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IDE DISCUSSION PAPER No. 205

Border Trade and Economic Zones on the North-South Economic Corridor: Focusing on the Connecting Points between the Four Countries

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July 2009

Abstract

The North-South Economic Corridor (NSEC), the road between Bangkok and Kunming, China, including the Laos route (R3B) and the Myanmar route (R3A), has been developed since 1998 following the GMS program. The region covering Yunnan Province in China, Shan State in Myanmar, Northern Laos and Northern Thailand has historical and ethnic closeness, and is a comparatively poor mountainous, boundary area. In the wake of the development of the NSEC, however, the region has started to show signs of change.

Consequently, a review is to be carried out concerning the movement of people and cars, border trade and the situation concerning the progress of border economic zones at the five nodal border points in the four countries, and over three routes: R3A, R3B, and the Mekong River route.

Keywords: GMS, economic corridor, border trade, border economic zone, quadrangle economic zone, golden triangle, R3A, R3B, Mekong River, CBTA

JEL classification: O53, R11

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Introduction

The Mekong River (Lancangjiang) rises in Qinghai Province in China and flows down to the so-called “Golden Triangle,” the border area between Myanmar, Laos and Thailand, after passing through Yunnan Province and the golden triangle area along the border between Myanmar and Laos. The distance between the two golden triangle areas is only 236 km. The idea of a “Quadrangle Economic Zone” covering the region between China, Myanmar, Laos and Thailand has been conceptualized since the early 1990s, and has been implemented since then with Thailand’s leadership.

The border between Myanmar and Thailand runs north-south for about 2000 km, Chiang Rai Province, Chiang Mai Province and Mae Hong Song Province of Northern Thailand being adjacent to Shan State of Myanmar. Shan State is the largest of the 14 states of Myanmar in terms of area and it is a mountainous area surrounded by the north-south valley of the Salween River. Although the border between Laos and Myanmar is separated by the Mekong River, the two provinces of Bokeo and Luang Namtha being on the Lao side, the length of the Lao border with Shan State is rather short, being only about 200 km. Yunnan Province has a 130 km border with Shan State in the west, while it borders on Luang Namtha and Phongsaly Provinces of Laos, the length of these borders being, respectively, 130 km and 297 km. Finally, separated by the Mekong River, Chiang Rai Province of Thailand lies adjacent to Bokeo Province of Laos.

As part of the background for this quadrangle economic concept coming into being, this region has historical and ethnic closeness. For example, Laos has a strong relationship with Thailand in terms of politics, administration and economy because it was formerly under the control of Thailand before colonization by France. In this region,

trade was conducted without recognizing borders before the colonization by Britain and France. On the other hand, the boundary areas of Yunnan Province, Laos and Myanmar are home to ethnic minority groups such as the Dai, Jingpo, Akha, Lisu, Lahu, Wa, Yao, Pao, and others who live in an intricately intermixed pattern. Although Thai minority groups are especially called “Dai,” “great Thai” or “Thai Lu” in China, while they are called “Thai” or “small Thai” in Thailand, the “Lao” in Laos and “Shan” in Myanmar originally belong to the same ethnic group (Than [1996] and Hasegawa [1998]). In this region, overseas Chinese have been working actively using their networks. The existence of these ethnic minority groups, especially the Thai ethnic group, who have a similarity with the people of Thailand, and the Chinese ethnic groups, maintain cohesion in economic activities in the region. Especially, the role of the overseas Chinese networks is significant.

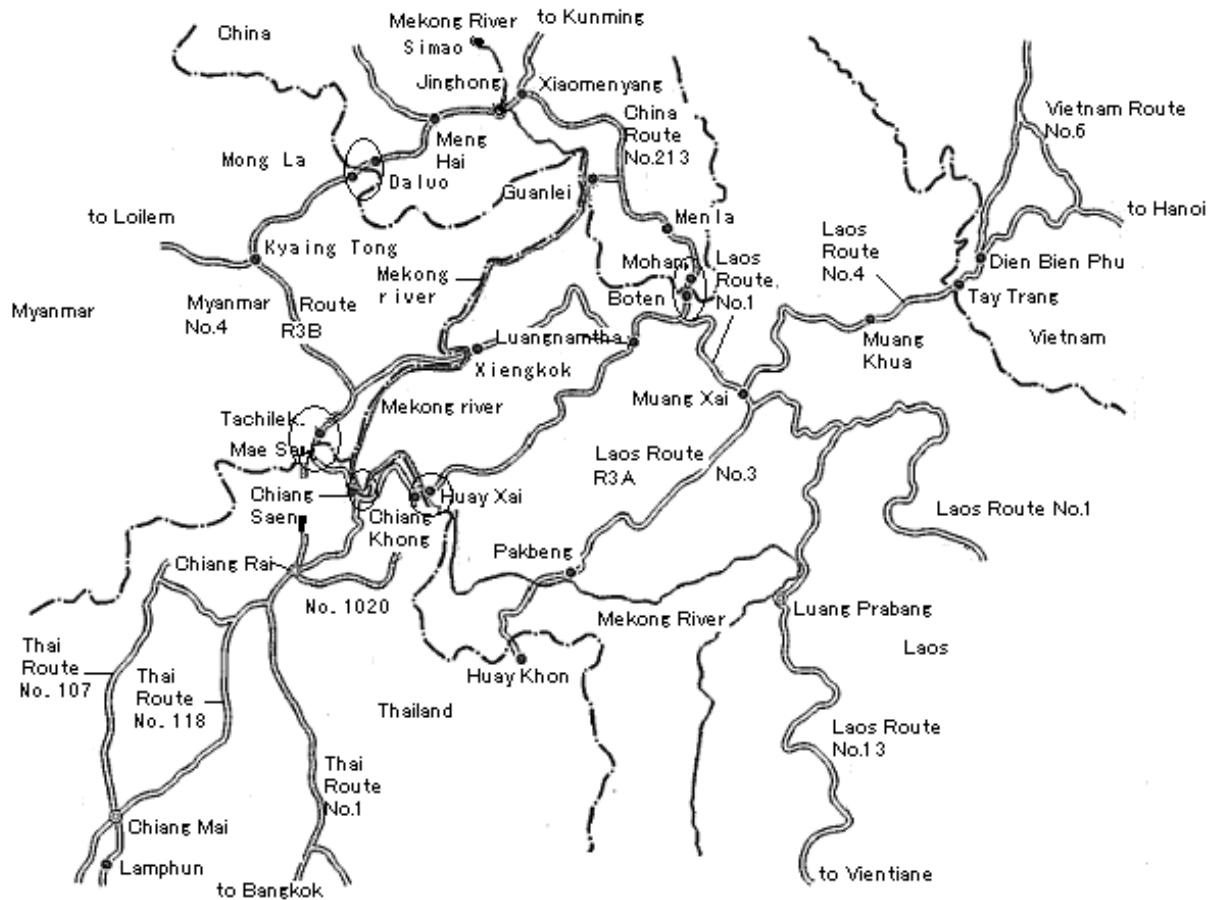
This region is, however, a mountainous boundary area and a rather poor area except for the Shan State in Myanmar. The per capita GRP of Chiang Rai Province in 2006 was USD929.5, just one third of the average GDP of Thailand, which was USD2828.9. The per capita GRP of Yunnan Province of China in 2006 was USD1203.4, which is about 60% of the average GDP of China in the same year. Thus, Yunnan Province of China and Thailand wished to promote the development of these boundary areas, while they surely recognize the existence of large markets in the hinterlands. In short, the Chinese market is indeed enormous for Thailand while the markets of Thailand, including Bangkok, appear to be very attractive to China, which is currently proceeding with the “Great Western Development Strategy” and the “Southbound Policy.” Under these circumstances, China and Thailand both have a strong intention to develop their mutual economic relationship through Myanmar and Laos. The distance

from Yangon is very great for the people of Kyaing Tong (Kengtung) in Myanmar, which forms one corner of the quadrangle economic zone. On the other hand, Luang Namtha Province of Northern Laos is also poor, with a per capita GRP of USD337.4, about half the average per capita GDP of Laos, and the area is also far from the capital, Vientiane. Thus, these areas of Myanmar and Laos in the quadrangle economic zone have little option but to exist through self-sufficiency economies.

In this context of removing Laos and Myanmar from their self-sufficiency economies, renovation of the road from Chiang Rai to Kunming was signified as “the R3 route,” and was one of the priority projects mentioned at the third GMS Ministerial Conference in 1994 under the framework of the Greater Mekong Sub-region Economic Cooperation (hereafter called “GMS program”), which began in 1992. The R3 route is separated into two routes, that is, R3A, the route via Laos from Chiang Rai, and R3B, the route via Myanmar. The two routes are designed to converge at Xiaomenyang, near Jinghong in Xishuangbanna (Figure 1). Later, at the 8th GMS Ministerial Conference in 1998, the route between Kunming and Bangkok via Chiang Rai and the route reaching Haiphong via Hanoi from Kunming were designated as the North-South Economic Corridor. This was because the concept of an “Economic Corridor” was introduced at that conference. This designation as the North-South Economic Corridor aided progress on the development of the Laos route (R3A) and Myanmar route (R3B) and the dream of the concept of the quadrangle economic zone is being gradually realized.

In this report, the possibility of border economic zones in this region along the Laos route, Myanmar route and the Mekong River route will be examined. Firstly, Chapter 1 will review the history and status quo of the concept of the quadrangle economic zone and the North-South Economic Corridor. Secondly, in Chapter 2, the Laos route will be

Figure 1 North South Economic Corridor and Mekong River Route



(Notes) the rounded places are the border zones examined in this report.
 (Source) Tsuneishi [2007]

examined, especially at the Chiang Kong-Huai Xai border crossing between Thailand and Laos, and the Boten-Mohan border crossing between Laos and China. In Chapter 3, the Myanmar route will be examined, especially at the Mae Sai-Tachilek border crossing between Thailand and Myanmar and the Mong La (also called Meng La or Mong Lar) -Daluo border crossing between Myanmar and China. In Chapter 4, ports in this region along the Mekong River will be introduced and especially the border trade at Chiang Saen Port will be examined. At each border crossing, firstly, the location of the border vicinity is to be explained by a map, and secondly the institutions at the border, such as gate opening hours, the movement of people across the border, and the situation

concerning the passage of vehicles will be examined, followed by the quantitative situation concerning the movement of people and commodities across the border. In addition, the situation concerning the progress of the border economic zones or trade zones will be reviewed.

Chapter 1 History of the North-South Economic Corridor and Current Progress

1. Concept of the Quadrangle Economic Zone

Since the late 1980s, the concept of economic zones called Growth Triangles (GT) has also appeared in Asia. There are concepts for economic zones such as the Chinese Huanan GT (South China, Hong Kong, Taiwan), the SIJORI GT (Singapore, Johor in Malaysia, Riau State in Indonesia), the Tumenjiang GT (Northeast China, North Korea, Far east Russia), and the IMT-GT (a Growth Triangle between Indonesia, Malaysia, Thailand) (Kakazu and Yoshida [1997]). The “Quadrangle Economic Zone (QEZ)” is one of these. The concept of the QEZ is, however, different in the points that the region has approximations concerning history, ethnicity and culture, while international trade and transportation also existed originally (Than [1996]).

Since ex-Prime Minister Chatchai Chunchavan advocated the conversion of Indochina from a battle field to a market in 1988, Thailand has worked positively to promote development cooperation with neighboring countries. The Chiang Rai Chamber of Commerce revealed in 1990 in “the Concept of the Quadrangle Economic Zone” that development of four countries/region should be carried out with the cooperation of Thailand, Myanmar, Laos and Yunnan Province.¹ Chiang Rai Chamber of Commerce

¹ It is pointed out that China also promoted the movement to develop the region with the cooperation of the four countries, especially in Yunnan Province, and negotiations had already started in the latter

sent economic missions to Yunnan Province at an early stage. Thailand continued negotiations with the countries concerned after the first GMS Ministerial Conference in 1992, ex-Vice-Prime Minister Suphachai citing “the Concept of the Quadrangle Economic Zone” in public and holding the first meeting on the QEZ in Bangkok. The basic concept of the QEZ is to bring growth and stability to the region by enhancing logistics and services and by using human resources effectively. Although meetings were held consecutively to elaborate the concept in 1993 and 1994, further meetings were suspended because of the economic crisis in 1997. In 2000, the chambers of commerce of 10 provinces of Northern Thailand were enrolled in the membership and the institution restarted. There is a “Joint Economic Quadrangle Committee (JEQC)” as an organization for coordination of the four countries/region, in which the Yunnan Provincial Chamber of Commerce, Laos Chamber of Commerce, Myanmar Chamber of Commerce are participating in addition to the Thai Chamber of Commerce, (CEQP [2006]).

An important point is that the concept is not only aimed at the promotion of trade and investment, but also promotes the formation of border economic zones and tourism by improving basic transportation infrastructure such as roads, railways, and waterways through cooperation among central governments, local government and the private sector.² The basic ideas for developing this infrastructure are included in the GMS program and are in the process of being carried out.

2. History and Status Quo of the North-South Economic Corridor

As mentioned in the introduction, the road between Bangkok and Kunming has

half of the 1980s when China normalized diplomatic relations with East Asian countries (Hasegawa [1998]).

² Information from CEQP [2006] and hearing at Chiang Rai Chamber of Commerce (28 August 2008).

been developed as a part of the North-South Economic Corridor since 1998, when the concept of an economic corridor was proposed, and furthermore at the first GMS Summit (Phnom Phenh) in November 2002, where development of the North-South Economic Corridor was assigned as one of the 11 flagship projects. Infrastructure and related development concerning both the Laos and Myanmar routes has been carried out.

As for the road in Thailand, the 68 km between Chiang Rai and Mae Sai, on the Myanmar border can be formed by national route No.1, while the 115 km between Chiang Rai and Chiang Kong, near the Laos border, can be formed by route No.1020 (Figure 1). Both roads are paved and especially route No.1 can be driven at high speed since it is a 4-lane road. Although the 800 km between Chiang Rai and Bangkok can be formed by national route No.11 via Phitsanulok, branching off from national route No.1, the route via Tak along national route No.1 is, actually often used. Phitsanulok and Tak, where the East-West Economic Corridor crosses the North-South Economic Corridor, have been developed as pivotal logistics points.

Regarding the construction of the North-South Economic Corridor (698 km) in Yunnan Province, China has advanced construction rather independently. As for the road inside China, the distance (86 km) between Kunming and Yuxi was completed in 1999 as a 6-lane express road, while the following roads have been completed as 4-lane roads respectively; the 259 km between Yuxi and Mohei in 2003, the 71 km between Mohei and Simao in 2008, and the 97 km between Simao and Xiaomenyang in 2006. The 185 km between Xiaomenyang and Mohan had been mostly completed as of September 2008, but ordinary car traffic was not yet approved. Although China has constructed almost all of the road with its own funds, the 147 km between Yuanjiang

and Mohei was supported by an ADB loan (USD250 million, in 1999). China's part of R3B, namely the 63 km between Menghun and Daluo, was as of 2009 still under construction for expansion.

The Laos route is the 528 km from Xiaomenyang (the intersection of R3A and R3B) to Chiang Rai. On the other hand, the Myanmar route is the 483 km from Xiaomenyang, via Jinghong, China, as well as Mong La and Tachilek, Myanmar, reaching Mae Sai and Chiang Rai. Details are to be discussed in Chapter 2 and Chapter 3.

Recently, in the framework of the GMS, efforts have been paid to turning economic corridors into real and substantial economic corridors without leaving them just as roads. At the second GMS Summit in 2005, technical assistance for "development research on the North-South Economic Corridor" was approved to induce private investment into the North-South Economic Corridor. This means an implementation of a strategy to change to a real economic corridor by inviting private foreign direct investment to the North-South Economic Corridor. Firstly, the status quo of the mutual relationship between infrastructure, trade and investment should be examined. Secondly, the bottlenecks are examined. Thirdly, priority fields for investment are to be explored. The research project was carried out with funds from ADB and China and scheduled to be finalized in September 2007. One part of the results was revealed in May 2007. The project was extended for one further year to implement a strategy and action plan. At the third GMS Summit (Vientiane), China proposed the holding of an Economic Corridor Forum (ECF) and the first ECF conference was held in Kunming in June 2008.

Chapter 2 The Laos Route

(1) Outline of The Laos Route

The distance from Chiang Rai to Chiang Kong is 115 km via route No.1020, which runs through a mountainous area. The Thai government is now engaged in construction for expansion towards completion in 2011. Concerning the roads between Chiang Rai and Chiang Kong, it is also possible to reach Chiang Kong through Chiang Saen from national road No.1, and this is not inconvenient for traveling even at present. Chiang Kong borders with Muan (District) Huai Xai in Bokeo Province in Laos, bordering the Mekong River.

The Laos route runs through Bokeo Province and Luang Namtha Province. Laos was reluctant to construct the road because the construction is costly since the area is mountainous and the benefits to Laos are scarce, while the road is more beneficial to China and Thailand, and because Laos would be treated just as a transit area. Consequently, although it took a long time to reach a conclusion, it was decided in 2002 to construct the road with the approval of joint loans from China, Thailand and ADB to Laos. With regard to the construction of the 228 km of road between Huai Xai and Boten, Thailand granted a loan of USD28.5 million (138.5 million Baht) for the construction of 85 km of road from the Thai border at Huai Xai, while China granted a loan of USD30 million for the construction of 69 km of road to the border with China and ADB granted a loan of USD30 million for the 74 km located between these two sections. The loan by Thailand was a Baht loan (30 year-loan, exempt from interest for 10 years, interest rate 1.5%) in which the use of a Thai construction company was stipulated. Construction started in 2004 and was completed in early 2008. With regard to the construction of

the Fourth Mekong Friendship Bridge,³ China and Thailand concluded in a memorandum at the 14th GMS Ministerial Conference in 2007 that the construction cost (USD35 million) should be shared between them.

In Vieng Phukha District between Huai Xai and Luang Namtha, the Vieng Phukha Coal Mining Co., Ltd. (100% Thai capital) has been producing 100,000 tons of coal annually, of which 90% is exported to Thailand. In the mountains along R3A, plantations of rubber trees are rapidly increasing (Column 1).

Luang Namtha Province is a transportation pivot in Laos. The North-South Economic Corridor (national route No.3) does not only run from Thailand to China, but also reaches Vientiane from Nateuy by way of national route No.1 and national route 13. Dien Bien Phu and Hanoi in Vietnam can also be reached from Luang Namtha, from Nateuy by way of national route No.1 and national route No.4 (Figure 1). A bus terminal was completed in 2007 and there are bus services to Vientiane, Luang Phrabang, Bokeo and Pakse in Laos as well as to Menla in China, making it a hub in the region. In addition, at a location 6 km south of Luang Namtha City, construction to expand the Luang Namtha Airport was completed at the end of March 2008 with an ADB loan (the ADB loan providing 78% of the total construction cost of USD4.3 million while the remainder of the cost is covered by the Laos Government). The runway was expanded from 1200m to 1600m to make it possible to accommodate MA60 (China, 56 seats) and ATR (France, 68 seats) passenger planes. There are three regular flights (every Monday, Wednesday and Friday) between Luang Namtha and Vientiane. The Tourism Authority of Laos has a plan to make this an international airport for the region with flights to

³ Although there are articles mentioning that this bridge is to be the third one, construction of the third bridge was already decided in December 2007, to be built between Nakhon Phanom Province, Northeast Thailand and Khammuan Province, Central Laos. Therefore, the Thai government has designated this bridge as the fourth one.

Chiang Mai and Kunming.⁴

Luang Namtha Province borders with Xishuangbanna, China and the Boten-Mohan border is located 57 km north from Luang Namtha City along R3A. As for the R3A within China, the distance between Mohan and Xiaomenyang, the intersection of R3A and R3B, is 185 km. Furthermore the distance from Xiaomenyang to Kunming is 513 km. Although in the Chinese method of construction existing roads are in principle upgraded to 4-lane expressways, the road between Mohan and Kunming was also shortened 134 km from the previous 832 km to 698 km by constructing new roads, tunnels and bridges in many locations to reduce road bends.

Column 1: Increasing Chinese Investment in Rubber Plantations in Luang Namtha Province

Luang Namtha is the 5th province from the bottom of the 17 provinces of Laos in terms of poverty and 3 districts out of the 5 districts of the province belong to the 47 poorest districts of Laos. Consequently, the province has been striving to develop the area with four targets covering agriculture, education, roads and health. As for foreign investment, the largest investment is from China and is concentrated on agricultural development, especially of rubber plantations.

Although the development of rubber plantations was initiated by Lao people from around 1998-1999 on a small-scale basis, this has changed to a large-scale basis by Chinese investors from around 2004-2005. Since the province has targeted agricultural development, it has become dependent on the development of rubber plantations. Development of rubber plantations has been carried out in almost all places in Luang Namtha except for Vieng Phukha District, and this province is the largest location for rubber plantation investments by China. Although the plantations run by Lao people have already produced rubber sap, the Chinese ones have just been planted. When it comes to the management style of rubber plantations, there are two kinds, namely, one where the owners of the mountain land are inhabitants of the area and carry out contract farming with Chinese investors and the other is where land under national or provincial ownership is rented to Chinese investors. The area of the former is 30% of the total while the latter is 70% of the total. The area already planted is 20,000 ha, of which one investor generally has more than 300 ha. As a result, the

⁴ Hearing at Luang Namtha Airport Authority (1 September 2008).

annual cash income of an agricultural household increased from 5 million Kip (50,000 yen) before the starting of the rubber plantation to 20-30 million Kip (200,000-300,000 yen) so that a situation where families can send family members to schools and hospitals has been produced.

On the other hand, thanks to the opening of R3A, increasing investment to rubber plantations has occurred such that environmental problems due to rapid deforestation, such as floods and landslides, have occurred with bad effects on eco-tourism as well as the security of life of minority tribes who depend on the mountain. Concerning these issues, the Thai Prachatai (in an article on 21 September 2007 of the daily web newspaper www.prachathai.com) published a sarcastic remark that the construction of R3A has created an economic corridor only for China, and that rubber plantations have enriched the elite class of Laos while producing many poor people who have to work in the plantations and factories.

Luang Namtha Province suspended new approvals of rubber plantation developments in early 2008 in consideration for environmental issues and are promoting alternative agricultural products. However, since the area has already approved about 100,000 ha, of which only 20% has actually been planted, it may be easily estimated that mountain deforestation will continue in the future.

The condition of the pavement of the roads is fairly good and consideration for the environment is made to preserve animals and plants along the roads. In the following section, details of the Chiang Kong-Huai Xai border crossing between Thailand and Laos, as well as the Boten-Mohan crossing between Laos and China, are to be examined.

2. The Chiang Kong-Huai Xai Border Area

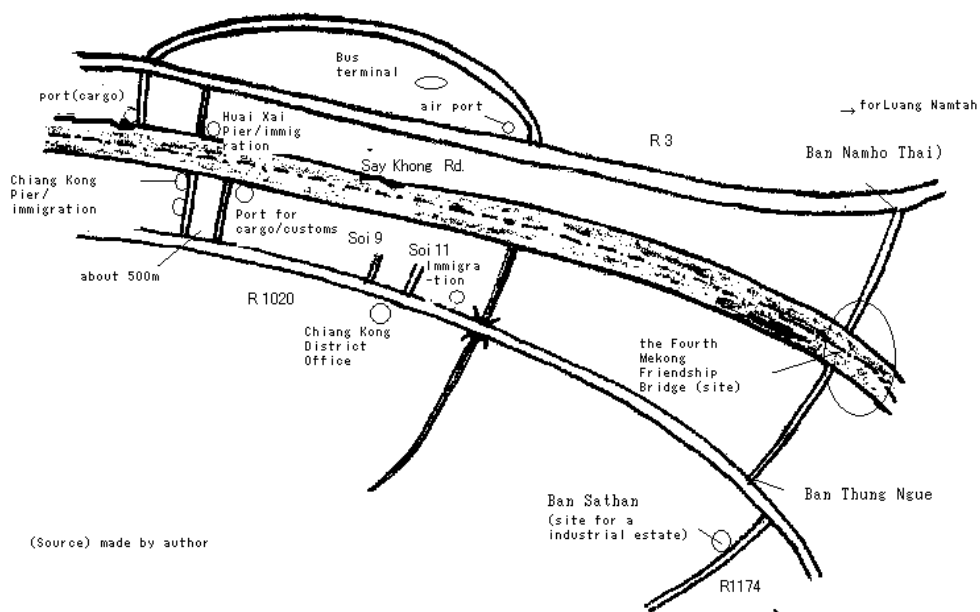
(1) Outline of the Border

Chiang Kong in Chiang Rai Province is 115 km northeast from Chiang Rai and 830 km from Bangkok along national route No.1. Chiang Kong is located 52 km east from Chiang Saen, a base for border trade with China, and 81 km from Mae Sai, on the

border with Myanmar. There are a pier and an immigration checkpoint for passengers, about 100m down to the Mekong riverside from route No.1020 (Figure 2). It takes about five minutes to cross the river by a small 10-passenger boat. Chiang Kong Port opened for cargo in December 2003 and it is located 500 m away to the east from the passenger pier. Although this port is furnished with customs and quarantine facilities, it is comparatively small compared with Chiang Saen Port, mentioned below, and there are limited ferry and small ship services crossing to Laos., Piers for passengers and cargo are also located separately in Huai Xai. There are many small hotels and restaurants in both Chiang Kong and Huai Xai to receive a fair number of tourists and backpackers. The road in Huai Xai City is connected to R3A and reaches the Boten border crossing through Luang Namtha.

Chiang Kong immigration checkpoint is an international checkpoint through which foreigners from third countries can pass, and the operative working hours are from

Figure 2 Chiang Kong=Huai Xai Border Area



8 am to 6 pm. Huai Xai immigration checkpoint is open from 8 am to 4 pm. There are two kinds of border passes for Lao nationals, a one-time border pass (a single sheet of paper) and multiple-use border pass (like a small notebook). Although the one-time border pass is in principle usable for only one time over a period of three days, it can be extended to 7 days, and further under negotiation if the holder visits a hospital in Chiang Rai Province of Thailand. The charge for extensions is 100 Baht per day. Although the one-time border pass can be issued not only for Lao nationals of Bokeo Province but also for all Lao nationals, it is usable only in Chiang Rai Province. Similarly, when Thai nationals visit Laos, a border pass can be issued, but it is usable only in Bokeo Province. If Thai nationals wish to visit other provinces of Laos, they must use a passport.⁵

Departures and arrivals through Chiang Kong are shown in Table 1. About 200,000 persons pass between Laos and Thailand through Chiang Kong every year. Those entering Chiang Kong from Laos in 2007 were 100,681 persons, of which 71% were either Thai (42%) or Lao (29%). Those who used a border pass were 42,874 persons, which accounts for 43%. Those departing to Laos through Chiang Kong were 145,847 persons, of which 51% were either Thai (32%) or Lao (19%). Those who used a border pass were 49,843 persons (22,199 Thais and 27,644 Laos), accounting for 34% of the total number of people departing from Chiang Kong to Laos. 60% of all persons who entered and departed were Thai or Lao, and it is clear that most of them (in the case of Thai, 40%) entered or departed on border passes. As for the number of cars passing through Chiang Kong in 2007, 2720 cars entered Chiang Kong from Laos, while 2827 cars departed from Chiang Kong to Laos. Although there seems to be some dispersion over the years, it is generally said that the numbers of persons and cars entering and

⁵ Hearing at the Tourist Authority of Laos (28 April 2009).

Table 1 Entries and Departures at Chiang Kong Immigration Office (2005-2008)												
												(Unit: Persons)
People												
	Entry to Thailand				Departure from Thailand				Total Entries and Departures			
Year	Laotian	Thai	Others	Total	Laotian	Thai	Others	Total	Laotian	Thai	Total	Grand Total
2005	27,126	22,708	17,879	67,713	25,632	26,621	45,552	97,805	52,758	49,329	63,431	165,518
		(11,996)		(29,875)		(14,290)		(59,842)		(26,286)		(89,717)
2006	23,830	29,780	20,401	74,011	23,346	32,230	54,296	109,872	47,176	62,010	74,697	183,883
		(16,272)		(34,751)		(18,324)		(72,620)		(34,596)		(107,371)
2007	29,366	42,295	29,020	100,681	27,644	46,772	71,431	145,847	57,010	89,067	100,451	246,528
		20,647)		(49,667)		(24,573)		(96,004)		(45,220)		(145,671)
2008	20,631	43,354	22,342	86,327	18,187	47,237	52,584	118,008	38,818	90,591	74,926	204,335
		(22,342)		(50,501)		(24,781)		(77,365)		(47,123)		(127,866)
(Unit: Cars)												
	Cars											
Year	Entry into Thailand	Departure from Thailand	Total									
2005	1,733	1,828	3,561									
2006	7,148	9,080	16,228									
2007	2,720	2,827	5,547									
2008	1,744	1,829	3,573									
(Notes) Number of people includes those who used border passes. The number in parentheses indicates those who used passports. The number of Lao nationals indicates the number of those who used border passes only, while those who used passports are included in the number of others. The figures for 2008 indicate the numbers during the period January–August.												
(Sources) Compiled from Chiang Kong Immigration Checkpoint data.												

departing through Chiang Kong checkpoint is increasing, indicating a vitalization of economic activities in the border region between Thailand and Laos.

(2) Border Trade

Since the border trade between Laos and Thailand is mostly conducted in the Northeast of Thailand and the nearby areas of Laos, trade volumes in the Northern Thailand areas of Chiang Kong and Chiang Saen are rather scarce and ranked 7th and 9th in 2006 (Tsuneishi[2008]). Since the trade at Chiang Kong Port showed a very high growth rate of 61.2% in 2005 and 15.1% in 2006, the growth rate in 2007 declined to -10.6%. Exports in 2007 amounted to 870.9 million Baht, -18.1% compared with the figure for 2006,

imports was amounted to 684.2 million Baht, up 1.0% compared with the figure for 2006 (Table 2). Although the port is used for trade with Laos and Yunnan Province, trade between Thailand and Laos has accounted for 95% of the trade in recent years. Compared with Chiang Saen port, trade at Chiang Kong port is smaller and the scale and facilities of the port are poor. Exports from the port are refined oil, cement, automobiles and parts, construction materials, daily commodities, and so on. On the other hand, imports from Laos include wood, lignite and processed coal, corn, and so on.

(3) Border Economic Zones

The focus of the border economic zone in this region is a construction plan for the Fourth Mekong Friendship Bridge, and investment from Yunnan Province in China has started due to expectations for the effect of the construction. In June 2007, China and Thailand signed an MOU stating that the cost of construction of the bridge itself and the introductory road and border control facilities (BCF) would be divided 50%-50% between the two countries. Design and investigation began from September 2007 and was completed in June 2008, and meetings of the management committee consisting of Thailand, China and ADB were held regularly after that. According to the information submitted to the meetings, the bridge will be connected to route No.1020 at Thung Ngue Village on the Thai side while it is planned to connect with route No.3 at Namho Thai Village on the Laos side (Figure 2). The width of the river at the construction site is estimated at 355m at maximum in the rainy season. A bridge pillar will thus be built every 110m and a BCF composed of a checkpoint, toll booth, office, and so on will be built. A financial contract is scheduled to be drawn up between the latter half of 2008 and early 2009, and a bid for the construction to be conducted before the middle of 2009.

Table 2 Border Trade at Chiang Kong Customs (2001–2008)									
(Unit: Million baht)									
Year	With Laos			With Yunnan			Total		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
2001	482.3	287.3	769.6				482.3	287.3	769.6
2002	502.4	205.2	707.7				502.4	205.2	707.7
Growth rate (%)	(4.2)	(-28.6)	(-8.1)				(4.2)	(-28.6)	(-8.1)
2003	504.7	189.5	694.2				504.7	189.5	694.2
Growth rate (%)	(0.4)	(-7.7)	(-1.9)				(0.4)	(-7.7)	(-1.9)
2004	643.0	294.6	937.6				643.0	294.6	937.6
Growth rate (%)	(27.4)	(55.4)	(35.1)				(27.4)	(55.4)	(35.1)
2005	1,059.6	430.6	1,490.2	0.1	21.3	21.5	1,059.7	452.0	1,511.7
Growth rate (%)	(64.8)	(46.2)	(58.9)				(64.8)	(53.4)	(61.2)
2006	1,062.1	600.2	1,662.3	0.7	77.2	77.9	1,062.8	677.4	1,740.2
Growth rate (%)	(0.2)	(39.4)	(11.5)	(385.7)	(261.7)	(262.7)	(0.3)	(49.9)	(15.1)
2007	855.1	614.7	1,469.8	15.8	89.5	85.3	870.9	684.2	1,555.1
Growth rate (%)	(-19.5)	(2.4)	(-11.6)	(2227.9)	(-10.0)	(9.5)	(-18.1)	(1.0)	(-10.6)
2008	789.1	481.2	1,270.3	12.0	59.0	71.0	801.1	540.3	1,341.3

(Notes) The figure for trade with Yunnan Province is small and is included in the figures for Laos.
The figure for 2008 indicates the figures during the period January-July.

(Source) Customs Department of Thailand data.

Construction works will continue for 30 months.⁶ When the author visited the construction site (Don Maha Wong Village 10 km east of Chiang Kong Port), the two-lane road connecting the site to route No.1020 was paved and there was only a notice board stating that “construction shall start from March 2009 and last 30 months” in a corn field facing the Mekong River (see photograph). However, Chie Chou International Co., Ltd. from Yunnan decided in June 2007 to construct a hotel with 300 rooms, a mini-golf course of 9.6 ha 2 km west of the construction site, anticipating development of the surrounding area.⁷ Huai Xai region in Bokeo Province, across the river, is a tourist spot and there are many small hotels and lodges for backpackers from Western countries. A South Korean company has reportedly concluded a contract to build a hotel and a golf course on 1000 *rai* (160 ha) of land.⁸ On the other hand, the Thai government had decided in 2003 to develop Chiang Rai Province as a pilot project

⁶ Information from NESDB (a document submitted to the China/Thailand steering committee on the bridge) and the related hearing (9 September 2008).

⁷ Bangkok Post (3 December 2007).

⁸ Hearing at Chiang Rai Chamber of Commerce (28 August 2008).



Site for the Fourth Mekong Friendship Bridge
(Photograph by the author on 31 August 2008)

for Special Border Economic Zones (SBEZ) and has striven to develop the related facilities positively (Tsuneishi [2007]). Concerning the development of an industrial estate in Chiang Kong as one of the related projects, two locations, a total of 2720 ha were examined. Finally, 800 ha in Ban (village) Sathan was designated as the site and the Industrial Estate Authority of Thailand (IEAT) completed a Feasibility Study (F/S) in October 2008. With respect to the laws on the SBEZ, the Government, the SBEZ implementation committee and the National Economic Social Development Board (NESDB) decided to make use of the existing related laws because the IEAT requested the government to postpone the enactment of the SBEZ in February 2006, realizing the difficulty of coordination among the related organizations such as Chiang Rai Province, Chiang Kong District Office, BOI and so on in such a short time.⁹

(4) Issues and Challenges

As mentioned above, since 2003 the Thai government has been proceeding with the national project to develop Chiang Rai Province, an originally poor area, as a gateway to

⁹ Hearing at NESDB (9 September 2008).

the GMS countries, and has a plan for the IEAT to establish an industrial estate in Chiang Kong. Since the Fourth Friendship Bridge is scheduled to be built between Chiang Kong and Huai Xai in 2011, the border area has the highest potentiality for development compared with other border areas. Consequently, the issues and challenges in this area can be said to depend on a successful accomplishment of the Fourth Friendship Bridge. If the bridge is completed, surface transportation by way of R3A between Thailand, Laos, and especially China will be further increased. In addition, concerning the investment, an investment in Chiang Kong by a Yunnan Province investor as well as an investment in Huai Xai from Korean industry are a prelude which presupposes future potentiality in the region. It will also become possible to invite further investment from Yunnan Province to an industrial estate to be set up in Chiang Kong if the plan for the bridge proceeds successfully as scheduled.

3. The Boten-Mohan Border Area

(1) Outline of the Border

The Boten border crossing (Luang Namtha Province in Laos) is 57 km northeast from the center of Luang Namtha City along R3A. At Nateuy, located 19 km before the Mohan border (Menla Province, Xishuangbanna), R3A from Luang Namtha meets with national route No.1 (Figure 3). In a location about 100 m before the Mohan border checkpoint when proceeding from Boten, there is a stone border monument. The distance between the two immigration offices at Boten and Mohan is 2 km. Behind the Boten immigration office, there is a brown colored building which is a hotel and casino (The Royal Jinlun Hotel-Casino Complex) developed by a Chinese investor on a concessional basis aiming for tourists from China and Thailand. In December 1993, the

Chinese and Lao governments approved the Mohan-Boten gate as the first international border gate allowing foreigners of third countries to pass (Bi [2008a]).

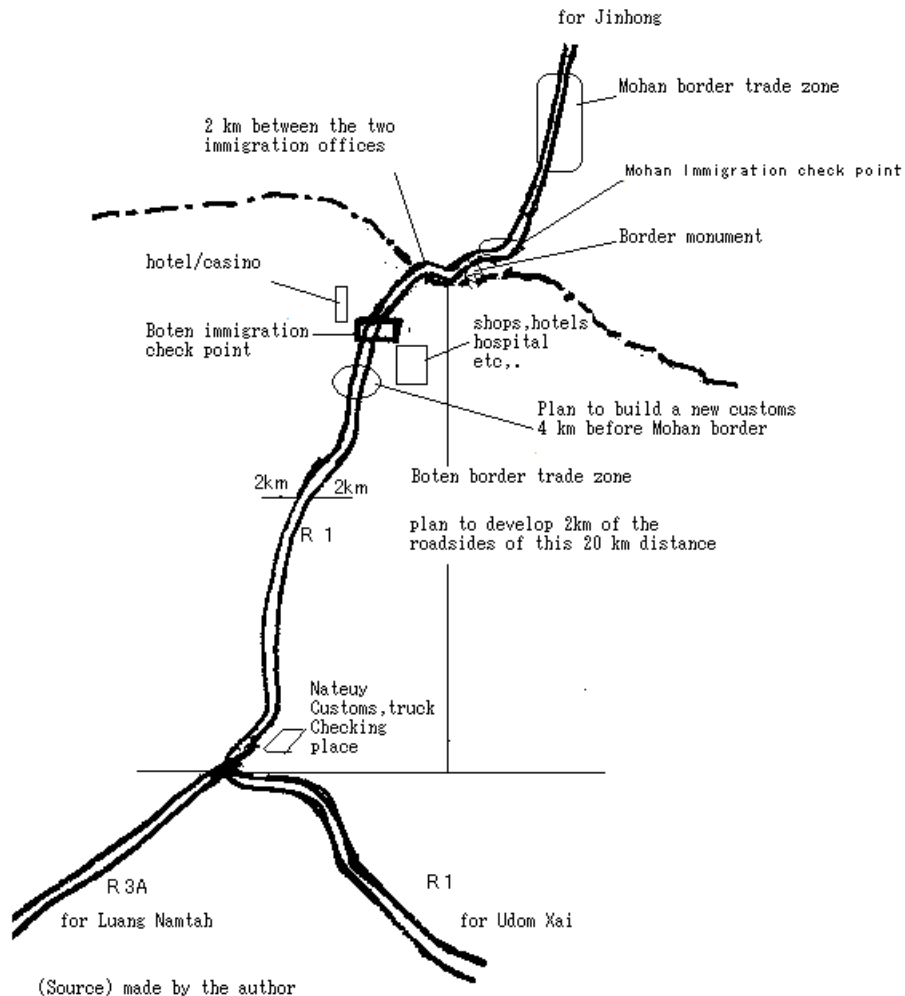
The opening hours of Boten border gate are 7:00 am to 4:00 pm for persons from third countries while it is also open from 6:00 pm to 7:00 pm for Lao and Chinese nationals. Mohan gate is also open from 8 am to 5 pm (China time is one hour ahead of Laos time) while it is also open from 6:30 pm to 8:30 pm for Lao and Chinese nationals.

Lao nationals can obtain a border pass if they simply have identity cards. Lao nationals may enter Xishuangbanna on a border pass usually for 10 days, but travel is limited to Xishuangbanna only. Through negotiation, the border pass can be extended to up to 20 days maximum and it is also possible to extend it further if the pass holder visits hospitals. Moreover, it is possible to obtain a 6-month and a one-year pass, respectively, in the case of merchants and people studying in China. Handling charges for making up the border pass are 35,000 Kip per pass and the same charge is necessary in the case of extensions. On the other hand, Chinese people can enter the four northern provinces of Luang Namtha, Bokeo, Udom Xai and Pong Sali for 10 days. Moreover, depending on the situation, it is possible to extend the pass for 10 days. Travel to locations beyond the four provinces requires a passport. The border pass (written in English) for people from Yunnan Province is a small black and white notebook. Border passes are issued even for people who are not residents of Yunnan Province, and these look similar to passports.¹⁰

Concerning land transportation, Laos concluded a land transportation agreement with China in 1994 (Mekong Institute [2008]) and Laos allows Chinese and Thai trucks to enter Laos. Lao vehicles are entering China carrying agricultural products and

¹⁰ Hearing at Boten Immigration Office (1 September 2008).

Figure 3 Boten=Mohan Boder Area



lumber. Although the agreement allows trucks from Thailand to enter Luang Namtha, they are actually scarce and most of them go only as far as the port in Bokeo. Vehicles from Vietnam come to Luang Namtha to carry construction materials to Bokeo. In fact, since systems, regulations and guidelines restricting weights differ according to the destinations in Thailand, Vietnam and China, and it is required to meet the rules in the destination, trucks from the destination are often used. Foreign cars traveling in Luang Namtha are mostly passing by and the majority of them are for tourist use, while trucks are scarce. When it comes to trucks, trucks traveling from Thailand to China

outnumber those traveling from China to Thailand because China uses waterway more than land transportation. Laos has a national policy to develop the country as transit base in the preparation and institutionalization of logistics such as the single stop, and it is planning to set up a new customs house at Boten. At present, Laos has been implementing a strategy for logistics along R3A according to the advice of GMS-related conferences and ADB.¹¹

According to statistics of the border gate in Yunnan Province, the number of persons entering and departing through Mohan gate was 354,040 in 2006 and this figure is smaller than Ruili (5,558,621 persons) bordering with Myanmar, and Hekou (3,502,175 persons) bordering with Vietnam. However, thanks to the opening of R3A, the number of people and vehicles passing through the gate is clearly increasing (Table 3). There are 12 first-rank borders in Yunnan Province and the growth rate of Mohan gate in 2006 showed a significantly high rate of 29.6%, compared with the average growth rate of 4.0% at all 12 border gates.

(2) Border Trade and Investment

Trade and investment between Yunnan and Laos, Myanmar and Vietnam has increased since 1992, when Yunnan first participated in the framework of the GMS economic cooperation, and economic cooperation between Yunnan and these three countries has also attained significant growth. The border trade between Yunnan and Laos in 2001 accounted for 29.7% of the total trade between China and Laos. After that, the border trade between Yunnan and Laos reached USD41.44 million (a growth rate of 22.7% compared with the previous year) in 2005 and USD69.32 million (a growth rate of

¹¹ Hearing at Department of Public Works and Transportation, Luang Namtha Province Office (1 September 2008).

Table 3 Entries and Departures at Border Gates and Trade in Yunnan Province (2006)						
Names of Gates	Mohan	Jinghong port	Total of 1st-rank gates (12)	Daluo	Total of 2nd-rank gates (8)	Total
People (persons)	353,040	35,700	11,943,851	250,857	3,067,675	15,011,526
(Annual growth rate, %)	(29.6)	(-3.3)	(4.0)			
Departures	180,012	18,433	5,913,973	124,851	1,651,480	7,565,453
(Annual growth rate, %)	(29.9)	(-8.2)	(3.0)			
Entries	173,028	17,267	6,029,878	126,006	1,416,195	7,446,073
(Annual growth rate, %)	(29.3)	(2.4)	(5.1)			
Transportation (Car, Ship)	41,505	2,701	1,241,200	61,747	472,197	1,713,397
Departures	21,734	1,352	624,976	32,262	250,226	875,202
Entries	19,771	1,349	616,224	29,485	221,971	838,195
Trade value (million USD)	163.24	94.75	2,410.49	37.47	317.74	2,728.23
Exports	117.9	52.04	1,760.51	29.73	164.09	1,924.60
Imports	45.34	42.71	649.98	7.74	153.65	803.63
Cargo transportation (tons)	235,640	85,331	3,453,541	121,250	1,276,186	4,729,727
(Annual growth rate, %)	(74.1)	(-17.0)	(9.1)			
Exports	89,709	42,410	1,856,262	49,987	269,830	2,126,092
(Annual growth rate, %)	(66.7)	(-27.7)	(15.2)			
Imports	145,931	42,921	1,597,279	71,263	1,006,356	2,603,635
(Annual growth rate, %)	(79.0)	(-2.7)	(2.8)			
(Source) Bi[2008a]						

67.3%) in 2006 (Bi [2008a]). Exports from Yunnan Province to Laos were USD35.91million (a 3.5% growth rate compared with the previous year) while imports were USD83.39 million (20.3% growth compared with the previous year). The shares of Laos, Myanmar and Vietnam in the total trade of Yunnan Province are, respectively, 0.9%, 9.9%, and 11.1%, and the total share of the three countries amounts to 22% (Table 4). A characteristic point concerning the border trade between Yunnan and Laos is that the ratio of small-scale border trade, which was introduced by the Chinese government to promote border trade by small-scale industries, is significantly high at 65.7%. Although the figure of this trade does not exactly signify that at Boten-Mohan gate, the gate is the only main gate between Yunnan Province and Laos and thus the figure is almost equal to the trade passing through this gate between Yunnan Province and Laos.

On the other hand, investment and economic cooperation from Yunnan Province to Laos has come to occupy a large portion of the total investment and economic cooperation of China to Laos. In the period 1989 to 2000, the accumulated number of investments concerning economic cooperation from Yunnan to Laos was 35 projects amounting to USD31.87 million, which accounts for 42.2% in terms of the number of projects and 42.8% in terms of value in the total investment of China's economic cooperation projects (Bi [2008a]).

(3) Border Economic Zones

The Laos government decided in February 2002 to establish the "Boten Border Trade Zone" in the location designated 2 km on either side of national road No.1 between Boten and Nateuy intersection, and would be composed of a commerce/service zone, an industrial zone, and an administration zone (Souknilanh [2008]). At present, immigration procedures and quarantine are carried out in Boten, while cargo customs procedures are carried out at Nateuy intersection. It was agreed between China and Laos in 2007 that all procedures would be conducted at a location 4 km from the Mohan-Boten border. Although China has set up a warehouse there, it has not transferred the other related facilities to that location. As of September 2008, at Boten Border Trade Zone there are only a few facilities, such as a customs house, a checking facility for trucks, and a reloading facility at Nateuy, in addition to some small shops, a hospital and a hotel and combined casino facility.

On the other hand, China's Yunnan Province decided in June 2000 to establish a border trade zone (26.9 km²) at the Mohan border and the "Mohan Border Trade Zone" was set up legally in May 2001. In September 2004, the Chinese government formally

(Unit: USD10,000)									
	Exports			Imports			Total Exports and Imports		
	2006	2007	Growth rate,%	2006	2007	Growth rate,%	2006	2007	Growth rate,%
Total for Yunnan Province	339,143	473,612	39.6	284,031	404,363	42.4	623,174	877,975	40.9
Sub-total for Laos, Myanmar, Vietnam	93045	145432	56.3	33840	47432	40.2	126885	192864	52.0
(Sub-total/Total for Yunnan, %)	(27.4)	(30.7)		(11.9)	(11.7)		(20.4)	(22.0)	
Laos	3,469	3,591	3.5	3,463	4,748	37.1	6,932	8,339	20.3
(Share in total for Yunnan,%)	(1.0)	(0.8)		(1.2)	(1.2)		(1.1)	(0.9)	
Small-scale border trade	2,084	1,993	-4.4	2,439	3,483	42.8	4,523	5,476	21.1
(Share in border trade)	(60.1)	(55.5)		(70.4)	(73.4)		(65.2)	(65.7)	
Myanmar	52,113	64,068	22.9	17,095	23,289	36.2	69,208	87,357	26.2
(Share in total for Yunnan, %)	(15.4)	(13.5)		(6.0)	(5.8)		(11.1)	(9.9)	
Small-scale border trade	40,068	47,778	19.2	16,176	22,451	38.8	56,244	70,229	24.9
(Share in border trade)	(76.9)	(74.6)		(94.6)	(96.4)		(81.3)	(80.4)	
Vietnam	37,463	77,773	107.6	13,282	19,394	46.0	50,745	97,167	91.5
(Share in total for Yunnan, %)	(11.0)	(16.4)		(4.7)	(4.8)		(8.1)	(11.1)	
Small-scale border trade	4,386	6,995	59.5	12,493	18,393	47.2	16,879	25,388	50.4
(Share in border trade)	(11.7)	(9.0)		(94.1)	(94.8)		(33.3)	(26.1)	

(Source) Compiled from Yunnan Provincial Government Ministry of Commerce data.

approved construction of the zone. Construction work started from the end of the year and is presently almost completed. At present, about 150 shops and factories registered in the zone, in addition to a duty free shop, a trade market, and several hotels. In 2004, the number of departures and entries was 216,294 persons (the number of persons from third countries being 5,779), vehicular departures and entries were 36,472, the trade value was USD78.6 million and export transportation volume was 9.8 tons. This is targeted to increase in 2010, that is, departure and entry numbers are expected to reach two million persons, vehicular departure and entry 0.5 million, and a trade value of USD600 million (Mohan Frontier Trade Area [2005]). Referring to the achievements in 2006, steady growth was obtained, as follows; the number of departures and entries was 353,040 persons, vehicular departures and entries were 41,505, trade value was USD163.24 million, and the transportation volume of cargo was 235,640 tons (the growth rate was 74.1% compared with 2005) (Table 3).

The major commodity purchasing locations for Lao merchants are Chiang Kong for Thai commodities while they are Menla and Mohan concerning Chinese commodities. It is reported that after Lao merchants purchase clothes, toys, electric appliances at these locations, they convey the commodities by road to Udom Xai, Pakben, and so on, from where they carry the commodities by ship further to other provinces such as Luang Phrabang, Bokeo and Vientiane. (Khampheng Thipmounthaly [2003]).

(4) Issues and Challenges

In this border region, steady economic activities are apparent in Mohan Border Trade Zone, where about 150 shops and factories are already integrated. At the Boten Border Trade Zone at present, however, development of an industrial area has not yet begun at all. Although a pledge to establish the zone has already been declared, there seems to be only a few shops and a hotel-casino present. The main challenge in this region for the Lao Government is to implement a more concrete development plan for the Boten Border Trade Zone and ensure its steady execution. It is necessary to contrive a scheme that will make Luang Namtha Province not merely a passing-by point on R3A. It will be necessary to cooperate sincerely with the Chinese side in order to bring about a more cooperative development at the Boten Border Trade Zone.

Chapter 3 The Myanmar Route

1. Outline of the Myanmar Route

The plan for the construction of R3B was also approved as a priority project at the fourth GMS Regional Economic Cooperation Conference in 1994. Thailand decided to

grant a loan of 300 million Baht for the construction of the 163 km between Tachilek and Kyaing Tong (Kengtung) on the condition that Thai contractors were to be used. Although this was scheduled to be the first project granted by NECF (Neighboring Countries Economic Cooperation Fund),¹² it was cancelled in 1998 because the Myanmar side designated a Myanmar contractor (CEQP [2006]). The Myanmar government has carried out the construction of the road by itself and the 256km between Mong La (or Mong Lar) and Tachilek is almost completed. The 93 km between Mong La and Kyaing Tong was completed as a two-lane road by the Central Government and Shan State Government while the 163 km between Kyaing Tong and Tachilek was also completed as two lane road on a concessional basis, BOT system, by a Myanmar company, Hong Pang Co. Since it is, however, a third-ranking road, meeting with minimum requirements as a road, construction works to expand narrow places were still being carried out.¹³

Mae Sai in Thailand is 68 km north of Chiang Rai along national route No.1 and borders with Tachilek in Myanmar's Shan State. Mae Sai and Tachilek are separated by the Mae Sai River. Kyaing Tong is 163 km north of Tachilek along R3B (national route No.4). Kyaing Tong (Kengtung) is an isolated mountainous area located in the far east of Myanmar and separated by the Salween River from other areas such as Yangon. Nowadays, commodities from Thailand and China are brought into Kyaing Tong and Mong La by way of R3B. Mong La is located 93 km north of Kyaing Tong along R3B. The Mong La-Daluo border crossing is 3 to 4 km northeast from the center of Mong La.

¹² The organization was established at the Fiscal Policy Office of the Ministry of Finance in 1996 to conduct economic assistance by Thailand to neighboring countries such as Laos, Myanmar, and Cambodia to build infrastructure and became an independent public organization named NEDA (Neighboring Countries Economic Development Agency) in May 2005.

¹³ The progress situation is reported in the documents of the GMS Sub-regional Transportation Forum, especially the 9th conference report, GMS Development matrix, GMS Vientiane Plan of Action 2008-2012, and so on.

There are six checkpoints along the road between Tachilek and Mong La. This checking is very cumbersome, although it is reportedly necessary for security reasons. Although the handling charge at each checkpoint is free, it is necessary to pay 180 Yuan per person and 40 Yuan per car at the checkpoint at Mong La District, because Mong La is the “Fourth Special District,” effectively under the control of the East Shan State Army.

The 63 km road between Daluo and Menghun is still under construction for road expansion, and it took about two hours just to travel this distance when the author traveled the muddy road, in some parts obstructed by landslides, in the rainy season of September 2008. Early completion of the road is eagerly anticipated.

Details of the border areas of Mae Sai-Tachilek and Mong La-Daluo will be examined below.

2. The Mae Sai-Tachilek Border Area

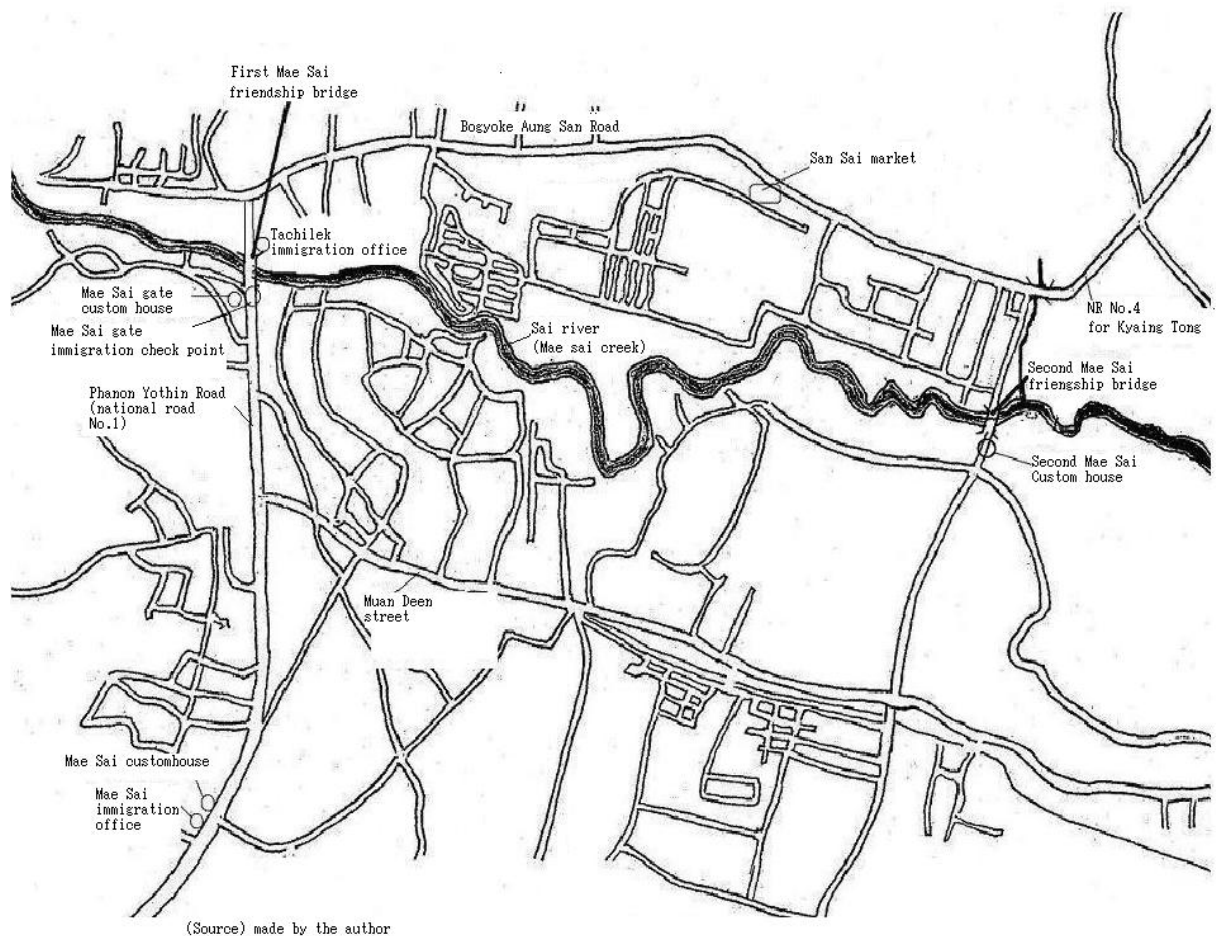
(1) Outline of the Border

Mae Sai is located in Chiang Rai Province 785 km north of Bangkok and 60 km from Chiang Rai, the capital city of the province in the far north of Thailand, and borders with Tachilek in Myanmar. The border is formed by the Mae Sai River (or Mae Sai Creek) over which the First Friendship Bridge between Thailand and Myanmar has been constructed. On the Thai side, the Thai immigration office and custom houses are beside the bridge. At the both sides of Phanon Yothin Road,¹⁴ namely national route No.1 reaching the Myanmar border, there are many shops selling handicrafts, jewelry, China-made clothes, electric appliances, and so on, and this area is crowded with many

¹⁴ This is the road which starts from the Victory Monument in Bangkok and leads to Mae Sai via Ayuthaya, Nakhon Sawan, Tak and Lampang, that is, Thai national road No.1.

people. The length of the bridge between Mae Sai and Tachilek is about 100m. There are also a shopping area and an immigration checkpoint on the Tachilek side (Figure 4). 3 km to the east from Phanon Yothin Road by way of Muan Deen Street, the second Mae Sai customs house is under construction. On the Tachilek side, the existing customs house and the new customs house are connected by Bogyoke Aung San Road, which leads to national route No.4, (R3B) reaching Kyaing Tong (Kengtung) and Mong La. Working hours at Mae Sai immigration office are usually 8:30 am to 4:30 pm The gate at Tachilek is usually open from 8:00 am to 4:00 pm, while it opens from 6:00 am to 6:00

Figure 4 Mae Sai=Tachilek Border Area



(Source) made by the author

pm (from 5:30 am to 5:30 pm in Thai local time) for people bearing border passes. Although people living in Tachilek who bear identification cards can be issued with border passes to enter Thailand without charge, travel is allowed only within 5 km of Mae Sai District in Chiang Rai Province. The entry period is usually from one day to up to six days, depending on negotiation, but in the case of attending hospitals, it is possible to extend the pass up to one month.¹⁵ Other Myanmar nationals who are not residents of Tachilek may enter Mae Sai if they submit an application with photograph and 500 Kyat and pay 10 Baht on the Thai side. Since it is difficult to get information from the immigration authorities in Myanmar, this survey had no option but to rely on indirect information attained from a hotel manager in Kyaing Tong, as follows: Due to a guideline to protect human trafficking issued on the Myanmar side, young females cannot enter Thailand except in the case of hospital visits. About 400 Myanmar nationals enter Thailand per day for the purpose of visiting relatives and shopping. Thai people can also obtain a border pass for one to six days in order to enter Tachilek (travel restricted to within 5 km). The handling charge for issuance of the border pass is 30 Baht and it is also necessary to pay an entrance tax of 10 Baht at Tachilek.¹⁶

Although cars from Myanmar can enter Thailand only when admitted after checking on the Thai side, Myanmar cars usually stop at Tachilek. Myanmar trucks are not allowed to enter Thailand. Ordinary cars and tourist buses from Thailand can enter Myanmar through Tachilek. Their passage is usually allowed to only within 5 km within Tachilek, but in special cases cars may be permitted to travel to Mong La under an agreement between Thailand and Myanmar.¹⁷ Around 110,000 cars annually enter and depart through Mae Sai Checkpoint. It is clear that Thai people use cars while

¹⁵ Hearing at Mae Sai Immigration Office (28 August 2008).

¹⁶ Information from the manager of Princess Hotel at Kyaing Tong (30 August 2008).

¹⁷ Several years ago, it was possible for cars to enter to travel to Jinghong.

Myanmar nationals use motorcycles to pass through the gate (Table 5). Trucks cannot enter Myanmar from either Thailand or China.

Table 5 shows that about three million people entered and departed from Thailand in 2007, of which 80% were Thai nationals, 16% Myanmar nationals and the remaining 4% nationals of third countries. 96% of the total number of departures and entries were Thai or Myanmar nationals using border passes. Although more than one million Thai people depart and enter annually, only several thousand of these bear passports. The following numbers of people enter per day from Thailand to Myanmar for purchase of Chinese products and so on: About 10,000 persons on New Year's Day, about 1000 persons on Saturdays and Sundays, about 200 persons on ordinary days. Although statistics concerning Myanmar nationals bearing passports is not clear, most Myanmar nationals passing through this checkpoint are estimated to be bearers of border passes.

Table 5 Entries and Departures at Mae Sai Immigration Office (2004–2008)										
(Unit: Persons)										
Year	Thai (by border pass)		Myanmar (by border pass)		Others (by passport)		Total (Persons)			
	Entries	Departures	Entries	Departures	Entries	Departures	Entries	Departures		
2004	872,675	886,858	596,229	523,952	55,527	56,028	1,524,431	1,466,838		
2005	853,959	860,062	393,227	356,881	74,706	75,600	1,321,892	1,292,543		
	(4,571)	(5,036)					(99,680)	(95,366)		
2006	1,167,764	1,182,219	343,330	334,722	90,647	90,793	1,601,741	1,607,734		
					(Thai 4,555)	(Thai 4,530)	(114,945)	(107,681)		
2007	1,356,797	1,364,868	275,559	271,647	61,761	61,794	1,694,117	1,698,309		
					(Thai 1,385)	(Thai 2,866)	(69,296)	(76,985)		
2008	991,033	990,365	174,342	172,150	46,044	46,054	1,211,419	1,208,569		
(Unit: Car/Bikes)										
Year	Cars (Thai)		Cars (Myanmar)		Motorcycles (Thai)		Motorcycles (Myanmar)		Total Cars and Motorcycles	
	Entry	Departure	Entry	Departure	Entry	Departure	Entry	Departure	Entry	Departure
2004	34,400	34,440	25,819	25,281	19,662	19,967	30,473	32,186	110,354	111,824
2005	39,839	39,360	7,556	7,047	14,507	14,782	38,501	38,199	100,403	99,388
2006	40,133	38,599	12,076	11,265	16,250	16,282	41,936	41,017	104,130	101,756
2007	41,687	40,178	16,414	15,328	16,284	16,381	41,972	41,798	116,033	113,360
2008	35,181	35,613	15,020	15,130	11,768	11,817	31,901	32,016	93,870	94,576
(Notes) Although the numbers of Thai and Myanmar nationals in 2004 and 2005 include those who used passports, the corresponding numbers after 2006 indicate the number of those who used border passes. After 2006, Thai and Myanmar nationals who used passports are categorized as others. The number of Myanmar nationals who used passports is not clear.										
(Source) Mae Sai Immigration Office data										

(2) Border Trade and Investment

Border trade between Myanmar and Thailand accounts nearly for 90% of the total trade. Concerning the border trade with Myanmar, the largest value is conducted at Sangkhlaburi in Kanchanaburi Province, because natural gas is imported from Myanmar, followed by Maesot as the second, and Ranon as the third. The trade value at Mae Sai and Chiang Saen ranks fourth and fifth (Tsuneishi [2008]).

Exports from Thailand to Myanmar in 2007 amounted to 2,451.2 million Baht (Table 6) and major commodities are fuel oil, instant coffee, tires, iron and non-iron plate, medicines, and so on. Imports from Myanmar to Thailand were 388.7 million Baht and the major commodities were teak, garlic, onion, orange, water buffalos, clothes, jewelry and so on. Although trade with Myanmar through Mae Sai customs point showed high annual growth rates such as 63.2% in imports and 26.7% in exports, this has resulted in a substantial surplus for Thailand.

Year	With Myanmar			With Laos			With Yunnan			Total		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
2001	715.5	45.9	761.4									
2002	909.4	96.4	1,005.8									
Growth rate(%)	(27.1)	(109.8)	(32.1)									
2003	1,617.0	215.0	1,832.1									
Growth rate(%)	(77.8)	(123.2)	(82.2)									
2004	2,039.6	514.0	2,553.6									
Growth rate(%)	(26.1)	(139.0)	(39.4)									
2005	1,930.4	280.4	2,210.5									
Growth rate(%)	(-5.4)	(-45.5)	(-13.4)									
2006	1,934.1	233.9	2,168.0	0.7	0.0	0.7	6.2	25.1	31.3	1,941.1	259.0	2,200.1
Growth rate(%)	(0.2)	(-16.6)	(-1.9)									
2007	2,451.2	388.7	2,839.9	0.0	0.0	0.0	10.5	10.8	21.3	2,461.6	399.4	2,861.0
Growth rate(%)	(26.7)	(66.2)	(31.0)				(68.1)	(-57.1)	(-31.9)	(26.8)	(54.2)	(30.0)
2008	2,338.6	43.8	2,382.4	0.2	0.0	0.2	12.5	9.2	11.7	2,351.2	59.0	2,394.3

(Notes) Trade values with Laos and Yunnan before 2006 is unknown. The figures for 2008 are for the period January–July.

(Source) Compiled from Customs Department of Thailand data.

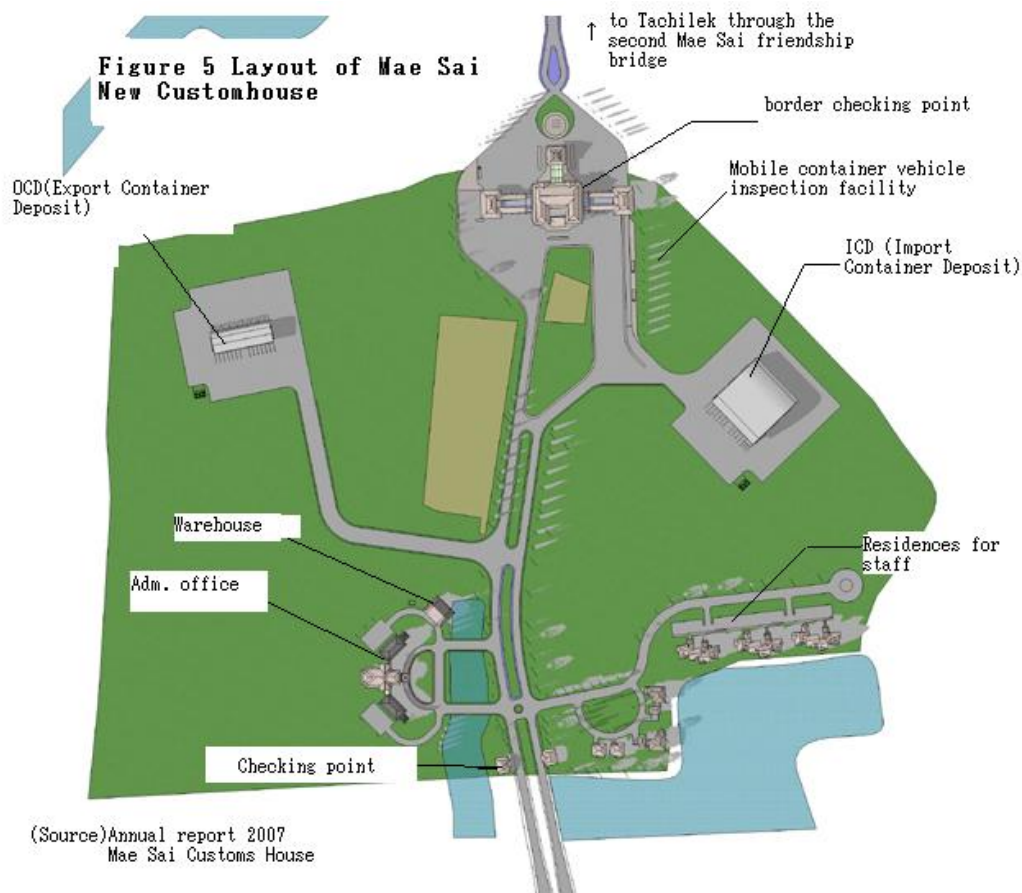
(3) The Border Economic Zone

The existing Mae Sai customs house was established in July 1940 and is also supervising customs at Chiang Saen and Chiang Kong. On the Thai side, just before the new Mae Sai Friendship Bridge (completion in January 2006, length 90 m, width 14.7m, two lanes), a new Mae Sai customs facility is under construction, costing 345 million Baht and scheduled for completion at the end of March 2009. The customs authorities have a site of 43.2 ha, in which a modern customs house comprising export-related facilities such as a warehouse and so on exist on the left-hand side facing Tachilek and import-related facilities such as a warehouse, a mobile X ray facility and so on was almost completed as of September 2008 (Figure 5). In constructing the customs facility, trade not only with Myanmar but also with Yunnan Province is keenly recognized. At present, a tentative customs house is being used inside the site and about 30 trucks per day are passing through.¹⁸

(4) Issues and Challenges

At the Mae Sai-Tachilek border area, Mae Sai on the Thai side has many shops along Phanon Yothin Road, while Tachilek, on the Myanmar side also has many shops, although not so many as on the Thai side, and the excitement of a border area can be seen. Inside Myanmar, R3B runs through a mountainous area and only small villages are sporadically seen as far as Kyaing Tong (Kengtung). At present, this region can be said to have the most scant potentiality for development.

¹⁸ Hearing at Mae Sai Customhouse (29 August 2008) and Mae Sai Customhouse [2007].



The issues and challenges of this region are to make the passage of the road more smooth and endeavor to develop the hinterlands, such as Kyaing Tong. Although the border with China can be reached by way of R3B, the road passes through a mountainous region and the width of the road is often just one lane. At present, trucks from Thailand are not allowed to enter Myanmar, although tourist cars may enter, and smooth logistics are disturbed. Further, there are six checkpoints on the road between Tachilek and Mong La, making transportation procedures extremely cumbersome. Above all, physical and institutional improvements are required for R3B.

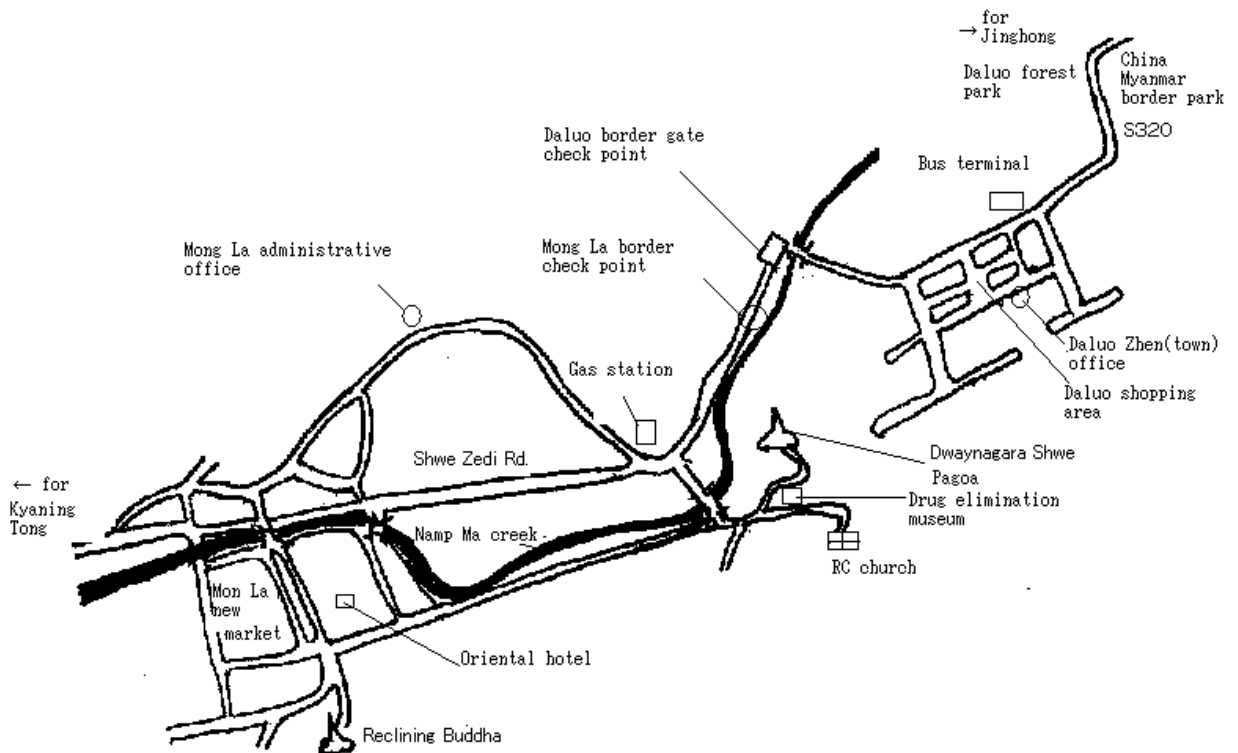
3. The Mong La-Daluo Border Area

(1) Outline of the Border

Mong La in Myanmar's Shan State of is located on the border with China, 93 km from

Kyaing Tong (Kengtung), and a further 163 km from Tachilek (Figure 6). Mong La is the East Shan State Special 4th District (an autonomous district of 4952 km²) established after the truce agreement between the East Shan State Army and Myanmar military regime in 1989. Although Mong La has minority groups such as Shan and Wa, their population is scarce compared with the large number of Chinese who have

Figure 6 Mong La=Daluo Border Area



(Source) made by the author

migrated recently and created Chinatowns. In the north, there have many ethnic Thais (Thai Lu) while the south has many people of Chinese ethnicity, who compose a Chinese world within Myanmar. The markets have many restaurants and shops selling Chinese products and are crowded with large numbers of Chinese customers.

Daluo can be overviewed from a pagoda near the Mong La border with China. Daluo is one *Zhen* (town) of Menhai province of Xishuangbanna and the population of the town

in 2005 was 18,294 persons (9291 males), of which 17,055 persons were engaged in agriculture-related business.¹⁹ Although in the period 2000-2003 Daluo was reportedly crowded with Chinese tourists on their way to casinos in Mong La before China prohibited Chinese nationals visiting these locations in 2003,²⁰ the town of Daluo is now deserted. The town is about 3 km east of the border, and there are markets and shops selling commodities such as Thai cakes and foods, Vietnamese sandals and other sundries that appear to have been brought from Myanmar. At the Eastern corner of the town, there is a bus terminal from which small buses for 17 passengers are available for travel between Daluo and Jinghong every 20 to 30 minutes. There are also a few bus services for Kunming and Simao. China has 17 border gates with Myanmar including 10 first-rank and second-rank border gates with Shan State in Myanmar. Daluo gate is one of these, but it is a second-rank gate,²¹ and trade volume is thus scarce compared with Ruili and Tengchong.

Mong La gate is open from 7:00 am to 10 pm (Chinese time 8:30 am to 11:30 pm) while Daluo gate is open from 8:00 am to 6 pm. Chinese nationals may pass through Mong La gate to Tachilek. People living in Xishuangbanna can enter Myanmar by border pass which can be issued at a cost of 10 Yuan and it is necessary to pay about 4 Yuan on the Myanmar side. The border pass is reportedly available for up to seven days depending on negotiation.²² Although ordinary Chinese cars can enter Myanmar, trucks cannot enter Myanmar from China.

¹⁹ Information posted on the notice board at Daluo Zhen (town) Office (3 September 2008).

²⁰ It is reported that Chinese were prohibited because a daughter of a Chinese high-class official gambled away a large amount of money there and that Chinese officials had diverted public money there (Asia Times Online, 25 November 2003).

²¹ In China, passage of people and commodities from third countries are allowed at first-rank border gates, while passage is allowed only for Chinese nationals and nationals of the counterpart country at second-rank gates. Daluo gate was approved as a second-rank gate on 10 August 1991 (Bi [2008]).

²² Same as note 16.

According to the statistics issued by Daluo gate, the number of person departing from the gate to Mong La was 124,851 in 2006, while the number of persons entering Daluo from Mong La was 126,006. The number of cars departing to Mong La was 33,262, while the number of cars entering was 29,485 (Table 3). When casinos in Mong La were flourishing, approximately 2000 to 3000 people passed through the Daluo gate to Mong La per day. The casinos have now been relocated from the center of Mong La town to an inland suburb, and only 20 to 30 persons per day are still making the illegal crossing.

(2) Border Trade and Investment

China and Myanmar concluded a border trade agreement in 1988 after border trade showed steady growth. In 2005, the border trade of both countries accounted for 57.8% of Myanmar's total imports from China and 81.5% of Myanmar's total exports to China (Bi [2008b]). Total trade between Yunnan Province and Myanmar in 2007 was USD873.57 million, with a growth rate of 26.2% compared with 2006. Exports from Yunnan Province to Myanmar in 2007 were USD640.68 million (22.9% growth compared with 2006) while imports were USD232.89 million (36.2% growth compared with 2006). This trade accounts for 9.9% of the total trade of Yunnan Province (Table 4). Similar to the trade between China and Laos, the trade with Myanmar also shows that small-scale border trade occupies a major part, namely 80.4%, which means that a large volume of small-scale border trade is conducted in the border area. The volume and value of cargo transportation at Daluo gate in 2006 was, respectively, 121,250 tons and USD37.47 million (Table 3).

The casino industry which once flourished in Mong La has now been relocated to a paddy field about 20 minutes away from Mong La by car. The owner of the casino is an

investor from the 4th Special District. The casinos in Mong La were started by the 4th Special District to raise development funds quickly from Chinese tourists after the East Shan State Army concluded the truce agreement with the Myanmar government and gained autonomy over the district. Although many casinos are created in border areas to promote border economic activities, the meaning and effectiveness of the casino industry is controversial.²³

(3) Issues and Challenges

In the short term, it can be said that the possibilities for this border region depend on a positive Chinese response. In order to make the Myanmar route more usable and essentially convenient for tourism and border trade, above all, the precise requirement is to promote the Daluo gate to a first-rank border gate so that nationals of third countries such as Thailand can pass through. In addition, it is necessary to complete quickly the construction works expanding the road between Daluo and Menghun.

In the medium and long term, there are diplomatic and political issues which concern the response of the government of Myanmar. It is reported that the government of Myanmar is examining direct control of Mong La. If this were to be realized, it would cause many serious political and economic issues between China and Myanmar. There would also be a high possibility of transportation and logistics disturbances concerning third countries such as Thailand, while there would be the possibility of activating trade between China and Myanmar if the method of control is wisely conducted.

²³ Kudo, Toshihiro, "The North-South Economic Corridor and Mon La" in the fifth issue of "Myanmar Flash (Japanese)" (25 January 2007).

Chapter 4 The Mekong River Route

1. Outline of the Mekong River Route

Concerning water transportation by way of the Mekong River, discussion had been conducted to improve the waterway of the river even since the first GMAS Ministerial Conference. On 20th April 2000, an agreement for free commercial navigation on the Mekong River was concluded and became effective from 26th June the following year. This is a significantly vital problem for Yunnan Province, which is an inland region. The agreement aimed at making possible the navigation of large ships of the 300-ton class throughout the year by exploding shallow parts of the 886 km river course between Simao port in China and Luang Phrabang in Laos (Oonishi • Nakayama [2008]). In order to proceed with this project, China has already begun to dredge by providing necessary funds to the countries concerned.

Ports of China, Laos and Myanmar are located along the Mekong River and are conducting trade with each other. On both sides of the river, there are Chinese ports such as Simao, Jinghong and Guanlei, Lao ports such as Xiengkok, Ban Mong, Muangmun, Huai Xai, and Myanmar ports such as Wong Poon, and trade exists between these ports. 240 km upstream along the Mekong River from Chiang Saen Port is Guanlei Port, from where a further 100 km upstream is Jinghong Port. Simao Port is 80 km upstream from Jinghong Port. The Xiengkok Port in Laos is located at the crossing of the Mekong River with R3A, halfway between Guanlei and Chiang Saen (Figure 1). Although the ports of Laos and Myanmar are located in the places shown in Figure 7, they are rather small. There are frequent cargo ship services between Chiang

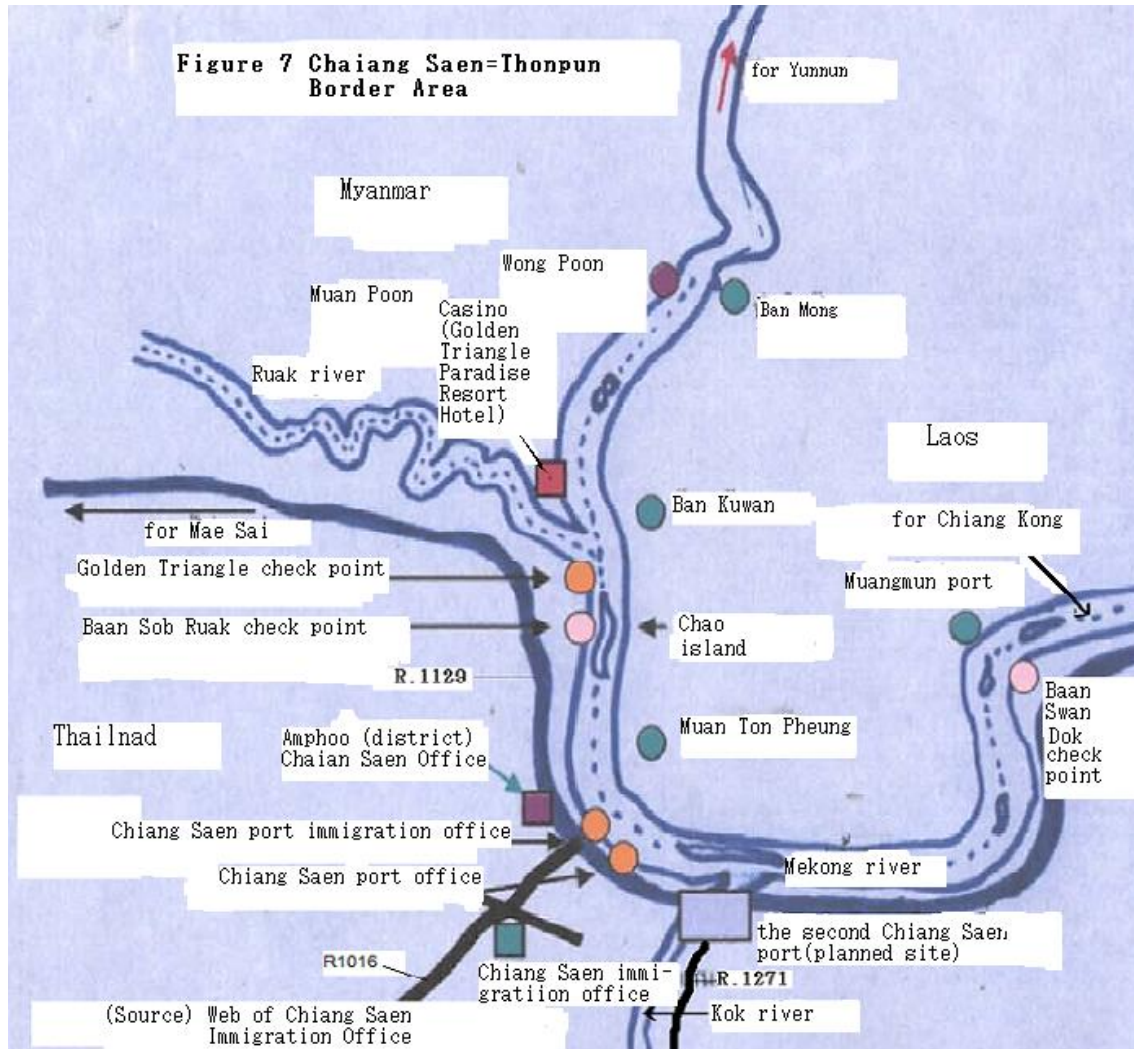
Saen and Guanlei/Jinghong in Yunnan, while there are passenger ferries between Jinghong and Chiang Saen. A cargo ship usually takes about 12 hours to come down from Jinghong to Chiang Saen, while it takes 2 to 3 days to go up from Chiang Saen to Jinghong. Most of the ships running on the Mekong River are owned by China and are becoming larger, most of them now of the 200-ton class.

2. Chiang Saen Port

Chiang Saen port is 96 km northeast along the national routes No.1 and No.1016 from Chiang Rai, while it is also 30 km along route No.1129 from Mae Sai, bordering with Myanmar. The port is located 50 km west of the site for the Fourth Friendship Bridge in Chiang Kong. A location 9 km upstream on the Mekong River, northwest from Chiang Saen Port, is the border point between Myanmar, Laos and Thailand, the confluence of the Mekong River as it flows down from China and the Ruak River (also known as the Sai River upstream). The point is called the Golden Triangle and has become a famous tourist spot with many restaurants, hotels and shops selling handicrafts. There is a casino on the nearest Myanmar riverside border. On the Thai side of the Mekong River is not only Chiang Saen Port, controlled by the Port Authority of Thailand, but also 14 small private ports, so there are several immigration checkpoints. On the Lao side across from Chiang Saen is Muan (District) Thon Pheung in Bokeo Province (Figure 7).

Chiang Saen Port was opened in 2003 and has capacity to berth 16 ships of the 100-ton class at the same time, and usually has six or seven ships loading and unloading per day. The average berth period is three days.²⁴

²⁴ Information on the port issued from the Port Authority of Thailand and a hearing a Chiang Saen Port (29 August 2008).



Numbers of persons and ships departing and entering at Chiang Saen port from 2005 to the present are shown in Table 7. The number of Thai nationals departing or entering at Chiang Saen is about 100,000 annually. Following this are over 40,000 Lao nationals followed by 4000 to 5000 Chinese nationals, most of which are supposedly ship crew.

Most of the ships are running between China and Thailand. In 2007, ships departing for China were 1519 while those entering from China were 1512. Each number occupies about 80% of the total ship departures or entries at Chiang Saen Port.

Table 7 Entries and Departures at Chiang Saen Immigration Office(2005–2008)												
												(Unit: Persons)
People												
Year	Entries into Thailand						Departures from Thailand					
	Thai	Laotian	Myanma rese	Chinese	Others	Total	Thai	Laotian	Myanma rese	Chinese	Others	Total
2005	85,881	24,149	1,154	3,792	1,496	116,472	103,294	22,990	1,162	1,338	1,271	130,055
	(1,666)					(6,248)	(885)					(5,506)
2006	86,246	29,592	0	4,724	1,019	121,581	101,063	12,578	0	1,943	585	116,169
	(1,105)					(6,243)	(889)					(3,125)
2007	79,902	27,259	0	2,424	738	110,323	84,938	15,247	0	784	428	101,397
	(2,299)					(5,428)	(1,048)					(2,126)
2008 2)	39,737	19,593	0	2,136	396	61,862	42,063	13,119	0	786	262	56,230
	(1,202)					(3,534)	(229)					(1,056)
												(Unit: ships)
Ship												
Year	Entry to Thailand				Departure from Thailand							
	Laos	Myanmar	China	Total	Laos	Myanmar	China	Total				
2005	299	201	1,791	2,291	285	198	1,757	2,240				
2006	294	109	1,556	1,959	1,895	110	1,527	3,532				
2007	313	1	1,519	1,833	307	1	1,512	1,820				
2008 2)	217	9	765	991	223	7	794	1,024				

(Notes) The number of entries and departures includes those who used borderpasses.
The numbers in parentheses indicate the numbers of those using passports.
The figures for 2008 show numbers for the period January–June.
(Source) Compiled from Chiang Saen Immigration Office data.

Since Thailand, Laos and Myanmar do not own their own ships, 95% of the ships entering or departing are Chinese ships.²⁵ Chiang Saen Port is a main port for border trade between Thailand and China. Although it is used also for trade with Myanmar and Laos, these volumes are very small. The shares of trade with China, Myanmar and Laos at Chiang Saen port in 2007 was 76.1%, 19.7% and 4.2%, respectively.

Border trade between Thailand and China through Chiang Saen port has been increasing because of the ASEAN Free Trade Agreement (AFTA) concluded in

²⁵ For example, ships used for trade between Thailand and Laos are also mostly owned by China (hearing at Chiang Saen Port on 29 August 2008).

November 2002, and the so-called “early harvest” that exempted tariffs on 188 fruit and vegetable commodities, which was introduced from October 2003. Although the border trade with China and Thailand is increasing through Chiang Saen port, it is less than 1% of the total trade between China and Thailand because China is a large country.

Although the trade at Chiang Saen port showed a high growth rate of 82.4% in 2005 and 9.4% in 2006, the figure declined to -7.1% in 2007 (Table 8). Exports in 2007 were valued at 6,325.4 million Baht (-4.5% compared with 2006) while imports 878.9 million Baht (-22.5% compared with 2006). The main exports are rubber, dried longan, palm oil, and so on, while imports are vegetables, apples, pears, garlic, onions, and so on.

Year	With Myanmar			With Laos			With Yunnan			Total		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
2001	63.6	1.6	65.3	125.4	225.2	350.7	2,225.6	547.0	2,772.6	2,414.7	773.9	3,188.6
2002	31.4	0.0	31.4	82.1	212.1	294.3	2,735.7	460.6	3,196.3	2,849.2	672.8	3,522.0
Growth rate(%)	(-50.7)	(N.A.)	(-51.9)	(-34.5)	(-5.8)	(-16.1)	(22.9)	(-15.8)	(15.3)	(18.0)	(-13.1)	(10.5)
2003	19.7	1.6	21.2	29.5	81.6	111.0	3,129.1	1,087.4	4,216.5	3,178.2	1,170.6	4,348.8
Growth rate(%)	(-37.3)	(N.A.)	(-32.4)	(-64.1)	(-61.5)	(62.3)	(14.4)	(136.1)	(31.9)	(11.5)	(74.0)	(23.5)
2004	197.2	1.2	198.4	269.7	65.2	334.9	2,110.3	1,242.4	3,352.6	2,577.1	1,308.8	3,885.9
Growth rate(%)	(303.1)	(-28.2)	(835.7)	(815.7)	(-20.1)	(201.6)	(-32.6)	(14.2)	(-20.5)	(-18.9)	(11.8)	(-10.6)
2005	1,325.7	44.1	1,369.7	453.1	46.5	499.6	4,171.8	1,047.3	5,219.2	5,950.6	1,137.9	7,088.5
Growth rate(%)	(572.2)	(3667.5)	(590.5)	(68.0)	(-23.7)	(49.2)	(97.7)	(-15.7)	(55.7)	(130.3)	(-13.1)	(82.4)
2006	1,636.9	32.3	1,669.2	398.8	20.1	418.9	4,587.3	1,082.4	5,669.7	6,622.9	1,134.8	7,757.8
Growth rate(%)	(23.5)	(-26.7)	(21.9)	(-12.0)	(-56.8)	(-16.1)	(10.0)	(3.3)	(8.6)	(11.3)	(-0.3)	(9.4)
2007	1,418.3	3.6	1,421.9	288.3	13.0	301.3	4,618.9	862.4	5,481.3	6,325.4	878.9	7,204.5
Growth rate(%)	(-13.4)	(-89.0)	(-14.8)	(-27.7)	(-35.3)	(-28.1)	(0.7)	(-20.3)	(-3.3)	(-4.5)	(-22.5)	(-7.1)
2008	934.7	0.6	935.3	99.2	9.0	108.2	2,719.1	509.6	3,228.7	3,753.0	519.2	4,272.2

(Notes) The figures for 2008 are the accumulated numbers for January–July.
 (Source) Compiled from Customs Department of Thailand data.

At present, in the wake of increasing border trade with China, facilities are short of containers (presently none), piers, warehouses, parking space, and so on. There is a plan to construct a second port at a location 10 km east of the existing port, where the Kok River runs into the Mekong River, with a site of 403 *rai* (64 ha) comprising a

container yard and warehouses, in addition to a comprehensive facility for customs, immigration and quarantine (C.I.Q.) procedures. The budget has already been approved. Route No.1129 is usable for connecting with the new port, while there is a plan to connect the port to national route No.1 by expanding routes such as No.1271 and No.1098.²⁶

Also on the Laos side, Chinese influence is emerging clearly in Thon Pheung District in Bokeo Province. Dok Gniew Kham Co. of Yunnan Province reportedly concluded a contract in 2007 to lease 800 ha of land over 50 years in Muan (District) Thonpun in the Golden Triangle area, 50 km west from the center of Huaixai. The company has been constructing a comprehensive center comprising a hotel, casino, shopping center, duty free shop, golf course, handicraft/light industries, and so on, with a total budget of USD68 million, targeting completion in 2011.²⁷ There is also Chinese investment influence in Northern Thailand (Column 2).

3. Issues and Challenges on the Chiang Saen-Thon Pheung Border Area

Since Chiang Saen has a main port on the Thai side and conducts trade with Myanmar, Laos and China along the Mekong River, it is possible to say this Chiang Saen region is a border area between these four countries. At present, land transportation by truck by way of R3B is impossible between Thailand and China. Although land transportation between Kunming and Huai Xai through R3B has become possible, large-volume transportation has little option but to depend on the Mekong River waterway, and thus Chiang Saen is still a major base port for border trade between China and Thailand. The capacity of Chiang Saen Port, however, is small and

²⁶ "Chiang Saen Port Thailand" received from the port and a hearing (29 August 2008).

²⁷ Articles of Prochaachaat Thurakit (27 November 2007) and Bernama (17 September 2008).

it cannot cope with the increasing trade between Thailand and China. Consequently, an impending and important challenge is to construct a second port immediately for the further development of trade between Thailand and Yunnan Province. The role of Chiang Saen Port is very significant as a hub to connect the landlocked Yunnan to outside foreign countries via Laem Chabang Port, on the eastern seaboard of Thailand. On the other hand, regarding issues and challenges on the Lao side, Thon Pheung District also depends on Chinese investment. It is quite important to make wise use of the momentum of emerging Chinese investment there, but also to try to prevent unsustainable development.

Column 2: Investment between Thailand and Yunnan Province

It is said that the accumulated number of investments from Thailand to Yunnan Province is about 80 to 90 projects. Foreign investment in Yunnan in 2006 and 2007 by country is as follows: 59 or 60 projects from Hong Kong, which accounts for 30 to 40% of the total investment. Thailand also occupies a relatively large part as the 7th-ranking country or region (five projects, USD675 million, 2.23% of the total) in 2006 and 6th (three projects, USD306 million, 0.7% of the total) in 2007. Thailand began investment just after the relationship between China and Thailand improved and the CP (Charoen Pokphand) Group, a leading Thai agro-business enterprise, was registered as the first investor in China and nowadays reportedly holds more than 200 related companies and USD5 billion in terms of investment value. Even in Yunnan Province, CP group holds four companies such as ECI-Metro Co., Ltd. (construction machinery), Kunming Chia Tai Co., Ltd. (animal feed), Yunnan Banna Chia Tai Co., Ltd. (agricultural products), and Kunming Guanghua Feed Co., Ltd. (animal feed), which were advanced in the early 1990s and have become major industries that Yunnan Provincial Government regards as significant. The Saha Group of Thailand has also already invested in the field of electric generation. Recently, the owner of Chang Beer has established a brewery to produce Mao Tai liquor in Yunnan and also bought a Holiday Inn Hotel, the name of which was changed to the Kunming Sakura Hotel, and Kunming Bank Hotel several years ago.

In the other direction, Chinese governmental organizations and private companies are also trying to make investments in Thailand, especially in Northern Thailand. For example, the Kunming

National High-Tech Industry Development Zone, a public developer under the Kunming City Government, at one time concluded a memorandum to build an industrial estate in Chiang Saen, but it was cancelled because the Thai government changed the site to Chiang Kong due to opposition over environmental protection. According to statistics from the Board of Investment of Thailand (BOI), the number of projects approved by the BOI and investing in Northern Thailand is 11 projects in terms of accumulated number as of June 2008. However, it is generally said that many Chinese companies advance into Thailand regardless of BOI incentives and approval. In a location near the construction site for the Fourth Mekong Friendship Bridge, Chie Chou International Co. of Yunnan decided to invest in the construction of a hotel in 2007. The Lan Cang River Beer Enterprise Group Yunnan in Kunming has been producing beer in Chiang Rai Province since 2000.

Conclusion

Thus far, a review has been conducted concerning the movement of people and vehicles, border trade and progress in the situation in the border economic zones at five border points as nodes along three routes in the four countries of Thailand, Laos, Myanmar and China.

In border regions, people of neighboring countries are mostly coming and going through borders by border passes and not by formal passports, and their number is increasing. Such a complementary institution as a border pass, based on an agreement between the provinces of neighboring countries is promoting economic activities of the people in the border regions through such means as small-scale border trade. However, the coming and going of trucks is not allowed and this hampers economic activities significantly, as shown in the border region between Myanmar, China and Thailand. Accordingly, early implementation of the Cross Border Transport Agreement (CBTA) being negotiated in the related countries is awaited.

Border trade and investment in the four countries are increasing steadily, with China and Thailand acting as the core. Border trade is generally conducted in small volumes and has developed naturally, although it has been given incentives for promotion in China, so that the ratio of small-scale trade is large in the border trade between China on one side and Laos and Myanmar on the other.

On the other hand, the formation of border economic zones is not naturally produced but are initiated as national projects, and these are in progress in Thailand, Laos and Yunnan Province to promote economic activities in the border regions.

The status quo and challenges along each route are as follows. On route R3A, there are the Mohan Border Trade Zone and the Boten Border Trade Zone in the border area between China and Laos. The Mohan Border Trade Zone was built in 2004 and is now in operation, while the Boten Border Trade Zone has just been initiated, and still remains just a plan. In Laos also, increasing investment is being made by China into Luang Namtha Province and into Thon Pheung and Huai Xai in Bokeo Province. However, over-impatient investment seen in the development of rubber plantations in Luang Namtha is problematic due to the occurrence of environmental degradation. On the other hand, in Chiang Kong of Thailand, there is a development plan for an industrial estate as part of the Chiang Rai Border Economic Zone scheme being promoted by the Thai Government. Following this, with completion of the Fourth Friendship Bridge between Chiang Kong and Huai Xai in 2011, transportation between China and Thailand will be promoted further. Luang Namtha Province, located between China and Thailand, is expected to be a hub of land transportation. This border region along R3A is a most promising location, with advantageous points such as border economic zones, the fourth bridge, and so on.

On route R3B, logistics between China and Thailand will be improved and promoted by improvements such as the completion of the new Mae Sai customs facility in 2009. Concerning the development of Mong La and Daluo, the border region between Myanmar and China, however, there are many issues and challenges that will take a long time to solve. Road expansion between Daluo and Mohan should be completed and the Daluo gate should be upgraded up to a first-rank border gate to enable nationals of third countries to pass. In addition, improvement of toll charges and the passage checking system should be carried out, followed by the granting of permission for free entry of trucks into Myanmar from China and Thailand. Further, there is also the issue of the unification of Mong La to Myanmar government control.

The Mekong River route has been mainly used from old times for border trade between China and neighboring countries. Especially, border trade between Thailand and Yunnan Province has been increasing since the FTA agreement in 2003 at Chiang Saen port in Chiang Rai Province trading with the Jinghong and Gunlei ports in China. After this, with completion of the new Chiang Saen Port, trade by way of the Mekong River will be improved and increased in parallel with increasing road transportation along R3A.

China has been promoting economic aid, trade and investment to Laos and Myanmar, taking a southerly advancing policy toward Southeast and South Asia by using Yunnan as a front line. On the other hand, Myanmar and Laos intend to develop their own countries by making wise use of economic aid, trade and investment from China. Thailand also gives support to improve infrastructure such as road and bridges in Laos and Myanmar, while it has been developing Chiang Rai Province progressively as a gateway to neighboring countries. Thailand is connected with Yunnan Province, China

through three routes and it expects to receive investment from China. Although the intention of each country differs concerning the North-South Economic Corridor, they are trying to maintain peaceful coexistence and prosperous relationships.

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<Japanese>

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