

Executive Summary

The Trilateral Highway (TLH) establishes connectivity between India, Myanmar, and Thailand and is linked with the connectivity plans of the Association of Southeast Asian Nations (ASEAN). The Trilateral Highway is still a project under construction, and therefore its contribution to the economic growth and development of the region has not yet reached its potential. The proposed extension of TLH to Lao PDR, Cambodia, and Viet Nam is in fulfillment of this objective.

Mandated by the ASEAN–India Summit Meeting of 2018 and commissioned by the Government of India, the Economic Research Institute for ASEAN and East Asia (ERIA) commenced a study in January 2019 on the feasibility of establishing a seamless, efficient, and end-to-end transportation corridor along the existing Trilateral Highway and its extension towards Cambodia, Lao PDR, and Viet Nam. The study has used findings from commissioned country papers and drawn on results from existing studies on connectivity between ASEAN and India, importantly, the Comprehensive Asia Development Plan (CADP) (ERIA, 2011). The first phase of the study is complete and it offers physical, institutional, and economic pathways, along with policy recommendations for the development of TLH and its eastwards extension.

Greater connectivity between India and ASEAN has long been both an economic and strategic objective for the ASEAN–India partnership. Based on the Thai proposal at the 16th ASEAN Highways Sub-Working Group Meeting in August 2018 and other existing initiatives, such as the Greater Mekong Sub-region (GMS), Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy, Master Plan on ASEAN Connectivity (MPAC) 2025, and the ASEAN Highway Network, as well as the recognition that the connectivity to international ports is an important factor for the development of economic corridors, this study has considered the original alignment of the TLH from Moreh – Tamu – Kalewa – Monywa – Mandalay – Nay Pyi Taw – Bago – Myawaddy – Mae Sot with two possible routes for eastward extension:

- the northern route from Meiktila in Myanmar to Ha Noi and Hai Phong in Viet Nam via the Myanmar–Lao PDR Friendship Bridge
- the Southern route from Mae Sot to Aranyaprathet via Bangkok in Thailand to Phnom Penh/Sihanoukville – Bavet in Cambodia and Moc Bai – Ho Chi Minh City – Vung Tau in Viet Nam

Except for one small section between Xieng Kok and Luang Namtha via Muang Sing in the Lao PDR, all sections of the suggested northern route are already designated as parts of the Asian Development Bank (ADB), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and Master Plan on ASEAN Connectivity (MPAC) 2025 transport corridor projects. All sections of the southern route of the eastward extension overlap with the East West Economic Corridor, North South Economic Corridor, and the Southern Economic Corridor of ADB.

The eastward extension plans therefore imply close cooperation with international projects owned and executed by ADB, UNESCAP, and ASEAN.

Since 2011, development of the TLH, especially in Myanmar has accelerated. Comparatively, institutional arrangements for trade and transport facilitation have been slow. There is great scope for expansion of border trade between India and Myanmar and along the TLH given that larger trade and economic complementarities exist amongst countries along the southern route. Myanmar's border trade with India however remains small when compared to its trade with Thailand and China, the latter being possible due to improved road infrastructure. India's trade relationship with Cambodia and the Lao PDR remains unexploited, although trade with Vietnam has grown during the last decade. Thailand shares strong trade connectivity with India in the manufacturing sector. The quality or accuracy of border trade statistics is important to enable evidence-based policy making. Border trade potential between India and Myanmar, and with ASEAN is yet to be unlocked. Myanmar is the gateway to and from ASEAN. Completion of the TLH is expected to generate new demand for trade through the land border, particularly via Moreh and Tamu.

A major part of the Trilateral Highway is the road network in Myanmar. Many of the original alignments of the TLH have been recently completed or upgraded — the bypass road connecting Myawaddy and Kawkaileik (Thailand) and the second friendship bridge connecting Myawaddy and Mae Sot being the most important. Ongoing upgradation and repair of roads between Kalewa (India) and Monywa (Myanmar), the new Bago bridge (aided by Japan), and construction of an arterial road connecting Bago and Kyaikto (by ADB) are significant indicators of progress in the TLH project. Matching the urgency for replacement of 69 bridges along the Tamu–Kyigone–Kalewa road and upgrading of the Thaton–Eindu road is required, both being subject to prolonged litigation and disputes, respectively.

Significant security issues remain unresolved in Myanmar, with a lack of bilateral agreements for cross-border transport amongst Myanmar, Lao PDR, and Viet Nam along the northern route. Rugged mountainous sections between Tay Trang and Na Thin in Viet Nam are also a drawback on this route.

In comparison, the southern extension route has been better developed as part of the Greater Mekong Subregion (GMS) economic corridors, including the already well-developed road networks in Thailand and the construction of the Tsubasa Bridge over the Mekong River in Neak Loung, Cambodia. In terms of physical infrastructure, the southern route will not require a large amount of additional investment. Large sections of physical infrastructure in Myanmar however will require financial assistance from partner countries for construction/upgradation and maintenance.

Progress in making institutional arrangements will be equally important. The TLH project could seek policy lessons from the execution of the GMS Cross Border Transport Agreement (GMS–CBTA). It is based on the economic complementarities of goods and services and security

concerns amongst member countries and is being implemented through a hybrid of multilateral and bilateral cross-border transport arrangements.

The TLH, including its eastward extensions, would primarily be a transport corridor as vibrant economic agglomerations are mainly at one end, such as Bangkok, Ho Chi Minh City, and Ha Noi. In the current alignment, Myanmar occupies the longest length of TLH and is the largest beneficiary of the development of the TLH and its eastward extension. Thailand is the second beneficiary. Impacts on India are positive with greater scope for growth in the North Eastern Region. However, from an inclusive growth perspective, both real and potential impacts on India and member countries are important as infrastructure and connectivity provide longer-term development and returns. While different levels of impact along the TLH are normal, a seamless transport corridor provides a real opportunity for setting up processes and mechanisms that offer the most towards the reconciliation of the costs and benefits. It will be the bearer of India's two-way engagement with current and future economic potentials of the region.

Enlarging the economic impacts of the TLH and its eastward extension implies the importance of implementing policies beyond the scope of infrastructure development and institutional arrangements for cross-border transport facilitation. These include industrial policy to promote specific industries, spatial development policy to upgrade selected cities as business and logistic hubs with effective connectivity to the surrounding regions, and domestic security policy to improve security conditions as an integral element of business environments and movement of people and goods. The TLH and its eastward extension is therefore an opportunity to remove bottlenecks in the development strategy of India and ASEAN. Step-by-step implementation and coordination of a range of policies is the key. The TLH and the eastward extension can serve as a facilitating framework for this process.

The study provides specific recommendation along these lines which can be the basis for policy coordination and project implementation in TLH and its eastward extension:

- Complete ongoing construction or upgrading projects for transport infrastructure along the original alignment of the TLH according to the schedule.
- Resume projects stalled by litigations and disputes immediately (e.g. bridges along the Tamu–Kyigone–Kalewa road, upgrading of the Thaton–Eindu road).
- Move forward infrastructure projects that are in the preparatory stages (e.g. the arterial highway between Bago and Kyaikto, the Sittuang bridge, and the Yangon–Mandalay Expressway – one of the initial pipeline projects of ASEAN).
- Set up National Transport Facilitation Committees (NTFCs) of member countries to facilitate cross-border transportation and trade.
- Consider multiple options and hybrid models for transport facilitation arrangements, using a mix of multilateral and bilateral arrangements.
- Formalise border administration, facilitating movement of goods and people through better border administration.

- Develop logistics infrastructure along the TLH and spatial development of logistics hubs such as Guwahati and Mandalay.
- Create a mechanism to ensure sustainable funding sources for the construction and maintenance of road infrastructure.
- Connect the TLH effectively with other transport networks of ports, railways, airports, dry ports, and depots.
- Enhance collaboration with the private sector, logistics service providers, and local governments.
- Support small and medium-sized enterprises in the border areas to meet the new business opportunities to be opened by the TLH.
- Development and coordination of the eastward extension plan.
- Set up a coordination cum facilitation body of all member countries and multilateral agencies to facilitate the TLH and its eastward extension.

Repeated natural disasters and the ongoing COVID-19 pandemic have reminded the world of the vulnerability of supply chains and risks to connectivity. In this context, the potential of the TLH lies in providing the resiliency to connectivity and supply chains, once it is well connected to other road networks, such as the GMS economic corridors and the networks of other modes of transportation, such as railways, waterways, maritime, and air.

In the face of the COVID 19 crisis, the ASEAN Economic Ministers have agreed to resolve to 'strengthen a long-term supply chain resilience and sustainability, including through better transparency, agility, diversification and, in particular, the implementation of the Master Plan on ASEAN Connectivity (MPAC) 2025'. India has consistently maintained that connectivity with ASEAN is central to its Act East Policy. The study on TLH and its eastward extension to Cambodia, Lao PDR, and Viet Nam is in tune with the ASEAN Economic Ministers' resolution to reconsider the resilience and sustainability of connectivity, instead of focusing too much on the efficiency and the effectiveness of the connectivity, in which the economic aspect is the major criterion for evaluation.

The need for seamless physical connectivity has never been felt before like it is being felt now. The study on the Trilateral Highway and its eastward extension fulfils this current need, and also lays down pathways for medium- and longer-term integrated connectivity solutions between India and ASEAN.