Construction and Development of Kunming-Hanoi-Haiphong Economic Corridor

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I. Introduction

A new development concept—Economic Corridors was put forward in the Eight Greater Mekong Sub region (GMS) Ministerial Conference in 1998. And a plan of building two East-West Economic Corridors and three North-South Economic Corridors was determined. Since then, building of economic corridors became a key program of transport infrastructure in GMS cooperation. Yunnan Province, China is located in upstream Mekong River and major part of China’s participation in GMS cooperation. Yunnan Province is a starting point of designed three North-South Economic Corridors. Kunming-Hanoi-Haiphong Economic Corridor is the most feasible to implement among the North-South Economic Corridors. The paper will discuss issues of economic corridors in GMS cooperation and regard Kunming-Hanoi-Haiphong Economic Corridor as center.

II. Concept of Economic Corridors Arises

In 1992, the Asian Development Bank initiated the Greater Mekong Subregion Cooperation Program (GMS), which is proven in practice a program assuming an increasingly important role for economic growth of this region.

The Greater Mekong Subregional cooperation is outcome of globalization and regional economic cooperation. The regional economic cooperation is a tendency of development in the today world. Since 1980s globalization has speeded up and also facilitated regional integration process. Under the globalization developed countries are in advantageous position depended on their superiorities in international system of division of labor. However developing countries always are disadvantageous because of backwardness in economic basis sciences and technology and poverty. The broad developing countries are aware that facing challenge of globalization, it is difficult to only depend on indigenous strength for resolving existing problems in development and they have to strengthen cooperation, bring about economic complement, economic and social development can be realized. Asian experience also showed that regional cooperation could be a powerful means to minimize the risks of globalization.

Since the end of 1980s and beginning of 1990s, the regional cooperation in Asia developed
rapidly following in the globalization. Some cooperative mechanism rose in the Southeast Asia such as “growth triangle”, “golden quadrangle” and so on. The GMS also rose in response to the proper time and conditions and has produced real results and has been paid more attention by international community.

Since GMS started in 1992 the GMS program has launched about 100 cooperative projects covering infrastructure, transport, energy resources, trade and investment, telecommunications. Since 1994 many projects in the subregional have been implemented or entered the implementation stage and made some progress.

However, a financing crisis, shaking the whole world, broke out in Southeast Asia starting from devaluation of Thailand’s currency in 1997. All countries in Southeast Asia were affected by the financing crisis and met serious difficulties in their economic development. The financing crisis also brought about negative influence on the subregional cooperation. Investment from the Western developed countries ardour declined. Subregional countries, especially Thailand, were busy to deal with economic difficulties and to be unable to consider subregional cooperation matter. They readjusted economic policies one after another, limited the growth of the money supply, reinforced foreign exchange control. In transport cooperation, except for China continuing to build or improve highway towards neighboring countries, Cambodia, Laos, Myanmar, Thailand and Vietnam have to suspend or delay some cooperation projects. Situation in cooperation was rigorous.

Facing grim situation, how to overcome difficulties, accept the challenge and push subregional cooperation became common problem which all countries in subregion and Asian Development Bank concerned.

In October 1998, the Eight Greater Mekong Subregion Ministerial Conference was held at the Asian Development Bank (ADB) headquarters, Manila Philippines. The subject of the meeting was to discuss the financing crisis’s influence on subregional cooperation and deliberated countermeasures of recovery economy. The Ministers took into account that although the crisis has caused economic difficulties and social hardships, GMS countries had made the necessary adjustments to cope with the present situation. They expressed confidence in the inherent strengths of the subregion that will enable it to rebound from the crisis even stronger and more united. According to changes of situation in Southeast Asia, the Ministerial Conference put forward new strategy of addressing challenge, pushing subregional cooperation. A new strategy comprise four key elements, namely: (1) continued strengthening of subregional infrastructure; (2) reduction of regulatory and bureaucratic impediments to subregional trade and investment, e. g. barriers to cross-border movements of goods and people; (3) development of economic corridors, building on transport linkages initially and expanding to production and trade linkages; and (4) resource mobilization through partnership with the private sector. The key point of new strategy put by the Ministerial Conference was building economic corridor under the GMS program. The Ministerial Conference concurred that economic corridors could be an effective approach for linking production, trade, and infrastructure within a specific geographic framework. Within the corridors, special preferences could be extended to certain economic activities, thus increasing investor appeal of projects, and ex-
panding sources of finance.

All national delegations expressed support for the concept of economic corridors. They shared the view that the approach would provide a wider perspective for the GMS Program where individual projects could fit. Economic corridors will also allow the benefits from transport projects to be extended to remote rural areas through linkages with production activities. In the long term, economic corridors should be able to provide the linkage between national development strategies and subregional priorities.

Some delegators considered the development of economic corridors was a long-term process and that a phased approach would be needed. They put to push of economic corridors by three phases. The first stage is to focus on feasibility studies for identified economic corridors, building on transport links that have already been developed under the GMS Program; the second stage is to focus on the implementation and completion of physical infrastructure to serve as the backbone of the corridors; and the third stage is to promote and implement the long-term development of the corridors.

Finally, the Ministerial Conference agreed on the following activities to further pursue the economic corridors initiative: (1) develop the economic corridors concept in further detail, including a comprehensive review of best “economic zone” concepts with direct GMS relevance; (2) review priority subregional transport projects and other promising transport corridors, to assess their potential for expansion to economic corridors, and identify two or three potential pilot projects; (3) review national projects with potential links to economic corridors; (4) undertake informal consultations with potential public and private investors on their likely interest in participating in particular GMS economic corridor projects; (5) prepare pre-investment studies of selected potential pilot projects as the basis for more detailed feasibility and design studies.

The Ministerial Conference determined building East-West Economic Corridor, North-South Economic Corridor and South-South Economic Corridor, meanwhile, determined taking Thailand-Laos-Vietnam East-West Transport Corridor and Bangkok-Phnom Penh-Ho Chi Minh City-Vung Tau Transport Corridor as “pilot projects”. In the Ninth Ministerial Conference, Ministers agreed to transform the main transport corridor into economic corridor, to focus on building East-West Economic Corridor and speed up free movement of people and goods.

North-South Economic Corridor, be connected with China, including Kunming-Hanoi-Haiphong Economic Corridor and Kunming-Bangkok Economic Corridor quicken construction step following years.

III. Construction of Kunming-Hanoi-Haiphong Economic Corridor

Kunming-Hanoi-Haiphong Economic Corridor is one of the North-South Economic Corridor. It was listed one of 11 “Flagship Programs” in the First GMS Summit in November 2002. Kunming-Hanoi-Haiphong Economic Corridor involves two countries, China and Vietnam.
Its scope in Yunnan Province includes Yunnan-Vietnam Railway, main lines of communication in Kunming-Hekou, a town in China-Vietnam border, and Red River valley area. Total area comprises 19 counties, and its land area is about 34 thousand square kilometer, its population is about 13 million. Its area and population separately account for 10 percent of population, and 30 percent of area Yunnan Province. In Vietnam, Kunming-Hanoi-Haiphong Economic Corridor approximately covers Lao Cai province, Yen Bai province, Vinh Phu province, Ha Giang province, Lai Chau province, Tuyen Quang province, Thai Binh province, Ninh Binh province, Quang Ninh province, Hanoi city and Haiphong city, total area is about 80 thousand square kilometer and population is about 19 million.

Kunming-Hanoi-Haiphong Economic Corridor has tangible advantage in development.

1. The covered area of Kunming-Hanoi-Haiphong Economic Corridor is one of developed regions in Yunnan Province and occupies important position in Yunnan's economic development. First, this area is rich in natural resources including land resources, water resources, mineral resources, tourist resources, biological resources. Second, the infrastructure is fairly perfect and communication condition is better than other areas. Yunnan-Vietnam railway crosses over Lao Cai, Hanoi and arrives at Haiphong Port from Kunming, Yunnan. Highway network has shaped in area. Third, industry system is perfect. Famous cigarette industry, non-ferrous metal industry, mining and metallurgy industry in China are grouped in this area. Cigarette industry and non-ferrous metal industry here are economic pillar in Yunnan Province. Food industry, phosphorus chemical industry, building materials industry and tourist industry rapidly develop. Profit and tax created by cigarette industry here account for eighty percent of total profit and tax created by cigarette industry in the province. Tin output in Gejiu city accounts for more than half in the whole country. Fourth, there are a lot of high quality human resources in the area. Major colleges and universities, scientific research institutions and large-medium-sized enterprises concentrate in the area. Labor's educational level is high than average level of the whole province.

In Vietnam, Hanoi and Haiphong are two large growth pillars. Hanoi is a economic center of North Vietnam. Haiphong is the third large city, the second large port and major industry center in Vietnam. Vietnam plans to set up export-oriented economic belts and Hanoi-Haiphong-Quang Ninh economic development zone are scope of Kunming-Hanoi-Haiphong Economic Corridor.

Lao Cai province, Ha Giang province and Lai Chau province border on Yunnan, China are rich in mineral resources and biologic resources. Three provinces have a lot of recoverable reserves of rattan, bamboo, plant medicinal materials and abound in rubber, coffee, anise, jute, soybean, sugarcane and receive attention from more foreign investors.

2. There are strong regional complementarities in Kunming-Hanoi-Haiphong Economic Corridor. In Yunnan, there are relatively high level of productivity and technology, more funds and human resources. In North Vietnam, there are convenient sea accesses, cheap labour, rich resources and big market, but lack of funds, technology and economic areas are limited in depth. If two sides, Yunnan and North Vietnam, are linked in an economic region, production elements will be disposed better. China, Vietnam and ASEAN will be closely
linked through Kunming-Hanoi-Haiphong Economic Corridor. If China and Vietnam are able to fully use rich mineral, waterpower, tourist resources and other advantages within economic corridor, two sides in corridor assuredly gain sound and better development in economy.

3. Kunming-Hanoi-Haiphong Economic Corridor has great significance and enormous economic value for promoting common prosperity and development between Yunnan and North Vietnam.

Generally speaking, Kunming-Hanoi-Haiphong Economic Corridor will bring important opportunities of development for both China and Vietnam, especially Yunnan Province, China and North Vietnam, will convincingly promote economic and social development.

IV. Progress of Kunming-Hanoi-Haiphong Economic Corridor

Yunnan Province quite attaches importance to construction of Kunming-Hanoi-Haiphong Economic Corridor. Based on Yunnan itself geography, economic conditions and future development, Yunnan needs to enhance construction of Kunming-Hanoi-Haiphong Economic Corridor.

Yunnan Province is situated in the southwest frontier region of China, with area of 394,000 km\(^2\), ranking the eighth in China. By the end of 2008, its population reached 45.4 million.

Yunnan Province borders on Myanmar, Laos and Vietnam in the west and south and close to Thailand, Cambodia, and some South Asian countries including Bangladesh, India. Its boundary line with three countries reaches 4,060 km. There are 13 national level trading ports, 83 paths linking with neighboring countries in Yunnan. These conditions make Yunnan become a major bridge and passageway entering Southeast Asia and South Asia.

Yunnan is rich in natural resources and is rightfully called “Kingdom of Animals”, “Kingdom of Plants”, and “Treasure House of Chinese Medicinal Herbs”. In addition, Yunnan is rich in mineral resources.

However, in spite of holding geographic and natural resources advantages, Yunnan has been in poor and underdeveloped state for a long term owing to historical reasons.

After China carried out policies of reform and opening up Yunnan makes unremitting efforts to change this state. In 1990s Yunnan provincial government put forward a development strategy, its target is building Yunnan as a power province with developed green economy, a province with rich and colorful national culture and major passageway towards Southeast Asia and South Asia.

By long term efforts, Yunnan’s economic and social development has reached remarkable achievement. Up to end of year 2008, The statistics showed that total output value reached RMB 570 billion Yuan (convert into 85 billion USD), per capita total output value reached RMB 12587 Yuan (convert into1842 USD), increased 10.3 percent over the previous year.

However, Yunnan’s economic scale is still small, economic grounding is still weak, population in poverty are more. These unfavorable conditions restrict its development. Yunnan is
still underdeveloped area. Yunnan province hopes to catch developed area through further deepening reform and expanding opening up. To strengthen economic cooperation with neighboring countries is a active step for expanding opening up. So, when the ministerial meeting of GMS supported by Asian Development Bank put proposal about construction of Kunming-Hanoi-Haiphong Economic Corridor, Yunnan Province at once expressed its support. Soon afterwards, Yunnan province takes measures to promote development of construction of Kunming-Hanoi-Haiphong Economic Corridor.

In order to speed up construction of Kunming-Hanoi-Haiphong Economic Corridor, both China and Vietnam have taken measures to carry out work on construction of Kunming-Hanoi-Haiphong Economic Corridor. Yunnan side has done a lot of work in pushing development of Kunming-Hanoi-Haiphong Economic Corridor.

…… To speed up transport construction toward Vietnam. There are highway, railway go to Vietnam from Yunnan in the past years. Kunming-Hekou highway is the most important arterial highway. Following Hekou-Mengzi expressway completed and opened in September 2009, close 400 kilometer highway from Kunming to Hekou, a town of China-Vietnam border, has realized expressway or high grade highway. It only takes more than 5 hours from Kunming to China-Vietnam border by land. Moreover, two highways access to Vietnam from Yunnan are improving and also become expressway or high grade highway in the near future.

In railway, Yunnan-Vietnam railway linked Kunming and Hanoi, Vietnam has 100 years history. The length of railway is 760 kilometers, of which 465 kilometers in section of Yunnan and 295 kilometers in Vietnam. At present it continues to undertake transportation tasks. But owing to the aging of railway and not up to much in technical condition in whole line in section of Yunnan, then the Chinese government decided to improve the railway. Original “meter rail” will be remake to standard rail. Improvement project started operation in 2005. Now the project is plain sailing.

In aviation, the Chinese government decided to build Honghe airport and Wenshan airport, which are scope of Kunming-Hanoi-Haiphong Economic Corridor. The location of the two airports were definite.

In navigation of Red River, China has consulted with Vietnam. Two sides express wish of realizing open to navigation. Yunnan province has completed program and design of Hekou port dock and other preparation of open to navigation.

…… To strengthen construction of trading ports. Yunnan’s Hekou, Tianbao and Jinshuihe trading ports are China’s major access to Vietnam. Recent years Yunnan province strengthens construction of trading ports. Hekou trading port has been top one trading port in Southwestern China. Passengers who passed through Hekou trading port reached 3.02 million person-times in 2008. Total volume of import and export trade exceeded 20 billion RMB from 2007-2009.

…… To build city groups. Yunnan province has planned to establish a “city economic groups of Gejiu, Kaiyuan and Mengzi”. The three major cities, Gejiu, Kaiyuan and Mengzi, located in arteries of communication of Kunming-Hekou line, belong to scope of Kunming-
Hanoi-Haiphong Economic Corridor. According to plan, Gejiu city will be set up a processing center of non-ferrous metal in Yunnan province and base of export. Kaiyuan city will be set up chemical industry and building material base. Moreover, Honghe Industry Park will be set up in this area, its planed area is 65 square kilometers. Based on the master plan, center city groups with stronger economic strength, be oriented to Southeast Asia, will be shaped in the future 20 years. The master plan started in 2003. As the first project of master plan, building of Honghe Avenue, which invested in 970 million RMB, length of 27 kilometers, completed in 2007. Honghe Industry Park planned to build about 30 projects, of which, 8 projects completed.

......To building “China-Vietnamese Cross-Border Economic Cooperation Zone”. Based on development of building Kunming-Hanoi-Haiphong Economic Corridor, China and Vietnam agree to build Sino-Vietnamese cross-border economic cooperation zone in China-Vietnam border area, Hekou County, China and Lao Cai city, Vietnam. According to program, China and Vietnam will jointly build “China-Vietnam Honghe Commercial and Trade District”. Its total area is 5.35 square kilometers, of which, “Beishan Commercial and Trade District” in Hekou, China 2.85 square kilometers, “Kin Than Commercial and Trade District” in Lao Cai, Vietnam 2.5 square kilometers. Two commercial and trade districts are linked by Honghe Bridge. In China-Vietnamese cross-border economic cooperation zone, commercial and trade center of transactions, trade market of border inhabitants, examine goods yard, logistics and dispatching center, bonded warehouse, import and export processing zone will be established. Management mode of “two countries one zone, cooperation in special district, special management of customs, free trade” will be carried out within China-Vietnamese cross-border economic cooperation zone. Moreover, free trade policy will be carried out within the commercial and trade districts, movement of people and goods will be more convenient, currency can exchange freely, tax revenue can enjoy preferential.

In the second stage, two sides will build “Honghe (China) · Lao Cai (Vietnam) cross-border economic cooperation zone” based on “China-Vietnam Honghe Commercial and Trade District”. This cross-border economic cooperation zone covers an area of 129 square kilometers. Two sides will focus on cooperation in energy, mineral, technology, agricultural product processing and trade, realize common development, and achieve win-win. Two sides institute mode of operation of “unity of program, balance and coordination of plan, division and cooperation, mutual benefit”.

In the third stage two sides will rely on Kunming-Hanoi-Haiphong Economic Corridor, promote all-round development of “China-Vietnamese Cross-Border Economic Cooperation Zone”.

......To set up Yunnan-North Vietnam cooperation mechanism. Yunnan provincial delegation visited Vietnam in 2004. In talks, representatives from Yunnan province and representatives from Lao Cai, Haiphong, Quang Ninh, Hanoi signed a summary of conversations. Two sides agreed to establish a cooperation mechanism and consulted important work in cooperation. The meeting takes turns at holding in Yunnan and four provinces and municipalities in Vietnam. Up to year 2009, the consultation meeting has held for five times. The cooperation
mechanism is also major mechanism of construction of Kunming-Hanoi-Haiphong Economic Corridor. In the fifth meeting held in November 2009, two sides specially discussed issue of speeding up construction of Kunming-Hanoi-Haiphong Economic Corridor. Vietnamese Vice-premier and Foreign Minister Pham Gia Khiem was present at the meeting. He pointed out jointly building Kunming-Hanoi-Haiphong Economic Corridor is a long term strategy program. He hoped to seek effective measures for promoting good relations between Vietnamese province city concerned with Yunnan, established Kunming-Hanoi-Haiphong Economic Corridor at an early date in his opening speech. Two sides of China and Vietnam singed summary of meeting and reached common view of strengthening cooperation, expanding cooperation contents, enhancing cooperation level.

…… To establish the GMS Economic Corridors Forum. In order to speed development of economic corridor, the Chinese government proposed setting up the GMS Economic Corridors Forum to encourage participation of cities and enterprises along the corridors and transform the transport corridor into an economic corridor.

In June 2008, the Greater Mekong Subregion Economic Corridors Forum officially set up in Kunming, capital of Yunnan Province. Mr. Qin Guangrong, Governor of Yunnan Province, put proposals on speeding development of economic corridor including (1) improve cooperative mechanism, set up working group formed by administrative leaders along economic corridor line and coordinate transnational construction and development, (2) work out development plan of GMS economic corridor, commonly research and make policy of industry and development on economic corridor, (3) perfect trade structure and enhance trade quality, focus on expanding proportion of goods of deep processing and high added-value, transform trade mode, (4) set up logistics development zone, promote development of multilateral trade of economic corridor, (5) suggest ADB issue “Asia bond”, resolve lack of funds, (6) push construction of the second phase of project of information superhighway, commonly set up a platform and provide service for prosperity and development in subregion.

In September 2009, the second Greater Mekong Subregion Economic Corridors Forum held in Cambodia. According to resolution of the forum, representatives of six members of GMS agreed that (1) all countries should actively carry out practical cooperation, (2) expand scope of transportation by land, (3) promote cooperation of tourist industry, speed set system of single visa, expand used region of border pass, (4) strengthen social and cultural cooperation along economic corridor line, set up social and cultural corridor in border area and adjoining provinces and cities, (5) set up cooperation mechanism of promoting private enterprises, encourage medium-sized and small enterprises development, (6) suggest Asian Development Bank to help to make Corridor Town Development Project along economic corridor line. The meeting agreed unanimously to speed up trade and transport facilitation, develop railway transport in economic corridor, push implement of law and regulation, resolve cross border obstacle of customs check and so.

As is stated above, Yunnan province has attached importance to construction of Kunming-Hanoi-Haiphong Economic Corridor and done a lot of work in order to pushing construction of Kunming-Hanoi-Haiphong Economic Corridor.

(738)
V. Problem in construction of Kunming-Hanoi-Haiphong Economic Corridor

Though construction of economic corridor including West-East Economic Corridor, North-South Economic Corridor, South-South Economic Corridor under the GMS achieved some effect, problems and difficulties remain. There is still a long way to go for transform the transport corridor into an economic corridor.

As to construction of Kunming-Hanoi-Haiphong Economic Corridor, some problems need to be resolved.

First, how to correctly understand concept of economic corridor is still a problem. Most of people including some officials of government, scholars and entrepreneurs don’t know economic corridor is different from transport corridor, they hold economic corridor is construction of transport network. This understanding of economic corridor is not helpful to push and deep construction of economic corridor.

Second, how to construction of economic corridor remains uncertain because there is no ready-made model of economic corridor. In fact, even in the Eight Greater Mekong Subregion Ministerial Conference, which put concept of construction of economic corridor, only there was a description on principles to economic corridor.

What is exactly function and role of economic corridor? Up to present, there is still different understanding and knowledge of economic corridor. This will affect construction and development of economic corridor.

Third, construction of economic corridor involves many areas, facing a lot of difficulties. In GMS countries, different economic and social level, law system, human resources and so on affect construction of economic corridor. As to construction of Kunming-Hanoi-Haiphong Economic Corridor, Yunnan province has established expressway from Kunming to Hekou, a town of China-Vietnam border, but the first phase of project of high grade highway in Vietnam from Lao Cai to Hanoi will complete in 2012. Be restricted by financial capacity, material resources, technology conditions, Vietnam cannot grow in step with China in construction economic corridor. This will prolong course of construction of Kunming-Hanoi-Haiphong Economic Corridor.

Fourth, software construction in economic corridor is not easy to solve. For example, Agreement of the Facilitation of Cross-Border Transport of Goods and People in connection with construction of economic corridor was signed before 10 years, but up to today, its implement is still a problem.

Fifth, construction of economic corridor possible produces negative impact on society. Following open of transport corridor, some cross border criminal activities such as smuggling, the unlawful traffic in drugs, traffic in women and children, will increase in possibility. Meanwhile, open of transport corridor will promote development of tourism, but Aids and other communicable disease probably spread.

Environmental pollution maybe increase because open of transport corridor and movement
VI. Conclusion

Construction of Kunming-Hanoi-Haiphong Economic Corridor is a flagship program determined by GMS mechanism. Construction of economic corridor has great significance. Especially it will promote development of economic integration in subregion. At present construction of transport corridor has achieved results. However, to transform the transport corridor into an economic corridor needs to go long way. Construction of Kunming-Hanoi-Haiphong Economic Corridor has a lot of advantages because China political system is identical with Vietnam, cultural tradition is similar with Vietnam, economic complementarity is strong. Two sides hope the economic corridor can be complete early, and take measures to speed construction of Kunming-Hanoi-Haiphong Economic Corridor. We believe future and prospect of Kunming-Hanoi-Haiphong Economic Corridor is bright and broad.

Notes
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Construction and Development of Kunming-Hanoi-Haiphong Economic Corridor (Zhu) 75

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