



SECOND MEETING
GMS Urban Development
Working Group

4–5 July 2018 • Manila, Philippines

TA 8989 REG:

GMS Capacity Development Economic Zones in Border Areas

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TA 8989 REG: Greater Mekong Sub-region Capacity Development for Economic Zones in Border Areas

- **Objectives**

- Identify potential “anchor urban areas” for 5th, 6th and 7th CTDPs
- Identify (i) economic zones in (ii) border areas.
- Relates to 2 different but related areas of development:
 - Urban development
 - Development of competitive regional or sub-regional GMS growth poles

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Background of TA 8989 REG

TA 8989 REG: Greater Mekong Sub-region Capacity Development for Economic Zones in Border Areas

- **Economic zones**
require consideration of **broader institutional and economic development issues** focusing on the **competitiveness of corridor towns**: much broader than urban development issues and multi-sector
- **Border areas**
better potential to **create competitive regions** along GMS corridors because of
(i) the opportunities to **create cross border synergies** and complementarities;
(ii) **links to value chains**

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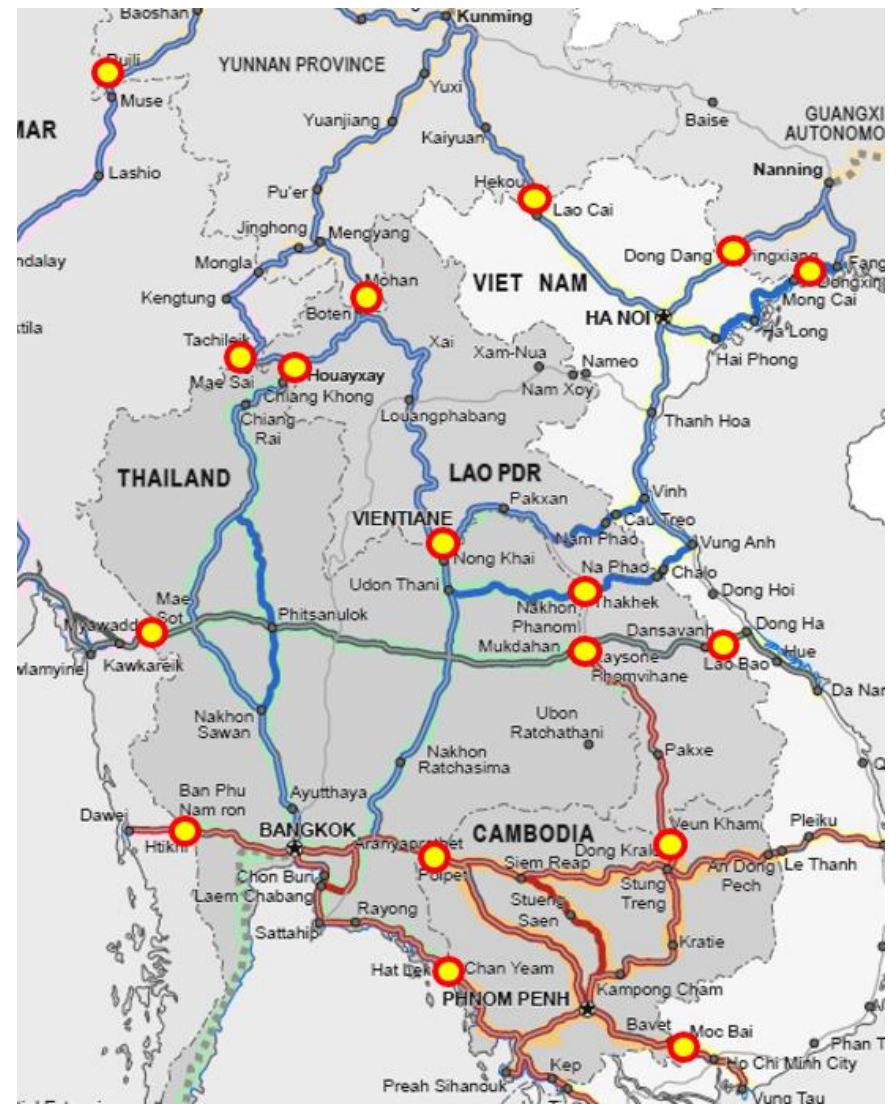
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GMS Corridor Towns Development Projects

Ruili-Muse
 Hekou-Lao Cai
 Pingxiang-Dong Dang
 Dongxing-Mong Cai
 Tachilek-Mea Sai
 Mohan-Boten
 Chiangkhong-Houayxay
 Myawaddy-Mea Sot
 Nakhorn Panom-Thakhek
 Mukdahan-Kaysone Phomvihane
 Dansavanh-Lao Bao
 Hitkhi-Ban Phu Nam Ron
 Aranyaprathet-Poipet
 Hat Lek-Chan Yeam
 Nong Khai-Vientiane
 Bavet-Moc Bai
 Dong Kralor-Veun Kham/Nong Nokkien

PRC-Myanmar
 PRC-Vietnam
 PRC-Vietnam
 PRC-Vietnam
 Myanmar-Thailand
 PRC-Lao PDR
 Thailand-Lao PDR
 Myanmar-Thailand
 Thailand-Lao PDR
 Thailand-Lao PDR
 Lao PDR-Vietnam
 Myanmar-Thailand
 Thailand-Cambodia
 Thailand-Lao PDR
 Cambodia-Vietnam
 Cambodia-Lao PDR



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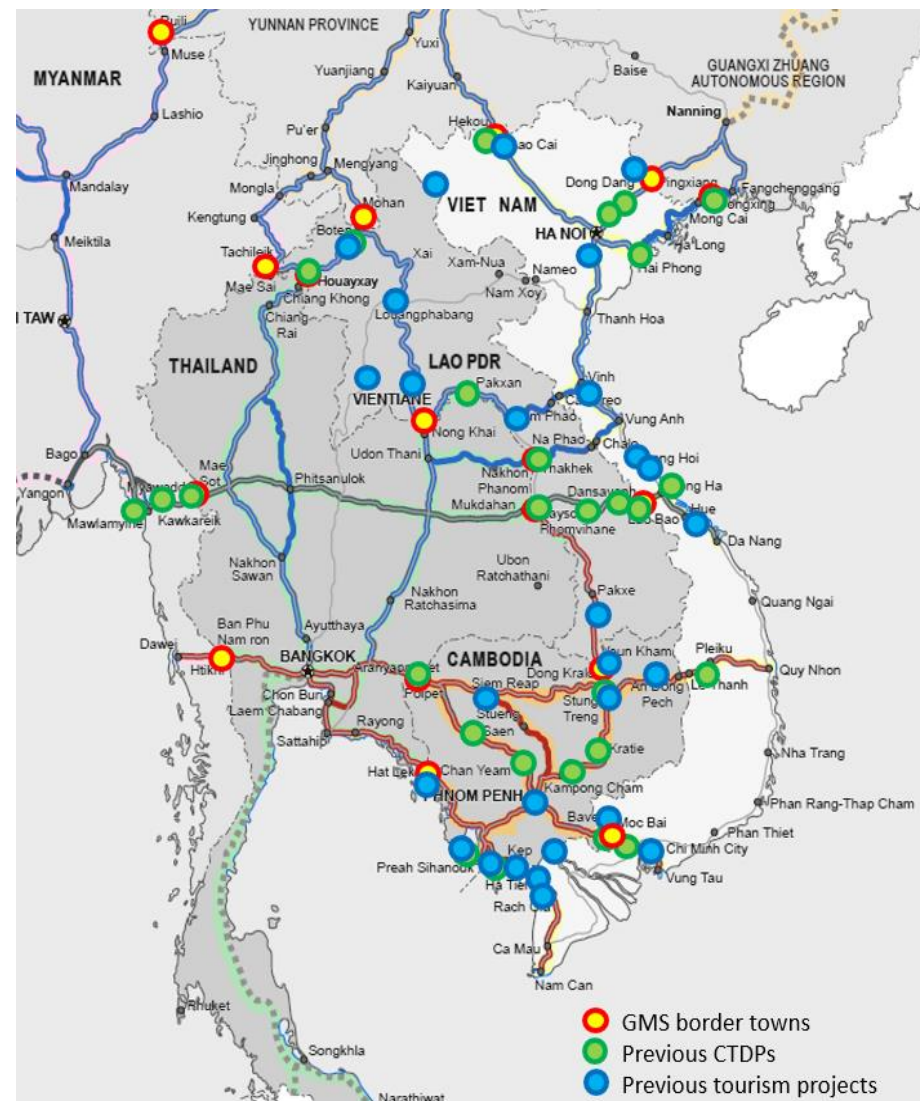
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GMS Corridor Towns Development Projects

- Ruili-Muse
- Hekou-Lao Cai
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- PRC-Myanmar
- PRC-Vietnam
- PRC-Vietnam
- PRC-Vietnam
- Myanmar-Thailand
- PRC-Lao PDR
- Thailand-Lao PDR
- Myanmar-Thailand
- Thailand-Lao PDR
- Thailand-Lao PDR
- Lao PDR-Vietnam
- Myanmar-Thailand
- Thailand-Cambodia
- Thailand-Cambodia
- Thailand-Lao PDR
- Cambodia-Vietnam
- Cambodia-Lao PDR



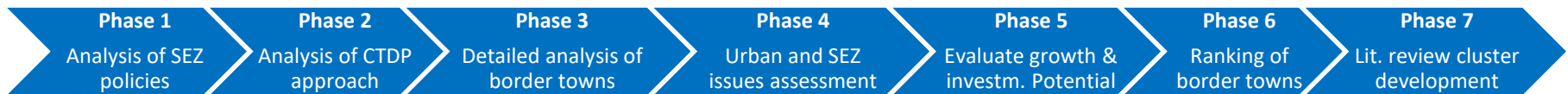
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Implementation of TA 8989 REG



Phase 1: Detailed analysis on economic zone policies in GMS countries

Phase 2: Analysis of on-going CTDs and their impact on investment and economic growth

Phase 3: Field missions and detailed analysis of 17 border points and 34 border towns/areas

Phase 4: Assessment of urban issues and border zone issues

Phase 5: Evaluate economic growth and investment potential of 34 GMS cities

Phase 6: Ranking for further analysis

Phase 7: Literature review on economic zones and clustering development

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TA 8989 REG: Greater Mekong Sub-region Capacity Development for Economic Zones in Border Areas

- **Key findings**

- Capacity development for urban management and investment in local urban infrastructure important.
- But it is “not sufficient to foster the development of value-added clusters as remaining constraints disincentive for most investors”.
- Binding constraints to economic growth and investments need to be addressed taking into account natural endowments (geographical location, etc.).
- Many GMS border towns unlikely to develop as GMS economic hotspot or economic hub!

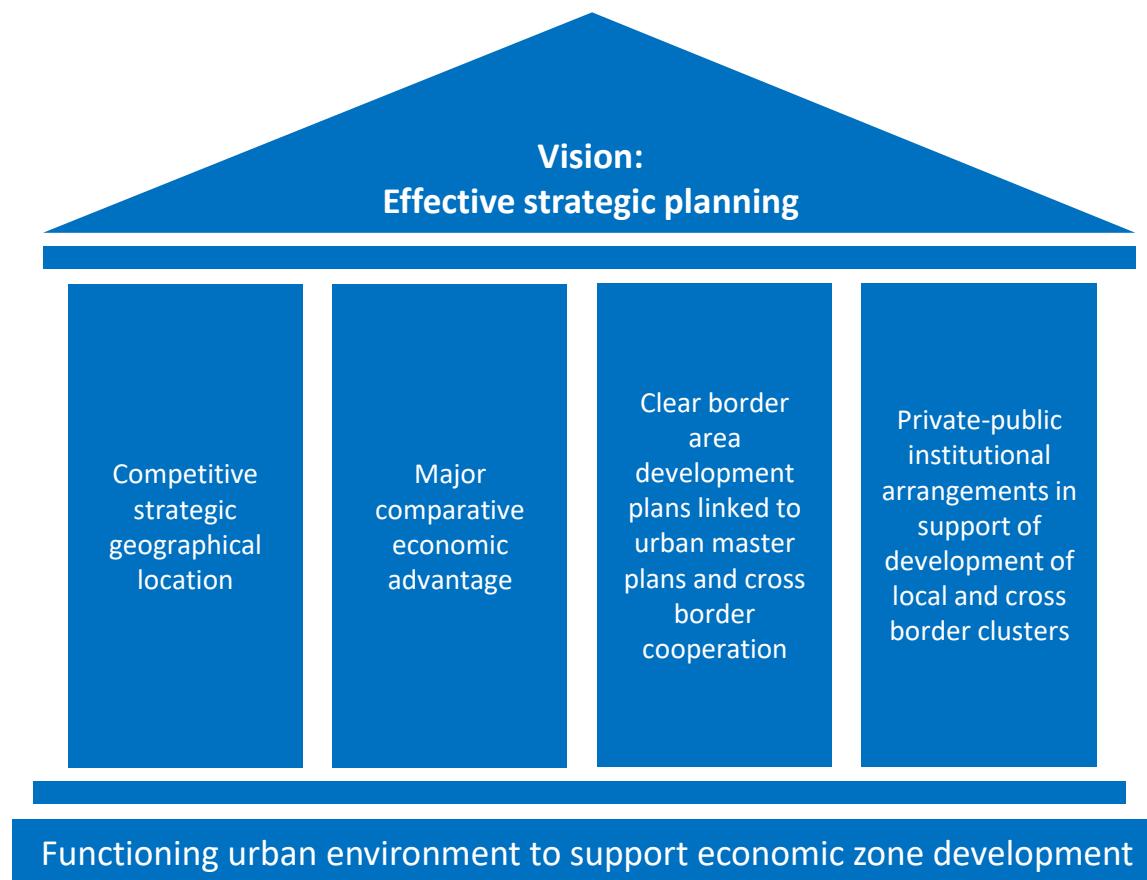
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Requirements for the development of economic hubs or clusters



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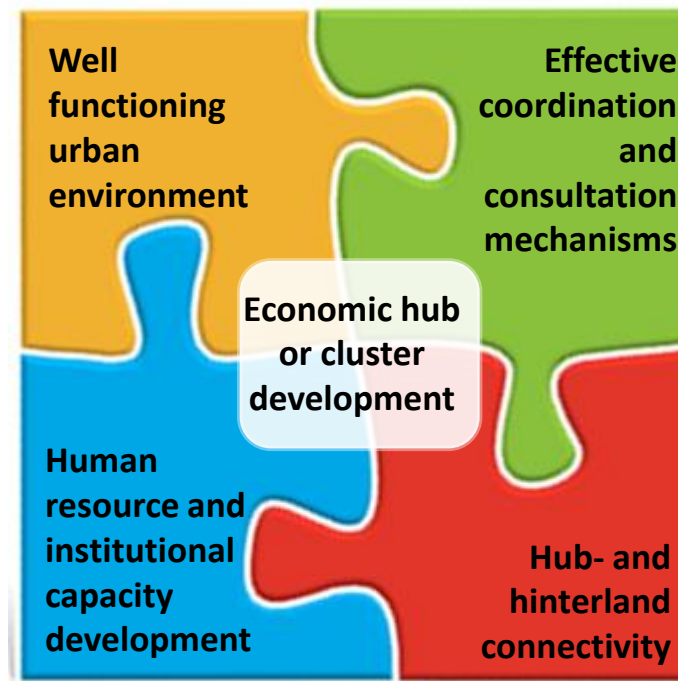
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How to develop economic hubs or clusters

- **Need for a multisector approach**



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Selected economic hubs for 5th, 6th, 7th CTD

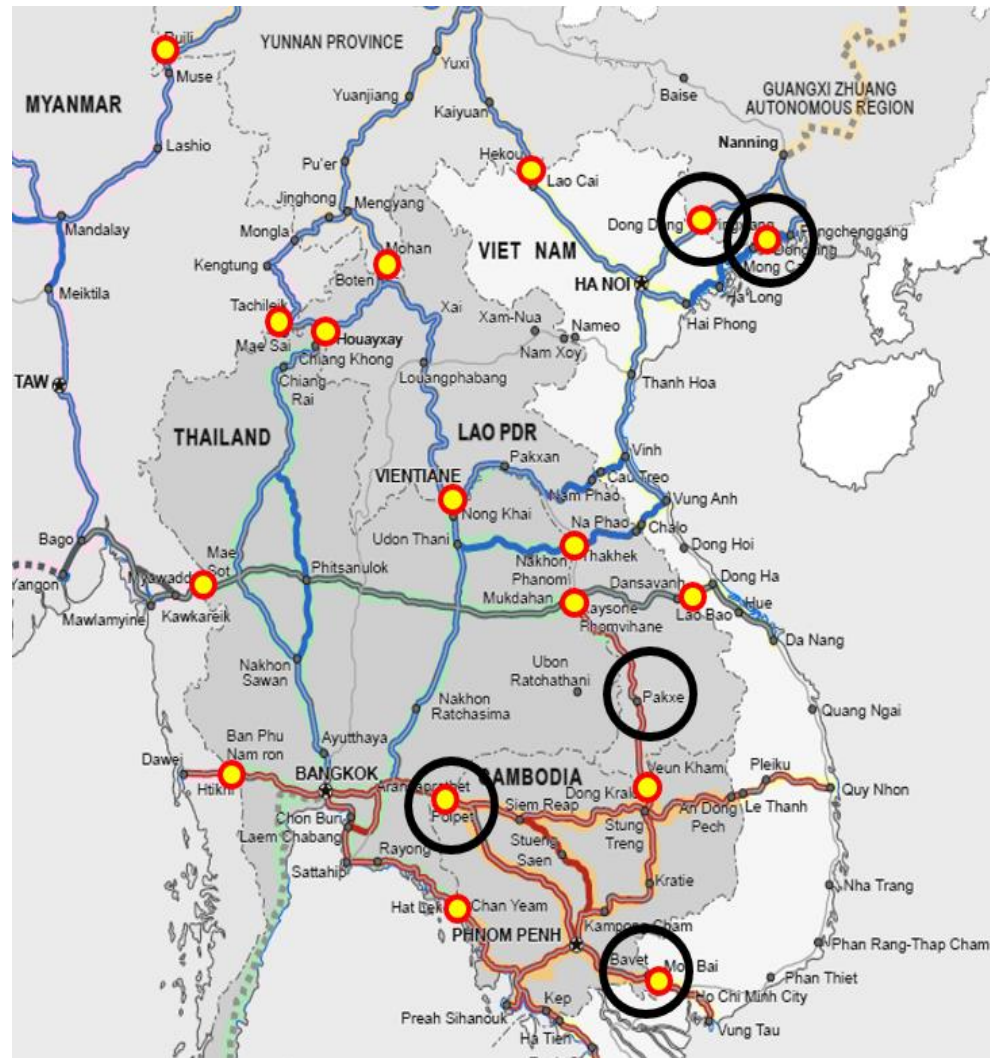
Hotspot 1: Wider Pakse area (CAM/LAO/THA)

Hotspot 2: Lang Son/Dong Dang (PRC/VTN)

Hotspot 3: Dongxing/Mong Cai (PRC/VTN)

Hotspot 4: Bavet/Moc Bai (CAM/VTN)

Hotspot 5: Aranyaprathet/Poipet (CAM/THA)



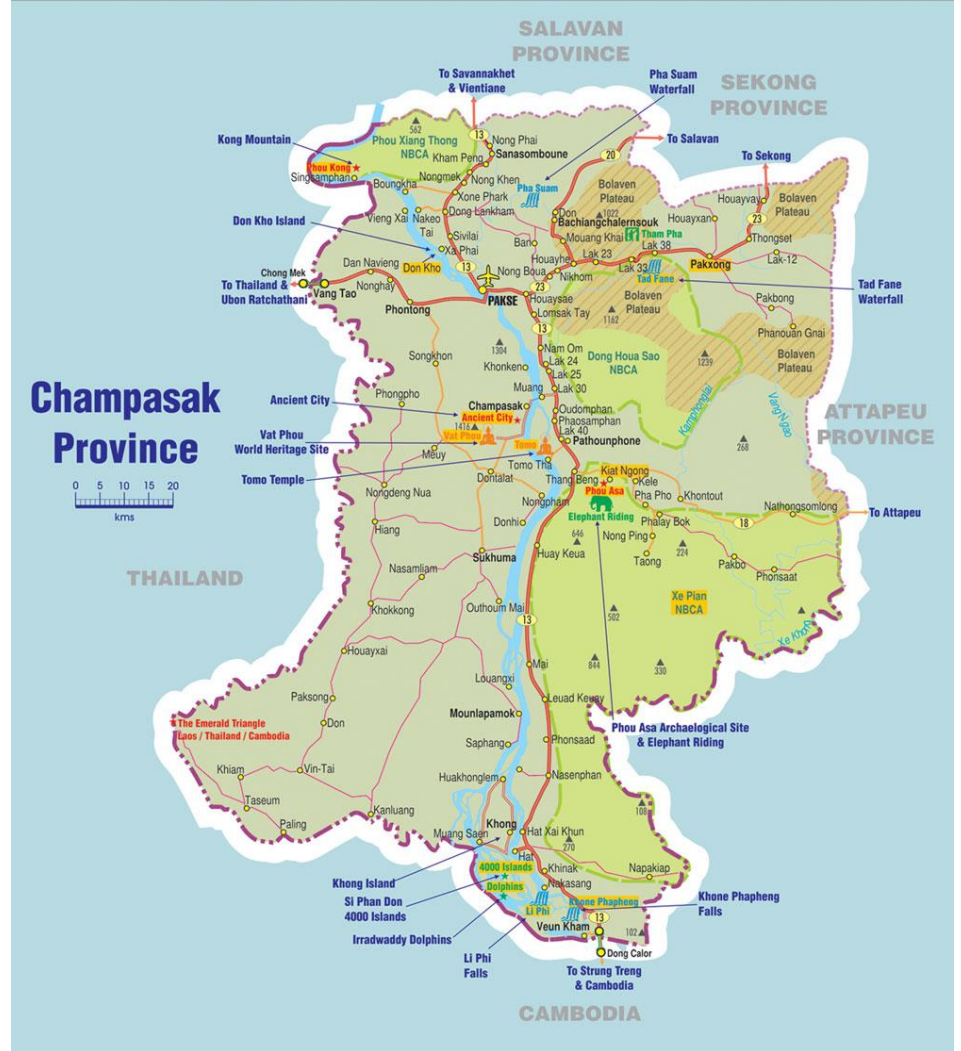
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Economic hotspot 1: Greater Pakse area



Greater Pakse area: Strategic geographical location

- **Location**

- GMS central economic corridor (GMS CEC)
- Direct link with Thailand (40 km to border) and Vietnam (Quy Nhon and Danang): Para-EWEC
- Vangtao (Lao PDR) and Chongmek (Thailand): Strategic border point for Thailand
- Direct link to Cambodia (140 km) and Ho Chi Minh City
- Centre of Southern Lao PDR

- **Natural resources endowment**

- Unique hinterland of Bolaven Plateau (50 km): micro-climate (altitude and rain) and very fertile soil
- Unique tourism assets: well-preserved Khmer historical sites and natural sites (4000 islands on Mekong, Khonphapeng water fall, Bolaven Plateau, etc.)

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Greater Pakse area: Economic strength

- **Agriculture**

- Southern Lao PDR very rich in agricultural resources
 - Champasack, Attapeu, Salavan and Sekong provinces, Northern part of Cambodia
- Wide product range with “niche” agricultural products for Japanese market i.e.
 - Premium coffee, cassava and organic cassava, organic vegetables, fruits, herbs, etc.
- Contract farming arrangements with Thailand under the “2 + 3” approach (ACMECS)
 - Lao PDR: land and labor
 - Thailand: technology, credit and market access
- Existing agro-industry in Thailand with increasing linkages to Lao PDR

- **Tourism**

- Major regional tourism hub for southern Lao PDR

- **Manufacturing**

- SEZs attractive to Japanese manufacturer (Thailand + 1 strategy)

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Greater Pakse area: SEZ development

- Effectively the entire greater Pakse area a non-delimited EZ with agro-processing industries along the main roads

SEZ	Activities	Status
Vangtao SEZ <ul style="list-style-type: none"> At Lao-Thai border 253 ha 	<ul style="list-style-type: none"> Logistics hub Dry port Light manufacturing (agro-proc.) Tourism 	PPP development Approved
Huay Poun SEZ <ul style="list-style-type: none"> Near Pakse airport 	<ul style="list-style-type: none"> Residential development Services Logistics 	Under negotiation
Pakse-Japan SME SEZ <ul style="list-style-type: none"> 14 km south of Pakse Up to 195 ha 	<ul style="list-style-type: none"> Manufacturing Focus on Japanese SMEs under Thailand +1 	PPP arrangement Approved
Khonphapheng SEZ <ul style="list-style-type: none"> At Lao-Cambodian border 	<ul style="list-style-type: none"> Tourism development Tbd 	Under negotiation with PRC investors

Greater Pakse area: Urban issues

- **Pakse city**
 - “City”-status since June 2018
 - Master Plan of Pakse finalized in 2018 for Plan 2016-2020 and Plan 2020-2030
 - Fast expanding city
 - Population expected to grow from about 100,000 (2018) to 150,000 (2030)
 - Pressure on urban services and utilities
 - Drainage, water treatment, transportation (roads and bypass), links to hinterland (Paksong)
 - Heritage city development for tourism

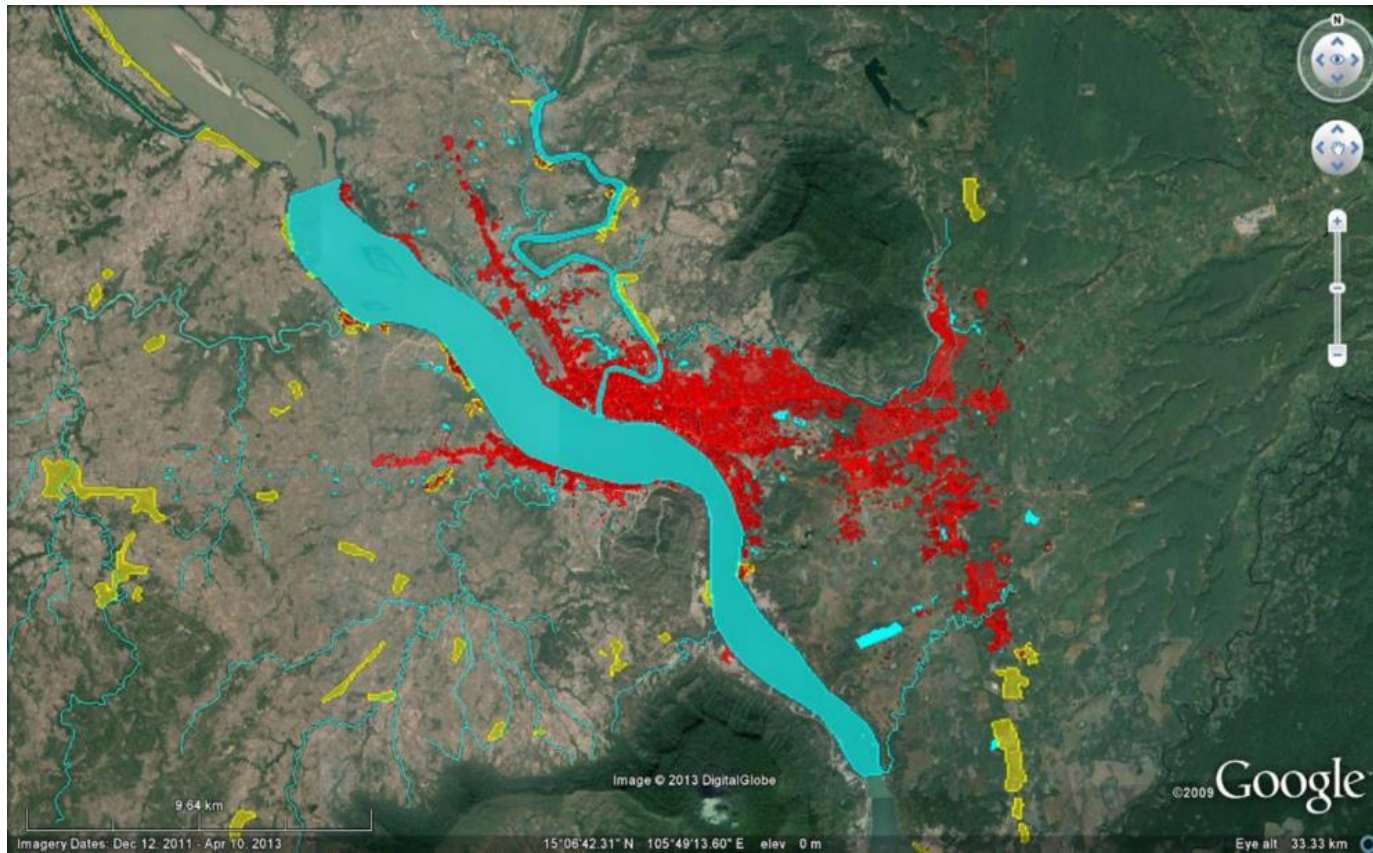
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Greater Pakse area: current land use activities



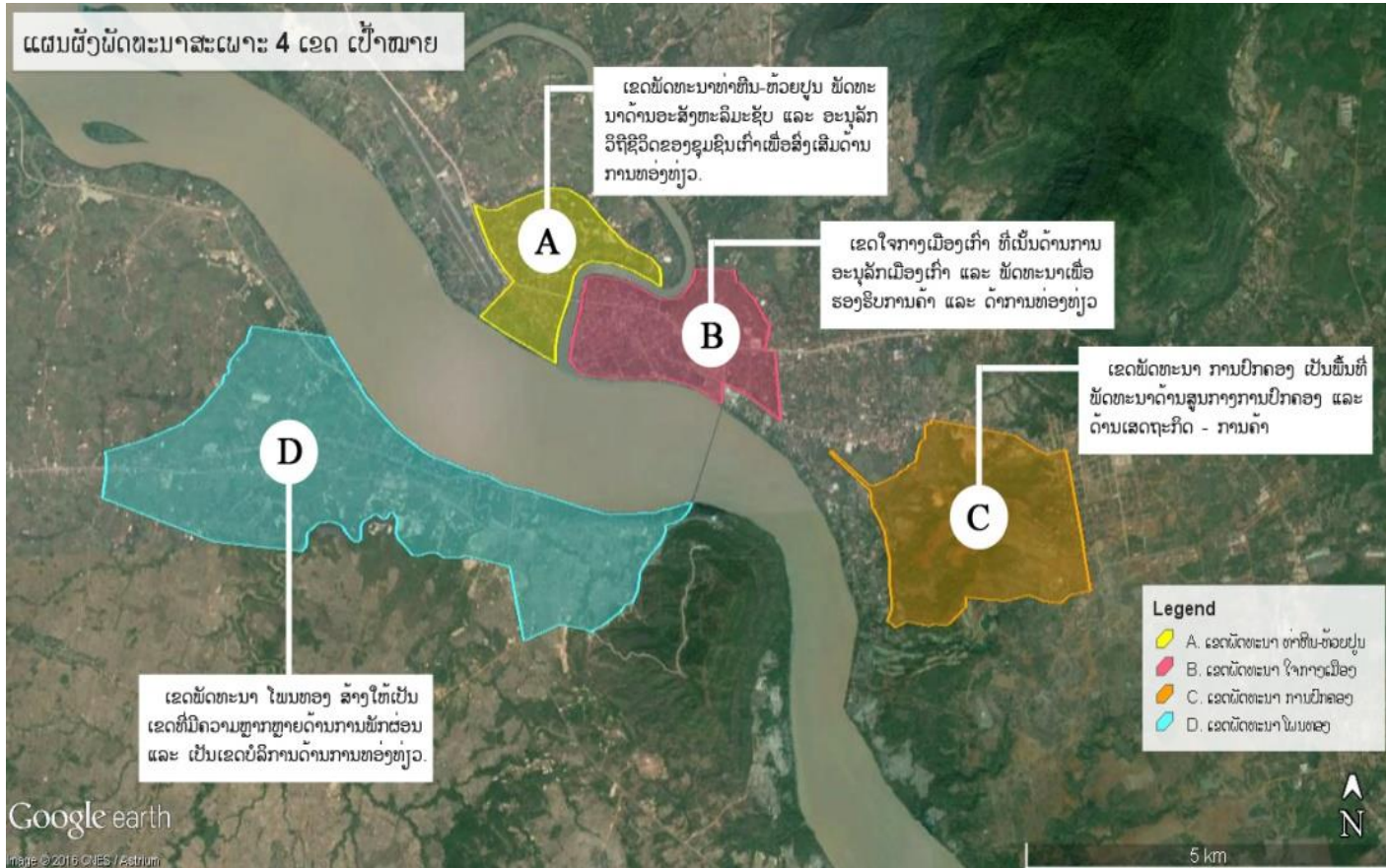
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Greater Pakse area: Four SEZs in and around Pakse



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Economic Hotspot 2: Dong Dang - Lang Son

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Dong Dang - Lang Son: SEZ Development

- **Whole area around Dong Dang-Lang Son and PRC border part of BGEZ**
 - 3 main international border gates (BGs) with major traffic congestion:
 - Huu Nghi (main)
 - Coc Nam
 - Tan Thanh
 - Around BGs, non-tariff economic zones with transshipment, duty free shops, logistics services and some agricultural products processing and packaging
 - BGEZ tariff zone: industrial processing zones
 - Ho Hong Phuong industry cluster (Dong Dang)
 - Kho Da Maa Meo Processing zone (Tan Thanh)
 - Hop Thanh Industry cluster
 - Dong Banh industrial zone closer to Lang Son- administrative zones, residential areas and facilities

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Dong Dang - Lang Son : Corridor Towns Development

- Utilities infrastructure provision lags behind current and future needs.
- Public facilities provision needs upgrading/expansion to match population growth.
- Serviced land provision to facilitate investment from the industrial, commercial and logistics sectors is not in place (Ho Hong Phuong Industrial Park)
- Tourism development potential is not yet realized (retention of tourists from China).
- Environmental quality is at risk through weak development control

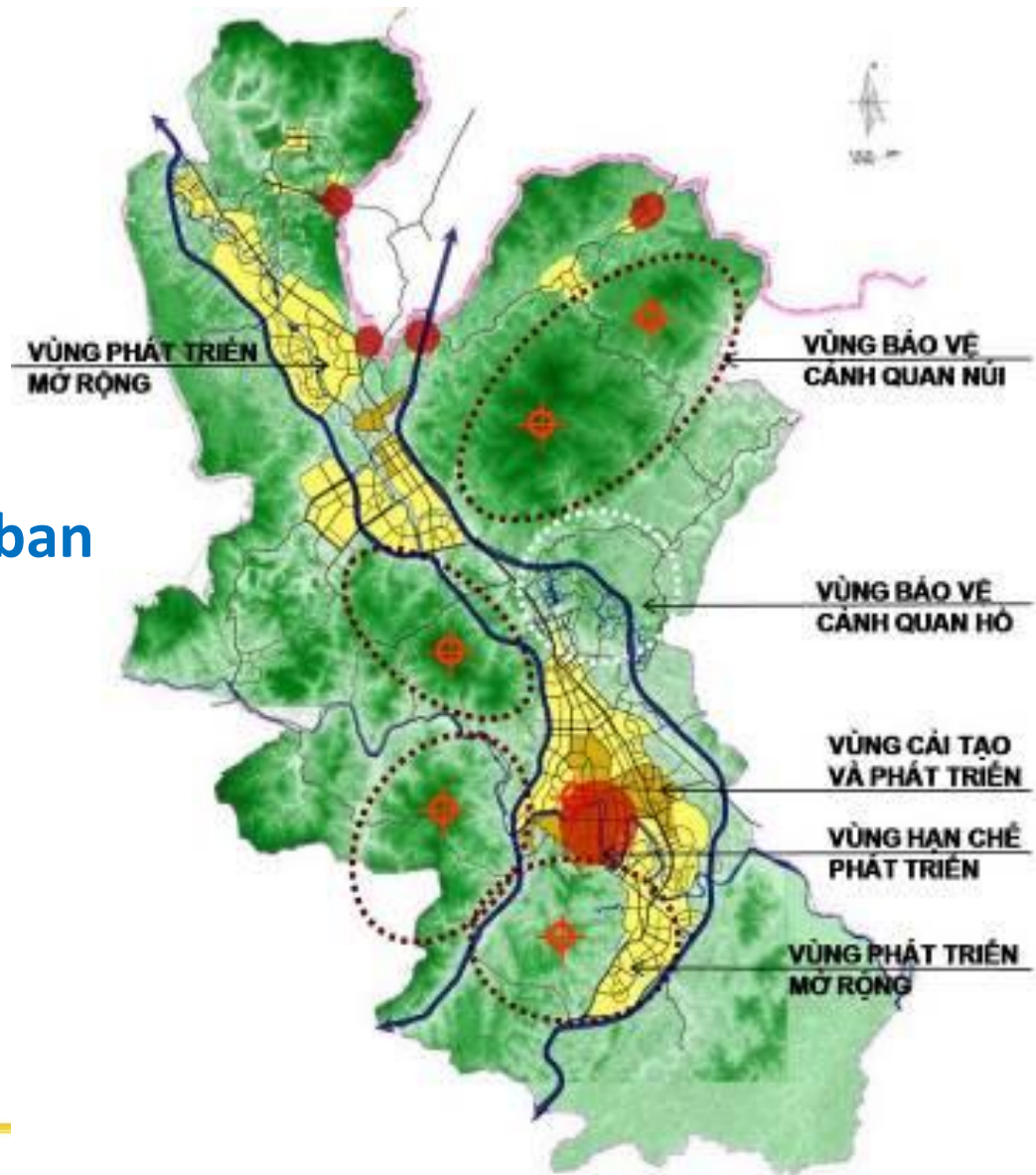
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Dong Dang - Lang Son: Urban expansion areas



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Dong Dang - Lang Son: Economic Strengths

- **Trade**
 - Exports originate in all parts of Viet Nam and wider GMS
 - Exports through the BGEZ growing fast (USD 1.4 billion (2014); USD 2.7 billion (2017))
 - Mainly agricultural, wood, fruit and marine products - mostly unprocessed/bulk
- **Manufacturing**
 - Potential for processing, packaging and logistics investment on Vietnamese side - market available in PRC
 - Need to match infrastructure on Viet Nam side with that of PRC
 - Vietnamese labor costs below those of PRC
- **Agriculture/natural resources**
 - Good potential for local timber industry, organic agriculture, medical/herbal plants, fruit production and livestock sectors
- **Tourism**
 - High potential for tourism development (USD 2.7 million in 2017)

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Dong Dang - Lang Son: Urban Issues

- Master Plan Revision and Economic Development Planning Review.
- Priority planning and investment in Border Gate operational capacity and diversification including Free Trade Zone and Industrial Park Serviced Land.
- Corridor Towns Regeneration, including urban infrastructure and public facilities provision.
- Optimizing tourism development and agro-industry potential (province level).
- Developing optimal management, financial support and capacity building to better plan and implement the Master Plan.
- Building collaboration and matching Pingxiang (China).

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Economic Hotspot 3: Mong Cai

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QUANG NINH INDUSTRIAL PARKS AND ECONOMIC ZONES

Mong Cai: Economic zones development



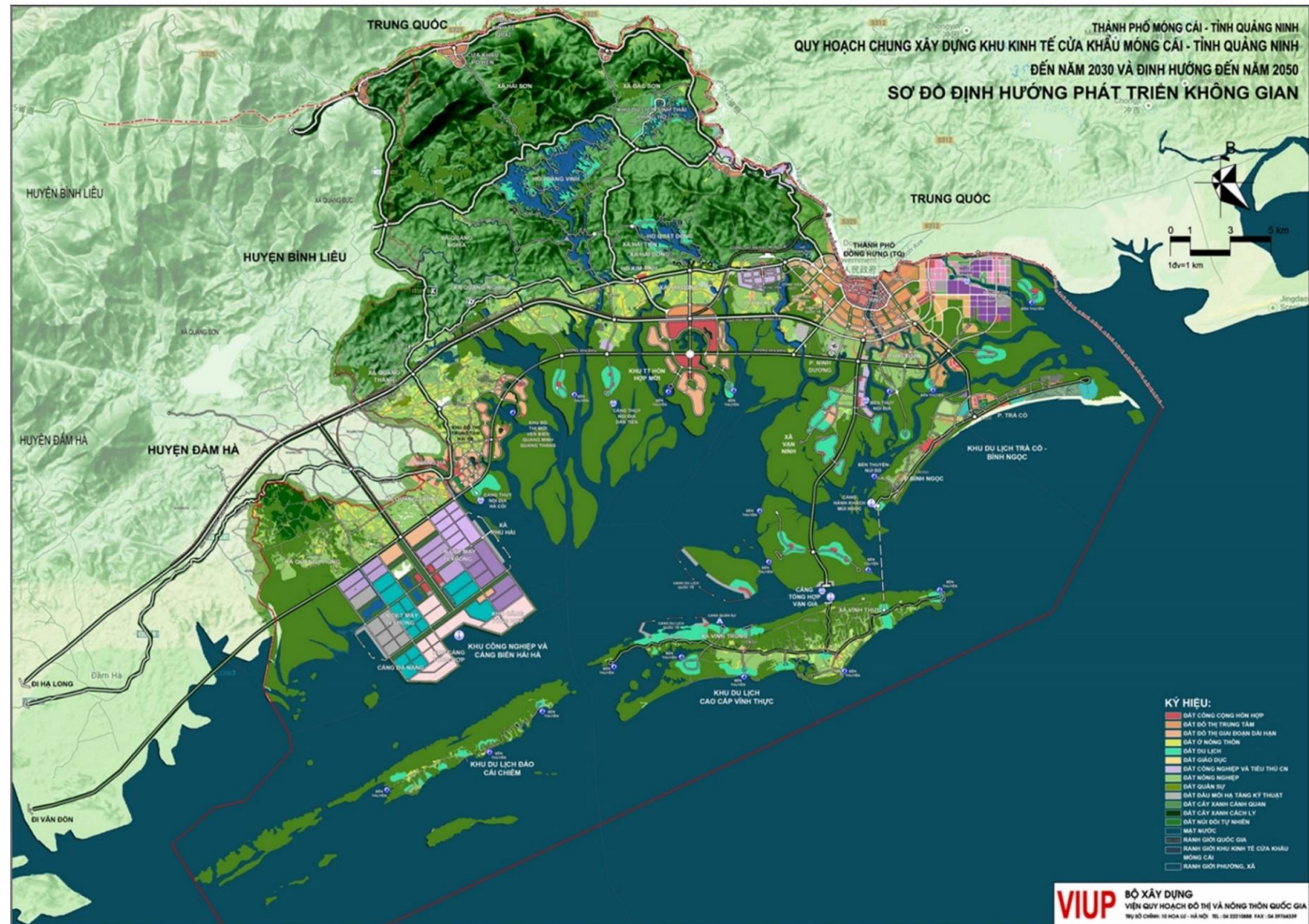
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Mong Cai: Master Plan for BEZ to 2030, with a vision to 2050



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Mong Cai: Economic Zone Development

- The MCEZ includes the whole city of Mong Cai and part of the Hai Ha District (about 30 km south).
- There are 2 existing border gate crossings. A 3rd crossing (Bac Luan Bridge 2) to be opened shortly will be part of the Mong Cai Economic Cooperation Zone a newly planned mixed land use area 1,360 ha, including a Free Trade Area. Developed in collaboration with China (Dongxing). Phase 1 - 700ha. Proposed PPP investment.
- Large-scale Investment Opportunities – Hai Ha Seaport Industrial Park (4,988ha). Phase 1- Hai Ha Texhong Industrial Park (HK/China Textile Investment – 660ha). Over 20 FDI projects already approved.
- Tourism Development Potential locally (Tra Co Beach) and the Offshore Islands.

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Mong Cai: Corridor Towns Development

- Utilities infrastructure provision lags behind current and future needs.
- Public facilities provision needs upgrading/expansion to match population growth.
- Tourism development potential is not yet fully realized (Tra Co Beach and Offshore Islands).
- Environmental resources and coastal ecologies may be at risk through weak development control.

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Mong Cai: Economic Strengths

- PRC trade via Haiphong port : important logistics hub on China border.
- Exports thru the BGEZ growing fast (US\$2.7 Bn 2017; US\$1.4 Bn 2014): mainly agricultural, wood, fruit and marine products -- mostly unprocessed/bulk. Exports originate from other parts of Viet Nam.
- Potential for processing, packaging and logistics investment on Viet Nam side of border -- market available in China.
- Viet Nam labor costs below that of PRC and attractive for labor intensive manufacturing from China.
- Good potential for local timber industry, organic agriculture, medical/herbal plants, fruit production and livestock sectors.
- Tourism potential high with strong foundation for optimizing visitor numbers from China.

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Mong Cai: Urban Issues

- Ambitious Spatial Master Plan to 2030 and 2050 with high associated levels of planning and investment required.
-
- Commitment to expressway connections and Viet Nam rail are essential baseline conditions to maximize economic potential.
- Justification for the proposed scale of the proposed Border Cooperation Economic Zone and Industrial/Seaport Developments.
- Corridor Towns Regeneration, including urban infrastructure and public facilities provision.
- Demand levels optimizing tourism development potential.
- Building collaboration and matching Dongxing (China).

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Economic Hotspot 4/5: Poipet and Bavet

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Poipet - Bavet: Strategic geographical location

- **Strategic location**
 - Strategic border towns for Cambodia with main trading partners, Thailand and Viet Nam
- **Connectivity**
 - Poipet - Close to Thailand's main trade gateways (Laem Chabang and Bangkok ports) and industrial clusters
 - Bavet - Close to Ho Chi Minh City transport and industrial hubs

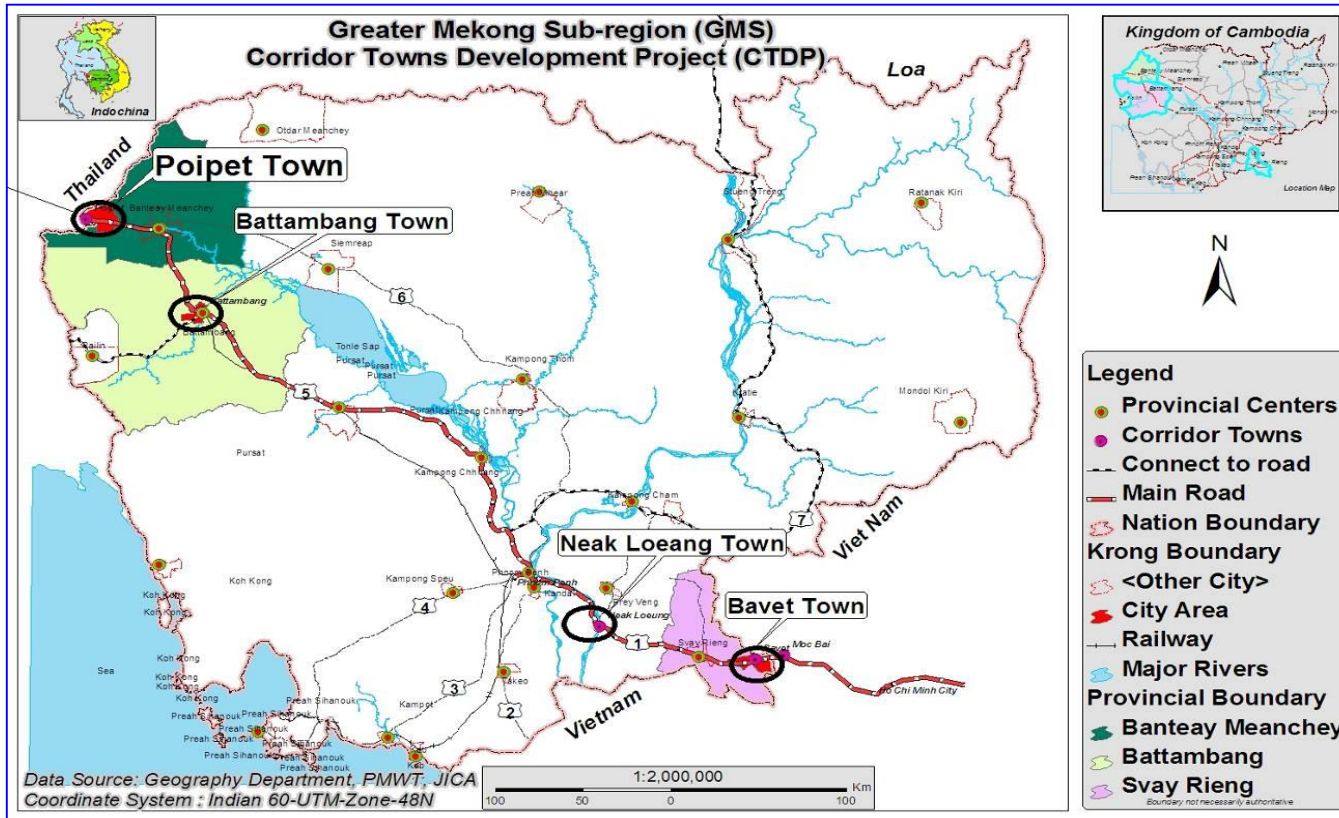
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Poipet - Bavet: Strategic geographical location



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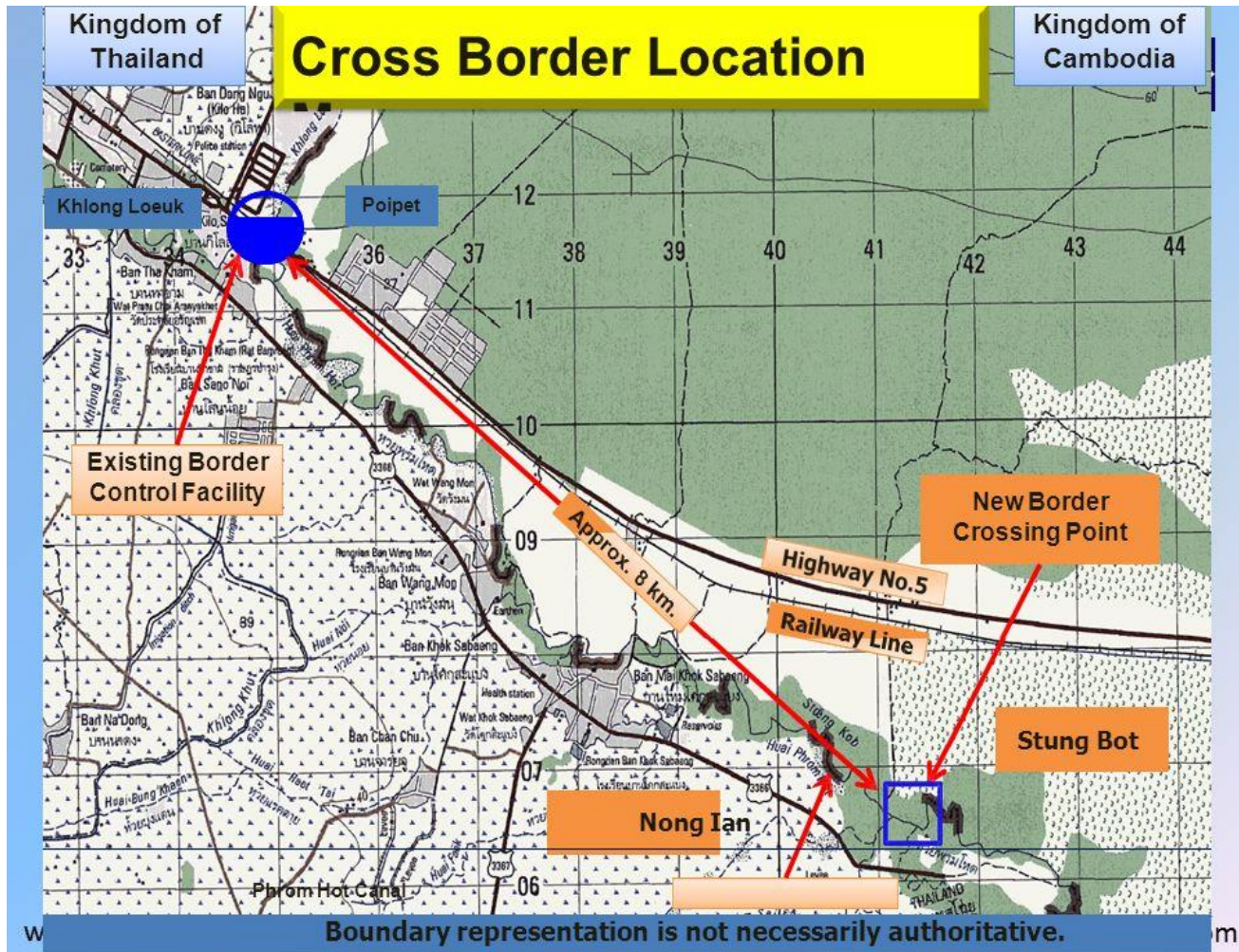
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Poipet - Bavet: Strategic geographical location

Location map of new
international border check
point Stung Bot – Ban
Nong Ian (Poipet)



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Poipet - Bavet: Economic strength

- **Competitive advantages of Cambodia**
 - Attractive labor costs compared to neighboring Thailand and Viet Nam
 - Favorable market access (GSP, EBA, etc.)
 - Sizeable labor force including migrant workers in Thailand
 - But over medium term, need to raise skill level for competitiveness: HR development needs

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Poipet - Bavet: SEZ developments

- **Poipet: 3 SEZs**
 - Poipet; Neang SEZ (POSEZ)
 - Sanco SEZ
 - Phnom Penh Special Economic Zone Poipet (PPSEZ-Poipet)
- **Bavet: 4 SEZs**
 - Taiseng-Bavet SEZ
 - Manhattan-Bavet SEZ
 - Dragon-Bavet SEZ
 - Automobile Industry Complex SEZ
 - Over 30,000 workers most in-migrants to Bavet

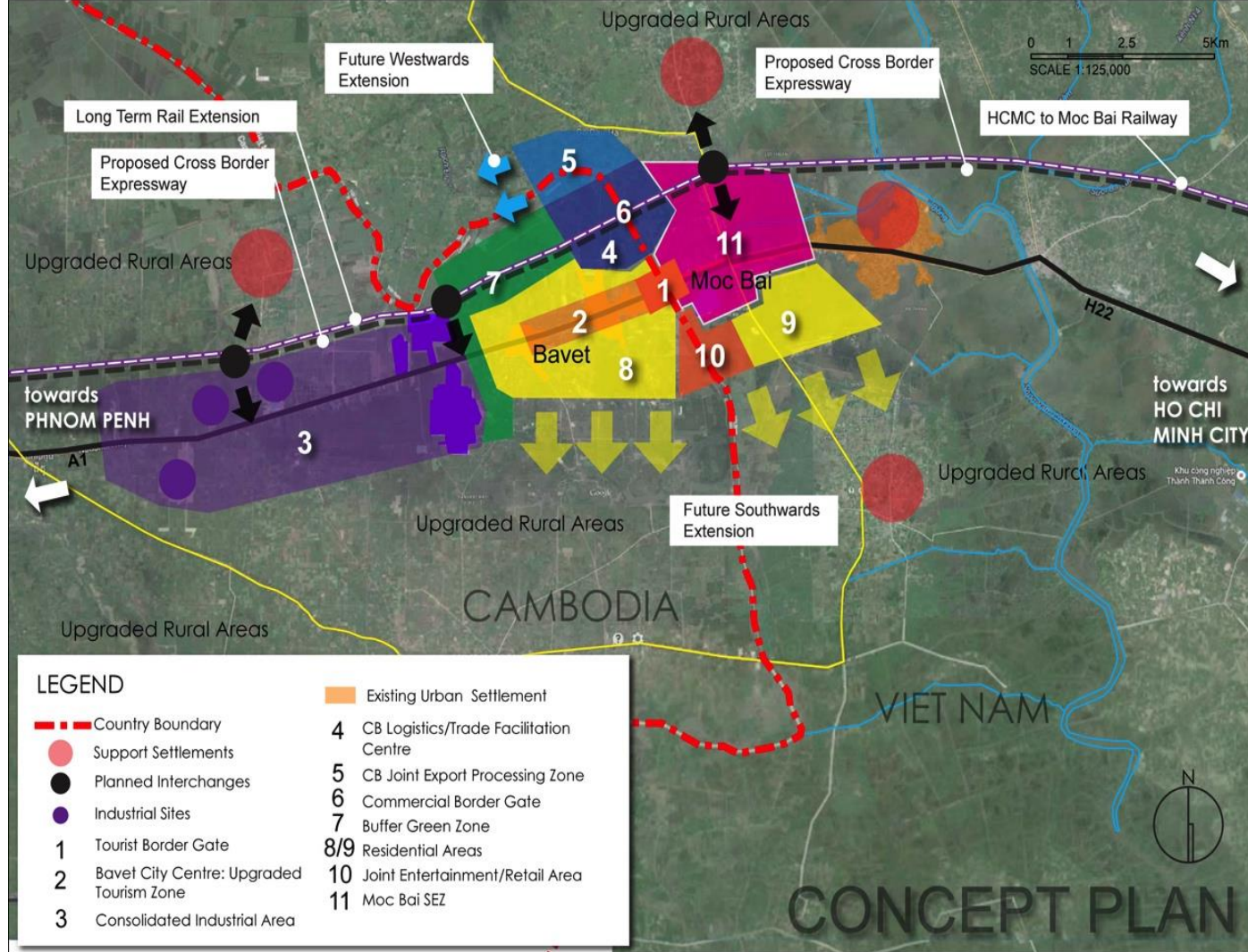
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Bavet: Urban development issues



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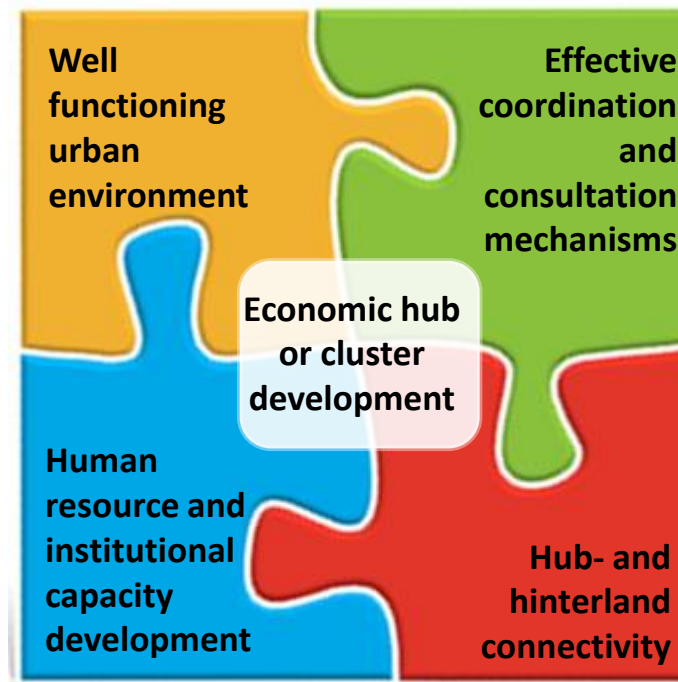
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How to develop economic hubs or clusters

- **Need for a multisector approach**



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