

## **2. Overview of Development Strategy**

### **2.1 Outline of Past Assistance from Japan to the Mekong Region**

#### **(1) Outline of assistance to the Mekong region**

- Large-scale assistance from Japan to the Mekong region started in 1991.
- Japan has extended assistance to this region through various frameworks including the proposals of the “Forum for Comprehensive Development of Indochina” (1993) and the “AEM-METI Economic and Industrial Cooperation Committee (AMEICC).”
- In recent years, Japan has been particularly active in providing assistance to projects related to the East-West Corridor in accordance with the GMS framework of Asian Development Bank (ADB). Japan announced (2001) that it would undertake, as pillars for future cooperation, establishment of the East-West Economic Corridor and the development of the Second East-West Corridor (Bangkok-Phnom Penh-Ho Chi Minh Road).
- Among aid and loan-based economic assistance to each country in the Mekong region (excluding Yunnan Province in China) from 1999 to 2003, the amount allocated to the “Mekong Region Development Projects” \*<sup>5</sup> by the Ministry of Foreign Affairs was 115.7 billion yen over three years, and 584.9 billion yen when projects other than the above are included.
- As for economic assistance to the “Mekong Region Development Projects,” the largest amount went to the airport sector, followed by road, harbor, and bridge sectors. In terms of country, the largest amount of assistance went to Thailand followed by Vietnam, Laos, and Cambodia. This is because there were many large-scale projects financed with yen loans in Thailand and Vietnam, whereas projects in Laos and Cambodia were mainly aid-based assistance projects.
- As for the total economic assistance provided to “Mekong Region Development Projects” plus bilateral assistance projects, the largest amount went to the railway sector followed by road, airport, bridge, and harbor sectors. In terms of country, overwhelmingly large amounts went to Thailand and Vietnam compared to other countries.

#### **(2) Outline of assistance to Cambodia**

- In 1969, Japan extended a yen loan for the Prek Tnaot multi-purpose dam construction project aimed at providing irrigation and hydroelectricity. After that, assistance was suspended because of civil war in the country. But, in 1991, after conclusion of a peace agreement, assistance was resumed mainly in the form of aid-based assistance and technical cooperation. In the infrastructure sector, restoration of national roads, Route 6 and Route 7, and rehabilitation of Phnom Penh Port were implemented with aid-based assistance from Japan.

---

<sup>5</sup> Projects crossing national borders in the basin, projects forming part of a cross-border scheme, and projects whose effects may extend to neighboring countries in the basin.

[Reference] [http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/kuni/sonota/m\\_kaihatsu/](http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/kuni/sonota/m_kaihatsu/)

- In response to the “3<sup>rd</sup> Consultative Group Meeting for Cambodia” held in Tokyo in 1999, Japan extended a yen loan for an urgent rehabilitation project of Sihanoukville Port at the request of the Cambodian Government. Japan, which has contributed greatly to the realization of peace in Cambodia, considers this to be a priority country for receiving assistance.

### **(3) Outline of assistance to Laos**

- Assistance to Laos from Japan started in the 1950s with feasibility studies on the construction of water supply systems and bridges.
- From the mid-1960s to the mid-1970s, assistance evolved in the form of technical cooperation. Main assistance items involved technical cooperation for the construction of Luang Prabang Hospital, feasibility studies for the construction of Vientiane Airport, and the rehabilitation of the Namgum Dam. A yen loan totaling 5.19 billion yen was extended in fiscal 1974 and in fiscal 1976 for a hydroelectric power project at the Namgum Dam.
- After this, assistance to Laos until recently was extended mainly in the form of aid-based assistance and technical cooperation. Most assistance was provided for infrastructure development in the transportation sector (in particular, road development) and the agricultural sector such as development of irrigation facilities.
- Japan is the largest bilateral donor country of Laos. The amount extended by Japan accounted for approximately 40% of the bilateral assistance Laos received as of 1996. It accounted for 17% in the total assistance Laos received including multi-national assistance.
- The largest development-related objectives of Laos are to improve living standards in rural areas with improved infrastructure, and develop agriculture and rural areas taking poverty eradication as the axis.
- Concurrently, developing human resources is an urgent issue, including training administrative officials aimed at participation in ASEAN Free Trade Area (AFTA) in 2008.

### **(4) Outline of assistance to Myanmar**

- Development assistance extended to Myanmar is the lowest among the GMS countries for political reasons.
- Despite this situation, Japan carried out an economic restructuring support project (development study) from 2001 to 2002. This project, conducted in the form of a joint survey, was intended to investigate the characteristics and the problems of the Myanmar economy, and to find appropriate fields of assistance to support its economic improvement. Other aid-based assistance plans include an infrastructure development plan for the water supply in Shan Province, a plan to provide construction machinery for road construction in the same province, and a plan to improve medical equipment at the Yangon General Hospital.

### **(5) Outline of assistance to Thailand**

- Assistance from Japan to Thailand started in 1968 in the form of a yen loan to the electricity sector. In the early years of assistance, emphasis was placed on developing infrastructure mainly in the energy sector. From the 1970s, the axis of assistance moved to developing local

infrastructure, such as power distribution to local areas, electrification of rural areas, and development of irrigation facilities, with the development objective of rectifying the gap between urban and local areas.

- With the economic development of Thailand, aid-based assistance to the country ended in 1993, in principle.
- Regarding present yen loans to Thailand, three important areas are cited in Japan's "Overseas Assistance Scheme by Country in 2002:" [1] measures for environmental protection in urban areas; [2] rectification of gaps between areas and between incomes; and, [3] human resources development.

#### **(6) Outline of assistance to Vietnam**

- Large-scale assistance to Vietnam began in 1992. Since 1995, Japan has been the largest donor country to Vietnam.
- Among assistance provided to Vietnam, five important areas are cited in Japan's "Overseas Assistance Scheme by Country in 2000:" [1] human resources development; [2] development of electricity- and transportation-related infrastructures; [3] rural development; [4] education and public health; and, [5] the environment.
- In Japan's "Overseas Assistance Scheme by Country," which was revised in April 2004, three areas are listed as important areas to be focused upon in the future: [1] promotion of growth; [2] improvements in living and social conditions; and, [3] institutional development.
- Also, as the method of assistance, it states "Japan will move toward choosing and adopting assistance items based on dialogues, not at the request of a recipient country." This is aimed at coordinating the development assistance needs of Vietnam with the assistance policies of Japan by holding policy discussions on Japan's mid-term overseas assistance vision by sector, before receiving a request for assistance from Vietnam.

## **2.2 Trend of Assistance to the Mekong Region from Donors and NGOs**

### **(1) GMS Program of Asian Development Bank**

- The Greater Mekong Subregion (GMS) Program was started in 1992 at the initiative of the Asian Development Bank (ADB), targeting the six countries in the Mekong river basin (Cambodia, Laos, Myanmar, Thailand, Vietnam, and Yunnan Province of China).
- The program is administered under an informal and loose framework, and priority projects are selected through discussions among the countries concerned.
- At first, emphasis was placed on establishing trust among the countries and the development of cross-border infrastructure (roads, communications, and electricity). But later, it moved towards improving mutual cooperation among countries in non-structural (software) fields such as simplification of customs procedures, in addition to improving infrastructure. The priority areas at present are linkages between infrastructure improvement and economic development, problems related to investment and trade, environmental problems, and development of tourism.

- In November 2001, the “GMS 10-year Strategy” was announced, which established five strategic development thrusts and 11 flagship programs. The five strategic development thrusts are “Strengthen infrastructure linkages through a multisectoral approach”, “Facilitate cross-border trade and investment”, “Enhance private sector participation in development and improve its competitiveness”, “Develop human resources and skill competencies” and “Protect the environment and promote the sustainable use of the subregion’s shared natural resources”. The 11 flagship programs are “The North-South Economic Corridor”, “The East-West Economic Corridor”, “The Southern Economic Corridor”, “Telecommunications Backbone and Information and Communications Technology (ICT)”, “Regional Power Interconnection and Trading Agreements”, “Facilitating Cross-Border Trade and Investment”, “Enhancing Private Sector Participation and Competitiveness”, “Developing Human Resources and Skills Competencies”, “Strategic Environment Framework”, “Flood Control and Water Resource Management” and “GMS Tourism Development ”.
- As part of the GMS program, the “GMS Summit” was held in November 2002 to discuss development of the Mekong region, and the first such conference at the prime minister level.
- In 2004, the “Regional Cooperation Strategy and Program (RCSP): 2004-2008 The GMS-Beyond Borders” describing future assistance policies to the GMS was announced, together with the unveiling of the “Development Matrix,” which is a database of individual projects.
- A ministerial meeting is scheduled to be held in Vientiane in December 2004, where the “Cross-border Transportation Agreement: Stage 2” is expected to be concluded. The second “GMS Summit” is slated to take place in Kunming, China in July 2005.

**(2) Mekong River Commission**

- In April 1995, four countries in the lower reaches of the Mekong River (Cambodia, Laos, Thailand, and Vietnam) concluded an agreement on the sustainable development in the Mekong river basin. Based on this agreement, the Mekong River Commission (MRC) was established.
- Myanmar and China have been participating in various activities of the MRC as the “Dialogue Partner” since 1996.
- The subject areas covered by the MRC include “Navigation,” “Flood control,” “Agriculture,” “Fishery,” “Hydroelectric power generation,” and “Conservation of the environment,” etc.
- The MRC has formulated a strategic plan for 2001-2005. As part of the strategic plan, formulation of the “Rules for Water Utilization and Inter-Basin Diversions” and “Basin Development Plan” has been proposed and its deliberation is underway.

**(3) ACMECS (Ayeyawady – Chao Phraya – Mekong Economic Cooperation Strategy)**

- In April 2003, an agreement on economic cooperation was reached on the “Ayeyawady – Chao Phraya – Mekong Economic Cooperation Strategy” (ACMECS) among the four countries of Cambodia, Laos, Myanmar, and Thailand. Six policy objectives were cited: [1] Strengthening economic competitiveness of the four countries; [2] Achieving economic growth in border areas; [3] Relocating agricultural and industrial facilities to areas having high competitiveness; [4] Creating employment opportunities; [5] Rectifying income gaps; and, [6] Peace, Stability, and active use of common resources in a sustainable manner.
- Thailand is currently planning development projects in concrete form, such as key area development at borders with other countries (Thailand-Cambodia border: Koh Kong, Poipet; Thailand-Laos border: Savannakhet; Thailand-Myanmar border: Mae Sot, etc.) and support for the development of an economic corridor (Myawadi-Mawlamyine).

**(4) Others**

- The “ASEAN Mekong Basin Development Cooperation (AMBDC),” which was inaugurated in 1996, is a framework formulated by ASEAN itself for the development of the Mekong river basin. The major areas of focus are traffic/ transportation (including construction of a railway linking Singapore and Kunming, China), trade, and human resources development.
- In 2000, the “Initiative for ASEAN Integration” was agreed among the prime ministers of ASEAN countries. To reduce gaps between old and new ASEAN members and to improve regional competitiveness, three priority areas were selected: [1] Development of infrastructure; [2] Human resources development; and, [3] Information communication technology, and old member countries are to assist new member countries (Cambodia, Laos, Myanmar, and Vietnam).
- Since 1959, the Economic and Social Commission for Asia and the Pacific (ESCAP) of the United Nations has been promoting the Asian Highway (AH) project, which is a road network connecting Asian countries. In April 2004, at the ESCAP conference held in Shanghai, China, 26 countries out of related 32 countries signed the “Intergovernmental Agreement concerning the Asian Highway Network.”
- Besides the above, the “GMS-Business Forum” (GMS-BF) was established by the ADB and the ESCAP in 2000 to promote private investment. Since then, it has been continuing activities for promoting regional economic integration in collaboration with chambers of commerce and industry and companies in the GMS region.