadays. For example, Vietnam has been able to invest more in Myanmar in infrastructure and telecommunications sectors.

Myanmar is now implementing a range of macroeconomic reforms and revitalizing its economy. As part of our reform process, a new Myanmar Investment Law has been enacted and it offers a level playing field between local and foreign investors in many areas. Japan's investments in Myanmar has

been growing and mostly in manufacturing, power, transport and telecommunications, real estate, hotel and tourism, agriculture and livestock breeding. Over 50% of investment inflows are in the manufacturing sector.

Myanmar has planned to set up 3 major SEZs in the country and the first one, namely Thilawar SEZ near Yangon, is at operational and functional stage as it has completed the first phase of construction and operation. Another SEZ namely, Dawei SEZ is close to the Myanmar-Thai border and it is in an early stage and needs more studies and surveys with valuable support of Japan and other Southeast Asian countries. Both Thilawar SEZ and Dawei SEZ are under the Mekong-Japan Action Plan for realization of the New Tokyo Strategy 2015. Most of the projects under Japan-Myanmar cooperation are on-going and concerted efforts from both sides are needed to implement them on time for the benefit of our countries and peoples and for the benefit of Mekong Region as a whole.

East-West Economic Corridor Improvement Project and Southern Economic Corridor Improvement Project, which Myanmar involves with other Mekong riparian countries and Japan, are still on-going and we need more coordinated and consolidated efforts in implementing them effectively.

The Mekong River section between Myanmar and Laos has no dams, luckily, so it is natural and ideal for adventure and ecotourism for nature lovers. A Myanmar border town called Tachileik located in the infamous Golden Triangle Area, is close to the borders with Thailand and Laos and there is a potential to further promote tourism, trade and investment between our 3 countries with the Japanese Government support. Tachileik residents are now buying electricity from Thailand but if energy rich Laos can sell with cheaper price, they would love to buy from Laos.

I believe one simple idea to promote Mekong-Japan Cooperation in our area is to think of forming or setting up a network of Young Entrepreneurs Associations between Japan and CLMVT, to be able to focus more on awareness and find innovative, effective and better practical ways and means through youth imagination, analytical mind and development research, etc. We can also encourage young business people to find ways on how to increase trade, to create better business environment or climate, among Japan and CLMVT countries.

When most of the development projects under 4 pillars of the New Tokyo Strategy will be completed, the business environment, connectivity and

economic conditions will be better and they will be ready for our young entrepreneurs to work together for peace, prosperity and security in the Mekong Region in future. We can also think of using talents of our young people from Mekong related institutions such as Mekong University, Mekong Institute, etc.

Private-Public partnership and initiative is the only way to improve our respective economies much more effectively and rapidly in our Mekong Region. Think Tanks or private and public scholars can play a crucial role in bridging public and private sectors at 1.5 Track Level to think out of the box and find innovative ways to implement well-thought of projects which many of them are on-going. Why don't we think of forming a network of Japan-Mekong Hexagonal Research Centre or JMHCR at 1.5 Track level, among Japan and us (6 riparian countries CLMVT) to be able to do analytical research on the on-going projects and for effective and mutually beneficial cooperation in the future for our younger generations. We would like to focus more on our region as a whole and how effectively we can connect with other regions like South Asia and Asia Pacific, etc. Recently, China has formed similar think tank network called the Global Centre for Mekong Studies and our institute is a focal point for Myanmar.

As an upper riparian country with many dams on Mekong and soon to be number one economy in the world, we cannot forget China when we think of Mekong cooperation. We would like to see a better, warmer relationship and genuine mutual understanding between Japan and China, especially in our Mekong Region, for peace, stability and economic development of our region in the long run and for the benefit of many generations to come. We sincerely appreciate and give our full support to regular holdings of the Japan-China Policy Dialogue on the Mekong Region under Pillar 4, as 4.3 Coordination with partners concerned. Likewise, all our other colleagues will also support for this kind of peaceful, cooperative relationship between world's number 2 and 3 economies in our region for the benefit of all.

Under the current Plan of Action of the New Tokyo Strategy 2015, our country is involved in implementing 66 projects at bilateral level and is participating in over 100 other projects at multilateral level. We have implemented only few of them in both bilateral and multilateral levels and there are many on-going projects to be implemented. I hope this kind of gathering of experts at 1.5 Track level to discuss our views on Mekong-Japan Cooperation is essential in renewing our commitment and finding new ideas or methods for more effective cooperation among our countries, institutions, government officials and

scholars/researchers concerned. Here, we sincerely hope that we could find valuable recommendations for our leaders and bring their noble idea of developing the Mekong Region according to our desired results and thus fulfilling the needs and aspirations of the people of Japan and CLMVT countries.

CHINA'S MEKONG DAMS AND ITS GEOPOLITICAL CONSEQUENCES

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In just over two years, China has done more to utilize and organize the Mekong River and its riparian stakeholders than any other country or regional organization. The Mekong River Commission (MRC) – which comprises Cambodia, Laos, Thailand, and Vietnam, with China and Myanmar as observers – has been established for more than two decades but it has made little headway in providing an effective regional framework for governing the use of Mekong River resources that impinge on millions of lives and many communities. Instead of the MRC, China has come up with the Lancang Mekong Cooperation (LMC) framework, which already has held two leaders' meetings in March 2016 and January 2018. The LMC, which the mainland ASEAN members insist on calling the MLC to priorities “Mekong” over what the Chinese call “Lancang”, is now the only game in the Greater Mekong Subregion (GMS) space.

China's assertiveness over the Mekong region, similar to its maneuvers in the South China Sea and elsewhere, has attracted growing attention. In fact, China's overall pattern of regional conduct has come increasingly into focus. It is much less about maintaining the way things have been – otherwise known as the “status quo” – and much more about revising the established dynamics and contours in the region to its preferences. China's inchoate but inexorable “revisionism,” in turn, is likely to become the new and primary source of tensions and potential conflict in Southeast Asia, including the Mekong region. Nowhere are China's revisionist aims more evident than its “land grab” in the South China Sea and “water grab” in the upper reaches of the Mekong River. It is instructive to compare what China has been doing in these two regional arenas more closely.

In the South China Sea, tensions have mounted because of Beijing's controversial claims of a string of reefs and shoals and fishing areas that are closer to the Philippines, Vietnam and Indonesia than mainland China. In addition, China has made artificial islands out of these small rocks, placed military equipment on them, and even used them for passenger flights as a way of cementing its claim and making a *fait accompli*. The Philippines tried to stand

up to Beijing, but Vietnam has hedged and remained non-confrontational because Hanoi relies heavily on China for trade, investment, and economic development. The rest of South China Sea claimants, namely Taiwan, Brunei and Indonesia have mostly stayed away from Beijing's ire. In pushing back, the Philippine government, under President Benigno Aquino III, took China to court and received an overwhelming ruling in its favor in July 2016. But China has ignored the Arbitral Tribunal's ruling with impunity. China's belligerence and its intention to draft a Code of Conduct in the South China Sea mostly to China's benefit has challenged ASEAN's unity and centrality. China can exercise a virtual veto on ASEAN at will through Cambodia, adversely affecting the 10-member grouping's internal cohesion.

In the Mekong region of mainland Southeast Asia, China has unilaterally handed itself political power by exploiting geography and manipulating natural waterways through the construction of a row of upriver dams. As the Lower Mekong countries have suffered periodic droughts, China showed ostensible benevolence by releasing water from its upstream Jinghong dam for almost a month in March 2016 ahead of the inaugural LMC summit. At that time, China's water discharge was a temporary respite for downstream countries. It was also a show of leverage and authority to the downstream countries that depended on China's goodwill and generosity.

The Mekong is Southeast Asia's longest river. It provides livelihoods and habitats for riverfront communities and natural wildlife covering more than 60 million people through the Mekong mainland countries before it reaches the sea. China's damming of the upper Mekong has long been considered a geopolitical risk for the lower riparian states and a source of potential conflict for the entire GMS. That risk has manifested more because of climate change and the rapid development of the Mekong mainland that requires more water than ever.

With unilateral leverage over the downstream countries, China was keen to convene the LMC summit in Sanya, Hainan province. At that first LMC summit, Beijing announced a combined loan and credit package worth US\$ 11.5 billion for the Mekong mainland's development projects from railways to industrial parks. Beijing also pledged to fund poverty alleviation to the tune of US\$200 million, with another US\$300 million for regional cooperation over the next five years, and set up a water resource centre. Chinese Premier Li Keqiang noted that these plans were part and parcel of China's own development strategy around the Belt and Road Initiative, and called for greater trust-building between China and Lower Mekong countries. What is significant here

is that the LMC has effectively eclipsed the MRC, which was set up with international expertise and funding assistance to manage river resources under international conventions and protocols governing major global waterways.

Myanmar and China have been dialogue partners but Beijing has deliberately marginalized the MRC. The LMC is thus China's own version of the MRC. This fact was reinforced in January 2018 at the second LMC summit where China led in forming a clutch of work programs and followed up on projects from two years prior. As it is the bigger neighbor who sits atop the river mouth, China can block the Mekong waterways at will. It has completed six of 15 planned dams. The downstream governments, particularly those of Cambodia and Vietnam, are either too beholden to or dependent on Beijing's generosity and policy decisions to cry foul loudly. To be sure, Laos is the midstream country that has put up a row of its own dams, largely financed by Thailand, which in turn buys the resultant hydropower. The Mekong dams are thus a mixed bag, not simply China's imposition of unilateral leverage and power over the rest.

Yet with communist Laos' increasing dependence on China's purse strings for development needs, and the Thai military government's overt pro-Beijing posture, China has become a Mekong regional patron of sorts. The same goes for Cambodia, which relies on China for development aid and foreign investment. Vietnam takes a muted stand both in the South China Sea and the Mekong mainland, even though its delta communities suffer substantially from upriver dams. With its internal problems, particularly in Rakhine state where more than 650,000 Muslim Rohingyas have been displaced and stationed in Bangladesh, the Myanmar government under State Counsellor Aung San Suu Kyi is not in any position to challenge China's preferences.

While it is difficult to deny that the Mekong mainland is effectively China's backyard, this situation can change down the road if Thailand returns to democratic rule, and if the United States and/or Japan step up their role and effort to offset and counter China's mainland weight. It is crucial to note that the Mekong Region is unlike the South China Sea. The latter involves a wide variety of states, large and small, and the waterways seaways provide routes for nearly half of global shipping. The main major power in the Mekong area is China, although Japan has been there for decades with a rightful claim as a major player.

By being so aggressive in both the Mekong mainland and the South China Sea, China may end up forcing smaller states that want to stay out and away from conflict with a giant neighbor into a regional bandwagon of necessity. To avoid

being its own worst enemy by stirring up a united neighborhood opposition unnecessarily, Beijing would do better to play a major part in crafting rules and institutions in concert with others in the region in a way that blends the LMC and MRC frameworks. Blocking off the water for itself and then feigning benevolence for sharing it with those further down yields short-term bargaining chips. But eventually, China's myopic approach of playing by its own rules and disregarding those of the rest of the Mekong area may boomerang.

NEW TRENDS AND IMPLICATIONS FOR MEKONG REGIONAL COOPERATION

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The world economy is changing, not only in terms of growth but also in the way that new value is created. A transformation toward green development and the industrial revolution 4.0 are among factors that would have impacts on the development of each regional countries as well as Mekong's intra-regional cooperation. In addition, the emergence of China as a new and active player in the Mekong regional cooperation is a new trend that we need to take into account.

The paper will look at these changes and analyze the impacts that they would have on the development of Mekong countries, intra-regional cooperation and cooperation between Mekong and Japan. Finally, the paper suggests some potential areas for cooperation, both among the Mekong region and that with Japan.

Development model toward green and sustainable growth

Today, green economy has become an important pathway towards sustainable development. Since the beginning of the 21st century, especially in recent years, many countries have been keen on developing green industries as a major mean to restructure their economies. In response to the current financial crisis, policy makers in many countries have given higher priority to "green" concepts and ideas and adopted "green policies" with a view to promoting long-term development in the post-crisis era. It is widely recognized that green economy provides opportunities to improve resource efficiency, reduce pollution, increase market demand and create new jobs. As such, it represents an important point of convergence between environmental protection and economic growth.

Developing a green economy entails using the idea of green development to transform the entire process of production, construction, distribution and consumption. It is the materialization of a sustainable pattern of consumption and production to minimize impact to the environment and efficient use of resources. Some concrete measures toward green economy are energy saving,

using of clean energy, reducing the use of fertilizer and pesticide, applying water-saving in agriculture, etc.

The concept of green and sustainable growth is now new for the Mekong region. However, applying green and sustainable development in Mekong countries are not simple for several regions. First, Mekong countries are all developing countries. Therefore, applying green development policy faces many challenges due to institutional, budgetary, infrastructure, management skill limitation and also the people's practice. Thus, it requires strong commitment of the government as well as awareness of the public. Second, due to the low level of economic development, the requirement for high economic growth is becoming a more urgent to meet increasing need of the people. The demand for food, water and energy in the region are rising rapidly. In this context, governments and enterprises tend to choose the easier and faster way of development. Green and sustainable development may not serve short term economic and political interest. Third, it should be noted that while countries have administrative borders, environment in the Mekong region has no border.

In addition, the environmental cost of development of one country may be born more by others. Thus, it is important to change the approach from national view to a region-wide approach of development, from single industry to multi-industry and from short to long-term view. The need to cope with climate change and infrastructure require a regional-wide approach, in which the key is enhancing closer cooperation between countries, between regional countries and international partners and private sector. However, conflict of interest among countries are the major stumbling block in applying these model as well as the efficiency of it.

In short, given the difference in national conditions and stages of development of different countries, it is natural that countries have different priorities and models in developing green economy. This is particularly true for developing countries. Due to the lack of advanced technologies and financial resources, their priority remains to be poverty eradication and economic development. Therefore, developing a green economy is a prolonged, uphill battle. While the developing countries need to work hard, the developed countries should, on one hand, lead green economy and share successful experience and references with the developing world; and on the other hand, promote trade liberalization and facilitation as a way to help develop green economy, set and implement trade policies that encourage green economy, and provide adequate support to developing countries in terms of finance, technology and capacity building, so as to help developing countries achieve the transformation toward a green economy.

The 4th Industrial Revolution

A crucial factor that facilitate the movement toward transforming growth model is the 4th Industrial Revolution. This is a prominent trend that is expected to bring about comprehensive and swift impact in the whole world.

The impacts of the 4th industrial revolution on Mekong region can be in two ways. If regional countries can cease the opportunity to develop, they can narrow the development gap. If not, the gap will be widened. It is important to note that the region is still very poor and a portion of the population are not even able to benefit from the 2nd revolution (e.g. to have electricity) or the 3rd revolution (to have internet or mobile phone. With the current infrastructure status, the 4th industrial revolution may not have such a comprehensive impact. However, if regional countries can take advantage of the new technology, the opportunity to cut short and catch up is feasible.

One of the drawback in developing countries is low productivity. If regional countries can make use of new technology, they can make a breakthrough in terms of productivity and thus economic growth. In addition, new technology can help reducing the risks and dangers to the livelihood of the people. For example, an early warning system of flood or new material for construction in flood areas could help regional people better prepared for disasters.

Thanks to the new technology, especially the digitalization, new business could be set up with less capital, less employees but be able to reach out better. This is very important for developing countries where the barrier to small and medium enterprises is access to capital.

On the other hand, it is also possible that the 4th Industrial revolution could lead to negative impacts. Automation can change the nature of the job in all industries, die down the advantage of low-cost labor in developing countries. In addition, new technologies require higher skills and thus many unskilled, low-paid jobs may disappear and to be replaced by higher skilled, higher paid job.

Being in the forefront of the 4th industrial revolution, developed countries, such as Japan, have a role to play in helping regional countries with their knowledge and experience for regional countries to be able to catch up and make the best use of the new trend.

Emergence of China-led Cooperation Mechanism

With the economic power, China is emerging as a new but strong player in hastening regional cooperation through many regional cooperation mechanisms such as the Shanghai Cooperation Organization, the Regional Comprehensive Economic partnership (RCEP), Asia Infrastructure Investment Bank, the Belt and Road Initiative and the Lancang-Mekong Cooperation. In the Mekong region, in just 2 year, the LMC framework has made important achievement, especially in institutionalization of meeting mechanism at all level, from leader, foreign minister, SOM and working group. Even at the track 2, national center for Mekong studies has been set up under LMC framework.

China is actively participating in regional cooperation and regional connectivity have several impacts on the region. First, it brings in new momentum for regional development. China, with its financial assistance acts as a new, additional source for infrastructure development in the Mekong region, especially with Laos, Cambodia and Myanmar. These projects, when complete, will greatly enhance regional connectivity and bring in new opportunity for development. Second, China's active participation in regional cooperation is a catalyst for other major countries, such as the US and Japan to pay more attention to the Mekong region. However, with many existing cooperation mechanisms already in place, whether China-led LMC mechanism can be complementary or competitive with other existing mechanism is still unknown. It depends on how all parties could work together to make each mechanism efficient and have its own value.

The Way Forward

With a long-term view and high level of commitment to the development of the region, Japan can tap on its comparative advantage in capital, technology, green and sustainable development to contribute to the development of the region through the Mekong-Japan cooperation in many ways. Some of the focus could be:

(i) To develop transportation corridor and logistic system that can make Mekong region a bridge between the Indian Ocean and the Pacific Ocean. With China's plans for North-South connectivity from Kunming to Singapore, Japan's support for East-West corridor would greatly enhance connectivity of the regional and make Mekong the hub for inland transportation.

(ii) Support Mekong countries in transforming toward green and sustainable development; develop a model of energy saving; balance between energy-food-water security, more green and sustainable and efficient management and use of water resources.

(iii) Support Mekong countries in the development of high-quality human resources, enhancing the region's capacity of Research and Development to meet the need of development and industrialization.

PERSPECTIVES AND PATHS FORWARDS: MEKONG-JAPAN REGIONAL COOPERATION FOR INCLUSIVE GROWTH AND MUTUAL BENEFITS

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Introduction

Fast economic development in the past decades have transformed the Southeast Asia region into the stage of preparation to join the international production network, which allow more exports of manufacturing products, textiles and other primary high quality valued added products into the international market. Thanks for the investments from the globe into this region due to favorable labor force, growth of connectivity and innovation, and regional political stability as driven by Association of Southeast Asia Nations (ASEAN) vision.

The fast connectivity along with human resource development in the Southeast Asia region, especially the Mekong-sub region has provided many opportunities for the region to growth, and lifting up social well-beings of the people through income generation and employment. Connectivity through road, railway, sea-lane, and air have compressed time and space, allowing goods and services to flow internationally in much faster manner and efficiently in terms of cost reduction in logistics, and thus have created a favorable functioning market of supplying goods and services linking production from the Mekong sub- region into regional and global supply value chain. Other than hard infrastructure connectivity, the Mekong sub-region also progressed steadily in soft infrastructures as they lay out terms, regulations, standards, conformity to facilitate trade and investment in the region as well as outside the region.

Connectivity, Innovation and Economic Growth

The coordinated development of soft and hard infrastructure also turns out to be essential to keep the region growing. The new international division of labor calls for a novel approach in infrastructure development, in which Mekong sub-region has prepared to participate actively for the promotion of economic corridors comprising of Southern Economic Corridor (SSEC), East-West Economic Corridor (EWEC), and North-South Economic Corridor (NSEC).

By itself, these economic corridors together with fast acceleration of domestic infrastructure development with special economic zone (SEZ), urban amenities and other economic activities, have already promoted the region to some extent to participate in the production networks, reducing cost of service links that connect remote places of production blocks to urban agglomeration. Mekong sub-region connectivity is just one part of the puzzle of the larger connectivity in ASEAN, and further ASEAN to the rest of the world. Yet to mention about the One Belt One Road (OBOR) initiative led by China as another very large connectivity of development strategy linking China to Eurasian countries and the rest of Asia.

As the region has embarked on fast progress of Infrastructure development, quality infrastructure, connectivity and innovation are keys for the region to ensure prosperity and sustainable development. These infrastructure development and stages of economic development could be explained by the recent development of economic theories, namely, the fragmentation theory and new economic geography.

The theory classified infrastructure projects into three tiers. Tier 1 includes projects that serve countries/regions that are already in production networks and have started forming industrial agglomerations. Tier 2 consists of projects supporting countries/regions that are about to participate in production networks. Tier 3 is comprised of projects in remote areas where the participation in production networks is difficult in the short run but better and more reliable connectivity can generate new business models in agriculture, mining, tourism, and other industries.

Thus, the ultimate aim of the quality infrastructure and services are in Tier 1 in which some of the ASEAN member countries are experiencing and enjoying the quality growth particularly Singapore and to some extent Brunei Darussalam. Thailand and Malaysia are also doing well and the quality of infrastructure could be seen in Tier 2 and possibly moving up to Tier 1 in the near future. However, all ASEAN latecomers have stepped up to the lower middle-income level and improved their infrastructure quality from Tier 3 and possibly joining Tier 2 sometime in the near future, the Philippines and Indonesia have moved up close to the upper middle-income level and their infrastructure development are in early stage of Tier 2 and will likely catching up Thailand and Malaysia in the near future.

By and large, connectivity and innovation promote agglomeration forces and dispersion forces generated by production-consumption interactions in both

internal and external economies in which people/idea can move more easily. Agglomeration forces mean that economic activities, people, and others are attracted to the core center where positive agglomeration effects are found in the form of the easiness of finding business partners, the proximity to the market, and others. On the other hand, dispersion forces generate movements of economic activities, people, and others from the core to the periphery. One source of dispersion forces is negative agglomeration effects or 'congestion' in the core, which includes wage increases, land price hikes, traffic congestion, environmental pollution, and others.

One practical example of new economic geography creating "location advantage" through connectivity and innovation is about Cambodian labor force migration. Currently about 1 million out of 15 million Cambodians are now in Thailand working in unskilled labour-intensive sectors and the informal sector rather than in Phnom Penh. The question is how can Phnom Penh attract labour from the rural areas and, at the same time, invite production blocks from Thailand? If the wage gap between Bangkok-Phnom Penh is too large, people do not come to Phnom Penh though production blocks may be motivated to come. On the other hand, if the wage gap is too small, production blocks do not come though people may flow into Phnom Penh. How can Phnom Penh attract both production blocks and people? The answer is the improvement of location advantages and liveability in Phnom Penh.

Another example is the Mekong-India Economic Corridor/ East-West Economic Corridor (MIEC, EWEC) connects Ho Chi Minh City, Phnom Penh, Bangkok Metropolitan Area, and Dawei. It has great potential for being a major manufacturing corridor in the near future. However, the question is how to attract labour force and investment into Dawei? In this regard, MIEC will need to have at least three projects implemented at the same time—the industrial estate, highway connection to Thailand, and a deep-sea port.

Economic Impact of Infrastructure Connectivity

The ADB study found that the road situation between Phnom Penh and Ho Chi Minh City (HCM) was relatively bad in 1999. The situation before upgrading road, the travel time from Phnom Penh to HCM City was about 9-10 hours, and cross-border trade at Moc Bai (Viet Nam) – Bavet (Cambodia) was about \$ 10 million / year. However, the situation was completely changed in 2014 after both hardware and software are implemented between Phnom Penh and HCM city. The travel time reduced to 5-6 hours, and cross border trade at Moc Bai – Bavet grew to \$ 708 million / year. Further the connectivity also promoted

other economic development corridor such as investment brought to Trang Bang Industrial Park (in Moc Bai) consisted of 41 projects with \$ 270 million in new investments and as the result, it created about 3,000 jobs.

Economic Research Institute for ASEAN and East Asia (ERIA) also assessed the top gainers from the connectivity. The top 10 of gainers of Mekong India Economic Corridor (MIEC) are Dawei, Phnom Penh, Dong Nai, Kawthoung, Ho Chi Minh City, Kandal, Sihanoukville, Banteay Meanchey, Svay Rieng, and Battambang. For Phnom Penh, it was estimated that the connectivity will bring about cumulative impact of GDP to almost 400% from the period of 2021-2030. ERIA also estimated the rest of the economic corridor in the Mekong sub-region, and the impacts are found significant for all participating countries in the connectivity.

For the power connectivity in the Greater Mekong Sub-region (GMS), ERIA's study also take a close look into the power trade and development in the future. In 2030 Scenario of the power trade where GMS could realize the large potential of hydropower capacity, it will provide both economic and environmental benefit from such development. The GMS region at large, will benefit about \$USD 40 billion, and gain further by cutting down CO2 emission by almost 70 mt/year. For ASEAN power connectivity as a whole, ERIA also estimated that ASEAN would save \$ 25 billion over 20 years by substituting hydro-power for power generation using fossil fuels.

Mekong-Japan Cooperation for Inclusive Growth

Mekong-Japan connectivity aim to promote infrastructure development in the Mekong region and to enhance institutional connectivity through the improvement of systems, development of SEZs and other industrial bases, industrial promotion measures, improvement of customs procedures etc. and people-to-people connectivity so that the whole region can benefit from the growth. Key pillars of cooperation development of infrastructure is to fill the missing links of East-West and Southern Economic Corridors, connecting the corridors more smoothly through improvement of systems such as customs procedures, promoting the land development along the Corridors (e.g. development of industrial parks, industrial promotion measures etc.) and improving access from neighboring areas to corridors so that the region can develop as a whole, and the development of industrial human resources who will support the growth in the region and also strengthen a people-to-people network.

During Mekong-Japan Cooperation (MJC) meeting in 2018, it was reported that in 2015 Japan pledged 750 billion yen of ODA to support over three years in order to realize quality growth, and it has already implemented two-thirds or more of that ODA. Over the past years, Japan has advanced cooperation relating to infrastructure development such as Cambodia's Sihanoukville Port, Myanmar's Yangon-Mandalay railway, and Thailand's high-speed railway. Japan is contributing to the development of "quality infrastructure," but is simultaneously moving ahead with expediting yen loans, and Japan government is expected that the Mekong countries' governments will also undertake initiatives to expedite this process. Strengthening soft connectivity is the key to reducing distribution costs and facilitating trade within the region.

The Mekong sub region has benefited largely from the infrastructure improvement brought by ODA support from Japan with high quality road, bridges, and other hard and soft infrastructures. Those assistances specifically included:

- 1) Hard Infrastructure development in Mekong sub region, connecting the South China Sea and the Indian Ocean, developing the "Southern Economic Corridor", connecting Ho Chi Minh, Phnom Penh, Bangkok and Dawei as well as "East-West Economic Corridor" that expands from Da Nang to Mawlamyaing. Improvement of both corridors (SEC & EWEC) will enable overland access across Indochina Peninsula, bringing a great benefit to transportation and distribution of goods.
- 2) Maritime Economic Corridor development by consolidating connectivity through the development of port, port-associated industries as well as energy and ICT networks in major cities. This allows Mekong sub region able to connect to Malaysia, Singapore, Indonesia, Brunei and the Philippines.
- 3) Soft Infrastructure in the ASEAN framework such as ASEAN Smart Network, Trade Facilitation, Common rules for standards for Automotive, Single Aviation Market, Logistics Enhancement and Sea-land Intermodal Transportation. Enhancement of these soft infrastructure will lay out terms, procedures and regulation to facilitate smoothly.

Path Forwards

Connectivity and innovation play central roles in economic growth, thus it requires countries in Mekong sub region, particularly Cambodia, Lao PDR,

Myanmar, Thailand and Viet Nam (CLMTV) to have different levels of policy environment to facilitate investment opportunities. The fast progresses of connectivity CLMTV will transform the region to actively participate in production network at different degree and stand ready to benefit from the global value chain in the near future as these improved connectivities attracting more investments, cutting down logistics cost, and creating agglomeration and location advantage.

The region is very fortunate to have different stakeholders supporting infrastructure improvement, bridging the missing links in the Mekong sub region. Among key development partners, it has been recognized that MJC has brought about quality infrastructures, building human resources in CLMTV and bringing in knowledge and innovation to the region. It is worth to mention that ADB's investment into the Mekong sub region, the JMC ODA and loan, together with other investment partners such as China, European community, and the USA, can and will transform this region to catch up with other advanced countries in the near future.

Nevertheless, CLMTV will need to work more towards institutional connectivity to facilitate international commercial trade and policies, removing behind-the-border issues as fast as possible. Innovation through research and development (R&D) increase capabilities and human resource development to attract more industrialized investment and high industrial technology industry. It is already witnessed that human aspects of [people-to-people connectivity] has also improved and the region will deeply integrated not just economic aspects, but social and hopefully environmental aspect as well. The region seems to strike towards innovative development (4.0) in which policies will be needed to facilitate the back born of economies such as SME development. Strengthening institutional framework, establishing procedures, accessing to support services, credit market and finance, technology upgrading, market expansion, entrepreneurship, can promote inclusive growth and development in the region.

As energy cost is an input to all kind of production in economy, it is very important to ensure energy price truly reflect market price (generation, grid, distribution and service cost). Thus, energy infrastructure investment and connectivity within and with neighboring countries could bring the best energy cost to the consumers. Toward this energy infrastructure, it is very important to have clear regional market rules comprising agreed rules and agreed indicative planning of interconnection amongst GMS. It is hoped that a well-

designed, unified regional electricity systems across the region can cover supply failures with integrated regional back up capacity.

For Cambodia specific policy direction, beside all connectivity, it is highly suggested that each institution may need to place high responsibility to facilitate the policy environment to promote economic growth such as elements/policies/procedures for “ease of doing business”, designing policies to attract FDI, creating healthy completion of through market reform and good governance, and designing special economic zones to attract businesses along the economic corridors, bringing in value addition to all sectors through product innovation and smart businesses, ensuring input cost to all production are competitive to the region. Since Cambodia still have to depend on agricultural sector, it is very crucial that the government will need to invest massively in upgrading all agricultural related infrastructures such as good waterways/water gate, canal, irrigation, and water storages. Having all these water/irrigation infrastructure, farmers could maximize the land use/productivity optimally.

NAVIGATING THE PATH FOR MEKONG-JAPAN REGIONAL COOPERATION, PERSPECTIVES AND PITFALLS

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Since the concept of the Greater Mekong Sub-region was developed in 1992 by visionaries from within the region, partner countries and the Asian Development Bank who recognized the region's potential, it has undergone many phases of development and enhancement. Not least has been the addition of new and vital programs such as plans for development of transport corridors, border areas, focus on so-called "Green Mekong" initiatives – and, reflecting the growing of China in the region in recent years, projects under the Lancang Mekong Initiative and those related to its ambitious Belt and Road Initiative.

But the region is now more at risk than ever before of falling prey to its own success, having reached a point where the number of regionally-focused bodies, funding initiatives, aid mechanisms, and regular meetings and summits of different configurations (1+5, 1+6, etc.) have created what one foreign ministry official from an ASEAN country described at a recent regional forum as "Mekong alphabet soup with too many ingredients."¹ There are literally dozens of bodies, sovereign, non-sovereign including international and local non-government organizations, corporate and multilateral, involved in a vast array of programs concerning the region, from big infrastructure to green technology, human resources development and agrarian projects.

As a key funder and coordinator in the region, the ADB tries to administrate, coordinate and initiate projects and programs – and in a surprisingly frank assessment of its projects and strategy in the region issued in 2017, describes itself as an "honest broker" atop the plethora of initiatives and programs.² In

¹ Comment by Thai foreign ministry official at ADB-sponsored seminar: "GMS 25th Anniversary: Achievement, Lessons Learned, the Way Forward," March 14, 2018, Bangkok.

² Regional Cooperation and Integration in Asia and the Pacific, Implementation of the Operational Plan for Regional Cooperation and Integration, 2016-2020: Corporate Progress Report: ADB, page x (ADB, 2017: <https://www.adb.org/sites/default/files/institutional-document/382856/rci-asia-pacific.pdf>)

the report, it describes recent progress on Regional Cooperation and Integration initiatives as “mixed” amid the decline or intraregional portfolio investment and logistics performance. More significant, it highlights the stagnation of lending in newer areas of operational direction, particularly in areas designated for “regional public good” such as education, ICT, finance and regional health. And it calls for a shift in focus from traditional to “more innovative sectors (and subsectors) and areas such as ICT, e-commerce, development of cross-border economic zones and corridors, and ICT-based education etc.

This striking assessment sits against an impressive backdrop of development of the ADB’s role in the GMS. In 2011, the ADB’s Revised Regional Investment Framework Implementation Plan (RIF-IP) 2020, updated the original GMS Strategic Framework, which focused on five strategic thrusts: enhancing infrastructure linkages; facilitating cross-border trade and investment enhancing private sector participation and competitiveness; developing human resources, and tourism; and protecting the environment and promoting the sustainable use of shared natural resources. In updating the framework, the GMS countries agreed on expanded projects and on 11 flagship programs including development of key corridors (north-south, east-west, southern economic), telecommunications, environment, flood control and water resource management and enhancing private sector competitiveness.³

The latest assessment however sets out suggested new priorities that sovereign partners such as Japan could usefully focus on. Japan has been central in the region’s development, having spent tens of billions of dollars on various initiatives, infrastructure and projects in the GMS.⁴ It is midway through its current New Tokyo Strategy 2015 for Mekong-Japan Cooperation, which entails Y750 billion in ODA (\$7.1 billion) in funding over three years, 2016-2018. With its launch, the program adopted “quality growth” as an overall aim, mentioning priorities including industrial infrastructure development, human resources, sustainable development and strengthening “soft connectivity”, and policy coordination with “various stakeholders.”

The strategy also highlighted an aim to increase Japanese private sector engagement. But amid continuing interest and engagement from Tokyo, there

³ The Greater Mekong Subregion Economic Cooperation Program Strategic Framework 2012-2022, pp 2, 3 (ADB 2011). See: <https://www.adb.org/sites/default/files/institutional-document/33422/files/gms-ec-framework-2012-2022.pdf>

⁴ Japan-Mekong Cooperation: Ministry of Foreign Affairs Japan (February 2018). See: <http://www.mofa.go.jp/region/asia-paci/mekong/cooperation.html>

appears to be a shift as Japan also turns focus on new initiatives in the Indo-Pacific region – including new priorities in its Overseas Development Assistance that are likely to see the channeling of some aid funds earmarked for Southeast Asia into areas that have relevance for the Indo-Pacific region – for example with a recent proposal put to the Japanese cabinet to provide Southeast Asian countries with patrol vessels and related equipment to “help strengthen their ability to enforce maritime law.”⁵

Perhaps the most recent major development in the region’s growth trajectory has been the growing involvement of China, which initiated one of the newest regional cooperation mechanisms under the Lancang Mekong Cooperation banner. In January 2018, Chinese Premier Li Keqiang announced that Beijing would provide more than \$1 billion in concessional loans within the LMC framework for the five downstream Mekong countries, in addition to earlier assistance under the theme “Our River of Peace and Sustainable Development.”

After including Japan in its initial LMI-related meetings in the year after LMI’s launch in late 2015, China and Japan ceased direct cooperation in the region. The reasons for this distancing, and the key points of China’s GMS engagement, were discussed in an RSIS paper by Lu Guangsheng in 2016:⁶

“On strategy, China regards the upgrade of GMS-ECP as the early stage harvest of the ‘Belt and Road’ Initiative’. On tactics, China focuses on cooperation with Laos, Thailand and Cambodia. On mechanism, China actively promotes the development of LMC.”

In a revealing explanation of China’s distancing from Japan and other major GMS partners and development of its own trajectory, the paper noted: “It is inevitable for peripheral small and medium-sized countries to feel anxious and suspicious from time to time. When China became the world’s second largest economy, some peripheral issues and conflicts that accumulated for many years finally surfaced. Besides, competition or ‘interference’ factors from the United States and Japan, for example, condemning Chinese investment in Myanmar through NGOs, increase the difficulty of achieving deeper cooperation between China and the sub-regional countries.

⁵ Japan to link ODA to promotion of its ‘Indo-Pacific’ strategy: Feb. 19 2018, Kyodo, via Japan Times: <https://www.japantimes.co.jp/news/2018/02/19/national/japan-link-oda-promotion-indo-pacific-strategy/#.WrMcA38uDwo>

⁶ Lu Guangsheng: Policy Report - China Seeks to Improve Mekong Sub-regional Cooperation, pp 2, : RSIS Feb. 2016 https://www.rsis.edu.sg/wp-content/uploads/2016/02/PR160225_China-Seeks-to-Improve-Mekong.pdf

“The condition of a highly asymmetric relationship between economic costs and political gains has emerged between China and sub-regional countries. The strategic effect of China’s policy of ‘promoting political relations by developing economic cooperation’ in the region is beginning to decline. In this context, China needs to shift its cooperation approach to balancing the sub-regional economic and political security demands and play its ‘constructive’ role more comprehensively and effectively.”

On the positive side of GMS development, many vital initiatives by partners and donors including Japan and the ADB have gained a momentum of their own, while key programs including the overall vision of corridor development, and institutionalized involvement of private and public sector groups (from chambers of commerce to governments and multilateral organizations) have taken root. So too, has the institutionalization of key meetings such as the annual GMS summit and dedicated sections for GMS projects in member countries’ budgets.

The question is whether the GMS project, with the inexorable growth of overlapping mechanisms, projects and initiatives is grappling with too much, too soon?

This question prompted an article in January 2018 in Thailand’s *The Nation*, headlined “Multiple Mekong forums risk igniting rivalry.”⁷

“Leaders from the six riparian states along the Mekong River will be busy this year as meetings on many cooperation schemes in the region are scheduled in a situation that observers have said is overlapping,” the article noted.

It went onto highlight the youngest Mekong regional process, the Lancang-Mekong Cooperation (LMC) forum, which held its second summit in Phnom Penh in January 2018 and endorsed a five-year action plan (2018-22) for its cooperation projects. As mentioned, Beijing’s Lancang-Mekong Initiative initially included Japan but has now been narrowed to China as the main partner. Meanwhile, Japan has continued with the Japan-Mekong Summit process, which will mark its 9th annual summit later in 2018.

⁷ Supalak Ganjanakhundee: “Multiple Mekong forums risk igniting rivalry” (*The Nation*, Jan. 03 2018). See: <http://www.nationmultimedia.com/detail/asean-plus/30335230>

The overlapping role of various actors was foreshadowed in 2013, at the Third Friends of the Lower Mekong (FLM) Ministerial Meeting, attended by Australia, the EU, Japan, South Korea, New Zealand and the U.S. as well as the foreign ministers of the five core GMS countries (CMLTV) and multilaterals.

The meeting agreed that environment and water were among the priority issues and called for "greater interaction" with Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam including through the Mekong River Commission.⁸

In a subsequent meeting in Brunei in 2013, foreign ministers of the five countries with their counterparts from Australia, the EU, Japan, South Korea, New Zealand and the U.S. along with the ASEAN secretary general and representatives of the ADB and World Bank agreed that donors and other actors should coordinate their efforts "to avoid unintentional duplication and to identify areas of potential collaboration," and committed to working together with other donors, ASEAN, and the Mekong River Commission to promote complementary efforts in the region".

The statement said the US-led Lower Mekong Initiative (LMI) was "already engaging with ASEAN to identify areas of overlap and potential collaboration" and expressed support for "similar coordination efforts within the donor community, in particular through information sharing and donor mapping." Subsequent efforts to coordinate and eliminate duplication met with mixed success, according to two ASEAN officials involved in the meeting.

Since then, the region has seen the addition of other initiatives and meetings, including the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), the Mekong River Commission summits, held every four years and other smaller regional initiatives.

As the Nation noted, "so many cooperation frameworks in the Mekong region raise questions among observers about overlaps in terms of membership, cooperation sectors and functions."⁹

⁸ Mekong Diplomacy: Ministers agree environment, water among most important issues in region (Catch and Culture, MRC, Vol 19, No. 2, Aug 2013, pp 10-11)

⁹ *Ibid.*

TOKYO HIGHLIGHTS THE REAL CHALLENGE

The region is arguably amidst its biggest and most ambitious phase of regional development, underscored by its massive corridor development plans and projects for transport linkages and urban development. But the logistical and coordination challenge is contained in the outlines of the New Tokyo 2015 Strategy for development, which highlights the growing multiple directions of the region, which it narrows to CLMTV – rather than the more general “GMS.” The first pillar of Tokyo’s strategy, “Hard Efforts,” focuses on hard connectivity, buttressing the drive for industrial connectivity in the region through land, maritime, and air connectivity. The second pillar, “Soft Efforts,” places “quality growth” at the center of development efforts, emphasizing the need to develop human capital while strengthening industrial, economic and people-to-people connectivity. The third pillar highlights sustainability of regional development and the salience of a “Green Mekong,” in terms of environmental initiatives and conservation of natural resources.

The key phrase however lies in the fourth and final pillar, which correctly highlights the need for better coordination among stakeholders, including state-to-state coordination among the CLMTV states, improvement of coordination with the ADB, and the inclusivity of other existing regional development mechanisms (e.g. Japan-US coordination).

Yet, it is clear there is a big and growing gap in the overall GMS development concept and planning for further regional growth: the almost complete absence of dialogue and bilateral coordination between China and Japan, the two biggest external sovereign forces in the region.

JAPAN AND CHINA

As Dr. Thitinan Pongsudhirak of Chulalongkorn University succinctly summed up in the Nikkei Asian Review back in December 2014: “It is now clear that the China-Japan dynamic is the most consequential factor in the steady rise of the so-called “Mekong mainland” of Southeast Asian countries along the mighty river. Both powers have helped shape the regional contours and economic trajectory of mainland Southeast Asia, and seem determined to deepen and broaden their roles.”¹⁰

¹⁰ Thitinan Pongsudhirak: Mekong mainland future hinges on China, Japan (Nikkei Asian Review, Dec. 11 2014 <https://asia.nikkei.com/Viewpoints-archive/Geopolitico/Mekong-mainland-future-hinges-on-China-Japan>)

The article asserted that a rising new "great game" of geopolitical competition on the Mekong mainland was intensifying the roles of China and Japan, noting: "China is naturally the resident superpower, displaying growing confidence and global leadership ambitions. A major power in economic terms but a middle power in most other respects, Japan is heavily invested in this region and intends to maintain and expand its regional role. Underpinning this dynamic is the waning of the U.S. role and the continuing interests of middle to smaller countries including New Zealand, Australia and South Korea."

Since then, China has stepped up its role and funding in the region, adding to the plethora of initiatives, groups and programs – forming a vast industry that is daunting for any observer or would-be participant to navigate. If rivals could iron out differences and pull together, this could contribute greatly to regional prosperity and stability. But, as Dr Thitinan warned, "if tensions persist -- or even spill over into outright conflict -- the Mekong mainland will suffer from greater geopolitical rivalries."

Ultimately however, despite China's rise and Japan's continuing determination, the core forum must be the GMS summit process itself. To mark the group's 25th year in 2018, its March 30-31 summit was appropriately themed "Leveraging 25 years of Cooperation, Building an Integrated, Sustainable and Prosperous GMS," and was – appropriately -- set to review achievements and shortcomings of cooperation programs over the past 25 years. It is to be hoped that more focus from now will be given to the issues of overlap, duplication and better coordination.

THE WAY FORWARD?

As mentioned, the GMS concept has developed exponentially since its early years, branching out to encompass areas from SME development and development of corridor towns to green technology. So too have the number of bodies focusing on regional projects and initiatives. On the negative side has been the growing sense of competition in the region between various governments and outside donors such as IFIs.

Japan and China, the region's two biggest sovereign investors -- and influencers -- could usefully revive a regionally-focused dialogue mechanism such as the Japan-China Policy Dialogue on the Mekong Region – which last convened in 2014.¹¹

¹¹ Japan-Mekong Cooperation: Ministry of Foreign Affairs Japan, Feb. 14 2018
<http://www.mofa.go.jp/region/asia-paci/mekong/cooperation.html>

On the most ambitious schemes for GMS development, particularly the new thrust towards urban and transport development of key economic corridors, it is counterproductive for the two powers to avoid coordination or communication.

PRIVATE SECTOR INVOLVEMENT

In September 2017, at the 22nd ministerial conference in Hanoi, Vietnam endorsed the GMS Regional Investment Framework 2022 to support the Hanoi Action Plan. This medium-term pipeline of priority projects consolidates and expands the current Regional Investment Framework (2013-2022).

The GMS strategic framework 2012-2022 itself highlighted the need for more engagement with private sector and other stakeholders. While recent regional reports and meetings have recognized the importance of the private sector as an engine of GMS development, key sectors are particularly suitable for private sector involvement, particularly in non-traditional areas such as ICT, e-commerce, ICT-based education, and development of cross-border economic zones and corridors, including in fields such as banking, trade facilitation and supply chain development.

Rather than China, Japan, with its vast and well-organized private sector and relatively high penetration of foreign direct investment in the region, is better placed to provide such non-traditional assistance, training, advice and related investment. Japan is also well-positioned to offer official incentives and encouragement to enhance its private sector involvement, not just in PPP and direct investment in projects, but also in terms of knowledge sharing, training and partnering in the region.

With its well-ordered structure of business groups -- from the umbrella body Keidanren (the Japan Business Federation) to various other employers' federations down to prefectural and even city chambers of commerce, as well as the large number of sectoral business associations from industry and tech to agriculture -- Japan could better leverage the private sector for involvement in non-traditional areas of GMS development, particularly in e-commerce, ICT and corridor development.

One example is the earlier proposal for development of financial services in border areas, to facilitate and assist with cross-border trade. This was the focus of the ADB's 2011 report: *Improving Accessibility of Financial Services in the Border-Gate Areas to Facilitate Cross-Border Trade: The Case of Viet Nam and*

Implications for GMS Cooperation, which noted: “Financial services have been overlooked in GMS cooperation on cross-border trade facilitation [but] for the local business community, financial services are an important factor for cross-border trade facilitation and they should be given adequate attention in the GMS cooperation policy.”¹²

To further leverage the role of the private sector both regional and external (e.g. Japanese, western and Chinese companies), more stress should be put on business interface, for example, via the GMS Business Forum, to ensure that private sector perspectives are incorporated in the deliberations of all GMS sector forums and working groups, and that information flows are improved to inform all relevant governments of evolving requirements of the business sector.

More emphasis should also be placed on development of the Small and Medium Enterprise sector and the role of SMEs in development particularly of the new corridor and border town initiatives. To this end, and from the regional perspective, there usefully could be more focus by all regional actors on marshalling SMEs both local and regional, to put common positions and proposals to GMS forums and bodies.¹³

In conclusion, it is worth returning to the theme of regional rivalries, particularly focusing on the growing role of China and steadfastness of Japan. As Chulalongkorn University’s Dr Thitinan noted, “If these two Asian powers and neighbors can iron out latent hostilities from decades past and constructively manage territorial tensions, particularly their bitter wartime memories and their island dispute in the East China Sea, it would contribute significantly to the region's prosperity and security. But if tensions persist -- or even spill over into outright conflict -- the Mekong mainland will suffer from greater geopolitical rivalries.

¹² Improving Accessibility of Financial Services in the Border-Gate Areas to Facilitate Cross-Border Trade: The Case of Viet Nam and Implications for Greater Mekong Subregion Cooperation, October 2011, ADB: <https://www.adb.org/publications/improving-accessibility-financial-services-border-gate-areas-facilitate-cross-border>

¹³ ADB: GMS Economic Cooperation Program Strategic Framework 2012-2022, p. 22; 2011, ADB.

**Achievements, lessons learned and remaining issues
for further connectivity in the Mekong region**

Manabu Fujimura
Aoyama Gakuin University

Regional conference
“Mekong-Japan Cooperation: Progress and Challenges since 2015”
23 March 2018
Raffles Hotel Le Royal, Phnom Penh, Cambodia

1

Outline

- Context of regional integration in the Mekong region and Japan’s involvement
- De jure and de facto integration
- Assessment of the East-West and Southern Economic Corridors
- Lessons learned
- Remaining issues

2

Socioeconomic indicators of CLMTV

| | Cambodia | Lao PDR | Myanmar | Viet Nam | Thailand |
|----------------------------|----------|---------|---------|----------|----------|
| Population (2016, million) | 15.15 | 6.62 | 52.91 | 92.69 | 67.45 |
| Pop. growth rate (%) | 1.2 | 2.0 | 0.9 | 1.1 | 0.3 |
| GDP (2016, \$ billion) | 20.0 | 15.9 | 63.2 | 205.3 | 407.0 |
| Per capita GNI (2015, \$) | 1,070 | 1,740 | 1,160 | 1,990 | 5,720 |
| CPI (2016, %) | 0.50 | 0.20 | 0.18 | 0.84 | 0.52 |
| Adult literacy rate (%) | 77.2 | 79.9 | 93.1 | 94.5 | 96.7 |
| Access to safe water (%) | 75.5 | 75.7 | 80.6 | 97.6 | 97.8 |

Source: IDCJ team (2018) Evaluation Study on Japan's Assistance for Connectivity in Mekong Region focusing on Southern Economic Corridor, commissioned by MOFA

Major export destinations for CLMTV (2016, \$ million, share %)

| | Cambodia | | Lao PDR | | Myanmar | | Viet Nam | | Thailand | |
|-----------|----------|-----|---------|-----|---------|-----|----------|-----|----------|-----|
| U.S.A. | 2,147 | 21 | 19 | 0.6 | 150 | 1 | 38,473 | 21 | 24,388 | 11 |
| China | 609 | 6 | 1,128 | 36 | 4,767 | 41 | 21,950 | 12 | 23,575 | 11 |
| Japan | 827 | 8 | 58 | 2 | 663 | 6 | 14,671 | 8 | 20,417 | 10 |
| Thailand | 419 | 4 | 977 | 31 | 2,241 | 19 | 3,690 | 2 | x | x |
| Viet Nam | 229 | 2 | 538 | 17 | 75 | 0.6 | x | x | 9,337 | 4 |
| India | 23 | 0.2 | 87 | 3 | 1,038 | 9 | 2,687 | 2 | 5,118 | 2 |
| S. Korea | 164 | 2 | 2 | 0.1 | 335 | 3 | 11,406 | 7 | 4,013 | 2 |
| Hong Kong | 214 | 2 | 2 | 0.1 | 193 | 2 | 6,088 | 3 | 11,391 | 5 |
| Singapore | 63 | 0.6 | 16 | 0.5 | 891 | 8 | 2,420 | 1 | 8,037 | 4 |
| Malaysia | 100 | 1 | 3 | 0.1 | 144 | 1 | 3,342 | 2 | 9,541 | 5 |
| Germany | 904 | 9 | 51 | 2 | 172 | 1 | 5,961 | 3 | 4,460 | 2 |
| U.K. | 953 | 9 | 25 | 0.8 | 69 | 0.6 | 4,898 | 3 | 3,824 | 2 |
| World | 10,609 | 100 | 3,124 | 100 | 11,673 | 100 | 176,581 | 100 | 213,594 | 100 |

Data Source: International Trade Center (ITC) Trade Statistics

<http://www.intracen.org/itc/market-info-tools/statistics-export-country-product/>

Major import origins for CLMTV (2016, \$ million, share %)

| | Cambodia | | Lao PDR | | Myanmar | | Viet Nam | | Thailand | |
|-----------|----------|-----|---------|-----|---------|-----|----------|-----|----------|-----|
| China | 4,550 | 37 | 749 | 18 | 5,403 | 34 | 50,038 | 29 | 42,249 | 22 |
| Thailand | 1,910 | 15 | 2,541 | 62 | 1,986 | 13 | 8,855 | 5 | x | x |
| Viet Nam | 1,415 | 11 | 413 | 10 | 355 | 2 | x | x | 4,450 | 2 |
| Japan | 528 | 4 | 89 | 2 | 1,255 | 8 | 15,098 | 9 | 30,855 | 16 |
| Singapore | 565 | 5 | 25 | 0.5 | 2,268 | 14 | 4,769 | 3 | 6,548 | 3 |
| S. Korea | 438 | 4 | 80 | 2 | 474 | 3 | 32,193 | 18 | 7,315 | 4 |
| Taiwan | 701 | 6 | 11 | 0.3 | 42 | 0.3 | 10,943 | 7 | 7,170 | 4 |
| Indonesia | 426 | 3 | 56 | 1 | 593 | 4 | 2,738 | 2 | 6,412 | 3 |
| Malaysia | 247 | 2 | 16 | 0.4 | 691 | 4 | 5,174 | 3 | 10,953 | 6 |
| U.S.A. | 174 | 1 | 20 | 0.5 | 216 | 1 | 8,712 | 5 | 12,210 | 6 |
| Germany | 163 | 1 | 19 | 0.5 | 77 | 0.5 | 2,850 | 2 | 5,901 | 3 |
| India | 89 | 0.7 | 13 | 0.3 | 1,094 | 7 | 2,746 | 2 | 2,585 | 1 |
| World | 12,371 | 100 | 4,107 | 100 | 15,696 | 100 | 174,978 | 100 | 195,722 | 100 |

Data Source: International Trade Center (ITC) Trade Statistics

<http://www.intracen.org/itc/market-info-tools/statistics-export-country-product/>

5

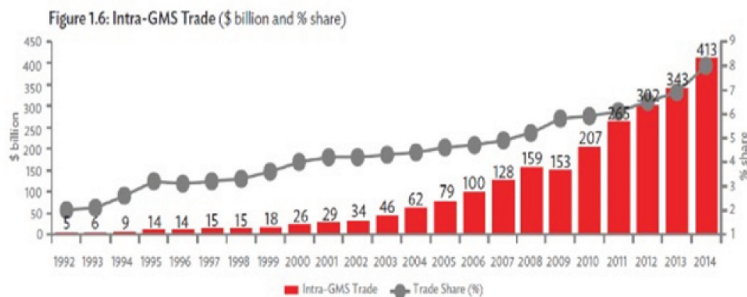
Table 1.11: Intra-GMS Trade (\$ billion and % share)

| Item | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Trade Share (%) | 2.0 | 2.1 | 2.6 | 3.2 | 3.1 | 3.2 | 3.3 | 3.6 | 4.0 | 4.2 | 4.2 | 4.3 | 4.4 | 4.6 | 4.7 | 4.9 | 5.2 | 5.8 | 5.9 | 6.1 | 6.5 | 6.9 | 8.0 |
| Intra-GMS Trade (\$ billion) | 5 | 6 | 9 | 14 | 14 | 15 | 15 | 18 | 26 | 29 | 34 | 46 | 62 | 79 | 100 | 128 | 159 | 207 | 265 | 302 | 343 | 413 | |

GMS=Greater Mekong Subregion.

Intraregional trade share = $(Ti/Tj) \times 100$ where Ti is intraregional trade, i.e., exports of region i plus imports of region i from region i and Tj is total exports of region i to the world plus total imports of region i from the world.

Source: ADB Asian Regional Integration Center (ARIC) Integration database.



Source: JICA (2018) Data Collection Survey on Connectivity Enhancement in Republic of the Union of Myanmar

6

Context (cont'd)

FDI flow to Cambodia
(2012-2016, approved amount \$ million)

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | Total | |
|-----------|------|-----|------|-----|------|-----|------|-----|------|-----|-------|-------|
| | no. | amt | no. | amt | no. | amt | no. | amt | no. | amt | no. | amt |
| China | 41 | 264 | 62 | 448 | 76 | 593 | 47 | 241 | 42 | 731 | 268 | 2,277 |
| Japan | 5 | 212 | 8 | 37 | 1 | 3 | 6 | 39 | 7 | 774 | 27 | 1,065 |
| Hong Kong | 15 | 117 | 17 | 111 | 15 | 94 | 13 | 109 | 14 | 320 | 74 | 751 |
| Viet Nam | 6 | 90 | 5 | 242 | 3 | 15 | 4 | 89 | 3 | 81 | 21 | 517 |
| S. Korea | 29 | 281 | 18 | 82 | 9 | 109 | 4 | 8 | 4 | 20 | 64 | 500 |
| Thailand | 8 | 121 | 6 | 25 | 3 | 25 | 3 | 22 | 4 | 131 | 24 | 324 |
| Singapore | 9 | 83 | 4 | 55 | 5 | 37 | 1 | 27 | 7 | 104 | 26 | 306 |
| Taiwan | 23 | 97 | 16 | 85 | 7 | 29 | 14 | 46 | 12 | 40 | 72 | 297 |
| U.K. | 5 | 37 | 8 | 92 | 5 | 87 | 7 | 115 | 5 | 36 | 30 | 367 |

Source: IDCJ team (2018), Data source: JETRO

Context (cont'd)

FDI flow to Lao PDR
(2014-2016, approved amount \$ million)

| | 2014 | 2015 | 2016 |
|----------|-------|------|-------|
| China | 464 | 977 | 1,000 |
| Thailand | 1,023 | 253 | 729 |
| Viet Nam | 226 | 725 | 449 |
| S. Korea | 76 | 107 | 144 |
| Japan | 60 | 25 | 45 |
| France | n.a. | 464 | n.a. |
| Malaysia | n.a. | 434 | n.a. |

Source: IDCJ team (2018), Data source: JETRO

Context (cont'd)

FDI flow to Myanmar
(2012-2016, approved amount \$ million)

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | Total | |
|-----------|------|-----|------|-------|------|-------|------|-------|------|-------|-------|--------|
| | no. | amt | no. | amt | no. | amt | no. | amt | no. | amt | no. | amt |
| Singapore | 14 | 248 | 25 | 2,340 | 43 | 4,297 | 55 | 4,247 | 27 | 3,821 | 164 | 14,953 |
| China | 14 | 407 | 16 | 57 | 34 | 517 | 43 | 3,324 | 38 | 483 | 145 | 4,788 |
| Viet Nam | 3 | 329 | 1 | 142 | 1 | 175 | 3 | 5 | 3 | 1,386 | 11 | 2,037 |
| U.K. | 5 | 233 | 10 | 157 | 13 | 851 | 3 | 75 | 3 | 54 | 34 | 1,370 |
| Thailand | 2 | 1 | 9 | 489 | 11 | 166 | 12 | 236 | 10 | 423 | 44 | 1,315 |
| Hong Kong | 9 | 81 | 24 | 119 | 28 | 626 | 23 | 225 | 18 | 214 | 102 | 1,265 |
| S. Korea | 28 | 38 | 13 | 641 | 24 | 300 | 14 | 128 | 11 | 66 | 90 | 1,173 |
| Japan | 11 | 54 | 11 | 61 | 16 | 86 | 25 | 220 | 6 | 60 | 69 | 481 |
| Malaysia | 2 | 4 | 3 | 56 | 3 | 7 | 5 | 257 | 2 | 21 | 15 | 345 |

Source: IDCJ team (2018), Data source: JETRO

Context (cont'd)

FDI flow to Viet Nam
(2012-2016, approved amount \$ million)

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | Total | |
|-----------|------|-------|------|-------|------|-------|-------|-------|-------|-------|-------|--------|
| | no. | amt | no. | amt | no. | amt | no. | amt | no. | amt | no. | amt |
| S. Korea | 389 | 1,285 | 586 | 4,466 | 815 | 7,705 | 1,029 | 6,983 | 1,263 | 6,986 | 4,082 | 27,335 |
| Japan | 444 | 5,593 | 500 | 5,875 | 517 | 2,299 | 475 | 1,803 | 574 | 2,510 | 2,510 | 18,080 |
| Singapore | 174 | 1,938 | 179 | 4,769 | 172 | 2,893 | 204 | 2,082 | 309 | 2,123 | 1,038 | 13,805 |
| Hong Kong | 74 | 729 | 96 | 730 | 143 | 3,036 | 150 | 1,148 | 228 | 1,626 | 691 | 7,269 |
| China | 76 | 319 | 123 | 2,339 | 143 | 497 | 210 | 744 | 358 | 1,706 | 910 | 5,605 |
| Malaysia | 11 | 112 | 32 | 148 | 52 | 388 | 49 | 2,479 | 68 | 688 | 212 | 3,815 |

Source: IDCJ team (2018), Data source: JETRO

Context (cont'd)

FDI flow to Thailand
(2012-2016, approved amount Bt million)

| | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
|-----------|---------|---------|---------|---------|--------|-----------|
| Japan | 348,430 | 290,491 | 181,932 | 148,964 | 79,599 | 1,049,416 |
| U.S.A. | 17,890 | 9,400 | 50,158 | 32,232 | 25,291 | 134,971 |
| China | 7,901 | 4,991 | 38,247 | 28,100 | 53,767 | 133,006 |
| Singapore | 19,418 | 20,039 | 16,345 | 40,838 | 22,622 | 119,262 |
| Hong Kong | 12,864 | 38,610 | 18,879 | 27,653 | 8,602 | 106,608 |
| Malaysia | 19,418 | 20,039 | 1,351 | 31,360 | 8,247 | 70,104 |
| Taiwan | 11,711 | 7,484 | 3,230 | 15,584 | 8,032 | 46,041 |
| Australia | 12,452 | 1,249 | 7,907 | 1,117 | 19,856 | 42,581 |
| S. Korea | 3,988 | 3,631 | 14,860 | 3,942 | 6,242 | 32,663 |

Source: IDCJ team (2018), Data source: JETRO

Context (cont'd)

Top 10 bilateral donors to CLMTV
(Net ODA flow, annual average of 2009-2013, \$ million)

| | Cambodia | Lao PDR | Myanmar | Viet Nam | Thailand | Total |
|-------------|----------|---------|---------|----------|----------|---------|
| Japan | 109.1 | 70.6 | 545.0 | 1,067.8 | - | 1,797.5 |
| South Korea | 62.6 | 40.2 | 12.1 | 194.1 | 3.8 | 312.8 |
| U.S.A. | 82.5 | 15.0 | 69.9 | 92.6 | 46.4 | 306.4 |
| France | 36.5 | 12.9 | 100.8 | 133.7 | 0.7 | 284.5 |
| Australia | 59.3 | 39.4 | 51.6 | 105.6 | 6.3 | 262.3 |
| Germany | 30.7 | 24.6 | 69.6 | 113.0 | - | 237.8 |
| U.K. | 10.7 | 2.1 | 110.5 | 39.1 | - | 162.5 |
| Switzerland | 9.9 | 21.3 | 23.0 | 25.6 | 2.1 | 81.7 |
| Norway | 8.0 | 4.9 | 22.6 | 20.5 | 1.3 | 57.3 |
| Sweden | 28.6 | - | 20.5 | - | 6.7 | 55.8 |

Source: IDCJ team (2018)

Member firms in Japanese Chambers of Commerce in CLMTV

| | Jun 2012 | Jun 2017 | Growth |
|----------|----------|----------|--------|
| Cambodia | 91 | 242 | 166% |
| Lao PDR | 41 | 93 | 127% |
| Myanmar | 56 | 351 | 526% |
| Viet Nam | 1,035 | 1,683 | 63% |
| Thailand | 1,379 | 1,749 | 27% |

Source: IDCJ team (2018), Data source: JETRO

De jure and de facto regional integration

- De jure integration: associated with formal agreements between governments such as FTA, EPA and TPP
- De facto integration: associated with deepening intra-regional trade and investment driven by private entities
- Developments of economic corridors in the Mekong region represent de facto integration – so far driven mainly by developments in transport and logistics infrastructure – with institutional coordination understandably lagging behind.
- Diverse Asia need not follow the EU model, which has been undergoing serious internal discords recently.

14

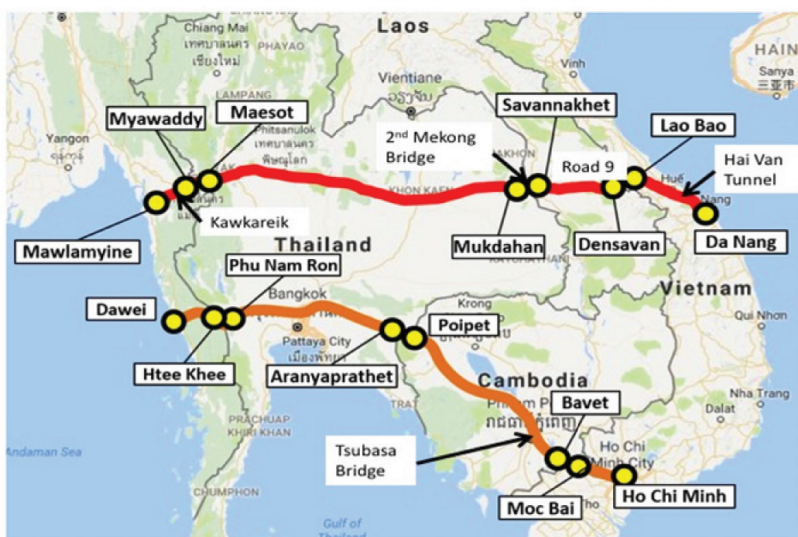
Positive impacts of economic corridors

- An attempt was made to measure indirectly the impact of GMS economic corridors using an econometric model that involves standard variables considered to influence living standards along the corridor routes.
- Panel data include total 224 administrative units: 24 for Cambodia, 17 for Lao PDR, 14 for Myanmar, 63 for Vietnam, 76 for Thailand, 16 for Yunnan and 14 for Guangxi, over the period of 2001 ~ 2012.
- Despite incomplete dataset especially due to missing data for CLM, a few positive indications of economic corridor developments were obtained.
 - (i) Traffic growth at subnational level is associated with higher growth in per capita GDP.
 - (ii) GMS corridors as a whole has a positive impact on regional income.

Source: M. Fujimura. 2017 "Evaluation of cross-border transport infrastructure in GMS: Three approaches" ADBI Working Paper No.771.

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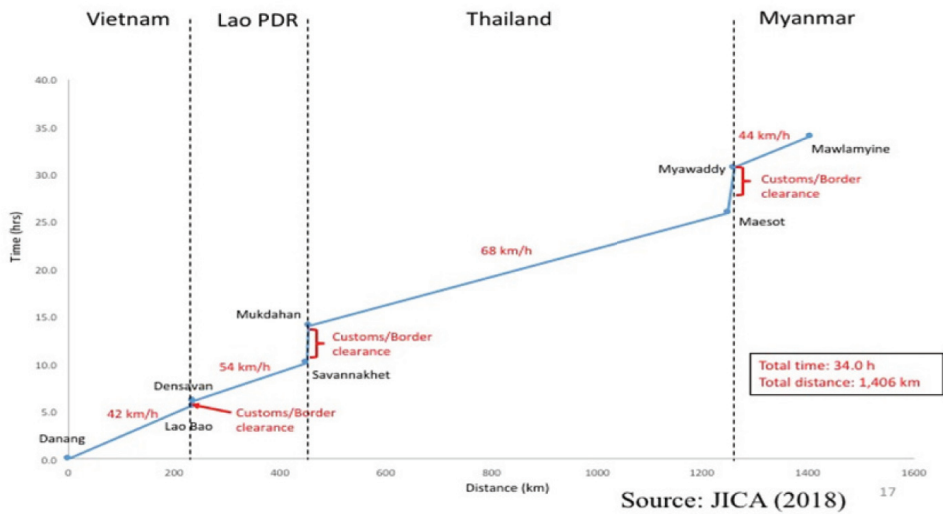
East-West and Southern Corridors



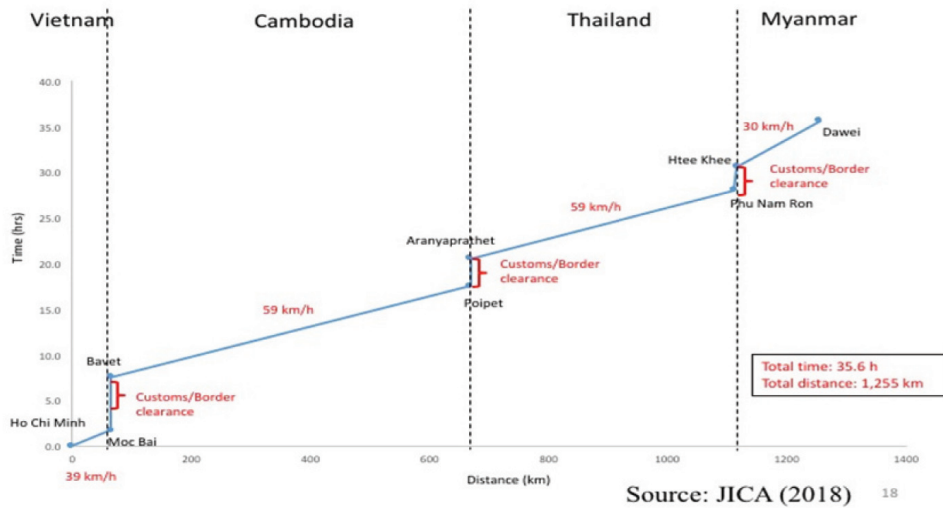
Source: JICA (2018)

16

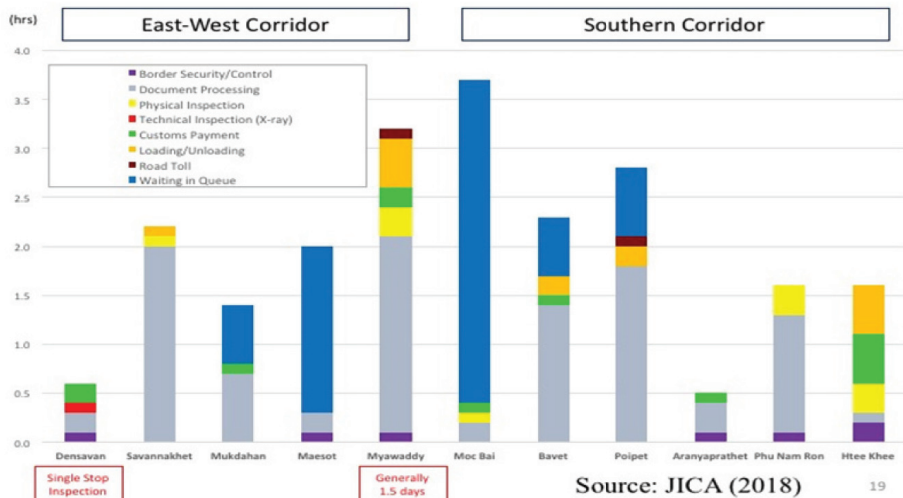
Test-run on the East-West Corridor



Test-run on the Southern Corridor



Time spent at customs along the two corridor routes



Lessons learned

- Differing comparative advantages across economies offer gains from integration: e.g., firms have incentive to relocate their labor-intensive processes to less developed and relatively labor-abundant countries to optimize their supply chain: e.g., “Thailand-Plus-One” and “China-Plus-One” strategies. → Host governments have opportunities to meet their demand by preparing IZs and SEZs along economic corridors.
- “Gravity” relation is difficult to beat: short- to medium-term impacts are greater for corridors with **large economic hubs** and **shorter distances** between them. Location of IZs and SEZs should take this general tendency into account.
- Transport costs tend to be higher with **asymmetric trade volumes**: this leads to inefficient logistics and high unit transport cost.

Lessons learned (cont'd)

- As cross-border traffic increases, border gates get crowded. **Separate gates for cargo traffic and bypass access roads** become necessary: e.g., Poipet and Bavet borders on the Southern Corridor.
- Importance of perceived fairness in integration: Facilitation of cross-border traffic would involve asymmetric distribution of benefits and costs. For example, Lao PDR and Cambodia are likely to function as transit routes on major economic corridors → some transparent **compensation scheme** such as transit fees or subsidy across countries may be warranted. In the case of the Lao route of the North-South Corridor, the Lao section was financed by China, Thailand, and ADB.

21

Remaining issues for further connectivity: Logistical performance of the region is still low.

Logistical performance ranking for Southeast Asian countries
(2014→2016, out of 160 countries)

| | Total | Customs | Infra-structure | Int'l transport | Logistical capacity | Tracking capacity | Delivery time |
|-------------|---------|---------|-----------------|-----------------|---------------------|-------------------|---------------|
| Singapore | 5→5 | 3→1 | 2→6 | 6→5 | 8→5 | 11→10 | 9→6 |
| Malaysia | 25→32 | 27→40 | 26→33 | 10→32 | 32→35 | 23→36 | 31→47 |
| Thailand | 35→45 | 36→46 | 30→46 | 39→38 | 38→49 | 33→50 | 29→52 |
| Indonesia | 53→63 | 55→69 | 56→73 | 74→71 | 41→55 | 58→51 | 50→62 |
| Vietnam | 48→64 | 61→64 | 44→70 | 42→50 | 49→62 | 48→75 | 56→56 |
| Philippines | 57→71 | 47→78 | 75→82 | 35→60 | 61→77 | 64→73 | 90→70 |
| Cambodia | 83→73 | 71→77 | 79→99 | 78→52 | 89→89 | 71→81 | 129→73 |
| Myanmar | 131→113 | 100→96 | 128→105 | 120→144 | 129→119 | 146→94 | 137→112 |
| Laos | 145→152 | 150→155 | 137→155 | 151→148 | 156→144 | 130→156 | 117→133 |

Data source: World Bank, Logistics Performance Index <http://lpi.worldbank.org/international/global>

22

Remaining issue 1: costly border procedure

- Myanmar stands out in both export and import clearance time.
- Cambodia and Lao PDR take more time than Myanmar in paper work.
- Paper work in CLMV cost more than in Japan.

Time and cost for customs procedure (hours, USD per container)

| | Time Export time | | Export cost | | Import time | | Import cost | |
|----------|------------------|------------|-------------|------------|-------------|------------|-------------|------------|
| | clearance | paper work | clearance | paper work | clearance | paper work | clearance | paper work |
| Cambodia | 48 | 132 | 375 | 100 | 8 | 132 | 240 | 120 |
| Laos | 12 | 216 | 73 | 235 | 14 | 153 | 216 | 155 |
| Myanmar | 144 | 144 | 432 | 140 | 232 | 48 | 457 | 210 |
| Thailand | 51 | 11 | 223 | 97 | 50 | 4 | 233 | 43 |
| Vietnam | 58 | 50 | 309 | 139 | 62 | 76 | 392 | 183 |
| China | 26 | 21 | 522 | 85 | 92 | 66 | 777 | 171 |
| Japan | 23 | 2 | 265 | 60 | 40 | 3 | 299 | 100 |

Data source: World Bank, Doing Business data base (as of December 2016)

<http://www.doingbusiness.org/data/exploretopics/trading-across-borders>

23

Remaining issue 1: border procedure (cont'd)

- While all Mekong region countries introduced electronic customs declaration system, often times hardcopy documents need to be presented to the customs and inspection – particularly for CLM.
- Many of the border offices in CLMV lack adequate ICT infrastructure, making the customs clearance slow.
- Distorted incentives (e.g., Thailand's "rebate" system for customs officers); seemingly excessive red tape (e.g., CAMCONTROL); implicit fees at immigration (e.g., borders in Vietnam); etc.
- Situation has much improved for Vietnam with the introduction of VNACCS system and Japan's capacity building support.

Remaining issue 2: cross-border transport (cont'd)

- Lao vehicles holding CBTA licenses are permitted to run both in Thailand and Vietnam, but in practice Lao vehicles are not allowed to enter Thailand.
- In turn, Thai drivers are hesitant to drive in neighboring countries and transport companies do not usually let them do so either. While right-hand-wheeled vehicles run on the left side of roads, it is opposite in all its neighbors except Malaysia.
- Other constraints include different languages and traffic signs across borders, necessitating personnel training and insurance for drivers and vehicles. Even when a three-country passage is allowed by trilateral agreements, transport service firms may be deterred from entering such business.

Remaining issue 2: inefficient cross-border transport

- CBTA signed by all governments of GMS members is slow in implementation. SSI is operational only at the Densavan-Lao Bao border at the moment.
- Vehicle licenses for cross-border passage is based on bilateral or trilateral MOUs. Its conditions vary across countries and subject to often unclear implementation. Most borders require transshipment in practice.
- Thailand, Lao PDR, and Vietnam agreed in 2009 to permit Thai vehicles to travel up to Da Nang and Vietnamese vehicles to travel up to Khon Kaen. However, in practice, vehicles are subject to Thailand-Lao PDR and Lao PDR-Vietnam bilateral agreements. Vietnam's transport ministry prohibits right-hand-wheeled vehicles from running in the country.

A final word: Japanese people are eager to work with colleagues in CLMVT countries to promote further connectivity in the region for mutual benefits.

Let us continue along the path – Asian way, ASEAN way and Mekong way.

Thank you for your kind attention

Mekong-Japan Cooperation: Progress and Challenges since 2015”

By Dr. Lattana THAVONSOUK
Deputy Director General
Institute of Foreign Affairs
Ministry of Foreign Affairs, Lao PDR

6/13/18

1

History

- Seventeen century: Japanese in South East Asia
- Promulgation of “Sakoku policy”
- “Meiji Restoration”
- The scourge of war: Strategy
- Yoshida and Fukuda doctrines
- Yoshida doctrine 1957: “Economic Diplomacy”
- Fukuda doctrine 1976: Japan’s economic strategy towards South East Asia

6/13/18

2

Soft Power

- Through the use of FDI,ODA
- As mean to enlarge Japan's relationship beyond the economic field, further contributing to long term stable ties with the region
- Rapprochement of ASEAN and Indochina
- Cambodian National Reconciliation
- Japan's ODA drastically grew in magnitude to assist the region, becoming the largest donor country among the DAC members
- Asian Development Bank (ADB); the Asian and Pacific Council (ASPAC); the Ministerial Conference for the Economic Development of South East Asia

6/13/18

3

After Cold War

- CLMV: Mekong River
- Economic development, human resources development and poor infrastructure, technological development
- Japan fully understands their order of priority, " quality infrastructure"

Japan

- Mekong-Japan forum in 2007
- Mekong-Japan Cooperation: Many projects and plans of actions, "hard connectivity" but also "soft connectivity"
- the New Tokyo Strategy 2015: 750 billion yen in three years
- four priority pillars: Industrial Infrastructure Development, Industrial Human Resource, Sustainable Development and Coordination with various Stakeholders

Laos

- Locked in the Mekong Basin: ODA from Japan
- Geographical location into land-linked country: “Hard Efforts” such as East-West Economic Corridor Vietnam-Laos-Thai-land-Myanmar and other infrastructure projects
- JICA: Nam Ngum I by installing the turbo 6 (capacity of 40MW)
- JICA: Nam Ngiep hydro-power project in Bolikhamxay province with capacity of 290 MW
- Southern Region Power System Development Project, the Project for Construction of Sekong Bridge and the Project for Acceleration of UXO clearance
- Air link

6/13/18

5

Challenges

- Five projects in the southern part of Laos in the framework of the “New Tokyo Strategy 2015” for Mekong-Japan Cooperation are not yet considered because Japan says that this assistance should be executed on bilateral basis rather than multilateralist basis
- Some projects lack experts to write the proposals to submit to JICA and JAIF
- Laos proposes Japan to finalize projects and action plans of New Tokyo Strategy 2015 which will be terminated by the end of 2018

6/13/18

6

Recommendations

- To conduct the feasibility study of the Vientiane-Hanoi express way
- The touristic authorities of both sides should emphasize more to disseminate information on tourist destination on the give and take basis and on win-win situation
- Laos is on the way to study the Free and Open Indo-Pacific Strategy and considers
- Laos welcomes and supports whatever initiative conducive to wide and useful cooperation, promoting the connectivity and globalization it as the new interesting initiative

6/13/18

7

Thank you

6/13/18

8

New trends and implications for Mekong regional cooperation

To Minh Thu
Diplomatic Academy of Vietnam
Phnom Penh, 23 March 2018

New trends to be discussed

- Development model toward green and sustainable growth.
- The 4th Industrial Revolution
- Emergence of China-led cooperation mechanisms

Toward green and sustainable growth (1)

Green growth is seen as:

- A major mean to restructure economy.
- Promoting long-term development in the post-crisis era.
- Improving resource efficiency, reducing pollution, increasing market demand and creating new jobs.
- An important point of convergence between environmental protection and economic growth.

Toward green and sustainable growth (2)

Challenges for Green and sustainable growth in the Mekong region

- . Institutional, budgetary, infrastructure, management skill limitation and also the people's practice.
- . The demand for high growth to meet the current need, short-term vs long-term interest.
- . Conflict of interests among member countries due to trans-boundary nature of environmental issues.

The 4th Industrial Revolution

- Opportunity to catch-up:
 - Enhance productivity
 - New opportunity for SME
 - Reduce the risks of livelihood of people
- But: challenges ahead due to low level of development,
 - Challenges from automation
 - Challenges from low quality human resources
 - Challenges to social order, increasing inequality.

Emergence of China-led initiatives

- New regional cooperation mechanism
- New momentum for regional development and cooperation
- Challenges for synergize of existing and new mechanism

Focus areas from these trends

- To develop transportation corridor and logistic system East-West corridor.
- Support Mekong countries in transforming toward green and sustainable development;
- Support Mekong countries in the development of high-quality human resources
- Synchronize with other mechanisms.

*Regional Conference on Mekong-Japan Cooperation
Organized by CICP on 23 March 2018
Raffles Hotel Le Royal, Phnom Penh, Cambodia.*

Session 3: Perspectives and Paths Forwards for Mekong-Japan Regional Cooperation for Inclusive Growth and Mutual Benefits

Dr. HAN, Phoumin
Energy Economist

Economic Research Institute for ASEAN and East Asia



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OUTLINE OF PRESENTATION

- I. THE CONNECTIVITY & INNOVATION**
- II. DEVELOPMENT OF GMS ECONOMIC CORRIDORS-
THE ECONOMIC IMPACTS**
- III. GMS- POWER GRID INTEGRATION**
- IV. MEKONG-JAPAN COOPERATION FOR INCLUSIVE
GROWTH**
- V. CHALLENGES AND PATHS FORWARDS**

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2

I- CONNECTIVITY & INNOVATION

- Fast economic development in the past decades have transformed the Southeast Asia region into the stage of preparation to join the international production network, which allow more exports of manufacturing products, textiles and other primary high quality valued added products into the international market;
- Connectivity through road, railway, sea-lane, and air have compressed time and space, allowing goods and services to flow internationally in much faster manner and efficiently in terms of cost reduction in logistics, and thus have created a favorable functioning market of supplying goods and services linking production from the Mekong sub- region into regional and global supply value chain;
- The fast connectivity along with human resource development in the Southeast Asia region, especially the Mekong-sub region has provided many opportunities for the region to growth, and lifting up social well-beings of the people through income generation and employment.

- Since the mid-1980s, ASEAN and East Asia have been successful in being engaged with “the second unbundling”, resulting to “Great Convergence”, and rapid economic growth and poverty alleviation
- Now the wave of “the third unbundling” is coming, and countries need to incorporate it into development strategy.
- Innovation enhances connectivity
- Connectivity overcomes distance and generates innovation.
- The first unbundling
 - ✓ Mass transport system -> Trade costs lower -> goods move -> production and consumption unbundled -> industry-wise division of labor
- The second unbundling
 - ✓ ICT revolution -> Communication costs lower -> ideas move -> production unbundled -> task-wise division of labor
- The third unbundling
 - ✓ Further ICT -> Face-to-face costs lower -> people move -> task unbundled -> person-wise division of labor, B-to-C/C-to-C matching/sharing easier

Overcoming distance and the evolution of unbundlings

| | Pre-globalized world (0) | The 1st unbundling (1) | The 2nd unbundling (2) | The 3rd unbundling (3) |
|--|--------------------------|--|--|--|
| Trade costs Communication costs Face-to-face costs | High High High | Lower High High | Lower Lower High | Lower Lower Lower |
| What starts moving? What overcomes distance? | None | Goods | Ideas | People |
| International division of labor | Autarky | Industry-wise (Production and consumption are fragmented) | Task-wise (An industry is fragmented) | Person-wise (A task is fragmented, b-to-c c-to-c matching easier) |
| Years of dominance | - 1820 | 1820-1990 | 1990-2015 | 2015- |

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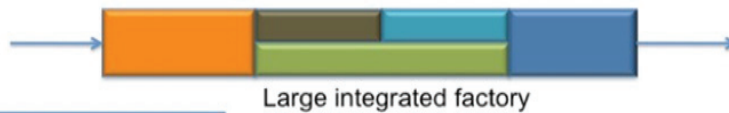


Source: The ERIA-IDE-JETRO Team.

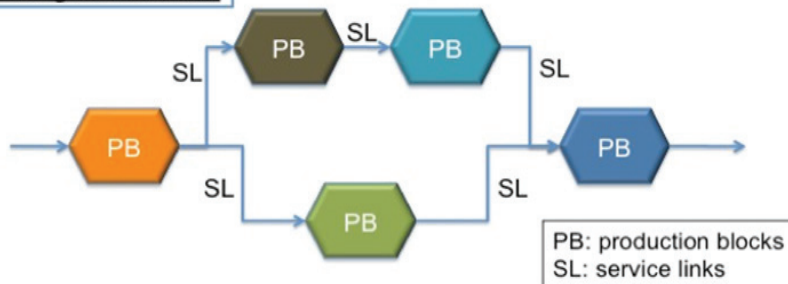
5

The theory of fragmentation- the 2nd unbundling

Before fragmentation



After fragmentation



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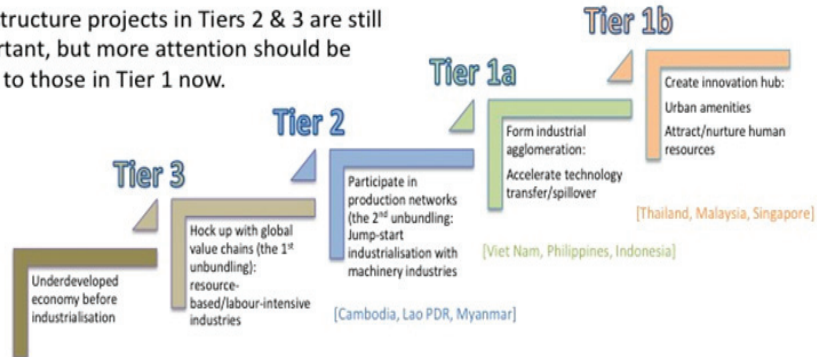


Source: The ERIA CADP Research Team.

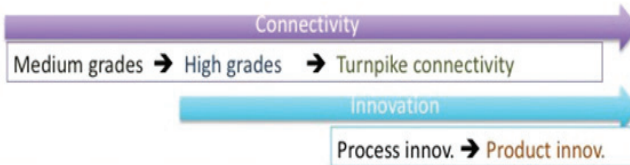
6

New Development Strategy and Quality of Infrastructure

- ✓ Infrastructure projects in Tiers 2 & 3 are still important, but more attention should be given to those in Tier 1 now.



- ✓ Continuously develop middle-distance physical/institutional connectivity, i.e. Tier 2, to participate in production networks



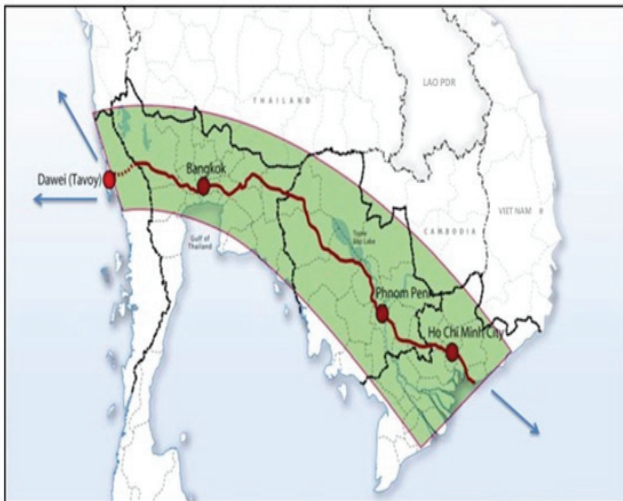
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Source: The ERIA CADP Research Team.

7

II- DEVELOPMENT OF GMS ECONOMIC CORRIDORS- ECONOMIC IMPACTS



- ✓ Connectivity & innovation promote agglomeration forces and dispersion forces;
- ✓ Mekong-India Economic Corridor/ East-West Economic Corridor (MIEC , EWEC) connects Ho Chi Minh City, Phnom Penh, Bangkok Metropolitan Area, and Dawei. It has great potential for being a major manufacturing corridor in the near future.
- ✓ MIEC will need to have at least three projects implemented at the same time—the industrial estate, highway connection to Thailand, and a deep sea port.

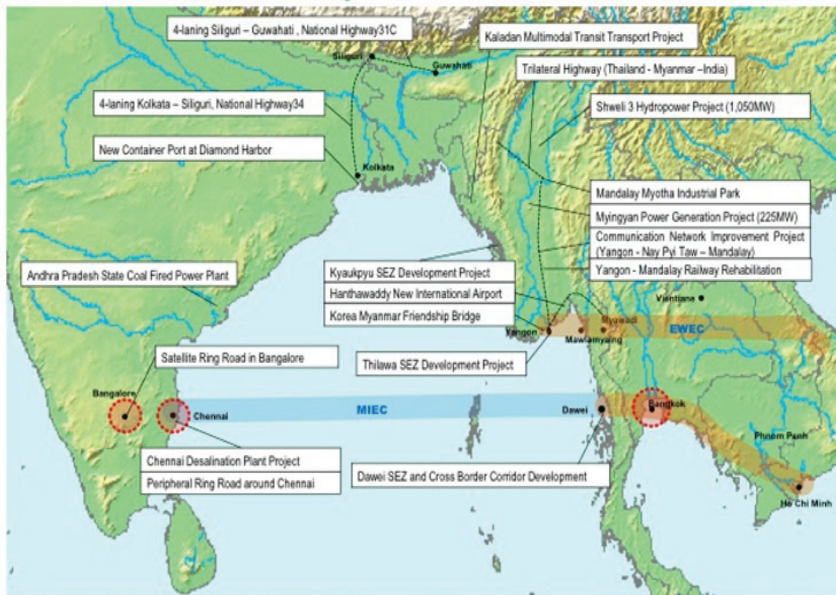
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Source: The ERIA CADP Research Team.

8

✓ **Selected Infrastructure Projects in the MIEC**



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Source: The ERIA CADP Research Team.

9

✓ **Top 10 Gainers of Mekong–India Economic Corridor
(Cumulative Impact during 2021–2030/ GDP in 2010)**

| | Region | Country | % |
|----|------------------|----------|-------|
| 1 | Dawei | Myanmar | 939.7 |
| 2 | Phnom Penh | Cambodia | 389.2 |
| 3 | Dong Nai | Viet Nam | 388.1 |
| 4 | Kawthoung | Myanmar | 254.5 |
| 5 | Ho Chi Minh City | Viet Nam | 244.2 |
| 6 | Kandal | Cambodia | 183.5 |
| 7 | Sihanoukville | Cambodia | 145.8 |
| 8 | Banteay Meanchey | Cambodia | 136.7 |
| 9 | Svay Rieng | Cambodia | 123.5 |
| 10 | Battambang | Cambodia | 123.5 |

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Source: IDE/ERIA-GSM simulation result.

10

✓ **PROGRESS OF THE GMS CORRIDORS DEVELOPMENT & ECONOMIC IMPACTS**

- Around 75% of planned projects completed or ongoing
- Notable achievements are in road transport infrastructure
- However, rail and power sectors requires more attention
- Good progress in tourism, social & environment sectors
- More efforts required for cross-border transport and trade facilitation, investment promotion, private sector participation

Case study: Phnom Penh-Ho Chi Minh city highway improvement project

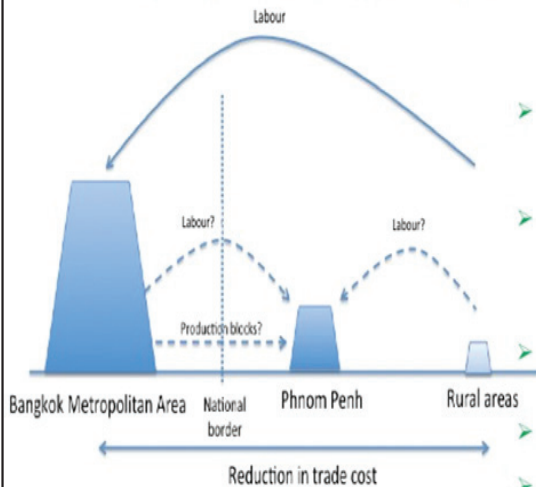
In 1999 (Before upgrading road)

- Travel time from Phnom Penh to HCM City: 9-10 hours;
- Cross-border trade at Moc Bai (Viet Nam) – Bavet (Cambodia): \$ 10 million / year

In 2014 (After both hardware and software are implemented)

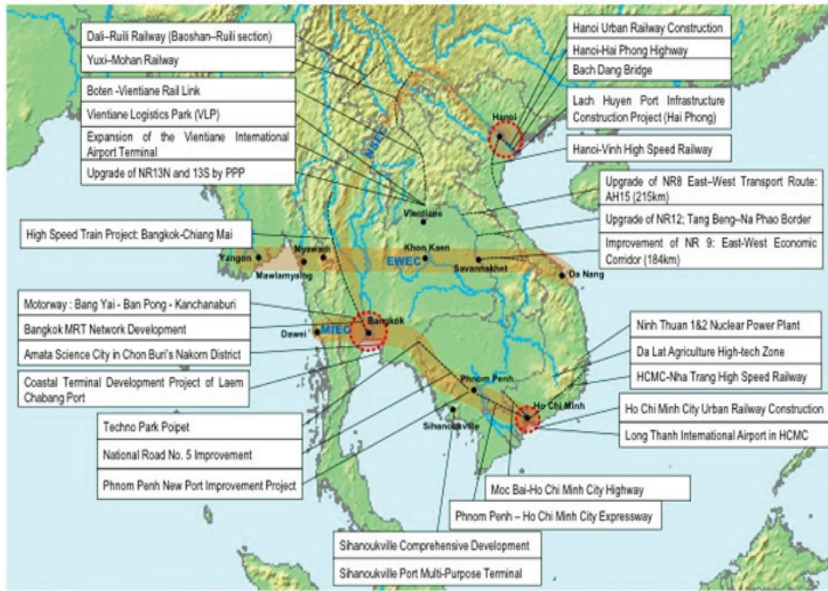
- Travel time reduced to 5-6 hours;
- Cross border trade at Moc Bai – Bavet: \$ 708 million / year
- Trang Bang Industrial Park (in Moc Bai) : 41 projects, \$ 270 million in new investments and 3,000 jobs created

✓ **PHNOM PENH'S DEVELOPMENT SCENARIO- NEW GEOGRAPHIC ADVANTAGE**



- About 1 million out of 15 million Cambodians are now in Thailand working in unskilled labour-intensive sectors and the informal sector rather than in Phnom Penh.
- How can Phnom Penh attract labour from the rural areas and, at the same time, invite production blocks from Thailand?
- If the wage gap between Bangkok-Phnom Penh is too large, people do not come to Phnom Penh though production blocks may be motivated to come.
- On the other hand, if the wage gap is too small, production blocks do not come though people may flow into Phnom Penh.
- How can Phnom Penh attract both production blocks and people?
- The answer is the improvement of location advantages and liveability in Phnom Penh.

✓ **Selected Infrastructure Projects in the Mekong Subregion**



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Source: ERIA Research Team

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✓ **TRANSFORMING TRANSPORT CORRIDORS INTO ECONOMIC CORRIDORS**



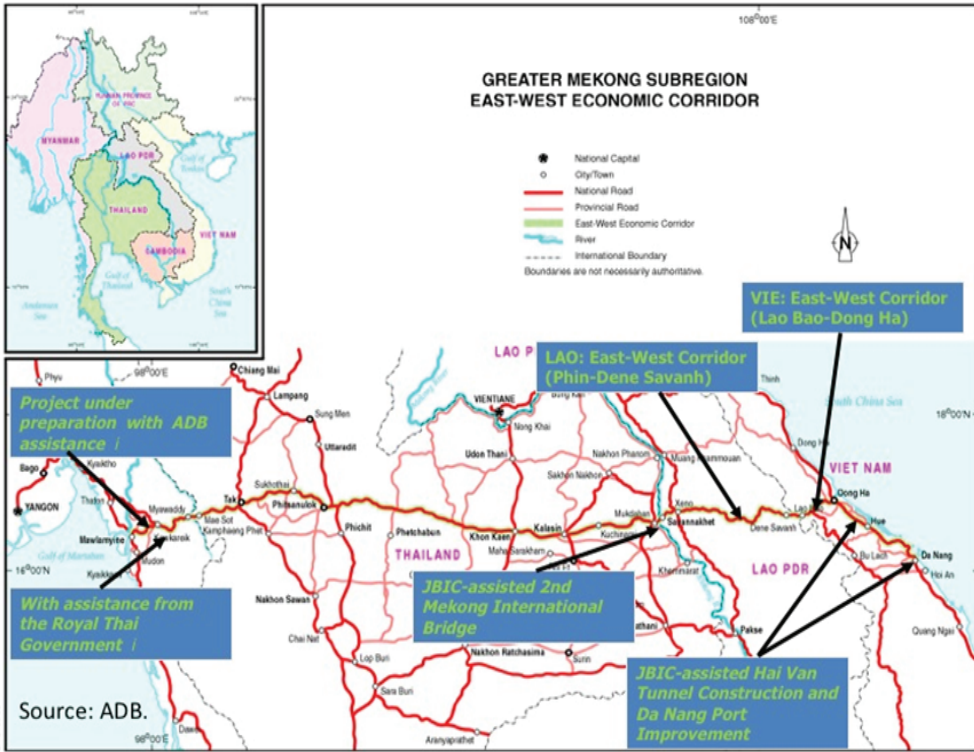
- **Transport Corridor** – Physical Infrastructure
- **Transportation & Trade Facilitation (TTF) Corridor** – Cross-border transport operations and efficient border formalities
- **Logistics Corridor** – Broader trade facilitation (behind-the-border) and developed cross-border logistics services
- **Urban Development Corridor** – Improved economic infrastructure and enhanced capacities of corridor towns for public-private partnerships
- **Economic Corridor** – Increased private investment, well-developed production chains

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Source: ADB.

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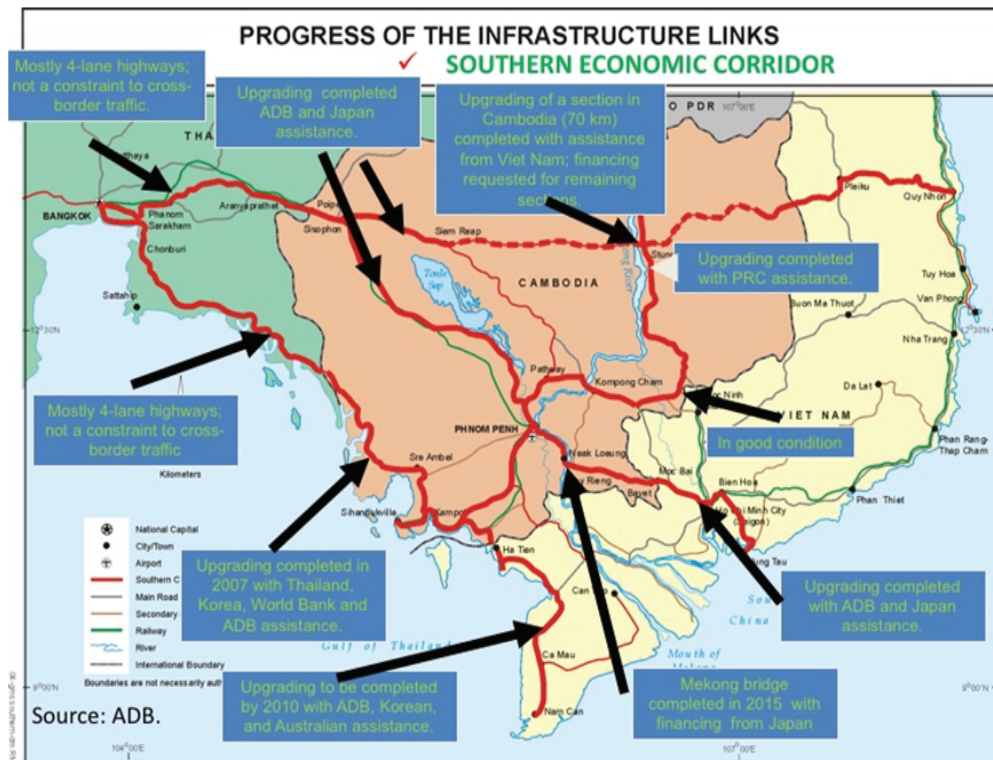
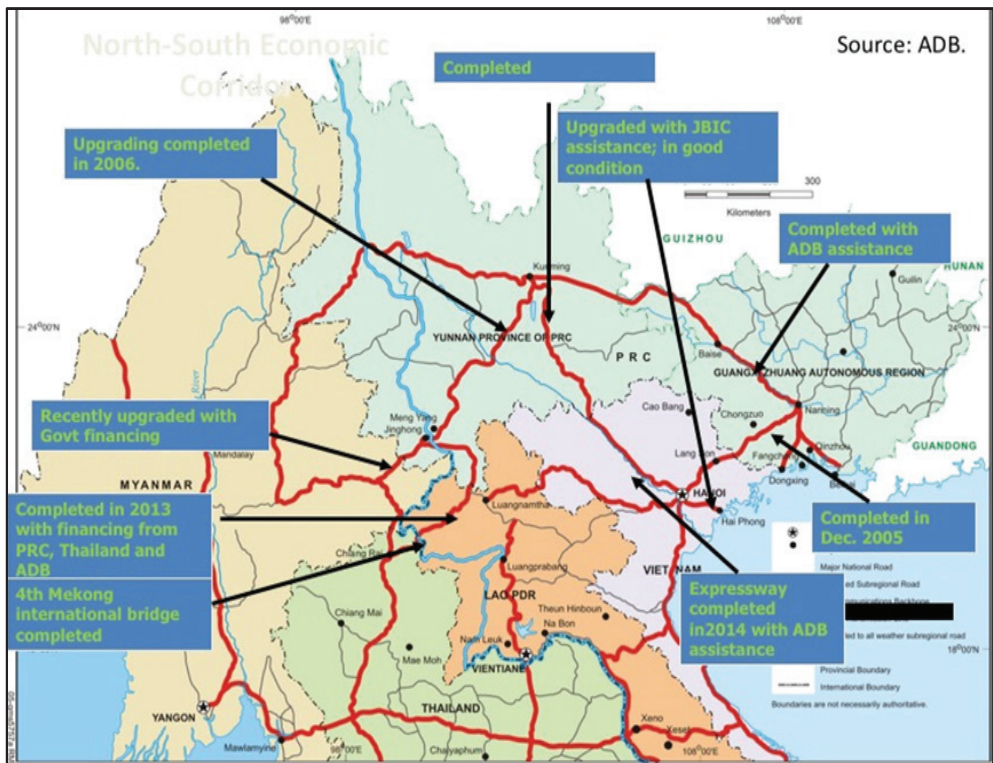
✓ **Top 10 Gainers of East-West Economic Corridor
(Cumulative Impact during 2021–2030/ GDP in 2010)**

| | Region | Country | % |
|----|----------------|----------|-------|
| 1 | Yangon | Myanmar | 226.3 |
| 2 | Khammouan | Lao PDR | 216.4 |
| 3 | Myawaddy | Myanmar | 207.6 |
| 4 | Hpa-An | Myanmar | 76.0 |
| 5 | Savannakhet | Lao PDR | 74.7 |
| 6 | Champasak | Lao PDR | 66.2 |
| 7 | Thaton | Myanmar | 19.4 |
| 8 | Quang Tri | Viet Nam | 17.3 |
| 9 | Thua Thien-Hue | Viet Nam | 16.3 |
| 10 | Mawlamyine | Myanmar | 14.3 |

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Source: IDE/ERIA-GSM simulation result.



✓ **Top 10 Gainers of North-South Economic Corridor
(Cumulative Impact during 2021–2030/ GDP in 2010)**

| | Region | Country | % |
|----|----------------|----------|-------|
| 1 | Tachileik | Myanmar | 433.6 |
| 2 | Kengtung | Myanmar | 187.4 |
| 3 | Bokeo | Lao PDR | 118.9 |
| 4 | Louang-Namtha | Lao PDR | 10.9 |
| 5 | Khammouan | Lao PDR | 7.1 |
| 6 | Oudomxai | Lao PDR | 6.4 |
| 7 | Pailin | Cambodia | 5.3 |
| 8 | Phongsali | Lao PDR | 5.2 |
| 9 | Monghpyak | Myanmar | 5.2 |
| 10 | Louang Prabang | Lao PDR | 5.0 |

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Source: IDE/ERIA-GSM simulation result.

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III- GMS- POWER GRID INTEGRATION

✓ **Energy Cooperation in GMS**

- Launched in 1992
- Covering Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam and Guangxi and Yunnan Provinces, People Republic of China.
- GMS energy cooperation cover comprehensive agenda on RE (Renewable Energy), EE (Energy Efficiency) regional energy planning, oil and gas, coal, power trade and interconnection, which would lead to **\$200 billion economic and environmental benefit.**

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✓ Primary Energy Resource and Electricity Demand in GMS

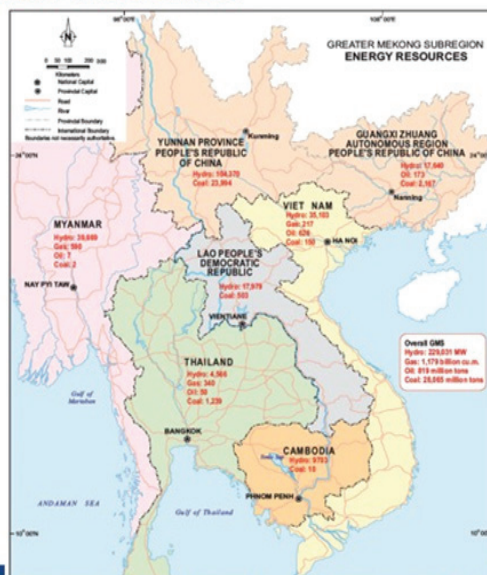
- Unevenly distributed primary energy potential: 229 GW hydro, 1.2 billion m³ of NG, 0.82 billion m³ of oil and 28 billion tons of coal.
- Energy surplus (Lao PDR, Myanmar and Cambodia) and deficit (Thailand, Vietnam and PRC).
- Peak Power demand will reach 277 GW by 2025 from 83 GW in 2010. Thailand, Vietnam and Guangxi & Yunnan would account for 96% of total GMS peak power demand in 2030.

✓ GMS: ENERGY RESOURCES

Overall GMS

- **Hypower: 229,031 MW**
- **Gas: 1,179 Billion cu.m.**
- **Oil: 819 million tons**
- **Coal: 28,065 million tons**

| Countries | Hydro (MW) | Gas (Bill. Cu.m) | Oil (Mill. tons) | Coal (Mill. tons) |
|-----------|------------|------------------|------------------|-------------------|
| Cambodia | 9,703 | N/A | N/A | 10 |
| Yunnan | 104,370 | N/A | N/A | 23,994 |
| Guangxi | 17,640 | N/A | 173 | 2,167 |
| Lao PDR | 17,979 | N/A | N/A | 503 |
| Myanmar | 39,669 | 590 | 7 | 2 |
| Thailand | 4,566 | 340 | 50 | 1,239 |
| Vietnam | 35,103 | 217 | 626 | 150 |



✓ **MOU Regional GMS Power Trade**

➤ **Stage 1: Bilateral power transaction**

- The first MOU on the Guidelines for the implementation of Stage 1 in 2005
- Stage 2: Partial regional transmission network and trade among any pair of GMS countries but limited based on available capacity of lines linked to PPA.
- Stage 3: Third party other than utilities is allowed to begin trading.
- Stage 4: Regional competitive market involving multi-buyer and seller within GMS.

✓ **Current Status of Regional GMS Power Trade**

- Two working groups are set up in 2012
 - Performance standard and grid code
 - Regulatory issues
- The Intergovernmental MOU for Establishment of Regional Power Coordination Centre was signed in 2013.
- Only Thailand, China and Lao PDR join the bid for hosting RPCC.

| Interconnection | | Voltage | Capacity | Distance |
|-------------------|---|---------|----------|----------|
| Cambodia-Lao PDR | Stung Treng-Ban Hat | 115kV | 80MW | 56km |
| Cambodia-Thailand | North West Cambodia-East Thailand | 250kV | 300MW | 290km |
| Cambodia-Vietnam | HPPs e.g. Sambor, Sre Pok, Sre San-Tan Dinh | 230kV | - | 90km |
| | Kampong Cham-Tai Ninh | 115kV | 80MW | 64km |
| China-Lao PDR | Phnom Penh-Chau Doc | 230kV | 300MW | 110km |
| | China-North Lao PDR | 500kV | 3,000MW | 600km |
| China-Lao PDR | China border-HPPs in North Lao PDR | 115kV | - | 33km |
| China-Myanmar | Yunnan-Ta Pein and Shweih HPPs | 500kV | 2,000MW | 880km |
| China-Thailand | Yunnan Jinghong and Nuozhadu HPPs)-Tha Muang | 500kV | 3,000MW | 1,300km |
| China-Vietnam | Hong He HPP-North Vietnam | 500kV | 1,500MW | 450km |
| | Wenshan Yunnan-North Vietnam | 500kV | 1,500MW | 400km |
| | Malutang HPP, Yunnan-Soc Son | 500kV | 460MW | 270km |
| | Guangxi or Yunnan-Quang Ninh | 500kV | 5,000MW | 600km |
| Lao PDR-Thailand | Hong Sa TPP-Mae Moh | 500kV | 1,400MW | 200km |
| | Na Bong-Udon Thani | 500kV | 1,000MW | 220km |
| | Nam Theun 2 HPP-Roi Et 2 | 500kV | 1,000MW | 220km |
| Lao PDR-Vietnam | Luang Prabang HPP-Nho Quan | 500kV | - | 400km |
| | Nam No HPP-Ban Ma HPP or Ban Mai | 230kV | 100MW | 90km |
| | Nam Theun 2 HPP-Ha Tinh | 500kV | - | 190km |
| | Xe Kam an 3 HPP-Da Nang | 220kV | 150MW | 115km |
| Myanmar-Thailand | Savannakhet-Pekou | 500kV | 1,000MW | 165km |
| | Ta Sang HPP-Mae Moh and Tha Tako HPP in Thanwin basin-Phitsanulok | 500kV | 1,500MW | 600km |
| Thailand-Vietnam | Pekou (Vietnam)-Ban Sok (Lao PDR)-Savannakhet (Lao PDR)-Roi Et (Thailand) | - | - | - |
| | Ha Tinh (Vietnam)-Nam Theun 2 (Lao PDR)-Savannakhet (Lao PDR)-Roi Et (Thailand) | - | - | - |

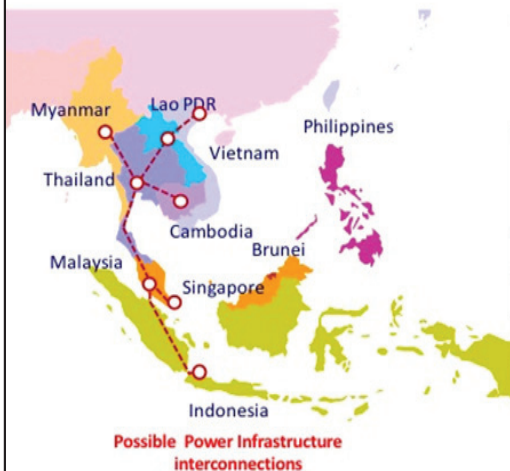
GMS: Roadmap for Energy and Power Integration



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ASEAN Power Grid Interconnection



- Grid interconnection seems to provide enough economic benefit, energy security and carbon reductions to rationalize large investment amount for interconnection.

| Route | Interconnection line construction cost | | Net benefit (gross benefit - line cost) | | Benefit/Cost ratio |
|-----------------|--|---------|---|---------|--------------------|
| | Mil USD | US¢/kWh | Mil USD | US¢/kWh | |
| THA-LAO | 1,400 | 0.25 | 19,881 | 3.51 | 14.2 |
| VNM-LAO-THA | 1,950 | 0.29 | 22,610 | 3.36 | 11.6 |
| LAO-THA-MYS-SGP | 1,860 | 0.26 | 25,490 | 3.60 | 13.7 |

- Challenge: Create a regionally coordinated investment mechanism that optimizes the future investment plan of power station and grid.

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✓ **Case study: the benefit of power trade from hydro development**

| SCENARIO | POWER SUPPLY GWH | POWER EXPORT GWH | CAPITAL INVEST. M\$ | NET BENEFIT M\$ | DISTRIBUTION OF NET BENEFITS | | | |
|-----------|------------------|------------------|---------------------|-----------------|------------------------------|------|-----|-----|
| | | | | | LAOS | THAI | CAM | VN |
| YEAR-2015 | 26,991 | 11,321 | 6,262 | 16,454 | 69% | 10% | 1% | 20% |
| YEAR-2030 | 110,898 | 74,320 | 23,081 | 40,431 | 76% | 13% | 1% | 10% |

The Estimate the level of CO₂ Emission from different type of Thermal Power Plant and by Countries

| Type of Thermal Plant | Estimation of emission (CO ₂ Tonnes/MWh) | Lao PDR | Thailand | Cambodia | Vietnam |
|--------------------------|---|------------------------|----------|----------|---------|
| | | Coal Fired Steam Plant | 0.920 | 50% | 8% |
| Oil Fired Steam Plant | 0.755 | 50% | 10% | 60% | 0% |
| Gas Fired Combined Cycle | 0.404 | 0% | 82% | 0% | 0% |

Emission Reduction of CO₂ Million Ton/Year (Replacement of Thermal Power Plant By Hydropower)

| SCENARIO | LAOS | THAILAND | CAMBODIA | VIETNAM | TOTAL |
|-------------|-------|----------|----------|---------|-------|
| Year - 2015 | 3.57 | 4.90 | 0.17 | 11.33 | 19.97 |
| Year - 2030 | 12.58 | 26.65 | 8.31 | 27.86 | 75.40 |

Net CO₂ Emission Reduction from Hydropower Development

- LMB projects in operation by 2015: **18.48 Million ton/year**
- LMB projects in operation by 2030: **69.35 Million ton/year**

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IV- MEKONG-JAPAN COOPERATION FOR INCLUSIVE GROWTH

- **Mekong-Japan connectivity** aim to promote infrastructure development in the Mekong region and to enhance institutional connectivity through the improvement of systems, development of SEZs and other industrial bases, industrial promotion measures, improvement of customs procedures etc. and people-to-people connectivity so that the whole region can benefit from the growth.
- **Key Pillars of Cooperation**
 - ✓ Development of infrastructure to fill the missing links of East-West and Southern Economic Corridors;
 - ✓ Connecting the Corridors more smoothly through improvement of systems such as customs procedures;
 - ✓ Promoting the land development along the Corridors (e.g. development of industrial parks, industrial promotion measures etc.) and improve access from neighboring areas to Corridors so that the region can develop as a whole;
 - ✓ Development of industrial human resources who will support the growth in the region and also strengthen a people-to-people network.

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✓ The Ninth Mekong-Japan Summit Meeting (13 Nov, 2016, Manila)

➤ Some quoted remarks from Prime Minister Abe during MJC 2016

- ✓ In 2015 Japan pledged 750 billion yen of (ODA) support over three years in order to realize quality growth, and it has already implemented two-thirds or more of that ODA. Over the past year Japan has advanced cooperation relating to infrastructure development such as Cambodia's Sihanoukville Port, Myanmar's Yangon-Mandalay railway, and Thailand's high-speed railway.
- ✓ Japan is contributing to the development of "quality infrastructure," but is simultaneously moving ahead with expediting yen loans, and hopes the Mekong countries' governments will also undertake initiatives to expedite this process.
- ✓ Strengthening soft connectivity is the key to reducing distribution costs and facilitating trade within the region.

✓ Hard and Soft Infrastructure bringing to Mekong Region

➤ Hard Infrastructure development in Mekong region:

- connects the South China Sea and the Indian Ocean
- develop the "**Southern Economic Corridor**", connecting Ho Chi Minh, Phnom Penh, Bangkok and Dawei as well as "**East-West Economic Corridor**" that expands from Da Nang to Mawlamyaing.
- Improvement of both corridors (SEC & EWEC) will enable overland access across Indochina Peninsula, bringing a great benefit to transportation and distribution of goods.

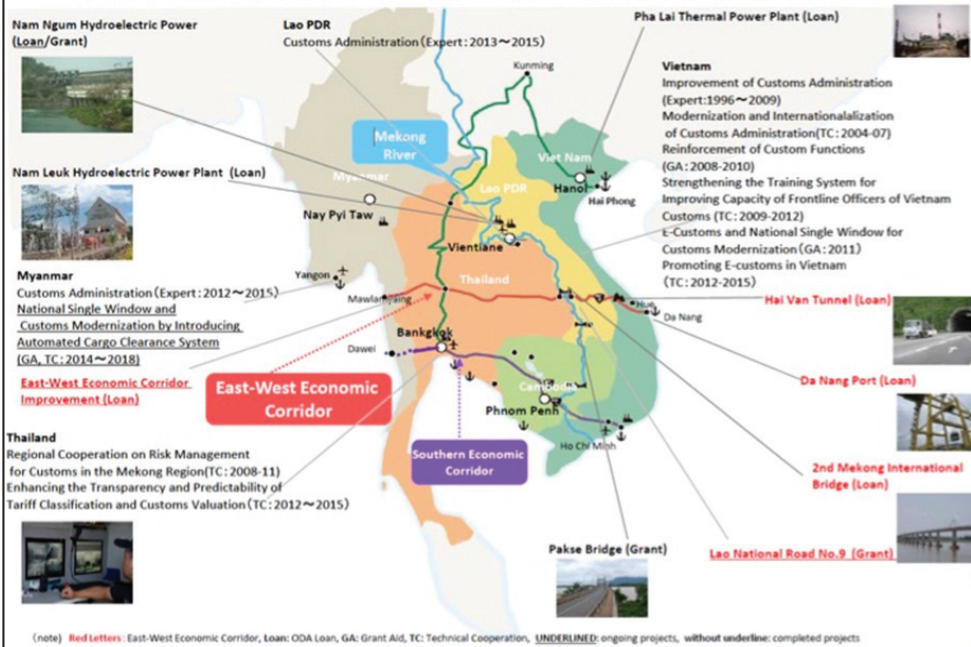
➤ Maritime Economic Corridor:

- Consolidating connectivity through the development of port, port-associated industries as well as energy and ICT networks in major cities.
- Finally, it allows Mekong region connecting to Malaysia, Singapore, Indonesia, Brunei and the Philippines.

➤ Soft Infrastructure in the ASEAN framework

- ASEAN Smart Network, Trade Facilitation, Common rules for standards for Automotive,
- Single Aviation Market, Logistics Enhancement and Sea-land Intermodal Transportation

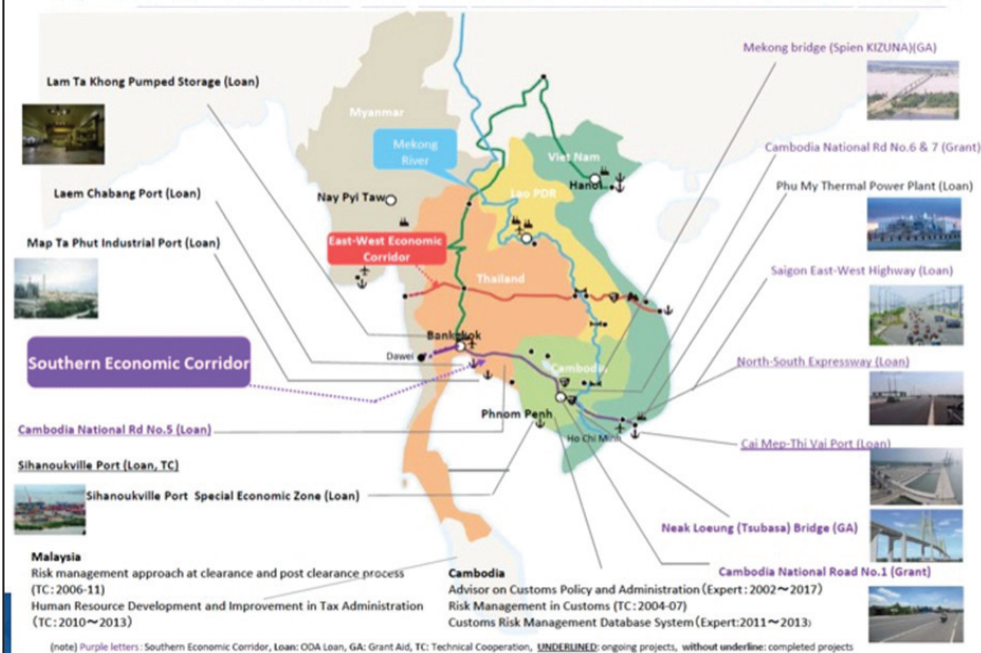
✓ Japan's Infrastructure Contributions to East-West Economic



Source: METI

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✓ Japan's Infrastructure Contributions to Southern Economic Corridor



Source: METI

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V- CHALLENGES AND PATHS FORWARDS

- Connectivity and innovation play central roles in economic growth, thus it requires CLMTV to have different levels of policy environment to facilitate investment opportunities;
- CLMTV need to work more towards institutional connectivity to facilitate international commercial trade and policies, removing behind-the-border issues;
- Hard infrastructure [physical connectivity] will improve logistics, other economic infrastructure services, R&D capabilities and human resource development, but quality infrastructure need to be emphasized to the region;
- Human aspects, inclusiveness [people-to-people connectivity] will promote innovative development (4.0) in which policies are needed to facilitate the back born of economies such as SME development.
- Strengthening institutional framework, access to support services, establishing procedure, access to finance, technology upgrading, market expansion, entrepreneurship, and good policy influence to promote inclusive growth in the region will be needed.

FOR CAMBODIA

- Each institution must place high responsibility to facilitate the policy environment to promote economic growth and ease of doing business;
- Attract FDI through attractive policy design, and understanding the healthy completion of CLMTV, ASEAN and the world;
- Ensure physical connectivity is in placed, and design special economic zones to attract businesses along the economic corridors;
- Bring value addition to all sectors through product innovation and smart businesses;
- Ensure input cost to all production are competitive to the region. Energy cost is one of the big issues to all production processes;
- Try to take advantage of the global value chain, through attractive human resources, cost competitiveness, compressing times and spaces to reduce transportation cost through connectivity and effective service linkages.
- Upgrade all infrastructures, good waterways, roads, rails and airport. If possible build massive channel water way, flooded gates, water storage to ensure that agricultural land use are maximized optimally.
- The inclusive growth could only be realized if we listen to people and they all can participate and enjoy the benefits.
- Thus consultation process must placed at high priority to move forwards the development.

“Mekong-Japan Cooperation:
Progress and Challenges since 2015”

The Cambodian Institute for
Cooperation and Peace

March 23, 2018 ,Phnom Penh

Cooperation for Institution Building in the Economic Transition of Mekong Countries

Fumiharu Mieno
Center for Southeast Asian Studies
Kyoto University

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1

1. Economic Reform Dialogs in CLMV by JICA, Gov't of Japan

Function and Role

- * Organizing Committee with Economist, Development Expert, Policy Makers from both side.
- * Consisting Sub-Committees by Sectors such as Fiscal / Financial System, macro economy, manufacturing, infrastructure, IT, agriculture.
- * Dialogs and Collaborative Research for Economic Reform
- * Report and policy recommendation to the higher level

2

1. Economic Reform Dialogs in CLMV by JICA, Gov't of Japan

Major Programs

- * Vietnam: “The economic development policy in the transition toward a market-oriented economy” (Ishikawa project) 1995-2001 (Prof. Ishikawa)
- * Laos “Economic Policy Support Program” 2001-2005 (Prof. Hara)
- * Myanmar: “Economic structure adjustment program” Reforms, 1999-2002 (Prof. Odaka)
- (Cambodia: a smaller scaled one?)

Recent attempts

- * “Myanmar Economic Development program” 2012-2015
- * “Fiscal Stabilization Assistant to Laos”, 2018-2020

3

2. An Example: Case of Myanmar

With economists and civilian technocrats in the government

- 2000-2003: Myanmar Economic Adjustment Program
- 2012-2015: Myanmar Economic Development Program (MEDP)

Collaborated with

Dr. (U) Myint, Dr. Zaw Oo (MDRI),

Dr. Kanzo, Dr. Kign San Yii

(Yangon Inst. of Econ. and then Cabinet Members),

Dr. Than Lwin, U Manung Manung Win (CBM), etc



4

2. An Example: Case of Myanmar

Major Policy Researches

- Industry and SME Working Group
- Agricultural and Rural Working Group
- Economy and Financial Working Group
 1. Macroeconomic Management under Resource Export Economy
 2. State Economic Enterprises Reforms
 3. Financial System 1: Commercial Banking Sector in the Economic Development
 4. Financial System 2: Policy-based Finance and Financial Inclusion

5

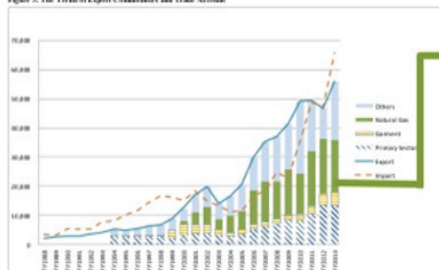
2. An Example: Case of Myanmar

Agenda: Macro Fiscal Channel, Subsidy Mechanism and the Reforms

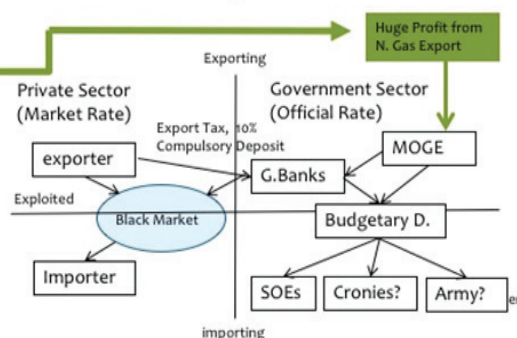
Unification of Multiple Foreign Exchange Rate (April 2012)

A landmark measure to destroy the traditional vested rights structure

Figure 3. The Trend of Export Commodities and Trade Account



Source: Statistical Yearbook, CSO
Note: Million Kyats. For the volumes of each commodity in 2011 are obtained from the information in US dollar. The volume of 2012 is then established on the reference in April/October.



The Impacts and Policy Challenges

1. Restructuring SOEs, Constructing New Subsidy Mechanism
2. Establishing the System to Mitigate the Potential Vulnerability Associated with Natural Resource Export ⁶

2. An Example: Case of Myanmar

Agenda: Financial System Reform

- The FX system reform and the new central bank system realized smoothly
- Private banking sector is changing to market competition drastically
- The ownerships of private banks are still confusing (excising of ‘semi-government banks’)
- The role of state banks should be re-defined
- Decent financial law and regulation regime is await
- Financial Inclusion



議長を報告する尾高名譽教授（左） - カン・ゾー大館（右端）



3. The Function of “Economic Reform Dialog”

- Nature of Transition Economy in CLMV countries
 - Controlled economy, more or less influenced by socialist regimes, and by old import-substitution development strategy.
- The Sequence of the Transformation toward Market Economy
 - Problems of Too Quick Liberalization
 - Need for rearrangement of core institution (ex. Fiscal System, Financial System)
 - Consideration to the Historical Path of Institutions
- Fostering Human Resource of the Policy
 - through the training program
 - through the research collaboration

4. Ideological Bias in Economic Cooperation

- Japan: Support for Industrialization
 - Infrastructure Aid => FDI => Export-manufacturing
 - Long-term Effect for Poverty Reduction

- The U.S. and WB
 - Emphasized on Free Market Principle and Open-up Policy
 - Macroeconomic Stabilization
 - (sometime, human right issues)

- EU, UK and Commonwealth
 - Human Right (Labor condition, Land Titling/ Grabbing, for example)
 - Natural Resources Control

4. Ideological Bias in Economic Cooperation

- China: what is “Belt and Road Initiative”?
 - ✓ Persuasive as an Inward Ideology
 - ✓ But, not clear for the rest of the world

- Need for a Dialog / Discussion on ‘Real SEQUENCE’ for the Countries’ Economic Development.

- and, Constructing “Deep Trust” between US.

“Economic Policy Dialog” approach still makes sense.

Appendix 2: New Tokyo Strategy 2015

| Pillar 1 | Pillar 2 | Pillar 3 | Pillar 4 |
|---|---|--|---|
| Hard Efforts | Soft Efforts | | |
| <p>Industrial Infrastructure Development</p> <p>Urban development, energy, supporting industries, transport, water supply and sewerage systems, agriculture and food related industries, telecommunication, information and communication, geospatial information utilizing satellite positioning technology</p> <p>Hard Connectivity</p> <p>Land connectivity</p> <p>Maritime connectivity</p> <p>Air connectivity</p> | <p>Industrial Structures and Human Resource Development</p> <p>Public-private partnership</p> <p>Mekong-Japan Industry Government Dialogue</p> <p>Mekong Industrial Development Vision</p> <p>Special Economic Zones</p> <p>Specialization and collaboration</p> <p>Soft Connectivity</p> <p>Institutional connectivity, economic connectivity, and people to people connectivity</p> | <p>Sustainable Development towards the Realization of a Green Mekong</p> <p>Disaster risk reduction</p> <p>Climate change</p> <p>Water resource management</p> <p>Conservation and sustainable use of aquatic fishery resources including cetaceans</p> | <p>Coordination with Various Stakeholders</p> <p>Coordination with frameworks of the Mekong region countries</p> <p>Coordination with international organizations, relevant NGOs, and the private sector</p> <p>Coordination with partners concerned (Japan-US, Japan-China)</p> |

Appendix 3: Cooperation Mechanisms in the Mekong Region

| | HRD & Cap. | Health | T. T. & Invest. | Tour. | Env. & Water | ICT & Inn. | Infra. | A. F. & RD | WM | Cult. | En. & Min. | Urban | Fin. | Indus. |
|--------------------------------------|------------|--------|-----------------|-------|--------------|------------|--------|------------|----|-------|------------|-------|------|--------|
| Greater Mekong Subregion (ADB) | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | | | ✓ | ✓ | | |
| Mekong River Commission | | | ✓ | | ✓ | | | ✓ | | | ✓ | | | |
| ASEAN-Mekong Basin Development | ✓ | | ✓ | | | ✓ | ✓ | ✓ | | | | | | ✓ |
| ACMECS | ✓ | | ✓ | ✓ | | | | ✓ | | | ✓ | | | ✓ |
| CLMV | ✓ | | ✓ | ✓ | | | | | | | | | | ✓ |
| CLV | | | ✓ | ✓ | | | ✓ | ✓ | | | | | | ✓ |
| Mekong Institute | ✓ | | ✓ | | | ✓ | | ✓ | | | | | | |
| Mekong-Japan Cooperation | ✓ | | ✓ | | ✓ | | ✓ | | | ✓ | | | | |
| Mekong-Lancang Cooperation (China) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ |
| Mekong-ROK (South Korea) | ✓ | | | | ✓ | ✓ | ✓ | ✓ | | | | | | |
| Lower Mekong Initiative (US) | ✓ | ✓ | | | ✓ | | | | | | | | | |
| Mekong-Ganga Cooperation (India) | ✓ | | ✓ | ✓ | | | | | | ✓ | | | | |
| ASEAN and Mekong Program (Australia) | | | ✓ | | ✓ | | | | ✓ | | | | | |





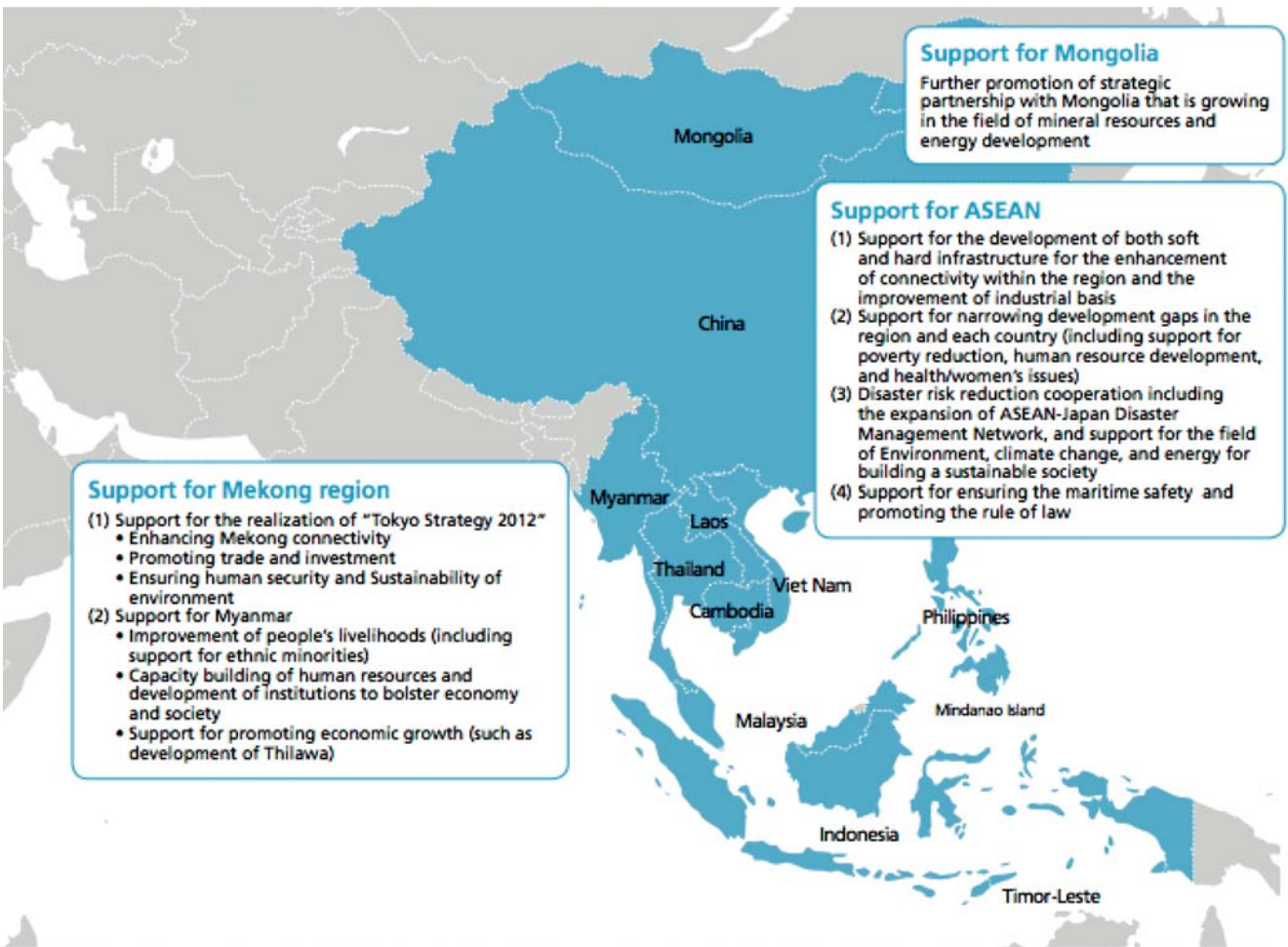








Japan's International Cooperation in the Region



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