

TABLE OF CONTENTS

ACKNOWLEDGEMENT	i
TABLE OF CONTENTS	ii
EXECUTIVE SUMMARY	vi
CHAPTER 1. CONCEPTUAL FRAMEWORK	1
1-1. What is the Comprehensive Asia Development Plan?	1
1-2. The emergence of international production networks	2
1-2-1. <i>Novel pattern of industrial location and international trade</i>	2
1-2-2. <i>New trade and investment regime</i>	2
1-2-3. <i>Evolving vibrant role of multinationals</i>	3
1-2-4. <i>New development strategies</i>	3
1-2-5. <i>Logistics and economic infrastructure for industrialization</i>	4
1-3. The augmented fragmentation theory and new economic geography	4
1-3-1. <i>Fragmentation: location advantages and service links</i>	4
1-3-2. <i>Intra-firm and arm's length fragmentation</i>	6
1-3-3. <i>Degree of freedom in fragmentation and investment climate</i>	10
1-3-4. <i>Technology transfers and spillovers</i>	10
1-3-5. <i>Knife-edge of agglomeration and dispersion forces</i>	10
1-4. Fragmentation, agglomeration, and development stages	11
1-4-1. <i>Evolution of fragmentation and agglomeration in development</i>	11
1-4-2. <i>Three tiers with different degrees of participation in production networks</i>	12
CHAPTER 2. ASSESSMENT OF THE CURRENT EAST ASIAN ECONOMIES	13
2-1. East Asian production networks leading the world	13
2-1-1. <i>Global production networks and East Asia</i>	13
2-1-2. <i>Who is active in international production networks?</i>	16
2-1-3. <i>Export and import specialization in machinery parts and components</i>	17
2-2. Spatial structure of production networks	19
2-2-1. <i>Evolutionary process of production networks in East Asia</i>	19
2-2-2. <i>Commodity composition and trading partners in</i>	20

	<i>international trade</i>	
2-2-3.	<i>Geographical layers of transactions in production networks</i>	24
2-3.	Policy environment in East Asia	27
2-4.	Durability and resiliency of production networks	30
2-4-1.	<i>Are production networks footloose?</i>	30
2-4-2.	<i>Evidence from the survival analysis</i>	31
2-4-3.	<i>Trough and rebound in the global financial crisis</i>	32
2-5.	Diversified degree of participation in production networks	38
2-5-1.	<i>Skewed geographical distribution of production networks</i>	38
2-5-2.	<i>Why are production networks skewed?</i>	41
2-5-3.	<i>How can we push out the frontier of production networks?</i>	42
2-6.	Industrial agglomeration, technology transfers, and innovation	43
2-6-1.	<i>Unprecedented formation of industrial agglomerations</i>	43
2-6-2.	<i>Perspectives for further economic development</i>	45
CHAPTER 3.	THREE TIERS OF DEVELOPMENT STRATEGIES	47
3-1.	Policy scope in our development strategies	47
3-2.	Tier 1: From middle-income to fully developed countries/regions	49
3-2-1.	<i>Exploring positive agglomeration effects</i>	49
3-2-2.	<i>Development of SMEs in industrial agglomerations</i>	51
3-2-3.	<i>Making industrial agglomerations innovative</i>	54
3-2-4.	<i>Expansion of middle-class population and human capital</i>	57
3-2-5.	<i>Necessary logistics infrastructure and other economic infrastructure</i>	60
3-3.	Tier 2: Participating in international production networks	61
3-3-1.	<i>Frontiers of international production networks</i>	61
3-3-2.	<i>Cities or border areas?</i>	64
3-3-3.	<i>Soft and hard infrastructure</i>	64
3-3-4.	<i>Mekong-India Economic Corridor: a pilot study by ERIA</i>	66
3-3-5.	<i>Necessary logistics infrastructure and other economic infrastructure</i>	68
3-4.	Tier 3: Invigorating industrial development by logistics infrastructure	69
3-4-1.	<i>Logistics infrastructure as a trigger</i>	69
3-4-2.	<i>New perspectives for industrial development</i>	71
3-4-3.	<i>Necessary logistics infrastructure and other economic infrastructure</i>	72

3-5.	Interactions among three tiers: Three sub-regions and industrial/economic corridors	73
3-6.	Other considerations in planning and implementation	74
CHAPTER 4.	ECONOMIC ASSESSMENT OF THE CADP: THE GEOGRAPHICAL SIMULATION MODEL	76
4-1.	Geographical Simulation Model (GSM)	76
4-1-1.	<i>Development of the IDE/ERIA-GSM</i>	76
4-1-2.	<i>The third-generation IDE/ERIA-GSM</i>	77
4-2.	Economic effects of logistic enhancement: simulation results	81
4-2-1.	<i>Scenarios</i>	82
4-2-2.	<i>Simulation results</i>	84
4-3.	Overall assessment	104
CHAPTER 5.	FINANCIAL PROJECT DESIGN AND PUBLIC-PRIVATE PARTNERSHIP	105
5-1.	Investment demand for infrastructure	105
5-2.	Theoretical foundation of PPP	106
5-2-1.	<i>When is PPP relevant?</i>	106
5-2-2.	<i>Market failure and the role of government</i>	108
5-2-3.	<i>Economic viability of the project</i>	108
5-2-4.	<i>Additional gains from private incentives</i>	109
5-2-5.	<i>Price and non-price competitiveness of private counterparts</i>	109
5-3.	Toward designing Asian PPP	110
5.3.1.	<i>Prepare key elements for successful PPP</i>	111
5-3-2.	<i>Establish robust and transparent regulatory regime</i>	112
5-3-3.	<i>Create a framework for funding support and guarantee support</i>	112
5-3-4.	<i>Provide adequate risk mitigation measures for private sector</i>	113
5-3-5.	<i>Enhance predictability and certainty for financial/contractual practices</i>	114
5-3-6.	<i>Enhance mechanism for public sector to facilitate PPP process</i>	115
5-3-7.	<i>Conduct adequate measures to encourage private participation, secure interest, and gain trust and confidence from market players</i>	115

CHAPTER 6. PROSPECTIVE PROJECTS FOR LOGISTICS AND ECONOMIC INFRASTRUCTURE	117
6-1. Making the CADP strategy implementable	117
6-2. Prospective projects and the tier-wise development strategies	120
6-3. Selected prospective projects and sub-regional development scenarios	129
6-3-1. <i>Mekong sub-region</i>	129
6-3-2. <i>IMT+ sub-region</i>	132
6-3-3. <i>BIMP+ sub-region</i>	135
APPENDIX 1. A LONG LIST OF PROSPECTIVE PROJECTS FOR LOGISTICS AND ECONOMIC INFRASTRUCTURE	138
APPENDIX 2. ERIA PRE-F/S PILOT PROJECTS IN FY2009	177
REFERENCES	208