

REGIONAL COOPERATION AND INTEGRATION (SUMMARY)

I. Role of Regional Cooperation and Integration in Myanmar's Development

1. Myanmar is strategically located in Asia. Having the largest land area in mainland Southeast Asia, it shares borders with the People's Republic of China (PRC) on the north and northeast, Lao PDR and Thailand on the east and southeast, and Bangladesh and India on the west and northwest. It has a long coastline of around 2,800 km which provides access to sea routes and deep-sea ports. It has the potential to serve as a land bridge between Southeast and South Asia, and between Southeast Asia and the PRC. Regional cooperation and integration (RCI), therefore, provides Myanmar with a great opportunity to secure benefits in terms of access to regional and global markets, technology, and finance and management expertise. It can also promote inflows of foreign direct investment which can enable Myanmar to link up with regional and global supply networks. Besides expanding employment opportunities, RCI can also help in addressing social and environmental concerns through cooperation with neighboring countries.

2. Myanmar has recognized the importance of RCI in its development efforts and accordingly participates in several regional and subregional economic cooperation initiatives, such as the Association of Southeast Asian Nations (ASEAN), Greater Mekong Subregion (GMS) Program, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Ayeyarwady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), Asian Cooperation Dialogue (ACD), and Bangladesh-China-India-Myanmar Economic Forum (BCIM). Myanmar views its involvement in these regional and subregional initiatives as a means to accelerate economic growth and reduce poverty, especially in the border areas. The Asian Development Bank (ADB) has supported the GMS Program, of which Myanmar was one of the original founding members, since its inception in 1992. More recently, ADB has also provided some assistance to BIMSTEC.

II. The GMS Program

3. In 1992, the GMS countries—Cambodia, PRC, Lao PDR, Myanmar, Thailand Viet Nam—embarked on a program of subregional economic cooperation (the GMS Program) to promote their development through closer economic links among them. The vision of the GMS Program, as enunciated by GMS Leaders, is a subregion that is prosperous, integrated and harmonious. This vision is being pursued through the 3Cs strategy of enhanced “Connectivity”, increased “Competitiveness”, and a greater sense of “Community”. The GMS Program, which promotes market-based integration, emphasizes the provision of physical infrastructure and software that strengthens connectivity and facilitates the movement of people and goods across borders. It also promotes the development of regional power trade and helps address shared concerns such as the spread of communicable diseases, shortage of labor skills, and environmental management issues.

4. The GMS Program is being supported by ADB and other development partners in nine sectors of cooperation, namely, transport, energy, telecommunications, environment, agriculture, human resource development, tourism, trade facilitation, and investment. Institutional arrangements for the GMS Program comprise a GMS Leaders' Summit at the political level; a Ministerial-level Conference at the policy level; and sectoral working groups and forums at the project and operational level.

III. Myanmar and the GMS Program

5. Myanmar has participated in the GMS Program from the time it was launched in 1992. Although there has been no direct ADB assistance to Myanmar since that time (there being no ADB lending operations in Myanmar since 1988), Myanmar has benefited from ADB assistance to the GMS Program through its involvement in a number of ADB-financed regional technical assistance (RETA) projects. These included RETAs in the transport, energy, trade facilitation, environment, human resource development, agriculture, and tourism sectors. As of 31 December 2011, GMS Governments, ADB and co-financing partners have provided 177 GMS RETAs costing about \$286 million for project preparation and studies on various areas of GMS cooperation. Myanmar was involved in 92 out of these 177 RETAs.

6. ADB assistance to the GMS Program has also enabled Myanmar officials to participate, interact and exchange experiences with officials from the other GMS countries in various GMS high-level, working group, and project level meetings. In December 2011, Myanmar hosted the 4th GMS Leaders' Summit in Nay Pyi Taw. The nature of Myanmar's participation and contribution to the sectors and areas of GMS cooperation are summarized below.

7. **Energy:** Myanmar signed the Inter-Governmental Agreement on Regional Power Trade at the First GMS Summit in Phnom Penh in November 2002, and is signatory to subsequent MOUs to advance GMS countries' preparedness for power trade arrangements. Myanmar actively participates in the Regional Power Trade Coordinating Committee (RPTCC) activities such as updating the master plan on interconnections and promoting grid performance standards. It is actively engaged in discussions to establish the Regional Power Coordination Center (RPCC) which will oversee more advanced GMS power trade operations in the future. Myanmar helped develop the GMS Road Map for Expanded GMS Energy Cooperation, which lays out the activities to improve GMS energy security and mutually beneficial energy trade, and achieve better and more sustainable use of energy resources.

8. **Telecommunications:** Myanmar has been working on its section of the backbone for the GMS Information Superhighway Network (ISN), which will provide the broadband GMS platform for voice, data and internet access for use in various applications such as e-commerce and e-government. Myanmar participates in the meetings of the ISN bodies to further advance ISN development. It participates in various GMS training programs for the telecommunications and ICT sector.

9. **Transport and Trade Facilitation:** Some sections of GMS transport corridors that have been identified in the GMS Transport Sector Strategy (2006-2015) are in Myanmar: East West Corridor, the North South Corridor, the Western corridor, and the Western Corridor. The GMS Transport Sector Strategy (TSS) proposes the development of two additional transport corridors as part of the expanded 9-corridor transport corridor network which will further strengthen the links between the GMS and South Asia. Both of these corridors will include Myanmar, as follows:

- Western Corridor: India-Myanmar (Mawlamyine-Naypyidaw-Tamu); and
- Northern Corridor: Guangxi-Yunnan-Myanmar-India (Nanning-Kunming-Dali-Ruili-Lashio-Mandalay-Tamu).

Myanmar is also a signatory to the GMS Cross Border Transport Agreement (CBTA), a key measure to facilitate trade and transport in the subregion. To date it has ratified the main agreement as well as 15 of its 20 annexes and protocols.

10. **Investment:** Myanmar is the current chair of the GMS Business Forum (BF), a key mechanism to support private sector development in the GMS, and a platform for dialogue between the public and the private sectors. The GMS BF's members are the national chambers of commerce of GMS countries. Membership has also been opened to corporates to broaden private sector participation in GMS development.

11. **Human Resource Development (HRD):** Communicable diseases control is a top priority for GMS collaboration in HRD. Myanmar's participation has been limited to activities that are regional in scope, deemed necessary to complete the GMS perspective in controlling the spread of diseases such as HIV/AIDS, SARS, dengue, and avian flu. In addition, senior and middle-level government officials from Myanmar have participated in training programs and seminars of the GMS Phnom Penh Plan (PPP) for Development Management, currently on its fourth phase. Myanmar also actively participates in meetings of the GMS Working Group on HRD (WGHRD) and its subsector working groups. Myanmar will host the 11th WGHRD Meeting in September 2012.

12. **Environment:** Myanmar has benefited from capacity development activities under the recently completed Phase I of the GMS Core Environment Program (CEP)-Biodiversity Conservation Corridor Initiative (BCI) (2006-2011), which focused on the development of a range of environment and social planning safeguard methods and tools (e.g., Strategic Environment Assessments, Environmental Performance Assessments). Myanmar is expected to benefit from CEP-BCI Phase II (2012-2016) focusing on (i) improving environmental planning systems, methods and safeguards, (ii) improving management of transboundary biodiversity conservation landscapes and local livelihoods, (iii) developing climate resilient low carbon strategies, and (iv) strengthening institutions and financing for sustainable environmental management.

13. **Agriculture:** Myanmar has been involved in the activities of the Working Group on Agriculture (WGA) and has attended WGA meetings, workshops and training courses since the working group's establishment in 2003. It participated in implementing activities of the Core Agriculture Support Program (CASP) Phase I, which wound down in 2010. Myanmar is participating in implementing Phase II of the CASP covering 2011-2015, which envisions the GMS' integration into global markets through economic corridors, and its emergence as the leading producer of safe food.

14. **Tourism.** Under the 10-year GMS Tourism Sector Strategy Study (completed June 2005), a number of high-priority GMS tourism zone and circuits identified include Myanmar, e.g., Golden Quadrangle Tourism Zone, Andaman Coastal and Marine Zone, Tenchong-Myitkyina Tourism Zone, East-West Tourism Corridor, and Heritage Necklace Circuit. Myanmar is also involved in strategic tourism projects covering marketing and product development, HRD, heritage conservation, and pro-poor tourism development. Myanmar contributes its share in the annual budget of the Mekong Tourism Coordinating Office based in Bangkok that serves as secretariat for the GMS Tourism Working Group (TWG) and coordinates the implementation of priority projects under the Tourism Sector Strategy. Myanmar also actively participates in meetings of the TWG and the GMS Tourism Ministers, and hosted the 28th TWG Meeting in Bagan in November 2011.

IV. GMS Economic Corridors

15. Myanmar forms the western end of the East-West Economic Corridor (EWEC), the GMS corridor in the most advanced stage of development. Part of the 240 km road section in

Myanmar in EWEC has been developed with the assistance of the Thai private sector. A deep seaport project at Mawlamyine in Myanmar's southern Mon state, which will contribute to the development of the East-West corridor in terms of regional cross-border transportation and trade, is planned. Myanmar is also part of the North South Economic Corridor (NSEC), with the Kunming-to-Bangkok via Myanmar route forming its western subcorridor.

16. At the last GMS Ministerial Conference in Phnom Penh in 2011, inclusion of Dawei in the Southern Economic Corridor (SEC) was approved, thus making Myanmar a part of the SEC. The development of the road section from the Thai border to Dawei port is of interest to the Thai private sector. A Thai company (Italian-Thai Development) has signed a Framework Agreement with Myanmar Port Authority to develop the Dawei Deep Sea Port Project and the Project Development Agreement (PDA) was approved in November 2010. On May 21, 2012, the Thai Government approved 203 projects worth 30 billion baht to support the development of a deep-sea port and an industrial estate in Dawei.

17. Myanmar also participates in the GMS Economic Corridors' Forum (ECF), which serves as a mechanism for unifying and focusing all initiatives and undertakings that aim to transform the GMS transport corridors into economic corridors. The Forum also provides a venue for close networking between the public and the private sectors, between the central and the local governments, and among the various agencies and ministries in the six GMS countries. Myanmar will host the 4th Economic Corridor Forum on 28 June 2012 in Mandalay. The theme is "Towards Implementing the New GMS Strategic Framework (2012–2022): Expanding, Widening, and Deepening Economic Corridors in the GMS".

V. Myanmar's Participation in BIMSTEC

18. BIMSTEC is an international organization involving two member countries of ASEAN and five member countries of the South Asian Association for Regional Cooperation (SAARC), namely Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal. The BIMSTEC acts as a land bridge connecting ASEAN and SAARC and is an inter-regional cooperation program which serves as a link between South Asia and Southeast Asia, bridging India's Look East Policy (LEP) with Thailand's Look West Policy.

19. Due to central location of Myanmar in BIMSTEC region, the country plays an important role in BIMSTEC cooperation in for three main reasons. First, Myanmar is at the center of a number of important regional land, rail, and maritime networks from South Asia to East Asia through the BIMSTEC region. Second, Myanmar serves as a gateway for goods, and services moving between South Asia and East Asia within BIMSTEC. If the proposed BIMSTEC Free Trade Agreement materializes, goods, services, and labor can move more freely between South Asia and Southeast Asia through Myanmar within the BIMSTEC FTA framework. Third, given Myanmar's major potentials in energy and other minerals, the country can provide significant opportunities for BIMSTEC energy cooperation.

20. ADB has supported BIMSTEC since 2006 with a flagship study on BIMSTEC Transport Infrastructure and Logistics Study (BTILS). The study serves as a master plan for BIMSTEC cooperation in transport sector. A land mark development of BIMSTEC cooperation emerged in 2011 when BIMSTEC countries decided to establish a BIMSTEC Secretariat based in Dhaka, Bangladesh. Within this new development, ADB has an increased its support for BIMSTEC cooperation to improve the capacity of the BIMSTEC Secretariat and other BIMSTEC institutions, such as the sector committee on transport, the expert groups, and government

entities in member countries. Myanmar will host the third BIMSTEC Summit meeting in late July or early August 2012.

21. BIMSTEC's objectives range from creation of economic and social prosperity based on equality, to enhancement of mutual benefits in economic, social and technological aspects. They also involve intra-regional assistance in the form of training, research and development as well as beneficial cooperation in the areas of agriculture, industry, expansion of trade and investment, improvement in communication and transport. In transport, the focus has been primarily on maritime cooperation to move goods to each country's major international seaports. Although BIMSTEC is likely to retain this emphasis on maritime transport, it provides a platform for Myanmar to engage in dialogue on land transport linkages and cross-border issues with India and Bangladesh.

VI. Issues facing the GMS Program including Myanmar

22. The issues facing the GMS countries, particularly Myanmar include the following:

- Continued development of GMS transport and economic corridors. This requires pushing ahead on dual front, namely increased investments to expand urban development around corridor nodal points; and at the same time, making progress in transport and trade facilitation and logistics development. There are several missing links in road transport in the Myanmar sections of the corridors. Trade facilitation needs improvement to fully utilize infrastructure development in Myanmar. Myanmar is the lowest ranked (133) in terms of the Logistics Performance Index 2010 compared to Thailand (35), Viet Nam (53), Lao PDR (118), and Cambodia (129).
- Enabling the GMS to tap more fully, through the corridors, into the opportunities that a dynamic Asia now offers. The emergence of two new economic powers in the region — the PRC and India—provide opportunities to GMS countries, particularly Myanmar. Myanmar has a large potential to expand trade, particularly exports to India and PRC (Table 1). ASEAN which is being revitalized and gearing up for the establishment of the ASEAN Economic Community by 2015, provides opportunities and poses challenges to Myanmar and other GMS countries who are also members of ASEAN.
- Effectively addressing soft infrastructure issues that are becoming increasingly important. These include the risks of global warming and climate change, as well public goods and negative externality issues associated with increased connectivity, e.g., communicable disease control, human trafficking and transnational crime, flood and drought management, and biodiversity conservation. Myanmar is threatened by cyclones and flooding during the monsoon season, and earthquakes every now and then. In addition, human encroachment for livelihood or illegal economic gains run the risk of extensive deforestation if not addressed early enough. These issues are best addressed regionally in conjunction with national efforts.
- Increased mobilization of private investments for the GMS program and for economic corridor development, including public-private partnerships. It is crucial to find innovative and viable ways of mobilizing private capital and other resources to support subregional projects.

Table 1: Myanmar Trade (\$ million)

	Exports				Imports			
	2000		2009		2000		2009	
Country	Value	%	Value	%	Value	%	Value	%
Selected GMS Countries								
PRC	124.8	6.3%	646.1	10.9%	496.4	19.6%	2,261.2	35.9%
Cambodia	0.1	0.0%	0.1	0.0%	0.0	0.0%	0.0	0.0%
Thailand	259.9	13.1%	2,781.6	46.8%	503.1	19.8%	1,544.7	24.5%
Viet Nam	3.6	0.2%	59.1	1.0%	5.7	0.2%	33.9	0.5%
Selected South Asia Countries								
India	178.5	9.0%	1,181.8	19.9%	43.2	1.7%	208.2	3.3%
Pakistan	20.4	1.0%	42.7	0.7%	3.8	0.1%	8.2	0.1%
World	1,977.1	100.0%	5,945.1	100.0%	2,538.7	100.0%	6,295.5	100.0%

Source: UN COM TRADE

23. These challenges were taken into account in the preparation of the new Strategic Framework for 2012-2022 (GMS SF), which was endorsed at the GMS Summit held in Nay Pyi Taw, Myanmar on 19-20 December 2011. The new framework marks a generational shift in the GMS program, moving it to the next level of cooperation encompassing multisector investments and knowledge-driven support to develop regional corridors.

VII. RCI Opportunities in Myanmar

24. There are four areas which offer strategic opportunities for RCI in Myanmar, namely:

- Providing infrastructure which will facilitate connectivity domestically and regionally. ADB has a long history of engagement with Myanmar through the GMS Program, but this engagement has stopped short of supporting the extension of GMS economic corridors into Myanmar. As noted above (paras. 15 and 16), EWEC, NSEC and SEC all pass through Myanmar. In this regard, the GMS TSS recommended that the development of GMS corridors should recognize the centrality of Myanmar in linking Southeast Asia to East and South Asia. Engagement with Myanmar offers the potential to complete the missing links in the GMS corridors and to include Myanmar into the forward investment framework of the GMS Program.
- Supporting policy reforms and related activities to enhance trade and investment opportunities, private sector development and the ability to realize the full potential of global and regional trade agreements. Specific areas of support and cooperation could include trade facilitation and logistics development, cross-border economic zones, and promotion of links with regional production networks through the supply chain.
- Providing regional public goods, which is critical in mitigating the impact of negative externalities which may emanate from regional economic cooperation. For instance, the GMS Core Environmental Program is well positioned to support to Myanmar in such areas as environmental safeguard capacity building, environmental impact assessments, environmental monitoring and performance assessment, and pilot projects to

demonstrate integrated conservation and development practices building on the Biodiversity Conservation Initiative. There is also the potential to have a more substantive program of support for the control of HIV/AIDS in the GMS that directly includes Myanmar as a participant.

- Supporting monetary and financial cooperation and reform to promote financial market development and integration, which will help mobilize savings and investment, as well as enhance regional macroeconomic and financial stability. ADB has been working with ASEAN on these areas of cooperation. Engagement with Myanmar will enable the country to obtain support for implementing financial reforms that are needed to keep in step with the envisioned arrangements in ASEAN.

25. More generally, the resumption of ADB and Development Partners' operations in Myanmar will help enable the country to catch up with the other GMS-member countries in terms of investments to improve connectivity and technical assistance to strengthen capacity and address the soft aspects of cooperation in the GMS. Due to financial constraints and other factors, Myanmar has been the "weakest link" in the subregion. The recent developments in Myanmar provide an excellent opportunity to move the GMS Program to a higher gear as envisaged in the new GMS Strategic Framework for 2012-2022.