

## MJ-CI Action Plan

### **I. Hard infrastructure**

- (1) Development of hard infrastructure is a key success factor for economic and industrial development in the Mekong region.
- (2) It is important to develop ports, roads, railways and special economic zones along major economic corridors and to promote development of low carbon power plants and the mutual supply of electricity. The East-West Economic Corridor and the Southern Economic Corridor are identified as important since they are closely linked with strategies of companies acting in this region.
- (3) In response to the increasing demand for funds for infrastructure development in this region, infrastructure development should be funded from various sources. It is necessary to establish PPP finance schemes ensuring the bankability of projects with the use of both public and private funds.
- (4) With regard to hard infrastructure, priorities should be put on:
  1. Hard infrastructure in the East-West Economic Corridor
  2. Hard infrastructure in the Southern Economic Corridor
  3. Other infrastructure related to energy and natural resources, and urban development
  4. Financing schemes for developing hard infrastructure
- (5) Respective projects and policy measures are as follows:

#### **1. Hard Infrastructure in the East-West Economic Corridor**

##### **(1) Lach Huyen seaport and road linkage with Hanoi**

- Expedite consultation on an ODA loan for the construction of Lach Huyen seaport based on the feasibility study conducted by Vietnam and Japan. [Japan and Vietnam]
- Promote Japanese private investment in container terminal operation, with the study of utilization of JBIC's financing tool. [Japan and Vietnam]
- Promote private investment to develop a road between Lach Huyen and Hanoi, including Hanoi-Hai Phong Expressway. [Vietnam]

##### **(2) Vung Ang deep seaport**

- Conduct a feasibility study on the economic impact and estimated cost necessary for the construction of the seaport, its necessary capacity and functions, etc. [Vietnam and Lao PDR]
- Conduct a feasibility study on upgrading the road linking the Vung Ang deep seaport with the Third Mekong Bridge. (i.e. Asian Highway No.16) [Vietnam and Lao PDR]

##### **(3) Da Nang seaport**

- Conduct a feasibility study on the development of new container yards in Da

Nang seaport so that it will function better as the gateway of the East-West Economic Corridor. [Vietnam]

**(4) Upgrading of roads and extension of railroads on the East-West Economic Corridor**

- Conduct a feasibility study on the maintenance and upgrading of the road along the East-West Economic Corridor, especially focusing on the construction of heavy-duty pavement in Lao PDR. [Japan and Lao PDR]
- Improve the National Road No.11 in Lao PDR and extend the railroad from Nong Khai to Vientiane. [Thailand and Lao PDR]
- Examine what kind of issues have to be addressed to advance the upgrading of the road between Mae Sot and Yangon to the standard required as Asian Highway No. 1. [Japan and Mekong countries]
- Proceed with upgrading of a part of the road between Mae Sot and Yangon with the assistance of ODA. [Myanmar and Thailand]
- Construct the Second Thailand-Myanmar Friendship Bridge and improve the 1<sup>st</sup> Friendship Bridge between Mae Sot and Myawaddy. [Thailand and Myanmar]

**(5) Third Mekong bridge (Nakhonphanom-Khammuane)**

- Accelerate the construction of the Third Mekong Bridge with the assistance of Thai ODA to be completed within 2012. [Thailand and Lao PDR]
- Establish the operation of border crossing facilitation between Nakhonphanom and Kham Mouan [Thailand and Lao PDR]

**(6) Special Economic Zone in Lao PDR**

- Promote private investment to develop the construction of the Vientiane Special Economic Zone (SEZ) including an industrial park and a logistic park. [Lao PDR with the assistance of Japan]
- Proceed with the development of the Savan-Seno Special Economic Zone (SEZ). Including an industrial park and a logistic park. [Lao PDR]
- Proceed with the development of the Champasak Logistics Park (CLP). [Lao PDR]
- Dispatch experts on investment to attract foreign investment in export processing zones and industrial parks. [Japan]

**2. Hard Infrastructure in the Southern Economic Corridor**

**(1) Deep seaports on the west coast of Mekong, such as Dawei and utilization of Ranong port, and related road and rail infrastructure**

- Examine what kind of issues have to be addressed to advance development of deep seaports such as Dawei and utilization of Ranong port and related road and rail infrastructure linking Bangkok and those potential deep seaports. [Japan Myanmar and Thailand]

## **(2) Cai Mep-Thi Vai seaport and linkage with Ho Chi Minh City**

- Accelerate the construction of Cai Mep-Thi Vai seaport with the use of Japan's ODA loan and private funds. [Japan and Vietnam]
- Develop an M/P of the cargo distribution center at Cai Mep-Thi Vai seaport and the road linkage between Ho Chi Minh and the Cai Mep-Thi Vai basin. [Japan and Vietnam]

## **(3) Development of a ring road around Phnom Penh**

- Explore the possibilities of developing a ring road around Phnom Penh based upon the Master Plan developed by JICA. [Cambodia with the assistance of Japan]

## **(4) Upgrading of the Southern Economic Corridor, especially in Cambodia**

- Proceed with the upgrading of the road along the Southern Economic Corridor, especially National Routes 1 and 5 in Cambodia. [Japan and ADB]
- Accelerate the construction of the Neak Leung Bridge (Mekong River) through Japan's ODA. [Japan]

## **(5) Development of inland container depots**

- Conduct a feasibility study for setting up inland container depots along the Southern Economic Corridor. [Japan]
- Accelerate the existing inter-governmental discussions on the development of border areas between Vietnam, Cambodia, Thailand and Myanmar. [Vietnam, Cambodia, Thailand, Myanmar with the assistance of Japan]
- Study the possibility of investment on constructing bonded warehouses and developing new Phnom Penh Port [Cambodia with the assistance of Japan]

## **3. Other Infrastructure**

### **(1) Mutual supply of energy resources**

- Identify issues to be addressed based on the existing feasibility studies on the construction of power grid networks in five Mekong countries. [Japan and Mekong countries]
- Hold a regional policy dialogue to discuss how to promote regional power development and transmission in the Mekong region taking into account existing activities including those carried out by ASEAN and ADB-GMS. [Mekong countries with the assistance of Japan]
- Coordinate and carry out a power development plan for five Mekong countries on not only a bilateral but a multilateral basis. [Japan and Mekong countries]
- Further improve regulation, where it is necessary, to attract FDI in energy-related sectors. [Mekong countries with the assistance of Japan]

### **(2) Development of low carbon infrastructures including power generation plants**

- Promote the development of power generation plants with advanced technologies such as high-efficiency coal-fired power, nuclear power and renewable energy. [Mekong countries]
- Implement cooperation projects such as workshops & seminars, human resource development, and construction of demonstration plants, and explore financial assistance on a project by project basis, for the introduction of advanced technology for power generation plants. [Japan]
- Conduct studies and implement possible pilot projects on international arrangements to appropriately evaluate contribution for GHG emissions reductions and provide further incentives for the private sector to invest in low carbon technologies in the Mekong countries. [Japan and Mekong countries]

**(3) Development of road and/or railways in the region for effective utilization of natural resources**

- Conduct feasibility studies on the possibility of road and/or railway linkages in the region, especially those that link localities that have natural resources such as bauxites, limestone, and wood chips to large production bases and sea ports. [Japan and Mekong countries]

**(4) Development of hard infrastructure related to urban development**

- Further develop urban infrastructure and relevant systems such as urban road networks, urban railways, airports and water and sewage systems in nodal cities along the economic corridors in order to solve urban problems such as traffic congestion and water shortages through conducting feasibility studies and providing financial and technical assistance. [Japan and Mekong countries]

**(5) Further improvement of a South-North Route (road/railway) in Vietnam**

- Conduct a detailed feasibility study on the North-South Speed Railway in Vietnam based upon the results of pre-feasibility studies conducted by Japan and Vietnam. [Japan]
- Establish an appropriate structure of finance and operation such as a two-tiered scheme consisting of civil work infrastructure and rolling stock. [Japan and Vietnam]
- Develop a road between Ho Chi Minh City and Dau Giay as a part of the North-South Highway in Vietnam with the assistance of Japan's ODA loan. [Japan and Vietnam]
- Explore possible financial assistance for the construction of a road between Da Nang and Quang Ngai based upon a feasibility study conducted by JETRO and the World Bank. [Japan and Vietnam]

**4. Financing Schemes for Developing Hard Infrastructure**

**(1) Establishment of a PPP institutional framework in Mekong countries**

- Develop guidelines, laws and regulations, and financial schemes such as Project

Development Funds (PDFs) and Viability Gap Funding (VGF), in order to promote PPP policies, through establishing a PPP taskforce consisting of relevant ministries and agencies, if necessary. [Mekong countries]

- Enhance a PPP institutional framework of Mekong countries through policy dialogues, seminars & workshops, dispatching experts, invitation programs, etc. [Japan]
- Implement PPP pilot projects to find out issues to be tackled for the enhancement of the PPP institutional framework. [Japan and Mekong countries]

## **(2) Further utilization of the existing finance scheme**

- Further utilize export credits by JBIC/commercial lenders with NEXI's insurance when Japanese goods and/or services are used for the development of infrastructure [Japan]

## **(3) Enhancement of finance scheme for implementing PPP projects**

- Utilize JBIC's finance schemes such as the ASEAN Facility (New type of two-step loans to be utilized by enterprises in Mekong regions). [Japan]
- Work toward resuming the JICA Private Sector Finance Scheme for the implementation of specific PPP projects by the end of FY2010. [Japan]
- Provide financial assistance and technical assistance for the establishment of PDFs and VGF in Mekong countries. [Japan]
- Accelerate procedures for providing yen loans to synchronize the construction of public and private portions of "two-tiered" PPP projects in such areas as railways and seaports. [Japan]
- Support the establishment of infrastructure funds financed by Japanese institutional investors, with the assistance of NEXI. [Japan]

## **II. Trade facilitation/Logistics**

- (1) On trade facilitation/logistics, the respective measures to be taken are as follows.
- (2) As measures related to trade facilitation/logistics are also discussed in other fora such as ADB-GMS, Japan, Mekong countries, and relevant international organizations need to have a meeting to evaluate the progress in each area and identify areas which could be expedited through the contribution of Japan and/or new approaches.
- (3) This meeting should also discuss setting of the specific timeline for customs clearance and bottlenecks at major border crossings.

### **1. Realization of 24 hour custom operation**

- Realize 24-hour operation or introduce a system in which forwarders or shippers can receive out-of-time customs clearance services with advance notification ("advance notification system") at border customs in the East-West Economic Corridor and the Southern Economic Corridor, on step by step approach, taking into account the current status of customs operations in Mekong countries.

[Mekong countries with the assistance of Japan]

- Implement pilot projects for the East West Economic Corridor and the Southern Economic Corridor. [Japan and Mekong countries]

## **2. Harmonization/Simplification of documents**

- Harmonize the format of documents necessary for customs clearance, by employing an ASEAN Custom Declaration Format (written in English) or revised Kyoto Convention, possibly by 2012. [Mekong countries]
- Participate actively in the discussion of ASEAN and dialogue partners on Rules of Origin, especially those facilitated under the framework of ASEAN+3/+6, to realize harmonized certificates of origin in the region. [Mekong countries]
- Facilitate these activities through human resource development and workshops/seminars. [Japan and Mekong countries]

## **3. Introduction of fast lanes**

With a view to establishing and developing fast-track channels for customs clearance so that forwarders/shippers which frequently carry cargos along the East-West Economic Corridor and/or the Southern Economic Corridor can receive some benefit for their contribution to the regional economy,

- Examine the detailed system of fast lanes through which cargos can pass within five minutes. [Mekong countries]
- Collect and analyze data to figure out frequent (top 50) shippers/forwarders in the region as an initial step. [Mekong countries with the assistance of Japan]
- Conduct a feasibility study of introducing fast lane systems at border customs in 2011 for the establishment of effective systems, based on the data. [Mekong countries with the assistance of Japan]
- Conduct a feasibility study to improve customs transit system [Mekong countries with the assistance of Japan]
- Provide assistance to Mekong countries, in the collection/analysis of data and the feasibility study. [Japan]

## **4. Introduction/Improvement of IT technologies**

- Conduct a feasibility study for the introduction of an electronic clearance system in 2011 at the specified border customs described in the business recommendations, including the appropriate system (function, capacity) to be introduced. (If any effective studies in the past exist, utilize them) [Mekong countries with the assistance of Japan]
- Support Mekong countries in introducing/improving e-custom systems based on the above study. [Japan]

## **5. Human resources development (HRD)**

Considering i) understanding of the HS code, ii) preventing smuggling products, iii) early issuance of certificate of origin, iv) reducing transshipment risks and v)

transparency in the custom procedures,

- Implement projects that match the above-mentioned objectives (e.g., training for customs officers, capacity building for logistics companies in ASEAN). [Japan]
- Enhance further training courses for customs and trade administration agencies, either in the form of dispatching experts or group training considering the requests from Mekong countries. [Japan]
- Conduct a Logistics Workshop for Mekong and ASEAN in August 2010 in cooperation with JETRO and TNSC on capacity building for the private sector, as a pilot project, and based on the result of this workshop, consider further enhancement of effective HRD programs. [Japan]
- Upgrade capacity for data collection and analysis for import and export statistics in Mekong countries. [Cambodia, Lao PDR, Myanmar and Vietnam with the assistance of Japan and Thailand]

## **6. Issues related to CBTA**

- Accelerate ratification of protocol and annexes of CBTA. [Myanmar and Thailand]
- Effectively implement CBTA. [Mekong Countries with the assistance of Japan]
- Consider the possible expansion of the coverage of the MOU on initial implementation of CBTA among Lao PDR, Thailand and Vietnam to have connections to the capitals Hanoi, Vietnam, Vientiane, Lao PDR and Bangkok, Thailand. [Lao PDR, Thailand and Vietnam]
- Convey the requests described in the “Business Recommendation on MJ-CI Action Plan” to discussion under the GMS framework, including the SPS/Customs Workshop, GMS Business Forum and GMS Ministerial Meeting. [Mekong countries]
- Provide technical and financial support to any two Mekong countries in order to facilitate cross border trade and implementation of CBTA when needed. [Japan]

## **7. Others**

- Develop necessary infrastructure and facilities at major border crossings including the establishment of a Common Control Area. [Mekong countries with assistance of Japan]

## **III. Enhancing SMEs/supporting industries/entrepreneurship**

- (1) The promotion of SMEs/supporting industries is one of the key issues to develop the economy in Mekong countries. Enhancement of SMEs and supporting industries by improving the business environment and incubating start-ups is a prerequisite for manufacturers to expand their supply chains broadly in the region, as well as to narrow development gaps by enabling LDCs to enjoy the benefits accruing from economic development in the region.
- (2) With a view to further enhancing SMEs/supporting industries in the region and

accelerating penetration into the global market, based on the business recommendations, policy measures should be taken related to both the investment promotion of foreign SMEs and the further development of local SMEs.

- (3) In order to enhance SMEs/supporting industries/entrepreneurships, priorities should be put on:
1. Development of supporting industries.
  2. Promotion of human resource development.
  3. Enhancement of SME financing.
- (4) Respective projects and policy measures are as follows:

## **1. Development of supporting industries**

### **(1) “Shindanshi” (business consultant system)**

- Introduce “Shindanshi” as an official business consultant qualification system in Thailand by 2011, based on the outcome of the cooperative promotion conducted by Thailand and Japan. [Thailand with the assistance of Japan]
- Strengthen “Shindan” (diagnosis) capacities of government and private institutions/persons to accelerate development of SMEs and supporting industries in Vietnam. [Vietnam with the assistance of Japan and Thailand]
- Conduct orientation workshops on “Shindan” (diagnosis) capacity of business consultants for Mekong countries. [Japan]

### **(2) Management/Logistics/Accounting system**

- Accelerate training projects in such areas as the 5S basic management system and QCD (Quality, Cost and Delivery) for improving productivity of labor-intensive industries (e.g., electrical parts, garments and food processing), especially in CLM countries. [Mekong countries with the assistance of Japan]
- Develop knowledge of logistics in the Mekong region through logistics seminars that focus on how to maintain the quality of logistics. [Mekong countries with the assistance of Japan]
- Study the introduction of a new SME accounting system for disclosing the real SME business situation to increase business opportunities with Japanese companies. [Mekong countries with the assistance of Japan]

### **(3) SEZ (Special Economic Zone)**

- Promote SEZ to attract Japanese enterprise investment that can contribute to developing local SMEs and skilled labor. [Mekong countries]

### **(4) Promotion of composite industry**

- Develop composite industry to support the main industry as well as to serve the infrastructure development projects and the power transmission line in Mekong Countries. [Japan and Mekong countries]



## **(5) Promotion of foreign direct investment**

- Encourage Japanese SMEs to invest in Mekong countries through conducting investment seminars and dispatching missions. [Mekong countries and Japan]

## **2. Promotion of human resource development (HRD)**

- Enhance technical assistance for Mekong region SMEs (e.g., electrical and automobile parts) such as technical training for engineers and corporate managers through dispatching skilled Japanese technicians and business experts. [Mekong countries with the assistance of Japan]
- Develop incubation programs for entrepreneurs to accelerate and further improve productivity, quality, and management to levels reached in Japan. [Mekong countries with the assistance of Japan]
- Systematically link existing private capacity building activities with those of governments and international organizations to accelerate business opportunities. [Japan and Mekong countries]

## **3. Enhancement of SME financing**

In the Mekong region, SME finance is saddled with a number of difficulties such as a lack of skills to examine SME business conditions and insufficient SME business information and collateral.

- Enhance SME financing for local SMEs through “two-step loans” from relevant agencies such as JBIC, JICA and NEXI. [Japan and Mekong countries]
- Disseminate know-how on the Credit Guarantee System in the Mekong region, through holding Credit Guarantee seminars that focus on how to build governmental agencies specializing in SME finance from Japanese experiences in promoting the private finance sector (e.g., with the help of the JFC; Japan Finance Corporation). [Japan and Mekong countries]
- Promote capacity building for SME fund experts. [Japan and Mekong countries]
- Develop a credit/loan guarantee system for local SME finance. [Mekong countries with the assistance of Japan]

## **4. Others**

- Promote comprehensive SME development in collaboration with international organizations like UNESCAP and UNIDO. [Mekong countries with the assistance of Japan, UNESCAP and UNIDO]
- Strengthen the capacity of the SME support institutions [Mekong countries with the assistance of Japan]

## **IV. Enhancement of the service sector and new industrial sectors**

- (1) There are many opportunities for the development of services and new industrial sectors in the Mekong sub-region as structural elements of “Industrial Corridors”.
- (2) Service sectors are necessary not only for establishing stable foundations for

business activities as a business environment of the manufacturing sector, but also for attracting investment from other regions (e.g., IT-related, medical/health care, etc.).

- (3) New industrial sectors such as high technology-based industries or sectors reflecting each country's characteristics have the potential of further development by improving the efficiency of existing industries and by adding more value (e.g., the food industry, the garment industry, tourism).
- (4) With a view to further promoting services and new industrial sectors and improving business investment, necessary actions are as follows:
  - Hold meetings to identify promising sectors for each area and such problems as human resources, finance, and regulation that hinder the development of services and new industrial sectors, and find solutions to tackle these problems. [Japan and Mekong countries]
  - Conduct studies, if necessary, to identify promising industries in each country. [Japan and Mekong countries]
  - Conduct feasibility studies to form pilot projects in promising sectors in each Mekong country and explore the possibility of introducing joint ventures invested in by both Japanese and Mekong companies. [Japan]
  - Provide Japan's financial and human resource development assistance with higher priority to those joint ventures that have been established under the above framework. [Japan]
  - Hold joint seminars to create business opportunities for establishing joint ventures between Japanese and Mekong companies in promising sectors. [Japan and Mekong countries]
- (5) Sector-specific policy measures, which are already identified, are as follows:

### **1. IT-related industry**

- Nurture instructors on "The Information Technology Engineers Examination" (ITEE) through the dispatch of Japanese IT experts and training activities. [Japan]

### **2. Food processing industry**

- Investigate productivity/quality and identify the obstacles that hinder investment from Japanese companies. [Japan]
- Conduct a pre-feasibility study for the development of production and distribution centers for food processing and the improvement of quarantine techniques. [Japan and Mekong countries]
- Promote exports of processed foods through conducting a feasibility study, and holding workshops/seminars. [Japan, Cambodia and Lao PDR]

### **3. Garment industry**

- Provide training for production managers and instructors in the textile and garment industry in Myanmar, Cambodia and Lao PDR in the area of production

management. [Japan and Thailand]

#### **4. Eco-friendly industry**

The concept of eco-industrial town emphasizes sustainability and the importance of equitable arrangement for both industrial development and environmental concerns in order to support movement towards green industry and low-carbon society, including recycling and waste management. An effective deployment of eco-industrial town shall facilitate the future expansion of the industrial sector in the Mekong sub-region, and attract foreign investment with its potential as a green production base for the region.

- Introduce the concept of eco-industrial town in Mekong countries through the means of, for instance, conducting feasibility studies and organizing capacity building activities. [Mekong countries with the assistance of Japan]

#### **5. Health care industry**

- Share knowledge and provide capacity building assistance for developing the healthcare industry, especially focusing on the development of products and services using indigenous herbs. [Mekong countries with the assistance of Thailand and Japan]

#### **6. Tourism industry**

- Strengthen the capacity of government institutions in charge of tourism development so as to develop cross-border tourism in the Mekong region. [Mekong countries with the assistance of Japan]

### **V. Review and follow-up mechanism**

After the adoption of this action plan at the Mekong-Japan Economic Ministers Meeting in August 2010, the AMEICC WEC-WG will prepare and submit the progress report on the implementation of this action plan every 6 months to the Mekong-Japan Economic Ministers up to the next Ministers Meeting in 2011, where this mechanism and the MJ-CI Action Plan will be reviewed.