

Chapter 8

Conclusion

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In this report, we have discussed not only what economic impacts the Vientiane–Hanoi Expressway (VHE) could have on Lao PDR, Viet Nam, and Thailand, but also how these countries could maximise economic benefits and promote industrial development strategies toward building a Bangkok–Vientiane–Hanoi industrial corridor by making better use of the VHE.

Meanwhile, this report has some limitations in that it does not draw an explicit conclusion as to whether this expressway should be constructed. This report does not suggest the financial resources (e.g., tax, government bond, foreign aid) for expressway construction and operation taking into consideration financial conditions of individual countries, nor the rate of burden sharing of costs among Lao PDR, Viet Nam, and neighbouring countries. In these points, this report differs from JICA’s report, which conducts a comprehensive analysis of the VHE, including economic, environmental, and financial topics. But assuming that the VHE will be advanced in future, this report has provided useful analyses of its construction mechanism and necessary industrial policies to accelerate economic development in the region.

This report concludes with policy recommendations as follows in accordance with both multiple and individual countries.

(1) Policy recommendation for multiple countries

- **Establish a specific consultation system among Lao PDR, Viet Nam, and Thailand to work on a detailed study of the VHE.** This system could push forward details regarding intergovernmental and host government agreements, burden sharing of construction and operational costs among the countries, contract design with companies, public-private partnership (PPP) mechanisms, etc.
- **Deepen and expand friendship agreements among relevant cities and provinces to promote discussion of the VHE.** Four provinces in Thailand (Nakhon Phanom, Sakhon Nakong, Nong Khai, and Bueng Kan), two in Lao PDR (Bolikhamxay and Khammouang), and three in Viet Nam (Nghe

An, Ha Tinh, and Quang Binh) meet twice a year to discuss trade, investment, education, and tourism.

- **Harmonise transport-related policies in coordination among the relevant countries.** Such harmonisation would be realised through implementing the Greater Mekong Subregion Economic Cooperation Program, the Master Plan for ASEAN Connectivity, and the Asia-Pacific Economic Cooperation Framework on Connectivity.
- **Reduce cross-border transport costs such as non-tariff measures.** Various surveys show that logistics costs of Lao PDR and Viet Nam are still higher than those of developed countries. If the Lao PDR and Viet Nam custom authorities charge cross-border forwarders the same kind of fees, transport operators may be discouraged. Unnecessary non-tariff measures should be eliminated from cross-border trade.

(2) Policy recommendation for Lao PDR

- **Improve the quality of construction materials and the capacity of local companies to meet the demands of large-scale construction projects.** The capacity of local companies to support major construction projects remains low, preventing them from benefiting from such projects.
- **Improve soft infrastructure and institutional arrangements to reduce time and cost of custom clearance and quarantine.** They should be more closely aligned with the committed international, regional, and bilateral transport agreements, particularly the Greater Mekong Subregion Cross-Border Transport Facilitation Agreement.
- **Establish an inland container depot in Vientiane as a logistics hub in the Mekong region.** The inland container depot would reduce 'load-on-one-side' containers between Laem Chabang Port and Vientiane. If the VHE is developed, containers could be transported to Hai Phong or Lach Huyen Port, improving the situation.
- **Promote planting vegetables and fruits in mountainous areas.** The difference in elevation makes it possible to produce various agricultural products, including high-value-added subtropical vegetables and fruits, which would attract foreign direct investment in Pak San.

(3) Policy recommendation for Viet Nam

- **Implement effectively the international economic integration process.** Accelerating the negotiation of important free trade agreements (e.g., Regional Comprehensive Economic Partnership) can help realise development opportunities for the country.
- **Design a network of secondary road links to help connect the local districts with the VHE.** The development of road links connecting with the VHE is necessary to utilise the economic opportunities arising from economic integration and foster the economic inclusion of business and social groups.
- **Explore the fiscal space to finance certain components of the VHE project.** Since the country faces tight budget constraints given the enormous demand for public investment, the PPP model, with the involvement of Vietnamese contractors, should be considered.

(4) Policy recommendation for Thailand

- **Conduct necessary investments in the economic corridor.** The industrial development strategies (e.g., the Eastern Economic Corridor project, the Kanchanaburi Special Economic Zone) and infrastructure development (e.g., the 5th Mekong River Crossing Bridge project, double-track railways, motorways) would be prioritised investment targets to reduce inequality in geographical distribution.
- **Redesign logistics in relation to Lao PDR and Viet Nam to increase trade flows.** The economic impact of the VHE on Thailand depends on industrial promotion in Lao PDR and Viet Nam. Increased trade flows are likely to positively affect Thailand.
- **Develop a modal shift strategy to reduce costs and provide service advantage.** It is important to reduce logistics costs and thereby enhance industrial competitiveness of the country.