

AID-FOR-TRADE CASE STORY

JAPAN

TRUCK MOVEMENT WITHOUT TRANSSHIPMENT ALONG EAST WEST CORRIDOR

Region: Asia

Country: GMS (Greater Mekong Sub-Region)

Type: ODA Loan

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ISSUES ADDRESSED

While Cambodia and Lao PDR, which constitute a part of the Greater Mekong Sub-region have both achieved political stability and economic growth in recent years, there still remains substantial economic disparities in terms of income and standards of living, between them and the original ASEAN member countries (such as Thailand and Malaysia). Thus, their challenge is to advance development in the Greater Mekong Sub-region as an integrated region. If the two countries are to sustain stable economic growth in the coming years, it is crucial that they promote foreign private investment through an improved investment climate, including infrastructure development, and further invigorate their economies by acquiring the means to earn foreign currencies.

Development activities aiming at economic growth and poverty alleviation through regional integration in GMS have been undertaken by the various initiatives of member countries. East-West Economic Corridor development project has been progressed not only by the improvement of land infrastructure such as roads and bridges mainly sourced from ODA fund, but also by technical assistances for institutional establishment such as CBTA (Cross Border Transport Agreement).

Although Thailand, Myanmar, Laos, Vietnam and Cambodia border on each other, every cargo by truck which want to cross the border was required transshipment at the border, which was a barrier to regional trade among neighbor countries because of high cost and delay of transportation, since they had trouble to conclude the Cross Border Transport Agreement (CBTA) among these countries.

OBJECTIVES PURSUED

Enhancement of the cross border trade is highly expected to develop the regional partnership for social & economic development. JICA recognized the growing need to contribute to the cross border trade and infrastructure.

- Promotion of cross-border transport, which is expected to increase regional trade (Development of cross-border transport infrastructure and Facilitation of border-crossing procedures)
- Improvement of Investment Environment (Development of New Logistics Route)

PROBLEMS ENCOUNTERED

Because of political complexity in the particular region it was not so easy to move forward toward the Cross Boarder Transport Agreement (CBTA) among these countries. Convincing explanation about economical merit on the regional development logically based on forecast data was required to beat such complexity. The following problems were identified;

- (1) Vested right and interest, inefficiency retard the simplification of trade procedure.
- (2) Assistance without Sufficient analysis of economic condition and industrial structure in the area tend to link unnecessary development of infrastructure.
- (3) Cross Boarder Transportation Infrastructure should be unified with community development in roadside area.

RESULTS ACHIEVED

Truck movement without transshipment will be a great success in implementing the Cross Border Transport Agreement (CBTA) among member countries.

For example, Vietnam, Lao PDR and Thailand reached to an agreement that each country issues license to 500 trucks respectively for operating cross border transport of goods along East West corridor in order to vitalize transportation activity. As a result, licensed cargo trucks of Thailand and Lao PDR can run to Vietnam along the corridor without transshipment and vice versa. Thus, saving and reduction of transshipment time and transport costs are expected to realize attributing to regional economic development.

LESSONS LEARNED

Smoothing out transshipment at the border produced regional integration effect which vitalized traffic of intra-regional transportation and then, contributed to economic development in the region.

CONCLUSION (applicability to other programmes)

Physical connectivity was accomplished with the completion of the Japan's ODA Loan financed Second Mekong International Bridge in December 2006 and focus of assistance then has been shifted to strengthening of the function of the economic corridor through improving bottleneck along it.

More remarkably, this type of development initiative, namely regional integration through development of cross border economic corridor, has drawn attentions to other regions in the world. Among others, the Government of Mozambique has prepared the plan of Nacala Corridor linking the Northern area of the country to Malawi, Zambia, similar to the East-West Corridor in GMS, in which industrial development is pursued in the surrounding area of Nacala Port. The experience of the East West Corridor is expected to be fully adapted to the Mozambique case, while they requested Japan and Vietnam to provide assistance for formulation and implementation of the plan.