

## TABLE OF CONTENTS

TABLE OF CONTENTS .....	i
LIST OF PROJECT MEMBERS .....	iv
EXECUTIVE SUMMARY .....	v
<b>1. Introduction .....</b>	<b>2</b>
<b>2. Background and Objectives.....</b>	<b>3</b>
2.1 Brief survey of literature.....	3
2.2 Objectives of IDE/ERIA-GSM.....	5
<b>3. Features of the System .....</b>	<b>5</b>
3.1. Basic feature of the system .....	5
3.2. Advantages of the system .....	8
<b>4. Explanation of the Model.....</b>	<b>11</b>
4.1. Brief explanation of spatial economics.....	11
4.2. The structure of the model.....	14
4.3. Important parameters .....	17
4.4. On the modal choice .....	21
<b>5. The Current State of Economic Geography in East Asia .....</b>	<b>23</b>
5.1 Population .....	23
5.2 GDP per capita.....	24
5.3 Industrial Agglomeration.....	25
<b>6. Scenarios and Results.....</b>	<b>27</b>
6.1 Baseline scenario .....	27
6.2 EWEC .....	30

6.3 MIEC .....	37
6.4 NSEC .....	46
6.5 Davao-Manado Sea Route .....	53
<b>7. Conclusion and Policy Recommendations.....</b>	<b>55</b>
7.1. Minding the income gap in the developing phase of the economy .....	56
7.2. Need to consider modal shift by infrastructure development.....	56
7.3. Establishment of a geographical economic and social database in East Asia .....	57
<b>REFERENCES .....</b>	<b>58</b>
<b>Appendix A: Details of the Model.....</b>	<b>60</b>
A1. The basic structure of our simulation model .....	60
A2. The specification of our simulation model .....	62
<b>APPENDIX B: Transport Costs.....</b>	<b>68</b>
B1. Firm-level Transportation Modal Choice .....	68
B2. The Calculation of Transport Costs .....	75
<b>APPENDIX C: Elasticity of Substitution in Services.....</b>	<b>81</b>
<b>Appendix D: Data Description .....</b>	<b>84</b>
Bangladesh:.....	84
Cambodia:.....	84
China, Hong Kong, and Macau: .....	84
India: .....	85
Lao PDR: .....	85
Malaysia:.....	86
Myanmar:.....	86
Singapore: .....	86

Thailand: .....	87
Vietnam: .....	87
<b>Appendix E: Results of Additional Simulations .....</b>	<b>88</b>
E1. The “Missing Link” in EWEC .....	88
E2. Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) .....	93
E3. ASEAN Highways .....	102
E4. Pontianak - Kota Kinabalu Route.....	127
E5. “Ring Route” around Borneo/Kalimantan .....	128