

Part I - 'Greater Mekong as The New Markets For USA.'
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H.E. Assistant US Secretary of Commerce, Mr. Larry Irving
Dear Chairman
Distinguished Guests
Ladies and Gentlemen

It is my great honor to speak about the 'Greater Mekong' business opportunity at the 1996 Annual Symposium on International Business sponsored by Northwestern University's Ayers College of Commerce and Industrial. I also thank Prof. Allan Drebin and the organizers for kind introduction and hospitality.

Ladies and Gentlemen

2. The focus of today talk is the potential business and trade for US corporate in the 'Greater Mekong', the sub-region in East Asia. In cases, one wonders where the sub-region is. (see Illustration 1) The Mekong River originates in the Tanggula Mountain of Qinghai Province in China and it runs into Yunnan through Tibet. For centuries, the Mekong River basin has brought life as well as prosperity into the sub-region consisting of Thailand, Vietnam, Cambodia, Burma (officially known as Myanmar), Laos and the southern Chinese province of Yunnan. To the US, the Mekong River basin was best known as a region of drugs, violence and poverty. Communist or junta governments with hard-line ideology and state planning have ruled the sub-regional countries for decades with the only exception of Thailand. It seems this is not a place for legitimate businesspersons like you and I.

3. Until recently, with the end of cold war - first marked here by the Vietnam's withdrawal from Cambodia in 1989, these sub-regional countries with population over 240 million inhabitants has signed 'Cooperation for the sustainable development of the Mekong River Basin'. The signatories have ambitious plans for major infrastructure projects, including road, bridge and power plant. These initiatives are financially supported by the Asian Development Bank (ADB) and the United Nation Development Programs. The six priorities has been identified: trade, investment, transport, energy, water resources and tourism. The goal, in the words of former Thai Prime Minister Chatichai, was to transform 'the Indochinese battlefield into a market place'.

4. The countries of the Mekong are relatively small but diverse. As part of a group, especially one open to foreign investment and direct trade, all participants would gain. First, with its population of 39 million - about the same size as Poland - Yunnan recognizes its landlocked disadvantages, while offers its strength in vast natural mineral resources. To maintain average annual growth close to 10%, a road

linked or waterway via Thailand or Burma is required for a shortest route to the outside world apart from the direct access to consumer markets for its southeast Asian neighbors. Speaking dialect much closer to Thai than Chinese, Yunan are at ease with 14 flights per week operated between Kunming, capital of Yunan and Chieng-Mei in northern Thailand. At same time, a creation of a modern highway system dubbed the Golden Square highway network with the linking Kunming-Lasio-Tachilek-Chieng Mei is under ways sponsored partially by a low-interest loan from Bangkok.

5. Second, though similar to Yunan in term of closer dialect to Thai and landlocked in nature, Laos appears to has much less to offer with its 4 million people has a per capita GDP of USD 230. But Laos, especially rich in a number of energy resources - hydropower, coal, oil and gas - will play a key role in future supply in the sub-region. Presently, about 90 % of all hydropower produced in Laos is export to Thailand accounting for around 25% of total export earning for Laos. Furthermore, the government of Laos (GOL) has signed more than 22 Memoranda of Understanding (MOU) for new electronic power projects for primarily export-oriented syndicated by many blue-chip companies including \$1.2 billion the 681-MW Nam Theun 2. The inventory of some promising hydro projects in Laos with potential over 18,000 MW made by the Mekong Committee Secretariat is shown in table 1, while the sub-regional power demand forecast is displayed in table 2. This will position to reduce its current dependence on raw log exports and forestry-related exports.

6. Third, Cambodia with 10 millions people and capital per capita of USD 240 has been associated only with war, death, internal struggles and drug traffic. Despite of a peace agreement signed in 1991 and successful supervised by the UN, allowing the return to power of HRH Prince Norodom Sihanouk, Cambodia remains the most fragile political set-up in the Mekong. Agriculture accounts for 95% in Cambodia for exports and virtually the government fiscal budget is mainly funded by foreign donations. The country has not much choice but desperately trying to promote itself as the center of the Mekong basin along with a very attractive incentive and expedited agents called the Council for the Development of Cambodia (CDC) as indicated in exhibit 1. Thus, the failure of the Mekong corporation could mean the collapse of this elected Cambodian government.

Ladies and Gentlemen

7. Fourth, Vietnam now has perhaps the most stable government of the region. Though officially a one-party communist state, its leaders are pragmatic and unlike China have no tradition of leadership struggles. After the introduction of the 'Doi Moi' or Vietnamese version of 'Peristeka' in 1986, the south's old entrepreneurial spirit has been revived, but the north, which lived longer under communism, has not done so well. Never-the-less, a statistic of 70 million potential consumers is enough to excite any marketing executives. Nearly 1200 investment projects total over USD11 billions have been approved in the last six years. By the year 2000, it is estimated that national GDP will double to USD400 and the potential family income (average 5 members) in Ho Chi Minh City will reach USD 4,000 per year. Oil and gas exploration opportunity lead by European corporations have the highest profile, while agriculture, agribusiness and seafood processing all have excellent potential. Major overhaul in war torn infrastructures with the World Bank and Japanese funding

availability would be massive in telecommunication, high ways, bridges and rail system after the end of US embargo against Vietnam in 1994. Viet Kieu or oversea Vietnamese could become a key engine to sustain the GDP growth over 8% at the expense of double digits inflationary pressure following Chinese success story. Though the Most Favored Nation (MFN) status has yet to be granted by the US, Vietnam will Join ASEAN in July 1996, an important step in its economic and political transformation. and a step closer to Asia Pacific Economic Cooperation forum (APEC). Hence, as the last country where the Mekong River passes through, the corporations between the sub-regional countries would hold a critical determination of Vietnamese food, water and electrical supply.

8. Fifth, Burma or officially called Myanmar with 45 million and a per capita GDP of USD 300, has been ruled by the strongmen military junta, the State Law and Order Restoration Council (SLORC). Politically, the army is probably seeking to establish a regime similar to that of Indonesia, where there is a measure of military intervention in political affair. Economically, facing with notorious its violation of human rights, many countries still sanction against Burma. However, the economic reform continued and the end of Nobel laureate, Ms Aung San Suu Kyi's house arrest was designed to reduce international pressure. Coupled with vast natural resources, cheap land and labor in comparison to its competitors like Vietnam, Burma will stand to benefit enormously from the developing land links between Yunnan and Thailand. One interesting point is unlike other socialist countries, Burma really did nothing to demolish the legal system it inherited from the British. This alone give a leap start off with a tremendous advantage in foreign investors' view. Officially, the economic growth is growing at 8% aiming for 10%. Total approved foreign investment lead by British in Burma stood at USDs2.4 billions in 1995, up sharply from USD735 millions in last March.

9. Finally, Thailand with the status of an Asian tiger is the last, but not least in the region. Although Thailand's good record as a fast developing economy, it still suffered from infrastructure shortages and a lack of skilled labor. With its population over 60 million people with high purchasing power of USD 2,745 GDP per capita, Thailand offers a large market base for the production. Modern and westernized environment to foreigners, sound macroeconomics policy and comparable incentive package in zone 3 are among the reasons why Thailand seems to be a realistic gateway to the Greater Mekong subregion. Thailand would need raw material, power supply and labor from the subregion, while its neighbors need capital as well as 'pragmatic' know how from Thailand. Regional growth and business potential of emerging nations of Indochina clearly significant for Thailand - a key medium-term source of continued dynamism.

10. How well is the US corporate done ? Unfortunately, the most obvious truth is that most of Americans has still to wake up to what has been called 'the East Asian Miracle', let alone the sub-regional - 'the Greater Mekong's Potential.' While akin to IMF, the European Commission reckons that by the year 2000 or only 42 months away, 400 million Asians 'will have average disposable income as high, if not higher, than their European or US contemporaries', the US is missing out from the picture as depicted in table 3. Part of the reason for the US missing out is the slow start because the US corporate were busy to trim their inefficient in 1980's. Presently, another

chance for the next center for economic growth for the coming decade lies in the Greater Mekong and the Americans are missing out again as displayed in table 4. It appears that most of the investments in the Greater Mekong are principally from East Asian, specifically Chinese overseas and some from Europe. What do you think ?