

# CORRIDOR CHRONICLES

Profiles of Cross Border Activities in  
the Greater Mekong Subregion



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# Profiles of Cross-Border Activity

**T**he stories in this publication are snapshots of various cross-border activities captured during a 19-day trip along the Greater Mekong Subregion (GMS) North-South and Southern Corridors in January 2009.

The journey began in Nanning, Guangxi Province, People's Republic of China (PRC) and included northern Viet Nam; Yunnan Province, PRC; the Lao People's Democratic Republic (Lao PDR); Thailand; and Cambodia before ending at Bavet, Cambodia's border with southern Viet Nam.

It was a timely trip as some sections of the highways had been recently built or upgraded.

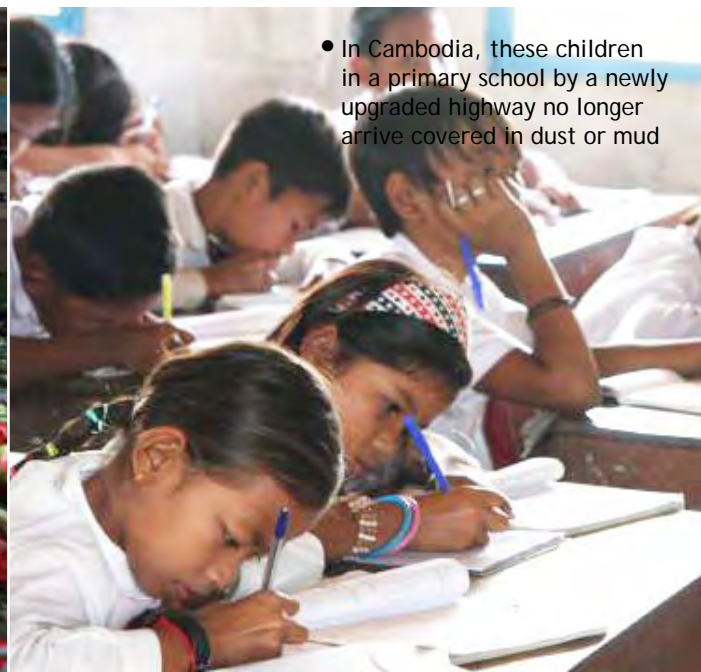
Three examples—which all include border points—are the stretch between Jinghong and Mohan in the PRC, Highway 3 between Boten and Houayxay in Lao PDR, and the link between Poipet and Serei Saophoan in Cambodia.

As the stories show, the roads are opening up a host of opportunities for businesses big and small. In Kunming, capital of Yunnan Province, PRC, at least one major flower producer has started sending daily container trucks down the 1,800-kilometer highway to Bangkok. They deliver roses, lilies, and carnations—bound for Southeast Asia and the Mideast—and bring back orchids. In Jinghong, a petroleum trader is importing gasoline and diesel

In societies with isolated health care in rural areas, a road can make a difference between life and death.



- In Kunming, one major flower producer is sending specially-cooled containers 1,800 km down the North-South Corridor to Bangkok



- In Cambodia, these children in a primary school by a newly upgraded highway no longer arrive covered in dust or mud

from Bangkok and exporting the oil to Myanmar through Ruili.

Small enterprises are also sprouting up. At Mohan on the PRC–Lao PDR border, a Chinese entrepreneur has bought a bus and is ferrying passengers between Jinghong and Luang Namtha. In Luang Namtha, a Lao driver has turned entrepreneur after buying two mini-vans to service a growing number of tourists, business people, and development officials. Also in Luang Namtha, a Thai woman has opened a restaurant to cater to the increasing busloads of Thai tourists traveling between Chiang Khong and Jinghong.

Aside from spawning private sector enterprises, the new roads, by reducing travel times and easing conditions, are boosting tourism in the face of economic downturn. As well as the continuing popularity of destinations like Cambodia's Angkor Wat and Lao PDR's Luang Prabang, it helps that the PRC's Yunnan Province and Lao PDR's Namha protected area are among the travel guide *Lonely Planet's* top 10 places to visit for 2009. Improved roads are directly linked to a 300% surge of Thai visitors to Jinghong in 2008 and a rising stream of visitors across the border from Thailand into northwest Cambodia.

It's not permissible to stop on the PRC expressways that float above the countryside on concrete columns or burrow through mountains, so one has to fall back on meeting

people at either end and on dry data, such as traffic flows or customs reports on goods. Besides, in the larger and more complex economies that need expressways, roads are only one of many factors affecting growth.

But in simpler societies rising from a low base, it is much easier to discern the impact of a new all-weather road in the villages and small towns along the way, especially when it has just replaced a dirt track that was near-impassable in the wet season.

In such places, a paved road transforms life on so many levels. In Lao PDR, it helps village women take paddy to a mill rather than spend hours pounding the rice at home. It enables rural folk to sell bamboo shoots and wild mushrooms in town, and traders to fetch *khem* (dried grass) or rice from the village. In Cambodia, it allows children to arrive at school without being covered in dust in the dry season or mud in the wet. It helps a stone carver bring better quality white stone from the northwest and send his statues of Buddha all around the country.

In societies with rudimentary health care in rural areas, a road can make a difference between life and death. One elderly Lao villager recalls how she lost 11 of her 14 children in the days when doctors and nurses were simply unavailable. Now a hospital is a 20-minute ride away. Clearly, such access helps to bring down rates of infant—and maternal—mortality. At Luang Namtha, a doctor at a provincial hospital says



- In Thailand, an entrepreneur is manufacturing alternators in Phitsanulok and exporting them to GMS neighbors



many rural sick can now make it to a medical facility in a few hours instead of a few days—and ambulances can reach isolated areas in emergencies.

Inevitably, there are drawbacks as well as benefits to improved connectivity and increased competition. At a border between Lao PDR and Thailand, one Lao tour operator worries that her business might lose out to Thai operators. In turn, Thais wonder whether Lao will maintain the high charges it currently levies on cars entering the country.

Others fret that increased cross-border activity tends to result in higher HIV/AIDS infection rates or trafficking in women and children. However, in Cambodia, where sexual transmission causes 95% of HIV/AIDS infections, awareness-raising programs, often targeted at “hot spot” border areas, have proved effective.

As a result of education programs, condom

use among sex workers has risen to 97% in 2008 from 17% in 1994, says Dr. Mean Chhi Vun, director of the National Center for HIV/AIDS in Phnom Penh. He reports that the prevalence rate among people aged 15 to 49 has dropped from 2% in 1998 to 0.8% in 2008, and may decline to 0.6% by 2012. He does warn, however, that the decline in brothels and corresponding rise of karaoke bars and massage parlors can lead to reduced condom use as sex workers form more regular relationships with clients.

The trafficking of people and drugs remains a problem at some borders but can be reduced by strict enforcement by, and close cooperation between, border authorities. “There are cases of illegal trafficking, but it is very small,” says Lieutenant Colonel Khuoy Kry, head of the immigration police at Bavet, Cambodia’s border town with southern Viet Nam. “There is good cooperation with the Viet Nam authorities to prevent trafficking of women and children.”

“There are cases of illegal trafficking, but it is very small,...there is good cooperation with the Viet Nam authorities to prevent trafficking of women and children.”

—Lieutenant Colonel Khuoy Kry  
Head of the Immigration Police at Bavet, Cambodia



- Lao villagers are building better homes as a result of increased trade brought by a rehabilitated Route 3



- In Viet Nam, children in the hill tribes will have a better diet when a new road improves market access

- At the Lao village of Chaleunsouk, a newly-rehabilitated road has brought these children within a 20-minute ride to hospital



It is hard to dispute that roads help to spur growth, or temper a downturn. In northern Lao PDR, the government reports that many investments have shifted from mainly agribusiness to trading and service enterprises since the upgrading of Route 3. One bank in Luang Namtha is forecasting a 50% growth in lending for 2009—perhaps one of the few banks in today's world with such an optimistic outlook.

Less clear is whether connectivity will benefit the better-off, like traders and tourists, while marginalizing the poor. One

key aim of the GMS Program is to develop linkages between improved infrastructure and pro-poor activities.

The private sector shows how this can be done, especially in the tourism sector. As stories in this publication show, ethnic groups in Lao PDR and Viet Nam are increasing their incomes in ecotourism or home-stay activities. In Cambodia, many underprivileged youth are training as traditional weavers and carvers, while others are developing skills at hotel and restaurant schools. These are small steps, but they offer hope.



- From Jinghong, this trader is importing oil from Thailand along the North-South Corridor and exporting much of it to Myanmar



- In Viet Nam, hill tribe handicraft makers expect more tourists when a northern expressway is constructed

It is 17 years since the GMS Initiative—to promote economic cooperation among the six countries sharing the Mekong River—was established, after being conceived by the Asian Development Bank (ADB).

In the past few years, GMS road maps have exploded with new lines showing the rapid development of economic corridors linking its members. Much remains to be built, but the foundations are largely there. One of the most important next steps is to implement the cross-border transport agreement that harmonizes procedures and facilities to further ease the flow of people and goods.

In the words of one ADB country director, “GMS is now a lively teenager. It has physical strength (infrastructure) but, like a teenager, faces challenges as it grows into a healthy adult.”

As GMS approaches its coming-of-age, it will focus more on the “soft” side of integration. It will move from transport to trade, and look at, for example, how education standards and policies can be better harmonized or how environment and biodiversity can be better managed on a cross-border basis. ■

# Gateway to the South

Goods are flowing from the People's Republic of China's Central and Eastern Provinces through Guangxi



- Tollway at the start of the Nanning-Youyiguan expressway: Greatly reduced travel times for regional traffic





- Guangxi's geologically unusual karst mountains stretch all the way to Viet Nam: Guilin, north of Nanning, is the big tourist drawcard



## In the larger picture, Guangxi will expand its gateway role with regional rail and sea links as well.

Since joining the Greater Mekong Subregion (GMS) Program in late 2004, Guangxi has made rapid progress in its goal to become an efficient gateway for central and eastern People's Republic of China (PRC) to Southeast Asia. It completed the 138-km Nanning-Youyiguan expressway 3 years ago and the Pingxiang-Lang Son border point is part of the GMS cross-border transport agreement.

Since the expressway opened, total traffic volume rose 24% to 5.1 million in 2007 and 18% million to 6.2 million in 2008, says Zhang Xuelian, a deputy chief in the Guangxi Communications Department.

Guangxi is a mountainous province noted for its unusual karst rock formations—for which Guilin in the north is famous—and Nanning, the capital, is a cultural, educational, and transport hub. Tourism is a big driver of Guangxi's economy.

"We built the expressway in addition to the national highway because it is for regional traffic, with limited access and higher speeds," says Zhang. The national road now serves villages and towns between Nanning and the border.

Although traffic moves at higher speed along the expressway, it has one fifth of the



- Zhang Xuelian, a deputy head in Guangxi's Department of Communications at Friendship Gate: Traffic volume grew 18% along the expressway in 2008



- Collecting a toll fee on the Nanning-Youyiguan expressway: Built for regional traffic between the PRC and Southeast Asia



- Processing is done through computers at the Pingxiang logistics center: It will be faster once a cross-border transport agreement is implemented

national road's accident rate and a quarter of the fatality rate, says Chen Meizhen, deputy chief of the expressway operator, Guangxi Southern Expressway Co., Ltd. "This is because of the barrier separating incoming and outgoing traffic and the lack of intersections compared to the national road, which goes through towns," he says.

In the larger picture, Guangxi will expand its gateway role by developing regional rail and sea links as well. It has three major seaports and is a key member of the Pan-Beibu Gulf Economic Cooperation Forum that is exploring cooperation between parts of southwest and southeast PRC and Brunei

Darussalam, Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

Two structures, one modern and the other ancient, capture the PRC's efforts to foster closer ties with its neighbors. One is a large China-ASEAN (Association of Southeast Asian Nations) Expo hall in Nanning, built 5 years ago and now the site of a major intraregional trade fair every year. The other is the Q'ing dynasty archway at the border. Once called the South China Defense Gate, it has been renamed Friendship Gate as it is now witness to the flow of goods, not troops. ■

Although traffic moves at higher speed along the expressway, there are fewer accidents than on the national highway.

- Reloading by the roadside at Huu Nghi: The poster at the back shows the planned modern logistics center



Two expressways from Ha Noi to two border towns, Lao Cai and Lang Son, will spur intraregional trade



# New Dawn in Highlands

**H**a Noi, Viet Nam: Forming a rough V-shape on the map—with the capital of Hanoi at the base—two ADB-supported expressway projects will stretch out like giant pincers to the border of the PRC in the northeast and northwest.

They are among key economic corridors that will bring members of the Greater Mekong Subregion (GMS) program closer by facilitating trade, tourism, and other linkages. While climbing through mountainous terrain, the highways will also

bring more income, better diet, and access to social services to many of Viet Nam's isolated communities.

The 130-kilometer (km) northeast arm, for which feasibility studies will begin this year, will link Ha Noi with Lang Son, at the border of the PRC's Guangxi Zhuang Autonomous Region, which joined the GMS program 5 years ago. The 260-km northwest arm, which ADB is financing with loans totaling \$1.1 billion, will join the capital with Lao Cai at the border of the PRC's Yunnan Province. Construction is due to begin in 2009.



- Agent Ha Ngoc Diep coordinates the transfer and delivery of foods at Lang Son

## Despite the downturn, Yunnan is forging ahead with a huge expansion of facilities at the border with Viet Nam.

The northern Vietnamese highways will meet Chinese expressways that link up with Guangxi's capital of Nanning and Yunnan's capital of Kunming—and way beyond. The highway to Lao Cai, for example, will reduce the time trucks take to travel between Kunming and Ha Noi from 3 days to one.

The roads help cement an era of peace and prosperity in a region that had been torn by conflict only decades ago.

“There has been growing recognition by the authorities that the relationship with the PRC is now very positive and presents an opportunity to develop northern Viet Nam very quickly,” says Ayumi Konishi, ADB's country director for Viet Nam.

Along with physical infrastructure, an ADB-brokered cross-border transport agreement (CBTA) to harmonize customs, immigration, and quarantine procedures has been signed by all members, but is still awaiting implementation.

At Huu Nghi, on the border with Guangxi Province, the constraints are still in evidence. In a gravel yard, laborers are offloading imported goods from Chinese trucks and reloading them onto Vietnamese trucks. Until the CBTA is effective, allowing for faster processing and for some vehicles to cross borders, this area is a bottleneck.

“Goods can stay here between one and 3 days, depending on how well the documents are prepared, how heavy the goods are, and where they are going,” says Ha Ngoc Diep, a woman agent who coordinates deliveries with a cooperative of Vietnamese drivers.

Despite such delays, the completion of a 200-km expressway, also assisted by ADB, on the PRC side from Nanning to the border has helped boost trade. In value terms, trade between Guangxi and the region that includes Lang Son Province, Ha Noi, and Hai Phong jumped from \$1 billion in 2007 to \$1.5 billion in 2008, says Duong Van Chieu,



- Vendors at a Lang Son market: Oranges are among the many imports from the PRC

vice director of the Lang Son Planning and Investment Department near the border.

Although the downturn is slowing the import of goods like machinery, it hasn't had much impact on agricultural products, says Duong. Chinese trucks bring temperate weather produce like apples, pears, and spring onions and return with tropical fruit, like watermelons and lychees.

Duong reckons that the turnover of trade through this gateway will reach \$5 billion by 2015 and \$10 billion by 2020.

On the northwest frontier, between Viet Nam's Lao Cai and the PRC's Hekou, trade facilities are well established, as Yunnan was a founding member of the GMS Initiative in 1992. On the PRC side of the Red River, workers are busy transferring oranges and ginger from Chinese to Vietnamese trucks.

Nearby is an open air market where traders set up stalls daily and do business until their goods are sold. A short walk away is a permanent, covered Vietnamese dry goods market. Wholesalers—and consumers—come here from all over Yunnan to buy Vietnamese exports ranging from rubber footwear to ceremonial swords and bracelets.



- A Vietnamese trader in Hekou: Has lived in the PRC since 1979 but crosses the border to replenish her stock every few days



- Chang Yun-seok, manager of a Korean aluminum bar maker at an industrial park outside Ha Noi: Plans to export to neighboring countries



- Loading ginger into Vietnamese green bags at Hekou: This facility offers a one-stop service, handling trade, customs and quarantine procedures



- Xie Chuang Ping, manager of a Vietnamese shoe shop in Hekou: Higher prices but better quality

One Vietnamese trader says she has been based in the PRC since 1979 and crosses the border every few days to replenish stock. Her big seller is an all-in-one coffee, cream, and sugar package.

At this border, the volume of imports and exports reached \$1.1 billion in 2007 but tumbled to \$0.66 billion in 2008, says Deng Yongji, director of Hekou's Bureau of Commerce. The slowdown may be eased in 2009 by the opening of the last section of an expressway linking Hekou with the Yunnan capital of Kunming.

Despite the downturn, Yunnan is forging ahead with a huge expansion of border facilities. The current administration buildings will be dedicated to passenger movement, while cargo traffic will be shifted to another area where a second bridge over the Red River is due for completion in 2009, and the ground has been cleared for a huge PRC-Viet Nam logistics center.

Currently, 70% of the cross-border trade originates from the PRC, says Huang. This may change as Viet Nam becomes more internationally competitive. A proud and industrious country of 87 million, Viet Nam is catching up quickly after decades lost to conflict and a US trade embargo.

One Vietnamese enterprise that is exporting to the PRC, for example, is footwear manufacturer Biti's. The firm makes shoes in Ho Chi Minh City and trucks them up to Hekou, where it has a wholesale presence.

"Our shoes are more expensive but of better quality and we can sell 2,000 pairs a week in the summer," says Xie Chuang Ping, manager of a Biti's shop in Hekou.

Other fields in which Vietnamese businesses can compete with the PRC include processed seafood and garlic, with small potatoes as another potential export, says Dr. Pham Thi Thu Hang, a director of the Small and Medium Enterprises Promotion Center of Viet Nam's Chamber of Commerce and Industry in Ha Noi.

Viet Nam's small and midsize businesses, many of them exporters, make up 90% of the private sector. "Many companies have opened representative offices in



Lao Cai after we promoted its potential as an economic center," says Pham.

Other major drivers of exports will be the international enterprises that occupy the growing number of industrial parks between Ha Noi and the major port of Hai Phong.

In a Japanese park, Canon has set up a large manufacturing facility as part of its global production chain strategy. The company uses GMS roads extensively when bringing in components from Thailand, assembles printers in Ha Noi, and trucks them up to the PRC via Nanning. Other Japanese companies are following suit.

In another industrial park, a Korean firm chose Viet Nam over the Mideast to locate its first overseas plant and is exporting aluminum bars to Korea, Malaysia, and Thailand. "Our products are used in the construction industry and we are exploring markets in Viet Nam, as well as Lao PDR and Cambodia," says manager Chang Yun-seok.

"When we talk to foreign investors, they always ask about the roads," says Nguyen Duc Son, a senior official with the Hung Yen Province's Department of Planning and Investment that oversees six economic zones between Ha Noi and Hai Phong, three of which are under construction.

The importance of Hai Phong port will only increase as a key point in the passage of imports and exports. Recognizing the shape of the future, Hai Phong port has taken a share in a large logistics center under construction in Lao Cai that will handle both road and rail cargo, says Truong Van Thai, deputy director general of Hai Phong port.

With its heavy dependence on exports and foreign direct investment, Viet Nam is no exception in feeling the economic downdraft, but improving infrastructure should temper any slowdown in the north and accelerate development when better times return. ■



- Vietnamese crossing the bridge at the border between Lao Cai and Hekou: A second border facility is being built

- Bridge at the H'mong village of Lau Chai: A planned expressway will increase access to markets



Sa Pa, Viet Nam: The Thai tourist trekking around hill tribe villages near Sa Pa was on his fourth visit to Viet Nam. “On this trip, we took advantage of the cheap package tours that have become available since the downturn,” said Sumboon Yingyongkitmongkol, a construction project manager, who was touring with his wife in January 2009.

Sumboon is the kind of Greater Mekong Subregion (GMS) tourist that Viet Nam and its Mekong neighbors are hoping will help stem the slowing growth in tourist arrivals. Viet Nam’s international arrivals for 2008 grew less than 1% over 2007 and fell well short of the targeted 5 million visitors. Visitor arrivals could fall in 2009.

“Despite the slowdown, consumption grew 30% in Viet Nam in 2008. All the GMS countries are talking about stimulus packages and if consumption is going to be

pushed, domestic tourism should retain a good share,” says Ayumi Konishi, the Asian Development Bank’s (ADB) country director in Ha Noi. “If GMS countries can make cross-border travel much easier, if people in Ho Chi Minh City think of visiting Siem Reap just as easily as visiting places in Viet Nam, this is a chance for intraregional tourism to develop more quickly.”

Some indicators suggest this is happening. Figures from Viet Nam’s General Statistics Office show that while international arrivals fell slightly from countries like France and Japan last year, they rose by around 10% from the People’s Republic of China, Malaysia, Singapore, and Thailand.

Nguyen Dang Thang, who runs a tour business out of Ha Noi, says most of his clients for tours to the former French hill station of Sa Pa are from Mekong countries.

# Hill Tribes Rely on Tourists

Improved access to markets  
means today's generation has  
a wider choice of food





- A girl at a kindergarten in Lao Cai: Most H'mong prefer to stay in the uplands



- Co, a H'mong mother with her baby boy: When she has money, she buys fruit and vegetables to improve her children's diet

Impact Stories

Tourism employs 10% of Viet Nam's workforce. Among those who depend on visitors are the many ethnic groups who live in the mountains around Sa Pa.

At present, most visitors traveling from Ha Noi to Lao Cai—Sa Pa is a further hour's drive from Lao Cai—opt to take a night train rather than travel over a pot-holed road for the best part of a day. This may change when an expressway between Ha Noi and Lao Cai—financed by ADB—is completed in 2012.

The H'mong village of Lau Chai—an 8-kilometer trek through rice-terraced valleys from Sa Pa—is an example of a community that expects to gain from the tourists the expressway will bring as well as better access to Ha Noi.

Most of the independent H'mong—who originally came from the north—want to retain their simple farming and livestock-rearing lifestyle among the mist-covered hills. But they also appreciate the income they earn from selling their cloth products, embroidered in traditional patterns, to visitors.

The 600-strong community, where most live in wooden and bamboo homes, has seen many changes in recent decades.



- H'mong store owner Nguyen Duc Thang with customer: Easier access to Ha Noi will enable him to sell more goods

“When I was young, I hunted for animals in the forest and fished in the river,” says Nguyen Duc Thang, 54, who runs a general store by the footbridge over the river that runs through the village. “But all that has gone now.” Over the years, slash-and-burn agriculture has been greatly reduced and opium growing has been replaced by rice.

But improved access to outside markets means today’s generation has a wider choice of food. Children can eat apples and pears, for example, that are not grown locally. With assistance from the government and NGOs, the village has schools and a health clinic.

Nguyen, who also grows rice and tobacco, says he goes to Ha Noi twice a month to buy replenishments for his store, like candy, beer, soft drinks, and noodles. It takes 2 days to go back and forth on a public bus, which costs a fraction of the train fare. “If I could go and come back the same day on a good road,

I would go more often,” says Nguyen. “I would buy clothes like Ho Chi Minh khaki uniforms with epaulettes and medallions, which sell well here.”

Smoking a bamboo water pipe, he says he would also buy more tobacco from Hai Phong, which he prefers over the locally grown product.

A woman carrying an infant on her back enters the store. Co, who sells handicrafts, says the baby is her first boy after giving birth to several girls. “When I have money, I go to the market in Sa Pa and buy fruit and vegetables food to improve the diet of my children,” she says. “If not, we just have rice and cold water,” she says.

Although some villagers may find the increasing number of tourists intrusive, they are well aware that they also bring benefits. ■

“If I could go to Ha Noi and come back the same day, I would replenish my store more often.”

—Nguyen Duc Thang  
store owner in Sa Pa, Viet Nam



● Hill tribe woman weaving by the side of a road near Sa Pa: Many depend on selling handicrafts to tourists

- The bridge across the Mekong at Jinghong: Goods move south from here increasingly by road as well as by river

Jinghong is a magnet for tourists and land has been cleared for an airport expansion.



# Business on the Move

Entrepreneurs, big and small, take advantage of better connectivity



**K**unming, Yunnan, People's Republic of China: From Kunming, trucks carrying containers of flowers travel every day along the entire length of the 1,800-kilometer (km) Greater Mekong Subregion (GMS) North–South Corridor. They pass through Yunnan Province, Lao PDR, and Thailand before arriving in Bangkok some 40 hours later.

At Jinghong, in southern Yunnan, an oil trader imports several tanker loads of gasoline and diesel a month, all hauled by road from Bangkok.

At Mohan, on Yunnan's border with Lao PDR, a Chinese entrepreneur recently started a daily bus service between Luang Namtha in northern Lao PDR and Jinghong.

Such snapshots of entrepreneurial activity show that heavy PRC government investment—with support from the Asian Development Bank (ADB)—to provide highways along the 700 km between Kunming and Mohan are starting to pay off.

Within 7 years of building roads under the GMS program, Yunnan has expressways covering 90% of the North–South Corridor. The Jinghong–Mohan section was completed



- Kunming is famous for flowers. It exports them to Southeast Asia and the Mideast through the GMS corridor

in early 2008, though it has only two lanes, with the capacity to be doubled. An expressway along the 70 km between Mohei and Pu'er will complete the chain in 2010.

An inland province, one of Yunnan's major objectives has been to carve out access to seaports under the GMS Program, notes Ma Defang, a deputy director of Yunnan's Communications Department, which is responsible for transport issues.

Aside from having better access to the city-port of Bangkok, Kunming is now joined by highways to Hekou, where it will link up with a planned expressway to Haiphong port in Viet Nam, and to Ruili, that is linked to the Myanmar capital of Yangon.

With its temperate climate, Kunming has flourishing flower and vegetable industries that are using GMS roads to grow exports. One major flower producer offers a case study of the profits—and pitfalls—of using the North-South Corridor. Daily, JF Flowers dispatches a specially-fitted container—designed to preserve flowers like roses,



- Vegetables being packed in Kunming: Many will be trucked to ports to be shipped to Southeast Asia



lilies, and carnations at low temperatures—by truck to Bangkok. From there, flowers are flown to Malaysia, Singapore, and the Mideast. For the return trip, the container brings back orchids.

Since starting to use the North–South Corridor in mid-2008, the company trucked 1,000 tonnes of flowers in the first 6 months. It is confident of more than doubling this volume through 2009, despite the downturn, says logistics director Huo Lankun.

But the journey is not without constraints. While a cross-border transport agreement among the PRC, Lao PDR, and Thailand awaits implementation, Chinese and Thai trucks cannot enter each other’s territory. So, at the Lao PDR border, the container of flowers has to be transferred by crane from one truck to another—a cumbersome process that is repeated on the return journey.

Another hazard is that of informal payments. “It’s tricky handling a delicate product like flowers, but the biggest risk is in dealing

“I will definitely consider sending more products to Southeast Asia through the North–South Corridor, especially if it becomes easier and quicker with time.”

—Mark He  
Marketing Director for Kunming Chennong Green Products



• Huo Lankun watches flowers being packed at Kunming: His firm sends a truck daily down the 1,800 kilometers North–South Corridor to Bangkok



• Dai head man Ai Jiao with his family: May re-open a resort to attract visitors

with border officials,” says Huo. “In the PRC and Thailand, they do their job properly, but others require unofficial payments. If we don’t pay and the containers are opened, the flowers can be damaged.”

Other causes of delay, says Huo, are queues and paperwork, closures by the ferry service between Lao PDR and Thailand, and work stoppages during public holidays.

In the yard of a major Kunming vegetable producer, a container truck is about to pull out. Chen Jun, one of a pair of drivers, says it will take 20 hours to reach the port of Guanlei, where the vegetables will be shipped to Bangkok.

Mark He, marketing director for Kunming Chennong Green Products, says they also truck vegetables, like snow peas and broccoli, through Shenzhen for shipping to Malaysia and Singapore. “I will definitely consider sending more products to Southeast Asia through the North–South Corridor, especially if it becomes easier and quicker with time,” he says.

In Jinghong, capital of tropical Xishuangbanna, Liu Tianwei is the first Yunnan

businessperson licensed to import gasoline and diesel from Bangkok—but one condition is that he uses the North–South Corridor.

Owner of 10 petroleum tank trucks, or 7% of the 150 fuel trucks regularly using the North–South Corridor, he was bringing in between 10–20 tanker loads a month in 2008, although demand has dropped recently. Liu exports most of the oil to Myanmar through Ruili. The trip from Bangkok takes 16–17 hours despite the hassle of having to change tankers at the border. Clearly, he will gain once cross border processing is made easier and faster.

With its balmy weather, Jinghong is a magnet for tourists and land has already been cleared for an airport expansion to handle more arrivals. Thai visitors rose 300% in 2008, especially after the completed upgrading of roads in Lao PDR and between Jinghong and Mohan, says Zeng Chaohua, deputy general manager of Banna branch of Yunnan International Travel Agency.

The number of Chinese tour groups he sends to Lao PDR has also more than doubled from 1–2 a month to 4–5 a month, he says. Most from the PRC head for Luang Prabang, and many go on to visit Thailand.



- At the Mohan border, Xiong Huocheng stands in front of the bus he bought recently: It ferries passengers between Luang Namtha and Jinghong

Not everyone is benefiting from the rise in visitors. In the Dai village of Manluandian near Jinghong, head man Ai Jiao says they get few visitors since a resort in the village was closed a few years ago. The village needs people to buy its woven handicrafts and Jiao says they may reopen a resort to draw the tour buses.

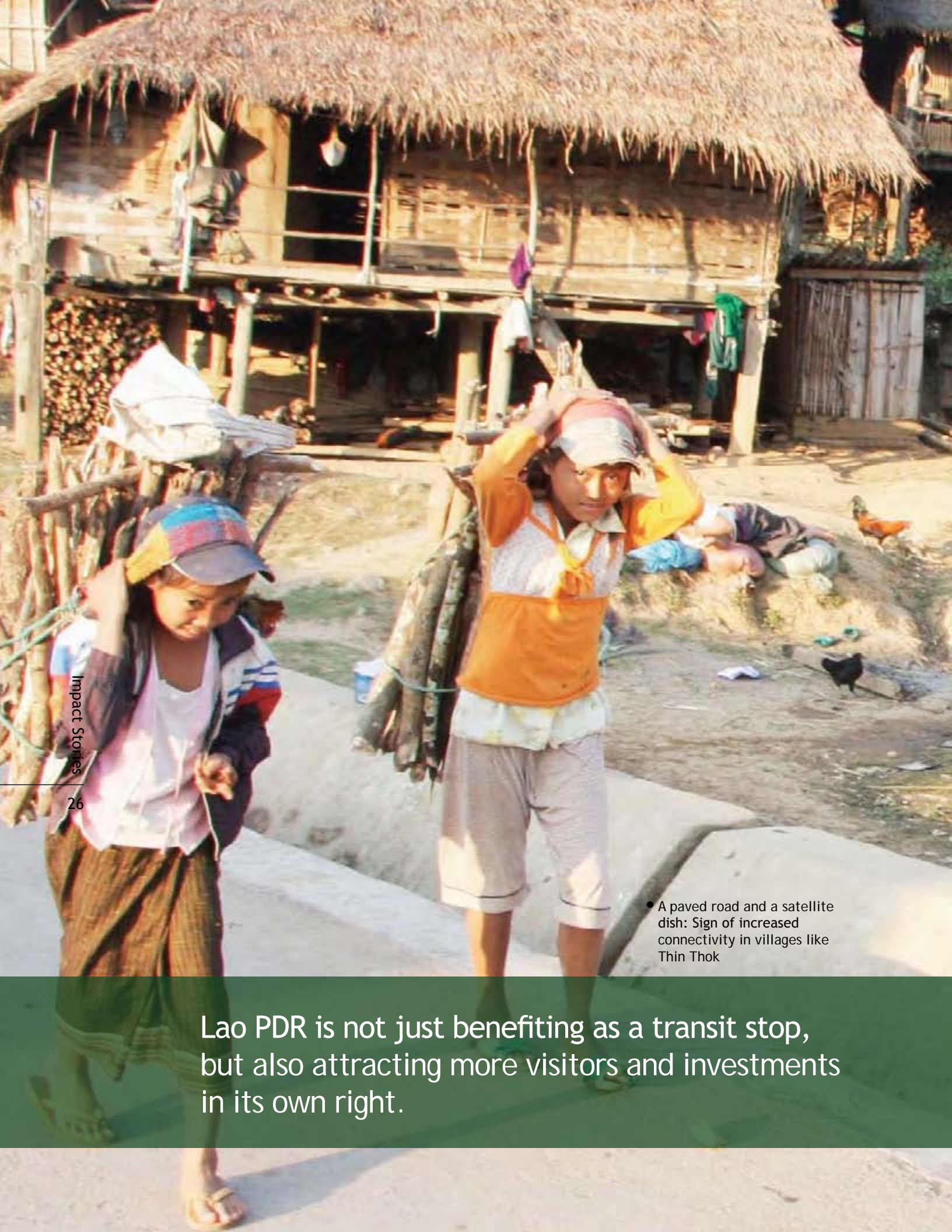
In the border town of Mohan, Xiong Huocheng is standing beside the bus he bought 2 months earlier for over 300,000 yuan (\$43,860). He chats with passengers and accepts a request from a couple to deliver a crate of wine to Jinghong.

“Since road got better on both sides of the border last year, I saw an opportunity,” he says. He charges 70 yuan (\$10) for a trip between Luang Namtha and Jinghong, and says his fuel cost is 200 yuan (\$29). On average, passengers occupy only a third of the bus’s 30 seats but it is enough to break even. He is confident that demand will grow and may expand his bus route to Houayxay when a planned bridge is completed.

Indeed, the North–South Corridor can expect to see a proliferation of entrepreneurs, big and small, in the years ahead. ■



- A Dai weaver at Manluandian near Jinghong: Needs more people to buy handicrafts



- A paved road and a satellite dish: Sign of increased connectivity in villages like Thin Thok

Lao PDR is not just benefiting as a transit stop, but also attracting more visitors and investments in its own right.



# Opening Up a Tranquil Land



A newly-upgraded highway is increasing trade and tourism, encouraging investments, and raising living standards. Some worry it may also accelerate change in a fragile culture.

**L**uang Namtha, Lao PDR: The People's Republic of China (PRC) and Lao PDR meet at the frontier, but their border towns show they are worlds apart.

On the PRC side, Mohan is a small town with a neat main street of concrete shop houses and residential buildings—and is set for explosive growth. Much of the ground has been cleared for the construction of industrial and service parks, logistics and administrative centers, a golf course, luxury

villas, and hotels. The population will more than triple to 20,000 in the next 5 years, estimates Ma Zhenguang, a senior official with the Mohan Economic Development Area.

In contrast with its giant neighbor's rapid urbanization, Lao PDR's tiny population of 5.8 million lives mostly in isolated, but closely-knit, communities in mountainous areas. Inside the Lao border, the village of Boten has shrunk, as most inhabitants have moved to the interior, and the first major development is, in fact, a Chinese complex of a large hotel, shops, and apartment blocks.

Not far inside the border is the village of Thin Thok, which presents a timeless rustic scene at sunset. Children play and chickens roam among the stilts supporting simple wooden huts. A group of sarong-clad women bathe in a small fenced enclosure. Men squat on tiny wooden stools, while women cook over small fires.

There are also signs, however, that the village—home to Khmu and Punoy ethnic groups as well as Lao Lum (lowland Lao)—is increasingly connected to the modern

world. Satellite dishes appear between thatched roofs. Since last year, too, a potholed track has been replaced by a surfaced national Route 3 that runs through the village. This means more trucks and buses disturb the rural tranquility. But it also brings traders more frequently to buy bundles of *khem*, the long grass used to make brooms, earning extra income for a village that had a disappointing harvest in 2008.

Significantly, the improved Highway 3, which traverses northern Lao PDR between Boten and Houayxay on the Mekong River bordering Thailand, was jointly financed by the PRC and Thailand, and supported by a \$30 million loan from the Asian Development Bank (ADB).

The 228-kilometer (km) road is an important link in the 1,800-km GMS North-South Corridor between Kunming and Bangkok, and is already helping to increase tourism and trade between the PRC and Thailand and other parts of Southeast Asia.

As the tiny country in the middle, Lao PDR is not just reaping benefits as a transit



stop, but is attracting more visitors and investments in its own right.

In the provincial capital of Luang Namtha, visitor arrivals rose by 88,000 to over 184,000 in 2008, compared to usual yearly increases of 9,000 to 10,000, says Alinda Phengsawat, provincial head of planning and cooperation for the Lao National Tourism Administration.

She attributes this to growing infrastructural facilities—the advent of electricity a few years ago, more hotels and guesthouses, and now a sealed road.

Encouragingly, an increasing share of visitors is staying awhile, rather than passing through, says Phengsawat. Apart from Thai tourists and Chinese traders, a large proportion of visitors include ecotourists from Europe and the United States, Japan, and Singapore. Most are drawn to trekking, biking, and rafting activities in the Namha protected area.

There are other signs that Luang Namtha is growing, albeit from a low base. The town of some 40,000 people added a third hotel

in 2008 and a Chinese group is expected to finish a fourth in 2009.

The local branch of state-owned Banque pour le Commerce Exterieur Lao (BCEL) saw loans leap 150% to 20 billion kip (\$2.3 million) in 2008, says deputy director Vattana Xayavong in recently refurbished premises. He projects a 50% lending rise in 2009 to meet demand from mainly construction and trading enterprises, as well as loans for a growing number of people buying motorbikes to use on the all-weather road.

Around Houayxay, investments are shifting from being mostly agriculture-related to include trading and services enterprises.

- Motorcycles loans are up: The all-weather road spurs demand





- Khorla Philavanh, head man of Chaleunsouk: Villagers sell wild mushrooms and bamboo shoots in town

One budding entrepreneur is Deth Xayachack. With savings from a long stint as a driver, Xayachack bought his first mini-van in 1995 and a second in 2005. Business is good, he says, as the vehicles are rented out about 20 days in a month. “The new road is bringing more tourists and business people, as well as people working on projects,” he says.

Rural communities are also seeing improvements. At the village of Chaleunsouk, a 20-minute ride from Luang Namtha, Kway On is standing by the road, waiting to take sacks of paddy to a nearby mill. “This is saving me a lot of time,” she says. “Before the road was fixed, we would have to pound the rice ourselves.”

Sitting on a log, head man Klorla Philavanh says that, when the village was isolated by a road that was impassable in the wet season, families lived on a subsistence basis. “Now the road has made access easy, villagers go to town to sell forest products like wild mushrooms and bamboo shoots, and traders from town come here to buy rice and livestock.”

He says the village, with a population of 359, had no motorcycles before the road, but now has around 10. The sound of hammering

comes from villagers building new houses. “They are using better materials these days, concrete piles and corrugated iron roofs, to make stronger houses that last much longer,” he notes. He also says the village’s primary school used to be near the road, but was shifted to improved premises on a hill to reduce the risk of accidents.

On the western side of the highway, around Houayxay, investments are shifting from being predominantly agriculture-related to include trading and services enterprises, partly as a result of the road, say planning and investment department officials of Bokeo province.

Two big tourism investments include an \$86 million Chinese-financed resort at Ton Pueng, upriver from Houayxay, and a \$42 million Korean complex near the planned new Mekong bridge, says Chomepheng Vilaysane, head of the investment promotion section. Other investments are in the extraction industry, including gold and precious stones.

The Mekong bridge, another PRC–Thai joint venture, will significantly boost the economy when it is completed after 2012, says Vannasone Phothipanya, head of planning.





- Building a new home in Chaleunsok: Better materials last longer

Although literacy rates and school enrolments have improved, Lao PDR still faces an acute skills shortage in tourism and other sectors that the government is seeking to address with vocational training programs.

Even so, there are concerns that the country is not yet prepared for the integration that rapidly-growing connectivity brings.

“Our country is at a relatively low level of development and many are not ready for rapid change,” says Heuan Chanphana, deputy head **GMS** coordinator for the Lao government. As an example, he cites foreign businesspeople who encourage Lao farmers to grow rubber for cash. “Since rubber causes soil erosion, it is unsuitable for growing on hillsides, but some local farmers are unaware of this and need to learn from the experience of neighboring countries,” he says.

Others fret that, while heading into the modern world, the country may lose much of its unique culture.

To counter this, one enterprise has organized over 300 women in the village of Thong Chai Tai, near Luang Namtha, into making high-value silk products for export. “As people move into factories and offices, they will lose their traditional weaving skills,” says Yukiko Tani, a Japanese woman who has turned a development project into a private enterprise. “This business enables villagers to retain their craftsmanship and earn income.”

Learning how to balance progress with tradition may be one of the country’s biggest challenges. ■

“Our country is at a relatively low level of development and many are not ready for rapid change.”

—Heuan Chanphana  
Deputy Head GMS Coordinator, Lao People’s Democratic Republic

- Dr. Heuay at a district hospital: With the improved road, patients can be treated and return home the same day, saving considerable costs



“If we had the hospital nearby when I was young, many of my children would still be alive.”

—Khay Ngern

# Better access to Health Care



Like Khay, most of Lao PDR live in hamlets in isolated mountain areas. Although infant mortality rates have improved markedly in recent years, they are still high. In 2005, one in 10 children died before the age of 5. Mothers—four out of five give birth at home without a midwife—also face high risks. They die at the rate of 405 per 100,000 births.

A growing number of village clinics—like the one at Chaleunsouk village, where Khay lives—will improve basic health care for mothers and children, as will plans to train more midwives.

What also helps is the newly-paved Highway 3 that runs through the village and has brought the hospital in the provincial capital of Luang Namtha within 20 minutes' reach, no matter what the weather. Until last year, this road—like 60% of the country's roads—was closed during much of the wet season.

"If we had the hospital nearby when I was young, many of my children would still be alive," says Khay.

Dr. Ounheuane Phoutsavath, deputy director of Luang Namtha provincial hospital, agrees. "People are healthier now as they can get here much more easily because of the road. When it was a dirt track, villagers who were ill had to walk for 3 or 4 days—and many gave up and returned home," he says.

Delays caused by bad roads take a toll not just on health but also on finances in a land where per capita annual income is not much

**C**haleunsouk Village, Lao PDR: Khay Ngern isn't sure how old she is—her birthday wasn't recorded—but she reckons she is in her 70s. One figure she knows well, though: she gave birth to 14 children, but lost 11 of them before they were 2 years old.

"I never knew why they died," she says, telling her story on a chilly winter morning by a small fire outside her hillside home perched on stilts. "We had no doctors or nurses in those days."



• Dr. Ounheuang Phoutsavath (left): Pregnant women lost more blood when the road was a muddy track

over \$600. As an example, he cites a pregnant woman who might be hemorrhaging—“the longer it takes for her to get to hospital, the more blood she will need and the longer she will have to stay in hospital.”

Another advantage of the improved road is that it allows the hospital’s sole ambulance to fetch people from rural areas in emergencies, as well as transport some of them home, says Dr. Ounheuang. “It also helps when we send nurses out to the village clinics to give training in basic health care.”

Despite progress in health care in recent years, says the administrator, there is much room for improvement. With an acute

shortage of qualified medical staff, Luang Namtha cannot treat serious ailments—such as heart and cancer cases—and refers them to the capital of Vientiane. This means either an expensive plane trip for patients or a 20-hour journey by road.

At the Vieng Phoukha district hospital, 60 kilometers from Luang Namtha, Heuy Somvang, director of the public health section, shows another saving provided by better transport conditions.

As she examines a patient with a hand injury from a work accident, several members of the man’s family wait outside, cooking on an open fire. It is customary for family members

“People are healthier now as they can get here much more easily because of the road. When it was a dirt track, villagers who were ill had to walk for 3 or 4 days—and many gave up and returned home.”

—Dr. Ounheuang Phoutsavath  
Deputy Director of Luang Namtha provincial hospital



- Father and child in Chaleunsouk: Hospital care is now a short ride away

to accompany in-patients and sleep on the floor. With the improved road, patients can be treated and return home the same day, she notes, saving considerable costs for the family.

Dr. Heuay says most pregnant Lao women are “shy” and still prefer to give birth at home. She is referring to those who rely heavily on traditional doctors and treatments.

The improved road does have its downside, says Dr. Ounheuane. Most Lao ride motorbikes and bicycles, and higher traffic speeds has brought more risk. Road accident cases treated at the hospital rose from 244 in 2005 to 608 in 2007. Significantly, however, the number dropped to 416 in 2008, which Dr. Ounheuane says could be due to a new regulation mandating the use of protective helmets.

Increased cross-border activity can cause other undesirable trends, says the doctor. Hypertension and diabetes are on the rise, he says, perhaps due to increased imports of soft drinks and food with high sugar content. He also notes that HIV/AIDS cases testing positive at the hospital rose from 14 in 2006 to 27 in 2007 and reckons increased cross-border traffic might be a cause. ■



- A family waits outside a patient’s room at Vieng Phoukha district hospital: Quicker access and treatment reduces this custom

Visitors head north

# Crossing the Mekong

- Passengers and cargo cross the Mekong between Chiang Khong and Houayxay: A new bridge will speed up travel

Visas on arrival and newly improved roads have boosted tourist arrivals in Yunnan Province, and more trade will follow, especially when constraints are eased and a new bridge is completed



**C**hiang Khong, Thailand: A middle-aged Thai woman clammers out of the long-tail ferry boat at Chiang Khong and walks up the hill to join a tour bus. She is one of a large group that has crossed the Mekong River from Houayxay in the Lao People's Democratic Republic (Lao PDR) after a trip to the People's Republic of China (PRC).

One tour operator in this northern Thai port, Surasak Dejmea, says the number of Thais taking tours from Chiang Khong to Jinghong in the PRC's Yunnan Province soared 300% in 2008 despite the economic slowdown. "Thais used to go Luang Prabang, but now they want a new destination," he says. "It's also easier now as the roads have improved and tour groups can get a visa on arrival at the Lao PDR border with the PRC."

Other indicators support this trend. In Luang Namtha, northern capital of Lao PDR where visitors pause on the way to the PRC, a busload of Thais is eating at a Thai restaurant run by Prapa Panicharat, from Ratchaburi Province. "I saw an opportunity with the improved road and opened my restaurant in February last year," says the Thai



entrepreneur. "The buses from Houayxay stop here for an early lunch."

In the largest jade shop in Jinghong, manager Lu Yi De has seen a big increase in Thai visitors during the past year. "They come mainly for sightseeing, and some ask about business opportunities," he says.



- Thai tour operator Surasak Dejmee: Yunnan Province is the new destination

The sharp increase has been spurred by improved access, including the 2008 completion of the upgraded national Route 3 that traverses northwest Lao PDR between Thailand and the PRC.

The all-weather road replaces a narrow, gravel track that used to be closed for much of the wet season. The project, jointly financed by the PRC, Thailand, and the Asian Development Bank (ADB), has greatly reduced travel time along the 228-kilometer (km) between Lao PDR's border towns between Boten and Houayxay.

The PRC and Thailand financed the Lao PDR road because it is an important link in the 1,800-km Greater Mekong Subregion (GMS) North-South Corridor between Kunming and Bangkok that will boost tourism and trade between the PRC and Southeast Asia.

In turn, Thailand can also expect to see an influx of Chinese tourists, though this will come later, says Pattana Sittisombat,



- Tourists in Chiang Rai: An influx from the People's Republic of China is expected



chairman of the chamber of commerce in Chiang Rai, the nearest sizeable town inland from Chiang Khong.

“It’s not yet as easy for Chinese as Thais to get passports and visas, but I have associates in the tourism industry in Yunnan who plan to send tourists down to Thailand,” he says. “This is just a beginning.”

No doubt, Thailand’s political woes in 2008 also contributed to the fact that tourist arrivals from the PRC totaled 600,000 last year, only half of Thailand’s target.

While tourism—one way, at least—is booming, trade along the road is expected to grow at a slower pace. The reasons are that it is still much easier for tourists rather than the truckers to cross the border, and that many traders still prefer to transport their goods along the Mekong River.

Thai tourists pay \$1.50 to cross from Chiang Khong to Houayxay—the ferry crossings are controlled by a Thai operator—and catch a Lao tour bus on the other side. For trucks and cars, the costs are considerably higher—and this doesn’t include informal fees at customs and immigration. But a major drawback facing truckers is that they have to unload their goods onto other trucks—Lao or Chinese—for onward travel.

Such constraints will be alleviated when a bridge across the river—construction is scheduled to begin in 2009—is completed around 2012. Meanwhile, a GMS cross-border transport agreement (CBTA) that allows trucks to transit without unloading/reloading has been agreed upon but awaits ratification and implementation.

Currently, tourist groups entering the Lao PDR board a local tour bus. But Saengkham

“It’s not yet as easy for Chinese as Thais to get passports and visas, but I have associates in the tourism industry in Yunnan who plan to send tourists down to Thailand... This is just a beginning.”

—Pattana Sittisombat  
Chairman of the Chamber of Commerce, Chiang Rai



- Thai artist Chalermchai Kositpipat in front of his Rong Khun temple: “Sad to see decline in traditional spiritual values.”



- Prapa Panicharat has opened a Thai restaurant in Luang Namtha: Catering to busloads of tourists

## Entrepreneurs are exploring cross-border links in “soft areas” like training and cultural exchange.

Inthasane, an accountant with a Lao tour operator, fears that, once the bridge is ready, Thai buses will roll across and leave Lao operators stranded. For their part, Thai operator Dejmea says that Lao authorities charge 7,000 baht (\$200) for a car to enter and wonders aloud if such high fees will still be charged when the bridge is open.

Under the CBTA—brokered by ADB—the compromise solution is to allow 500 vehicles from each GMS country to cross borders and operate in neighboring countries, notes Ronnie Butiong, ADB’s senior regional cooperation specialist for the GMS.

Ratification in Thailand involves internal approvals that may go through in 2009. Moreover, implementing the CBTA will also take time as training is required at central, provincial, and border levels, adds Butiong.

Another reason why trade may grow at a slower pace along the road than tourism is that the river remains the more attractive mode of transport for many traders. This is clearly the case at Chiang Saen, upriver from Chiang Khong and the first port of call for Chinese vessels sailing from Jinghong.

At a market stall on the riverbank, Sukanya Antideh stands behind a colorful array of fruit and vegetables—pears, oranges, pomegranates, mushrooms, and medicinal plants—that have newly arrived from the PRC. “We have a daily boat service between Jinghong and Chiang Saen,” she says. “Chinese fruit is more in demand during winter, while other products sell all-year round.”

One attraction for river traders is the one-stop service offered at the port. This means that customs, immigration, and quarantine inspections are conveniently carried out in the same location.



• Vendor Sukanya Antideh in Chiang Saen: Produce arrives daily from the PRC

“Our river trade remains strong,” says Polpol Manamontreekoul, mayor of Chiang Saen. In contrast, he says, tourist arrivals are not growing much, despite the many ancient temples, some relatively well-preserved, that the former kingdom has to offer. The mayor adds, however, that the city still needs to restore many temples and also needs to improve marketing to attract Thais as well as foreigners.

In Chiang Rai, the nearest sizeable city to the border, the governor established a “sister city” relationship in 2007 between the eight provinces of northern Thailand and the PRC’s Yunnan Province. This agreement has already led to joint ventures, mostly involving transport and logistics, says Pattana. Since both regions are rich in tourism resources, further links can be expected.

Chiang Rai, which has a significant number of residents of Chinese descent, has turned from a small market town into a boom city since the early 1990s. Inevitably, such development has led some to bemoan the loss of traditional culture. “Chiang Rai is becoming more like Bangkok every day,” says artist Chalermchai Kositpipat, known as “Thailand’s Gaudi” and architect of Chiang Rai’s innovatively designed Rong Khun temple. “Of course, I am sad to see increasing consumerism and a decline in traditional spiritual values.”

Others are concerned that the rise in living standards—partly due to increased cross-border trade—benefits some parts of society, while bypassing others, including hill tribes on both sides of the border.

“Highland people may not want the same lifestyle as lowland people, nor can they take advantage of better connectivity the way others can,” observes Choen Krainara, a policy and planning analyst with Thailand’s National Economic and Social Development Board. “But they should have similar access to social services. There should be more community-based enterprises to improve health and education, especially in the less developed countries.”

Meanwhile, some entrepreneurs are exploring, not just cross-border trade ties, but also links in “soft” areas such as training.

Chiang Rai’s Pattana, for example, knows he cannot compete with the PRC in his line of business, which is kitchenware, so he is looking for opportunities in human resource development. “Maybe we can sell skills through local organizations,” he says.

It seems only a matter of time before cross-border cooperation moves into the “soft” side of cooperation, such as education in all fields, as well as cultural exchanges. ■



- A worker in an auto parts factory in Phitsanulok: Businessman Vanchai Chittamanontkul says he can compete on price as well as quality

**Business people say they need a logistics center to attract more private sector enterprises**

# Phitsanulok— A Regional Hub?

**P**hitsanulok, Thailand: Phitsanulok, which lies in the central plains of Thailand, seeks to expand beyond its role as a distribution base for middle and northern Thailand. It also wants to be the first non-border city to act as a distribution—and maybe manufacturing—hub for the Greater Mekong Subregion (GMS).

Its supporters say the historic city on the river Nan, with a population of nearly

90,000 people, is surrounded by provinces rich in agricultural and ecotourism potential. It's also an hour's drive from the heritage city of Sukhothai, which draws up to a million visitors a year. They note that Phitsanulok is well-placed to distribute processed agricultural products, or raw materials like rubber, as it is at the intersection of two major GMS economic highways—the East–West and North–South Corridors.



- Processing bananas in Phitsanulok: Dried products go the PRC and Lao PDR



- Heritage-rich Sukhothai draws a million visitors a year: Only an hour from Phitsanulok

It's true that Phitsanulok lies midway between Myanmar to the west and the Lao People's Democratic Republic (Lao PDR) to the east, as well roughly halfway between Chiang Khong in the north and Bangkok in the south. But critics argue that the city's distance from any port is the major weakness of its ambition. Besides, they add, the city is 30 kilometers east of North-South corridor and is bypassed by most traffic along that road.

Nonetheless, Phitsanulok is keen to build a 200 million baht (\$5.7 million) logistics center close to road and rail facilities and the airport.

"We have had this plan for some years, but it has been delayed by political problems," says Wiset Wachirasrisirikul, chairman of the Phitsanulok Chamber of Commerce. The government's Department of Land Transport is supportive, he says, but gives priority to the border towns.

Phitsanulok has some 300 small and medium enterprises, most in distribution and a small but growing number in production.

In one factory with 30 staff, for example, Siri Vanasuwanich is processing bananas, tamarind, and corn, all grown locally. His products appear mainly in department stores around Thailand, but he also exports dried bananas to the People's Republic of China (PRC) and Lao PDR despite high transport costs.

At present, Vanasuwanich uses a transport company that takes his exports by road the long way down to Bangkok and up again to the port of Nong Khai by the Lao PDR border. He has looked at the Vietnamese market but says the transport costs are too high.

These arrangements may well change when Vanasuwanich opens a factory in Luang Prabang in northern Lao PDR—much closer to the PRC—with Lao partner Khattaphon Phommangna. Using local green bananas, which are cheaper than in Thailand, the joint venture enterprise plans to export 80% of its output. Currently under construction, the factory aims to export under Lao PDR's Generalized System of Preferences (GSP) with France and other European Union countries.



- Making auto parts in a Phitsanulok factory: Exporting to GMS neighbors

In another Phitsanulok factory, Vanchai Chittamanontkul is making auto parts, including alternators and electrical components.

With a staff of 150 and a turnover of \$3.4 million in 2008, Vanchai supplies the domestic market and exports to Mekong neighbors as well as to Europe and the Mideast. He sends products along the East-West Corridor to the PRC, Myanmar, and central Viet Nam, and through the North-South Corridor to Cambodia and southern Viet Nam.

Chittamanontkul is also considering an offer from a courier company to transport goods to the PRC in 6 days door-to-door. "I can compete with the PRC in price as well as quality," he says. He sees further opportunities among his GMS neighbors.

But businesspeople say they need government investment in a logistics center to attract more private sector manufacturing enterprises.

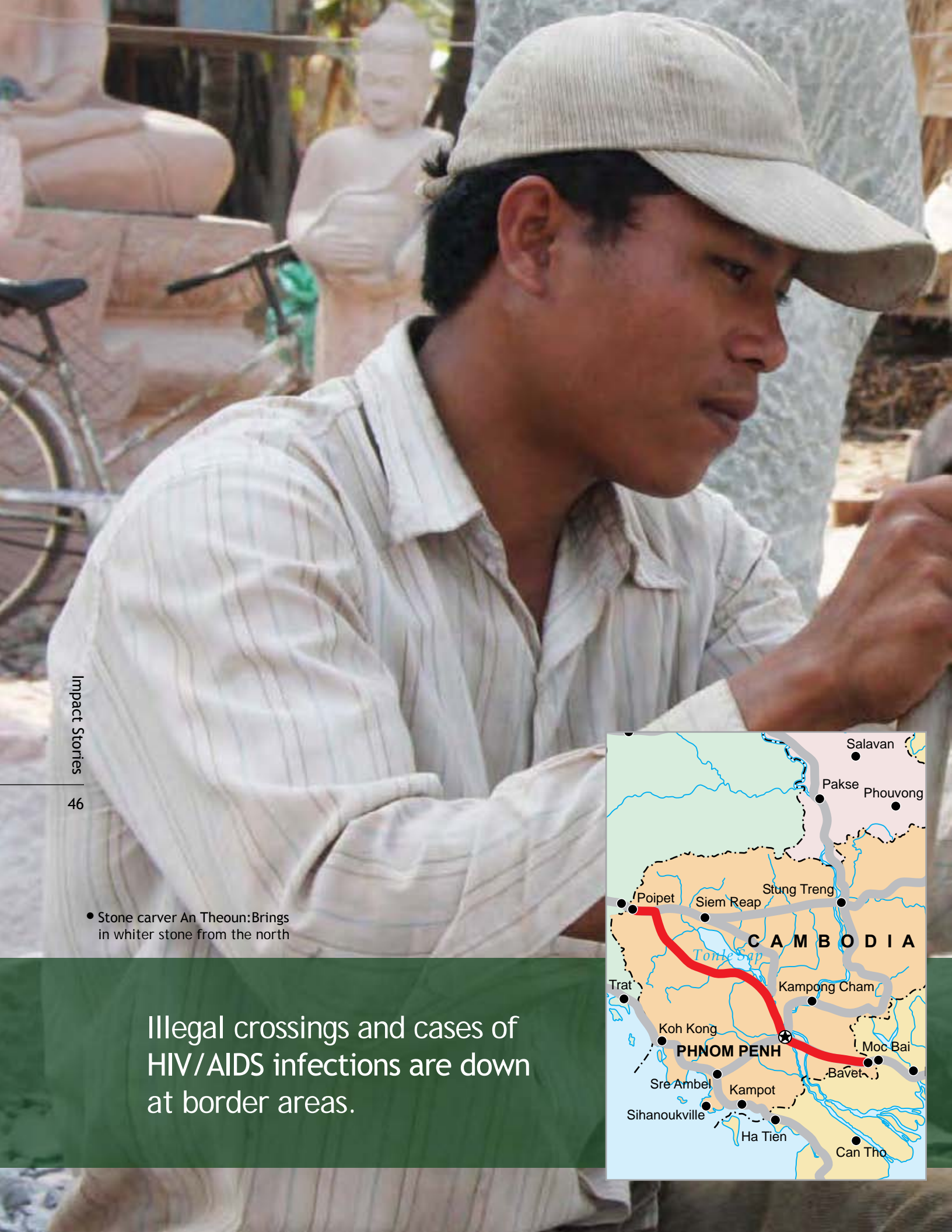
If and when this happens, Phitsanulok could also develop as a "rubber city," says Singha Pongsutt, a prominent local

business representative who imports oxygen equipment.

"We can collect rubber from the north and northeast, and either make rubber products or export the raw material by road to Yunnan and Sichuan provinces and the port city of Chongqing, one of the PRC's major auto and motorcycle manufacturing centers," he says.

Critics say that Phitsanulok hasn't got sufficient labor resources to develop as an industrial base. Pongsutt concedes that it isn't easy developing home-grown entrepreneurs in a primarily agricultural region, but notes that the government is providing incentives, including "incubation centers" for budding entrepreneurs at local universities. ■

With an eye on the People's Republic of China, Phitsanulok could develop as a "rubber city."



- Stone carver An Theoun: Brings in whiter stone from the north

Illegal crossings and cases of HIV/AIDS infections are down at border areas.





# Bolstering Tourism

The completion of an upgraded highway between Poipet and Serei Saophoan is helping trade and tourism in Cambodia

**P**oipet, Cambodia: Locals describe Poipet, Cambodia's northwestern border town with Thailand, as "a mixture of heaven and hell." Heaven is inside the half dozen glitzy casinos, where food and drink flow for Thai day-trippers at the gaming tables. Hell lies outside, in the makeshift shanties along garbage-strewn

back streets, home to most of the town's impoverished residents.

Tourists arriving at Poipet by land from Thailand still face long lines in small and crowded immigration and customs facilities, as well as a swarm of touts outside offering a bewildering array of services. As a gateway to

Cambodia, "Poipet damages our reputation," says one official.

But all this is changing. The number of visitors coming through Poipet is likely to grow following the 2008 completion of a 50-kilometer (km) surfaced highway to Serei Saophoan. This upgrading means that tourists can now travel on good roads from Bangkok to Phnom Penh and Ho Chi Minh City. Many stretches along this **GMS Southern Economic Corridor** have been rehabilitated with support from the Asian Development Bank (ADB).

To meet demand, Poipet is taking a number of steps to clean up its act. A \$10 million passenger terminal is due for completion by the first quarter of 2009. "This is an area where tourists can rest and plan their onward journey in an organized and transparent manner," says Kung Hun Thearith, a senior official with the Cambodian firm that is building the terminal. "It will replace the chaos that tourists currently face."

Further plans involve a \$32 million complex that will include a cargo terminal, shops, and a hotel, says Kung. As part of the deal with the government, his firm will also build new customs and immigration buildings.

In addition to sprucing up its image, Poipet is seeing a decline in other activities that often characterize border towns. Illegal crossings—including trafficking—are down, according to Poipet's deputy police chief, Din Daro, partly because of a crackdown by Thai authorities. Rates of HIV/AIDS infection, which often originate in the town's red-light establishments, are also dropping, says Daro, due to condom promotion campaigns by NGOs and the government.

Under normal circumstances, cross-border trade would also be increasing but, in fact, it has slowed due to both the economic downturn and a border dispute that erupted last year between Thailand and Cambodia over the 4.6 square km stretch of land near

Many farmers are switching from buffaloes to tractors, which are imported from Thailand.



● Poipet border crossing:  
Planned revamp for facilities

the Preah Vihear temple that sits on a hilltop straddling the border.

“This is a blip of nationalism which overrides economic self-interest for a short while,” says Arjun Goswami, ADB’s country director for Cambodia. “Cambodia knows it is in its interest to integrate with its neighbors.”

Even with the conflict, cross-border entrepreneurs are taking advantage of the improved road. In Serei Saophoan, Im Malis imports tractors from Thailand through Poipet and sells them to local farmers. “Many Cambodians are switching from buffaloes to tractors,” says the businesswoman. “They use tractors for transport as well as plowing and say tractors are less prone to theft than buffalos.” Im sold 1,000 tractors in 2008, including some cheaper Chinese tractors brought in through Phnom Penh.

As she talks, two farmers, brothers Bun Leay and Keo Tek, are making their first purchase of a Thai tractor. They say it will enable them to cultivate an extra crop a year—either rice or cassava—which they plan to sell at the border town of Chamcar Kor, 35 km from their farm.

- Primary school teacher Chouy Chakrya: Cleaner children, faster traffic



- Traditional bullock and cart on the road to Phnom Penh: Travel is easier and faster on an all-weather road

- Ferry crossing at Neak Loeung:  
A bridge would remove this bottleneck



If the GMS could follow the model of Europe’s Schengen visa, the number of visitors across Cambodia would increase very quickly.

The new all-weather road is helping users of all kinds. At the Veang Muong primary school, 25 km out of Poipet, teacher Chouy Chakrya says that when the national road outside was a dirt track, children arrived mud-spattered in the rainy season or dust-covered in the dry season. “Now they arrive in a better condition to study,” she says. But she also notes that the children are more afraid of the faster traffic and increased accidents. Two pupils sustained head injuries after being hit by a car recently, she says.

All along the highway, farmers taking crops to the mill or villagers catching fish with nets—or their hands—from ponds are using the newly-surfaced road to their advantage.

Local entrepreneurs are quarrying rocks to dispatch by road to construction companies. Halfway between Siem Reap and Phnom Penh in Kampong Thom Province, the village of Sam Nak is a community of carvers, making Buddhas and animals out of stone from the nearby Santuk mountains. One owner of a small enterprise, An Theoun, says he is bringing higher-quality, whiter stone by road from the north as well as sending his products all over the country.

Improved road access to Siem Reap is contributing to explosive development around the ancient kingdom of Angkor. “The speed of development, especially the roads, is fantastic,” says Didier Lamoot, general manager of a 5-star hotel in Siem Reap. “Cambodia has



● Casting a net: Fishermen also use the road

come from nowhere very fast. We are still mainly a transit stop between Thailand and Viet Nam, but once we develop our beaches, we will be a destination in our own right.”

A Frenchman, Lamoot says if the GMS could follow the model of Europe’s Schengen visa, which allows tourists to visit many countries with a single visa, “We would see the number of visitors across Cambodia increase very quickly.”

Little more than a decade ago, Siem Reap had few vehicles. Today, traffic packs the main street, which is lined by several big hotels. However, while some are benefiting from the tourism boom—and soaring land prices—much of the local population is excluded, says Kheng Leak Sophy, who was born in Siem Reap and recently opened a 36-room hotel. “Most residents still lack food, clean water, and electricity,” she says.

“Cambodia has come from nowhere very fast. We are still mainly a transit stop between Thailand and Viet Nam, but once we develop our beaches, we will be a destination in our own right.”

—Didier Lamoot  
General Manager of a 5-star hotel in Siem Reap



- Trainees at the Sala Bai Hotel and Restaurant School in Siem Reap: Skills for the underprivileged

One enterprise showing the way is Artisans Angkor, which trains hundreds of villagers, including the disabled, to make silk, stone, and wood crafts. Established as a development project in Siem Reap, the company is now self-financed and making a small profit, says manager Hep Chann Kosal.

Another example is the Sala Bai Hotel and Restaurant School in Siem Reap that provides 100 underprivileged Cambodians a year with skills that range from cooking to table serving and accounting. Sponsored by donors, the school is under pressure to be independent, says program manager Ampor Sam-Oeun, but is still too small to be commercially viable.

East of the capital Phnom Penh, tourists and traders are also increasingly using a highway to Viet Nam. Improvements to the road in recent years have reduced the journey to 3 hours, including a ferry crossing at Neak Loeng. Even this bottleneck may be removed if plans to build an \$80 million bridge reach fruition.

ADB upgraded the road between Neak Loeng and the border town of Bavet, but it hasn't all



- Weaver at Artisans Angkor: Opportunities for the poor

been smooth going. Some villagers resettled under the project complained of inadequate compensation, late payments, and loss of livelihood. In response, Karin Schelzig Bloom, an ADB social sector specialist in Phnom Penh, says, "To ensure sustainable livelihoods in the post-construction stage, we hope to develop a livelihood support program for poor people living along the highway to help them connect to the opportunities an improved road should bring."

Meanwhile, rapidly developing trade and tourism links with Viet Nam are transforming Bavet. In addition to its share of casinos, Bavet has a dry port and an economic zone where Taiwanese firms turn raw materials from Viet Nam into finished products and send them back to Ho Chi Minh City along an ADB-financed expressway.

Traders at Bavet's downtown market are also gaining from increased cross-border activity. Shop owner Chea Kung sells shirts and shoes made in the People's Republic of China, Thailand, and Viet Nam. Interestingly, he says the better-quality Thai goods sell best even though they are more expensive.

As well as casinos, Bavet has a dry port and an economic zone where raw materials are turned into finished products.

Bavet immigration chief Lieutenant Colonel Khuoy Kry says border crossings have jumped fivefold from between 100 to 200 a day in 2004 to around 1,000 a day in 2009. He attributes much of this to the highway that was inaugurated in 2005, along with new customs and immigration facilities.

Watching the tour buses passing by, Khuoy adds that close cooperation with their Vietnamese counterparts not only facilitates the flow of legitimate passengers and goods, but also keeps drug-smuggling and trafficking at minimal levels. ■

• Immigration chief Lt Colonel Khuoy Kry (right) at Bavet: Border crossings have risen fivefold



**T**wo Cambodian entrepreneurs—a woman trader and a refugee-turned-businessman—represent the kind of home-grown private sector talent the country urgently needs to lead growth.

Both are involved in cross-border businesses that are expected to increase with strengthening economic cooperation among the Greater Mekong Subregion countries.

After marrying in 1990, Im Malis moved to Serei Saophoan, the home town of her husband, Heng Vuthy. Initially, they traded steel products, like sliding doors. A fire destroyed their business in 1993 and, while planning a fresh start, Im spotted an opportunity.

“The soil in this region is good for growing rice, but the farmers had troubles when using buffalo or oxen to plow the earth,” she says. “I saw these mid-range tractors in Thailand and began bringing them in. When the villagers tried out the tractors, they sold their buffaloes, which were prone to being stolen and taken across the border.”

She began importing tractors in batches of 10 once or twice a month in 1994. Last year, she sold 1,000 tractors. Although most of her customers are from Banteay Meanchey, she also distributes to neighboring Battambang and Siem Reap. Most of her tractor brands come from Thailand via Poipet, but she also

buys cheaper Chinese models that come through Phnom Penh.

The recently-paved road from Poipet to Serei Saophoan makes delivery easier and faster, but she has also noticed an increase in the accident rate. More worryingly, she says farmers who have prospered in recent years are being affected by a clampdown on Cambodian goods at the Thai border. She is extending payments for those having difficulty with meeting installment payments on their tractors.

Banteay Meanchey is a former Khmer Rouge stronghold and Im, now 40, recalls sheltering under the house during shellfire in the early 1990s. But the situation has been stable since 2000, she says, and many of the soldiers-turned-farmers are “straight” to deal with in business.

In the tourism sector, Kung Hun Thearith, 51, is a senior executive in a firm that is developing passenger and cargo terminals in Poipet and a freshwater port in Siem Reap.

He survived the Khmer Rouge era, emigrated to New Zealand and Australia for 15 years, and returned in the early 1990s to help his country rise from the ruins. The period from 1976 to 1979 had not only devastated Cambodia’s infrastructure but also its educated classes.

After a rollercoaster stint in politics, a businessman is developing passenger and cargo terminals at Poipet and Siem Reap

# Trail-Blazing Entrepreneurs





- Entrepreneur Im Malis: Replacing buffaloes with tractors

Kung describes his family's escape from the fate that befell most intellectuals under the Khmer Rouge as "miraculous." His father was a prominent teacher—one of the professions targeted for elimination—and this was known to the authorities.

Perhaps his family was spared because his father once taught Nuon Chea, Pol Pot's top henchman and known as "Brother Number Two," speculates Kung. Or perhaps it was because his father and grandfather had been well-known for their contributions to the community, he adds. The real reason remains a mystery.



- Business executive Kung Hun Thearith: Developing passenger and cargo terminals



• Brothers Bun Leay and Keo Tek buy a Thai tractor: Will sell their crops across the border

After the Khmer Rouge were toppled, Kung and his family fled to a refugee camp at the Thai border and went from there to New Zealand and, later, Melbourne, Australia, where many of his family still live.

After returning to Cambodia, Kung at first sought out a career in government. After obtaining an interview with a leading figure in one of the main political parties, he secured a senior position in the administration. But in the volatile world of Cambodian politics, his career fluctuated with that of his patron. He left politics in 2006. "Fed up, I retired to a farm in Siem Reap. I wanted to enjoy my first freedom in nearly 10 years," he recalls.

But later that year, businessman Var Chhouda asked Kung to join him as his executive assistant. Now their enterprise is helping the government provide much-needed infrastructure for a tourism sector that is largely dependent on cross-border cooperation. Of Cambodia's 2.15 million foreign visitors in 2008, 33% came through Thailand and 29% through Viet Nam, according to the Tourism Ministry. ■



• New highway from Poipet to Serei Saophoan: All-weather access helps local as well as regional traffic

# GREATER MEKONG SUBREGION ECONOMIC CORRIDORS



## **Corridor Chronicles—Profiles of Cross-Border Activities in the Greater Mekong Subregion**

This is a colorful account of a 19-day journey along the new or upgraded economic corridors linking members of the Greater Mekong Subregion. Based on conversations with ordinary folk, especially entrepreneurs, these stories show how trade and tourism in particular are burgeoning with improving connectivity between People's Republic of China's Guangxi and Yunnan provinces, Viet Nam, Lao People's Democratic Republic, Thailand and Cambodia.

### **About the Greater Mekong Subregion (GMS)**

The Greater Mekong Subregion (GMS) is made up of six countries—Cambodia, People's Republic of China, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam. In 1992, these countries launched a program of subregional economic cooperation to enhance their economic relations, building on their shared histories and cultures. Focusing on “three Cs”—connectivity, competitiveness, and community—the GMS is closely involved in pursuing high-priority subregional projects in nine sectors. These are transport, telecommunications, energy, environment, agriculture, tourism, trade facilitation, investment, and human resource development.

### **About the Asian Development Bank**

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.