

Chapter 13

Impact of Corridor

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13. Impact of Corridor

The MIEC Corridor would witness significantly large investments in infrastructure and industries facilitated by excellent trade linkages and advent of new industrial sector, high levels of economic activities, growing urbanization, increase in employment and overall economic development of countries. The MIEC corridor would have a huge impact on each of the MIEC economies and for the overall Mekong region and it is important to measure the effect of such activity on the economy in order to decipher the actual benefit. For this purpose two separate models have been adopted for identifying the impact on GDP, employment and trade (exports). The first model, a standard OLS regression, gives the impact on GDP and Employment, while the second model, the Gravity Model gives the impact on Trade (Exports) of MIEC countries.

13.1 Impact on GDP and Employment

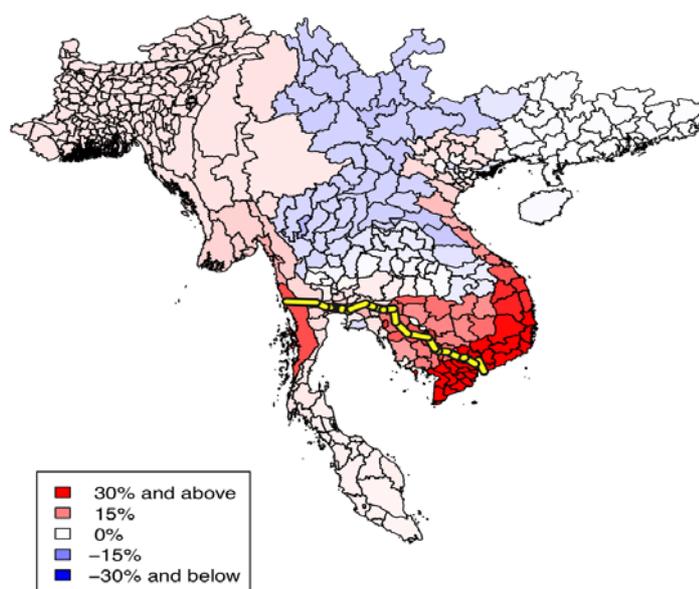
MIEC is expected to connect the countries more tightly and promote economic integration in the region. Analysis using the IDE/ERIA Geographical Simulation Model⁶⁰ (IDE/ERIA-GSM) shows the relation between economic integration and its impact on economic growth at sub-national level. Analysis using the IDE/ERIA-GSM provides two sorts of important information. The first is the influence of particular regional level infrastructure on the location of population and industries in East Asia in a long run. The second is the impact of regional infrastructure projects on the sub-national level economic development.

The Analysis based on IDE/ERIA-GSM shows the top beneficiaries regarding GDP are Ca Mau, Soc Trang and Bac Lieu of Vietnam whereas other regions such as Southern Vietnam, Cambodia, some regions in Thailand such as Chachoengsao and Ayutthaya and some regions of Myanmar such as Tanintharyi will receive relatively large positive impact. The result of the analysis shows that only construction of transportation facility with sufficient border process improvement under MIEC may increase national GDP of Cambodia, Vietnam, Myanmar and Thailand by 17.6%, 37.8%, 4.8% and 1.9% respectively. It is expected that additional projects will add further increase of GDP of the region.

It has to be noted that other regions (West India, Bangladesh and the Malay Peninsula) benefit from MIEC as well. This is because the MIEC reduces transport costs across all regions by going through four countries located in the centre of Continental South East Asia. However, it has to be noted that simple construction of transportation infrastructure might decrease the relative competitiveness of rural provinces which are distant from the corridor. This indicates that the development of MIEC needs a holistic development approach and accompanied by measures for rural development, congestion mitigation in Bangkok Metropolitan area and other corridor developments such as East-West Economic Corridor.

⁶⁰ Note: The Geographical Simulation Model (GSM) aims to focus on the geographical structure of the regional economy, mainly from the viewpoint of spatial economics. It focuses on the relationship between economic integration and regional economy at sub-national level. The GSM is designed to predict the effects of the regional economic integration, especially the development of transport infrastructure and reduction in "border costs", and fits very well in the ERIA infrastructure project.

Figure 2: Impact of MIEC on Mekong/Malay Regional Economy



13.2 Impact on Trade

Properly estimated trade potentials help support the countries to take necessary policy measures – either to retool the export-led globalization process or to build/plan infrastructure (national and/or international) to support the country’s (or a region’s) growth and trade or the combination of both. The future trade potential (change in volume of exports) in MIEC has been estimated.

In case of Cambodia, the additional exports generated due to MIEC are estimated at USD 20 Billion and for Vietnam, the incremental exports would be around USD 132 Billion. Thailand, however would have the largest impact due to MIEC Corridor, the total incremental exports for Thailand as a result of MIEC would be around USD 292 Billion.

Table 10: Impact on Trade

Country	Incremental Exports (USD Billion) with MIEC
Cambodia	20.42
Vietnam	132.60
Thailand	292.62

14. Financing Mechanism for MIEC

MIEC would involve development of various infrastructure projects across sectors and countries through various suggested implementation structures. The funding for the proposed development is envisaged to come from government sources, multilateral agencies and private sector. Overall it is estimated that implementation of projects in MIEC region would require an investment of USD 88 Billion. The various project categories identified as part of corridor concept are presented below:

- Priority projects critical to create backbone transportation infrastructure
 - Road infrastructure projects
 - Logistics infrastructure