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# **The Mekong River Basin Development: The Realities and Prospects of Korea's Participation**

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## Executive Summary

The Mekong River, flowing through Yunnan Province, Myanmar, Laos, Thailand, Cambodia and Vietnam, is the largest river in Southeast Asia and those countries' lifeline as well. The area, since the end of 1980s, has undergone rapid economic growth due to the conversion to a market-oriented economy system and a policy of continuous economic development. The tremendous economic growth potential of this area stems from its abundant labor force and natural resources.

Activities to develop the Mekong River Basin resumed in the first half of the 1990s. Much of the support for the Mekong River Basin Development Plan has been undertaken under the auspices of the ADB, MRC, and ESCAP. The Mekong Development Project focuses on several key sectors: traffic, energy, communications, trade and investment. These SOC construction projects, including the TAR (Trans-Asia Railway) Project, make for an extremely attractive market. However, the Mekong River Basin Development suffered a setback following the financial crisis in East Asia that began in July 1997.

The development of various infrastructural elements, such as roads and energy, are urgently required for continued economic growth and the inducement of foreign capital for the Basin development. Furthermore, as the economies in the region have begun to recover from the financial crisis, it is expected that the Basin Development activities will resume. With all the nations in the region having joined ASEAN, except for China, the region has become even more important and is expected to experience accelerated economic development backed by repercussions of economic growth. In particular, if the GMS

Fund, which was discussed at a regional meeting in Manila in September 1998, is established, the development of the Mekong River Basin may be expedited.

There will certainly be renewed interest in investing in the region by Japan, Australia and Europe as the Basin is increasingly seen as being an untapped but potentially lucrative new market. The existing ASEAN members will also continue their active participation in the Basin Development through the "One Southeast Asia" banner.

Korea had a great deal of interest in the Basin Development even prior to the ASEM summit in March 1996, and Korean corporations had been active in road construction and hydraulic power projects, and government aid, which had been inadequate up to that point, has been expanded and facilitated since the summit. While Korea remains keenly interested in participating in the development of the area, the lingering effects of its economic crisis prevent it from immediate participation in the Basin Development. Taking into account, however, the fact that the Basin and Southeast Asia are Korea's largest markets and possess great potential for future growth, it is essential that Korea's active participation in the region is viewed in a mid and long-term context.

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# **The Mekong River Basin Development: The Realities and Prospects of Korea's Participation**

Jae-Wan Cheong

## **I. Introduction**

The three countries of the Indochina peninsula, Vietnam, Cambodia and Lao PDR, plus Thailand, Myanmar and Yunnan province of the People's Republic of China have all been spotlighted as emerging markets since the 1980s, mainly because of their plentiful labor force, resources and active promotion of economic development policy. The above countries all share a number of social, cultural and economic factors necessary for achieving significant and sustainable development. Among the similarities they share are the huge Mekong River, increasingly market-oriented economic systems, as well as a lot of natural resources and cheap labor.

However, those countries and regions also share a great need for better infrastructure, including roads, railways, energy and communication, which make steady economic development possible. And, although there has been a remarkable increase in demand for electric power following the recent sharp increase in economic development of the area, only 1% of the water resources have been utilized for the production of electric power as of the 1990s, which is very small considering the potential.

The Mekong River, beginning in the Tibet Highlands and flowing through Yunnan Province, Myanmar, Thailand, Laos, Cambodia and



Vietnam, is the 12<sup>th</sup> longest river in the world. It has about a 790,500 km<sup>2</sup> basin which is the 21<sup>st</sup> largest in terms of basin and the 8<sup>th</sup> greatest in the flux per second in the world. The land area of the basin is approximately four times the size of the Korean peninsula. The River, which has been forming an inseparable relation with the inhabitant's lives in its basin, has exerted considerable influence on the economy, society, culture and politics of the countries in the area. And, at the same time, it was a de-facto impediment to the enlargement of infrastructure and economic development.

At this time, a move resumed to develop the basin of the Mekong River, the largest river in Southeast Asia and a lifeline in the region, following suspension of such a movement in the 1950s. Activities to develop the Mekong River Basin have resumed from the first half of the 1990s, as the area stabilized politically through the end of the Cambodian civil war, the open door policies of Myanmar and Laos, the establishment of diplomatic relations between Vietnam and the People's Republic of China, and the gradual incorporation of the region into the worldwide economy. In recent years, much of the support for the Mekong River Basin Development has been undertaken under the auspices of the ADB (Asian Development Bank).

The Mekong River Basin Development suffered a setback following the financial crisis in East Asia that began in July 1997. Recently, however, as the economies in the region overcame the financial difficulties and showed signs of recovery, the efforts to develop the Basin have become active again. With all the nations in the region joining ASEAN except for China, the region has become even more important and is expected to witness accelerated economic development backed by repercussions of economic growth.

It is in this context that this paper takes a look at the current situation

of and prospects for the Mekong River Basin Development. This study also analyses the status of Korea's economic cooperation with the countries in the Basin as well as its participation in the Mekong River Basin Development. Based on this analysis, the prospects for, and possible ways to take part in, the Development have been presented.

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## II. The present situation and prospects for the development of the Mekong River Basin

### 1. The major contents and promotional status of the Mekong River Basin Development

#### *1) The promotional background and process of the Basin Development*

Since the latter half of the 19<sup>th</sup> century, schemes to develop the Mekong River have been brought forward. England and France, who were at the time colonial rulers of Myanmar and Indochina, initiated proposals and carried out investigation into the River to promote its development and pave the way toward China

After World War II, with the Economic Commission for Asia and Far East (ECAFE), the predecessor of Economic and Social Commission for Asia and the Pacific (ESCAP), and the Mekong Commission (MC) as the central entities, detailed investigation and planning for the basin's development had been promoted. Soon after the view that the development of dams and waterways in the downstream of the River would reduce flood damage, better waterways not only boosted the development of irrigation cultivation, but also led to the development of hydroelectric power on the river. Such proposals were backed up by the success of the Tennessee Valley, a product of the New Deal by U.S president Franklyn Roosevelt.

In 1992, led by the ADB, many projects under the development of the Greater Mekong Subregion (GMS)<sup>1)</sup> moved from the planning to

1) GMS, a newly coined term by the ADB, initiated the development projects of the River Basin (GMS Initiatives) in 1992. GMS has been in common use as a proper noun in Southeast Asia as well as among aid

implementation stage. This great activity came about in the wake of the reformation of the Mekong River Commission (MRC) as well as the conclusion of the development agreement by the nations in the Basin. Also leading towards development of the Basin is the Trans-Asia Railway (TAR) which had been discussed in ESCAP from 1967 and has been promoted actively through financial aid from the UNDP since 1970. Further, the nations of the Basin area joining ASEAN has led to the formation of the ASEAN-Mekong Basin Development Cooperation (AMBDC). Such activity has all contributed to the improved prospects for development of the Basin.

*2) Areas of development and current promotion status*

Development of the Basin can be separated into various areas. First, the GMS Initiative, which started from 1992 and is comprised of one hundred projects including transportation, energy, environment, development of natural and personnel resources, tourism, trade and investment, and communication, and has been facilitated actively under the auspices of the ADB. Second, the MRC has promoted in order of priority, the construction of roads, bridges and hydraulic power plants. The MRC was reorganized in 1995 with the participation of Thailand, Laos, Cambodia, Vietnam, the UN and the ADB. Further, the People's Republic of China and Myanmar have participated in the MRC as dialogue partners since November, 1996. Third, the Indochina sphere of TAR is being expanded and it has been recently discussed in the ASEM forum. Recently decided are plans to upgrade and expand railway networks on a large scale. Plans envision connecting and upgrading 14,320km of railroads from Europe to

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organizations and other countries in indicating the five countries of the Indochina Peninsula and Yunnan Province.

Siberia. The Mekong Basin is included under this ambitious plan. The final area of noteworthy development in the Basin is that of the ASEAN – the River Basin Development Cooperation (AMBDC). This organization includes the present ASEAN countries together with the People's Republic of China. In connection with this plan, many projects in eight fields have been facilitated, including the connection of railroad networks between Singapore and Kunming, which was led by the Malaysian government. Further, the development of the infrastructure of the River Basin can be included, which is promoted jointly by every government in the Basin.

The GMS promoted by the ADB and the MRC-led projects are especially important in that they are currently under implementation and that all of them are infra projects essential to further economic development.

The Mekong River Basin Development projects promoted by the ADB are based on the presumption that the six GMS nations will be developed into a single economic bloc, like the European continent, by linking all their social infrastructure facilities including transportation, electric power and communications networks. In addition, cooperation and concerted efforts are also being sought in the areas of environmental protection and tourism promotion. The development plan also includes cooperation among the countries in the fields of human resources development, trade and investment.

The ADB's Mekong River Basin Development is divided into three stages. In the first stage (August 1992 – January 1993), consultations among participant countries were made; major projects were outlined; and shifts to the second stage were confirmed. In the second stage (June 1993 – June 1996), top-priority projects within the Basin were reviewed and preparations necessary for them were made; preparation work was also done for further research on the transportation and energy sectors; and

an in-depth study on the possibilities of joint activities in tourism, trade, investment, environment and human resources development was conducted. In the on-going third stage (July 1996 - ), preparations and coordination efforts have been made for the implementation of the projects having high priorities and ways to enhance the institutional capabilities needed for the efficient operation and implementation of the projects have been discussed. Currently, seven consultative organs are in operation and meeting once or twice each year. Forums have been established for the hard infra fields, such as transportation, communications and energy, while working groups are also in place for the soft infra areas of the environment, human resources development, trade and investment.

Owing to positive support from the ADB and the UNDP, the GMS development has become active through the ministerial meetings (the six basin countries plus the ADB) which have been held since 1992. In particular, the third meeting, in 1994, reached an agreement on priority projects in 77 areas, including transportation and energy, whose total expenditures were estimated at \$15 billion (refer to table 1). In an effort to procure the funds needed for the promotion of such projects and, in particular, seek private-sector investments in the areas of transportation, energy and communications, the ADB held Private Sector Forums for prospective investors in major countries interested in the Basin Development. Beginning in Thailand in November 1994, such forums were held in Tokyo in February 1995, Seoul in March 1996, Germany in May 1996 and Belgium in June 1996. In addition, a 'GMS Business Forum' is expected to be inaugurated sooner or later as a cooperative body to be led by the private sector members including the representatives of the Chambers of Commerce and Industry in the six GMS countries.

Through the first and second stages of the GMS plan, the ADB and six GMS nations completed the master plans for a total of seven

Table 1. ADB's GMS Projects by Field  
(unit: 100 million dollars)

Field	# Projects	Estimated Construction Expenditure		Remarks
		Minimum	Maximum	
Transportation:	34	118.57	153.73	4
Road	9	19.75	25.86	1
Railroad	8	43.95	58.00	
Waterway	10	8.72	11.72	1
Air	6	46.15	58.15	1
Other	1	-	-	1
Energy:	12	13.76	13.76	7
Power generation and transmission	8	2.76	2.76	5
Hydrocarbon	2	11.0	11.00	1
Other	2	0	0	1
Communications	18	1.49	1.49	6
Environment:	11	-	-	11
Waste treatment	5	-	-	5
Natural resources management	4	-	-	4
Other	2	-	-	2
Human resources development	11	-	-	11
Trade and investment	8	-	-	8
Tourism	5	-	-	5
Total	99	133.82	168.98	-

Note: The numbers in 'remarks' indicate the number of projects with no estimated construction expenditure available.

Source: ADB, March 14, 1996, *Greater Mekong Subregion; Investment Opportunities through Economic Cooperation*.

cooperation fields and selected a total of 99 projects as priority undertakings (refer to appendix 1). The total funds required for the aforementioned was estimated to reach between \$25 billion and \$40 billion. In the third stage, or project implementation stage, which began in June 1996, is currently under way centering on top-priority projects with funds from the nations concerned, the ADB and other aid organizations. It is

estimated that \$13.4 billion to \$16.8 billion will be needed for the transportation, energy and communications sectors alone (refer to table 1 and 2).

**Table 2. Revised Ranking of Subregional Transport Sector Projects**

<b>First Tier (Immediate Implementation)</b>	
R1	Bangkok-Phnom Penh-Ho Chi Minh City-Vung Tau Road Project
R2	Thailand-Lao PDR-Viet Nam East-West Corridor Project
R3	Chiang Rai-Kunming Road Improvement Project via Myanmar and Lao PDR
R4	Kunming-Lashio Road System Improvement Project
W2	Mekong Delta Navigation Improvement Studies
W7	Central Viet Nam Port(s) Improvement Project
I1	Subregional Transport Forum
<b>Second Tier (1994-2000)</b>	
R5	Kunming-Hanoi Road Improvement Project
R6	Southern Lao PDR-Sihanoukville Road Improvement Project
R7	Lashio-Loilem-Kengtung Road Improvement Project
R8	Southern Yunnan Province-Northern Thailand-Northern Lao PDR-Northern Viet Nam Road Improvement Project
R9	Northeastern Thailand-Southern Lao PDR-Northeastern Cambodia-South Central Viet Nam Road Corridor Project
RW1	Yunnan Province-Thailand Railway Project
RW2	Yunnan Province-Viet Nam Railway Project
RW3	Thailand-Cambodia-Viet Nam Railway Project
W1	Upstream Lancang-Mekong River Navigation Improvement Project
A1	Cambodia Airports Improvement Project
A2	Yunnan Province Airport Improvement Project
A3	Myanmar Airports Improvement Project
A4	Second Bangkok International Airport Project
A5	Viet Nam Airports Improvement Project
A6	Project to Establish New Subregional Air Routes



Table 2. (continued)

Thrid Tier (2001–2010)	
RW4	Project to Extend the Subregional Railway Network to Lao PDR through the First International Mekong Bridge
RW5	Yunnan Province–Myanmar Railway Project
RW7	Railway Projects Connected With Mineral Development in Lao PDR
RW8	Thailand–Myanmar Railway Project
W3	Red River Navigation Improvement Project
W4	Southern Lao PDR–Cambodia River Navigation Improvement Project
Potentially Important National (but not Subregional) Projects (Timing Primarily Dependent on National Considerations)	
Rw6	Project to Provide Northeastern Thailand–Lao PDR Railway Links (in addition to RW4)
W5	New Phnom Penh Port Development Project
W6	Sihanoukville Port Improvement Project
W8	Cai Lan Port Development Project
W9	Thi Vau–Vung Tau Port System Development Project
W10	Yangon–Thilawa Port Improvement/Development Project

Source: ADB, Aug 1995, *Subregional Transport Sector Study for the Greater Mekong Subregion, Final Report Part I, II*.

Backed by the atmosphere of peace exiting in the Basin, and the economic growth following the conversion of the centrally controlled economies to market-oriented systems, the delegates from four nations (Vietnam, Cambodia, Laos and Thailand) signed the 'Cooperation on the Sustainable Development of the Mekong River Basin' agreement in Chiang Rai, Thailand on April 5, 1995, thereby resulting in a renewed formation of the MRC.

The newly inaugurated MRC aims at promoting joint development of the Mekong River Basin and developing relevant resources in the interests of the inhabitants in the downstream of the Basin. To this end, the MRC is working to enhance the quality of life of the people in the region, in

a gradual manner, through cooperation and the balanced participation of the member countries, in addition to efforts to put an end to poverty. It also is working on the development of the water resources of the Mekong River in terms of environmental preservation and management.

Although the year-by-year business plan of the MRC includes a few exceptional cases, like Cambodia and projects confined to specific areas, taking into account the limited funds from donor countries, it remains primarily focused on comprehensive basin development projects. The annual plan is classified into four categories: policy and planning, environmental monitoring, resources development and management and planned resources.

As of 1997, the yearly plan included a total of 101 projects. Of them, 40 projects were under implemented, with full assistance given to 26 projects and partial aid to 14; the remaining 61 projects remained on the waiting list for assistance (See the appendix table 3). To facilitate contributions from donor countries, the MRC hosted the inaugural meeting of the Donor Consulting Group (DCG) on April 21, 1996 and the first general meeting of the DCG in October 1996 (Vientiane).

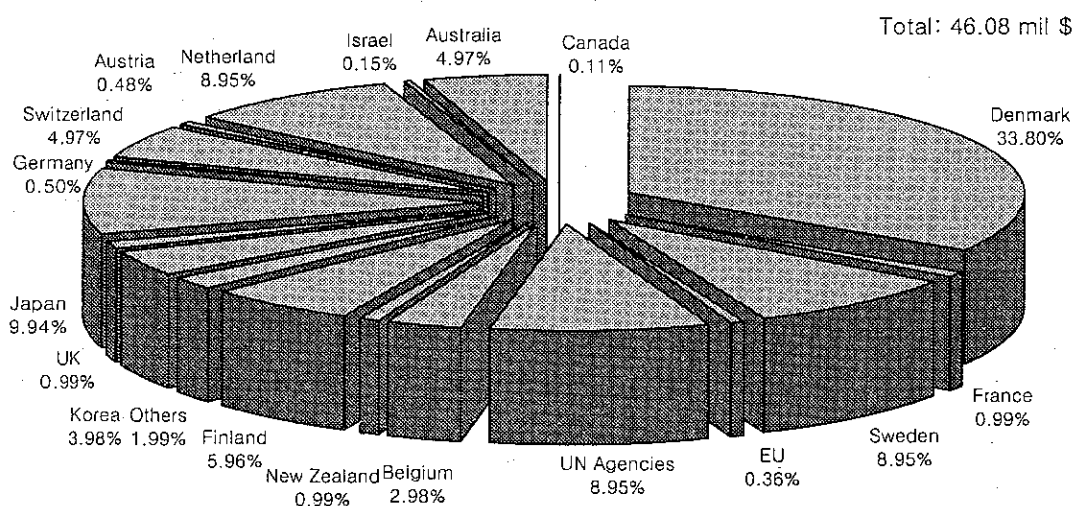
### *3) The present situation and participation by major nations*

Before the economic crisis, development of the Mekong River Basin had been active and strides were being made in the terms of trust and confidence in this development between the countries in the Basin. Such tangible outcomes included the increase in trade and the effective utilization of personnel, capital and resources. Less tangible but nevertheless important outcomes were the build-up of mutual trust between the nations in the Basin. Such an economic coordination has greatly contributed to the peace and stability in the Basin.

It was under these circumstances, for the purpose of investing in the

projects developing the Mekong River Basin, in an atmosphere full of the enormous potential, the advanced countries of Europe, Japan, the existing ASEAN and the other East Asian countries have actively taken part in its development. In particular, the ADB provided technical assistance equivalent to \$19.35 million and loans amounting to \$465 million to the research of, and fund procurement study for, the seven GMS fields, with an additional \$200 million planned (refer to appendix table 1 and 2). In addition, as of the end of 1998, donor countries and international organizations contributed a total of \$46 million (based on actual implementation) to the MRC's projects (See the appendix table 4 and 5). The donors include the ESCAP, UNEP, Australia, Canada, Finland, France, Japan, Norway, Sweden and Switzerland (refer to figure 1).

**Figure 1. Donor's Contributions Received: 1994–98**



Note: In some cases, the donor's contributions received do not include special arrangements.

Source: MRC. 1999.

For Korea, the countries bordering the Mekong have become its biggest market since the end of the 1980s in terms of Korean corporate overseas direct investment in the construction and trading areas, and also of

economic cooperation at governmental level. Further, through summit talks in ASEM in March 1996 and seminars or forums home and abroad, interests in the developing of the River Basin and willingness to participate have been increased and enhanced.

## **2. The economic crisis in East Asia and its effects on the prospects of development of the Basin**

The development of the Mekong River Basin has experienced many difficulties in recent years owing to unclear promotion objectives and limited mobilization of development funds. Above all, the development of the River Basin has been slowed by the Asian economic crisis. As Japan, the biggest source funding for the Mekong River Basin Development, and Singapore, Thailand and Korea, which are the next biggest foreign investors in the Basin, have all experienced economic difficulties recently, the development of the Basin has been postponed accordingly. The economic slump in Thailand, an importer of electric power which was pursuing various hydroelectric development plans on the Mekong, forced such plans to be delayed or abandoned.

Yunnan Province of the People's Republic of China, Thailand and the four countries of Indochina resemble each other in several respects: they are in the initial stage of development; their economic and social infrastructure are lacking; they are short of capital, technology and skilled labor. On the other hand, they possess plentiful resources and great potential for development. And, as most of those countries excepting Thailand are pursuing the conversion to a market-oriented structure in recent days, cooperation both inside and outside of the Basin is keenly needed. Additionally, it is a requisite for the inducement of foreign capital and lasting economic development in the countries of the Basin to enlarge

a variety of social overhead capital investment, such as in road construction and energy production.

Despite the serious setback in the wake of the economic crisis in East Asia, the nations in the Mekong River Basin are likely to resume their economic development in the years to come with high growth potentials characterized by rich resources, recent political stability and open-door economic policies. As the economy in the Southeast Asia region, furthermore, shows some signs of recovery and also the worldwide economic environment is taking a favorable turn, the prospects for the development in the Basin are very bright. In particular, if the GMS Fund, which was discussed at the meeting of the countries in Manila in September 1998, is established, the projects of the Mekong River Basin Development will likely soon be pursued more actively.

To help the Mekong River Basin Development continue in the future, it seems that political dialogue, cooperation and consensus, beyond the current levels, are needed with regard to the following issues: China's southward expansion policy and admission of China and Myanmar to the MRC; national border problems (between Laos and Thailand, Myanmar and Thailand, etc.); cooperation in bilateral relations (between China and Vietnam, Thailand and Indochina, Thailand and Myanmar, etc.); linkage of the environment protection efforts of the upstream and downstream of the Mekong River; and border trade and smuggling.

Also the Mekong River Basin Development should be promoted in the direction aimed at bridging economic gaps between the Basin countries; streamlining and reinforcing the functions of the promoters which are currently divided into the GMS and MRC; protecting the agricultural land and water resources; strengthening the efforts to protect the environment including animals and plants. To this end, the introduction of foreign capital from international organizations and advanced nations like Japan

is indispensable. In particular, the establishment of a new organization is needed to replace the ADB which has acted as a leading promoter in the early stage of the project.

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### **III. The present situation of economic cooperation between Korea and the countries in the Basin, and Korea's participatory realities**

#### **1. The present situation of economic cooperation with the countries in the Basin**

##### *1) Trade*

Trade between Korea and the countries in the Basin was insignificant in the mid-1980s, prior to the widespread conversion to a market-oriented economy (although Thailand had already done so). Since the latter half of the 1980s, when the area set out on a full-scale economic development path, the active importation of capital materials according to the advance of investment and the increase in demand for development caused trade volume to increase rapidly.

Trade volume between Korea and the Mekong Basin countries (excluding China) of US\$ 348.5 million in 1985 ballooned to US\$ 5.6 billion in 1997. In particular, Korea's trade with Vietnam after the establishment of diplomatic relations with the country in 1992 showed a rapid increase. While trade between the countries contracted sharply following the outbreak of the recent economic crisis, it has begun to grow again this year (refer to table 3).

Korea has recorded an overall trade surplus with the countries in the Basin. The trade surplus is a result of Korean exports consisting of heavy industry imports, such as machinery and electric products, and those of the countries in the Basin exporting primary goods, such as agricultural and marine products.

Because Japanese influence is, as far as trading is concerned, not overly

Table 3. Korea's trade with the Mekong Basin Nations  
(excluding China)

(unit: 100 million dollars, %)

Country \ Year		1994	1995	1996	1997	1998	1999 (Jan~Oct)
Total	Export	28.7	38.7	44.0	40.4	30.2	28.2
	Import	7.3	11.4	14.7	15.4	10.0	11.0
	Trade Balance	21.4	27.3	29.3	25.0	20.2	17.2
Thailand	Export	18.4 (4.2)	24.3 (32.2)	26.6 (9.7)	22.4 (-15.8)	14.5 (-35.4)	14.3 (17.7)
	Import	6.2 (15.1)	9.4 (50.9)	12.2 (30.3)	12.8 (5.3)	8.1 (-37.0)	8.6 (26.7)
	Trade Balance	12.2	14.9	14.4	9.6	6.4	5.7
Vietnam	Export	10.3 (41.1)	13.5 (31.5)	16.0 (18.4)	16.0 (0.2)	13.6 (-15.1)	11.6 (1.5)
	Import	1.1 (25.5)	1.9 (70.2)	2.3 (19.9)	2.4 (2.8)	1.8 (-22.9)	2.2 (39.3)
	Trade Balance	9.2	11.6	13.7	13.6	11.8	9.4
Myanmar	Export	-	0.9	1.3 (50.3)	1.4 (4.8)	1.5 (8.2)	1.57 (62.7)
	Import	-	0.1	0.2 (41.4)	0.2 (-7.0)	0.1 (-22.5)	0.12 (15.1)
	Trade Balance	-	0.8	1.1	1.2	1.4	1.45
Laos	Export	-	-	0.08	0.07 (-18.1)	0.05 (-22.2)	0.09 (117.2)
	Import	-	-	0.02	0.02 (11.7)	0.004 (-78.4)	0.01 (270.5)
	Trade Balance	-	-	0.06	0.05	0.04	0.08
Cambodia	Export	-	-	-	0.5	0.5 (0.0)	0.63 (33.8)
	Import	-	-	-	0.02	0.01 (-43.0)	0.05 (752.9)
	Trade Balance	-	-	-	0.48	0.49	0.58

Note: The numbers in parentheses show the change compared with the previous year.

Source: KOTIS.



strong in these countries (except for Thailand, which has the highest degree of dependence upon Japan but is currently trying to lower this dependence), they are eager to increase their trade with Korea. Currently, these countries are attempting to promote their nascent manufacturing sectors and are thus looking for stable supplies of needed capital inputs. Taking such points into account, Korea's trade volume with the countries in the River Basin is forecast to increase again as economic growth returns to normal.

2) *Overseas direct investment*

Korean corporate investment in the countries in the River Basin had started with its advance into Thailand in 1988, while investment on a large scale can be considered to have begun with the establishment of diplomatic relations with Vietnam in 1992. In particular, investment in Vietnam has been intensive and the country has received 50% of total Korean investment in the area on the basis of residual investment. Investment has also been made in Laos and Myanmar since the beginning of the 1990s in accordance with the Mekong River Basin Development project and also as an open door policy was promoted and facilitated by various countries in the region. Most of the investment was given to infrastructure facilitation, such as roads and dams. Also, investment in Cambodia has increased recently. According to the statistics from the Cambodian Development Commission (CDC), Korea's investment of US\$ 198.9 million during 1997 made it the largest investor country in Cambodia that year. Meanwhile, in Yunnan province of China, Kumho began the Kumho Flower & Plant, covering 100% of the investment, which was Korea's first investment in the province.

As of the end of 1998, despite the domestic and regional crisis, Korean investment was the 5<sup>th</sup> largest among country investors in Vietnam, 3<sup>rd</sup>

in Laos, 10<sup>th</sup> in Myanmar and Korean investments in Thailand amounted to 10% of total foreign investment in Thailand. As the effects of the crisis come to a close, Korean investment in the region is certain to become much more active (refer to table 4).

**Table 4. Korean ODI in the Mekong Basin Nations**  
(unit: million dollars, %)

		1993	1994	1995	1996	1997	1998	1999 (Jan~ Apr)	Existing Investment (total)
Myanmar	Approval	2.0	1.9	1.5	5.2	11.7	3.5	2.6	16.9
	Investment	1.0	0.4	0.7	2.5	3.3	4.7	0.1	
Laos	Approval	0.2	2.9	9.9	31.1	27.5	5.3	0.7	35.1
	Investment	0.2	0.8	0.9	1.0	25.5	5.9	0.5	
Cambodia	Approval	0.0	2.3	0.5	4.8	17.7	2.2	2.8	8.1
	Investment	0.3	0.9	0.3	1.0	5.0	0.9	0.8	
Vietnam	Approval	115.9	178.8	216.0	203.8	182.9	92.9	10.9	543.3
	Investment	27.0	89.5	177.9	97.4	110.4	48.6	5.8	
Thailand	Approval	12.2	26.0	37.8	71.6	228.0	105.1	5.3	450.7
	Investment	36.7	27.2	21.7	24.1	186.2	92.1	4.6	
Yunnan	Approval	-	-	1.1	n.a.	n.a.	n.a.	n.a.	n.a.
	Investment	-	-	0.9	n.a.	n.a.	n.a.	n.a.	
Total(A)	Approval	130.3	211.9	266.8	316.5	467.8	209.0	22.3	1,054.1
	Investment	65.2	118.8	202.4	126.0	330.4	152.2	11.8	
Korea's Total ODI(B)	Approval	1,875.6	3,581.0	4,948.5	6,220.6	5,819.0	5,115.0	905.0	20,700.5
	Investment	1,261.6	2,299.0	3,069.8	4,233.3	3,215.3	3,777.4	469.5	
Share (A/B)	Approval	6.9	5.9	5.4	5.1	8.0	4.1	2.5	5.1
	Investment	5.2	5.2	6.6	3.0	10.3	4.0	2.5	

Source: Korean Federation of Banks

The structure of investment in the River Basin shows that the low-wages of these countries induced active investment in the manufacturing industry centering on light industries, while the increase in demand for large scale infrastructure facilitation and the Mekong River Basin Development resulted, in turn, in active investments in the construction sector. In the case of Vietnam, active investments are being made not

only in manufacturing, construction, transportation and storage, and trade areas, but also in the agriculture and maritime industry sectors.

As Vietnam, Laos and Cambodia possess electric power, resources and labor in abundance, the Korean advance into the manufacturing sector is expected to again pick up steam in line with the recovery of the Korean economy. In Myanmar, which maintains the geographical merit of neighboring South and Southeast Asia, as well as the southern part of the People's Republic of China, active investments in trade and manufacturing areas are expected.

### 3) Increased construction sector investment

The Korean advance into Southeast Asia via the construction sector has been active since the 1980s. In particular, the policy of large-scale economic development by ASEAN countries brought about an increase of orders in infrastructure, such as in harbors, airports and high-rise buildings. Besides Thailand, which is a conventional market, orders from the countries in the Basin for construction have been steady since the

**Table 5. Korea's Construction Contracts with the Mekong Basin Nations (excluding China)**

(unit: million dollars, %)

	1992	1993	1994	1995	1996	1997	1998
Myanmar	—	—	—	—	—	29.3	—
Laos	—	177.4	513.2	1.1	230.5	4.9	4.5
Cambodia	—	—	—	—	—	—	—
Vietnam	—	132.7	88.3	378.1	240.9	214.9	259.6
Thailand	191.3	519.2	454.6	266.4	370.8	527.7	4.8
Total(A)	191.3	829.3	1,056.1	645.6	842.2	776.8	268.9
Total(B) <sup>a</sup>	2,783.5	5,116.6	7,440.9	8,507.6	10,779.3	14,032.4	4,055.3
Share(A/B)	6.9	16.2	14.2	7.6	7.8	5.5	6.6

Note: a/ Korea's total construction contracts with the world.

Source: International Contractors Association of Korea.

advance into Vietnam and Laos in 1993 (refer to table 5).

Although the Korean acceptance of construction orders has currently concentrated in real estate improvement and dam and road projects which maintain a comparatively high profit and short investment pregnancy, orders in the future must be accepted from the view-point of the long term contribution toward the growth potential of the Mekong River Basin. In addition, attention should be paid to the fact that the construction of dams and roads, in which Korea maintains a comparative advantage among the development projects of the River Basin, would be possibly dependent on international tender and non-governmental investment.

#### 4) Official Development Assistance (ODA)

The People's Republic of China and Vietnam are the largest two beneficiaries among those countries granted aid by Korea. Myanmar also receives an above-average share of Korean ODA. Since the system of providing assistance to developing countries was restructured by the establishment of the Economic Development Cooperation Fund (EDCF) in

**Table 6. Korea's Application of the EDCF to the Mekong Basin Nations (excluding China)**

(unit: million dollars)

Country	Project Name	Amount of Commitment	Date of Approval
Myanmar	Telecommunication Network expansion Project	7.8	Jun 1993
	Electric Power Distribution Improvement Project	16.8	Jul 1994
	Inland Container Depot at Port of Yangon	15.0	Jan 1996
	Passenger Coaches procurement Project	20.0	Oct 1996
Vietnam	Highway No. 18 Improvement Project	26.0	May 1995
	Thien Tan Water Supply Project	24.0	May 1995
	Combined Cycle in Ba-Ria Power Plant 306 Block	49.0	Dec 1996
	2 Project		

Source: The Export-Import Bank of Korea

1987, instances of fund assistance to the Basin countries have reached seven cases – three in Vietnam and four in Myanmar – as of the end of 1998. Considering the volume of funds, such assistance has been active (refer to table 6).

A vaccination plant project in Vietnam received a Korean promise to

**Table 7. Korea's Grant Aids to the Mekong Basin Nations  
(excluding China)**

		Unit	Cambodia	Laos	Myanmar	Thailand	Vietnam
Type	Development study	case		2			3
	Project-type Cooperation	"		2	4	8	15
	Dispatch of Experts	person		3	11	3	20
	Invitation of Trainees	"	40	59	157	231	497
	Provision of Equipment	\$1,000	2,157	120	1,139	125	705
	Dispatch of Taekwondo Instructors	Person	1		1	1	1
	Dispatch of Medical Doctors	"			1		1
	Overseas Volunteers	"			6	54	26
	Int'l Cooperation Volunteers	"				17	18
	Assistance to NGO	"	1		1	n.a.	n.a.
Total		\$1,000	2,398	1,520	3,495	4,828	15,303

Source: Korea International Cooperation Agency.

provide US\$ 28.5 million on the occasion of the Korean president's visit to Vietnam at the end of 1998. Also, four projects requested by Myanmar are now under consultation.

The grant type cooperation to the countries in the River Basin through KOICA (Korea International Cooperation Agency) has also been activated, such as through the dispatching of experts and the invitation of trainees (refer to table 7).

## **2. The participatory realities in the River Basin Development**

### *1) The participatory realities of Korean corporations*

The Korean corporate investment in the River Basin is very advanced. However, direct investment in local projects of the Mekong River Basin Development is more or less insignificant. Currently, Korean corporate activity is centered in electric power plant development and road construction. Daewoo and Dongah Construction Industrial Co., Ltd. have invested in a hydraulic power plant in Houay Ho (150MW, worth US\$ 190. million) and in Se Nam Noi (200MW, worth US\$ 596. million) in Laos. Both are now approaching finish. Both projects are according to the mode of BOT, and the electric power generated is expected to be exported to Thailand.<sup>2)</sup>

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2) In the case of Dongah, the work itself has been suspended by Thailand which is forced to discontinue the negotiation of its purchasing electric power owing to the aftermath of the economic crisis in East Asia. Daewoo, who had concluded a contract to export electric power to Thailand and planned to execute commercial operation from January 1999, is reported to be under negotiation with an American corporation to sell the construction work owing to unavoidable circumstances in its parent company in Korea.

Also, Samhwan Construction Co., Ltd. had been active in road construction between Luangprabang and Pak Mong (120km) in Laos and recently has also been active in a road construction project from Pak Mong to Udong Chai and to the Chinese boarder in order to trade to Yunnan province.

*2) The present situation of governmental aid to the projects of the River Basin Development*

The Korean government, having recognized the importance of the Mekong River Basin Development since the middle of the 1980s, attended the meeting of the Mekong Commission (MC), the main promotional organization at the time. In particular, as part of its role of being a member of those countries providing assistance to the MC, the Korean government promised to back up the Basin Development at the meeting in Kuala Lumpur in December 1992 and concluded an agreement with the MC's secretariat at that time. In April 1997, the government was present at the MRC's Donor Consultative Group Inaugural Meeting held in Bangkok and also at the consultative meeting of assistance-providing countries in October.

The grant type assistance from the Korean government for the Mekong River Basin Development includes small-scale development efforts led by the MRC and the dispatching of experts. Cases of projects aided by the Korean government include the multipurpose development of the Ya-Soup river in Vietnam and the Tadsalen small hydro power plant (worth US\$ 196,000) in Laos. For the multipurpose projects of the Ya-Soup river, which is aimed at investigating the economic propriety of water resources at the mouth of the river, a tributary to the Mekong, and the overall development of farmland in the area. The Korean government donated US\$ 400,000 in 1993 and 1994 and dispatched one expert in irrigation and

US\$ 800,000 for three years from 1995 to 1997 as its second investment.

In addition to the above, the Korean government agreed with Vietnam and the MRC at the beginning of 1997 to support the flood control project of the Mekong Delta. The government has already granted US\$ 872,000 of a total budget of US\$ 992,000 for the project and plans to provide these grants mainly to the projects of long term flood forecasting, preventive measures against damage and training of operating personnel for flood control efforts. Based on the importance of the Mekong River Basin Development Projects, the Korean government dispatched one additional expert to the secretariat of the MRC in 1997.



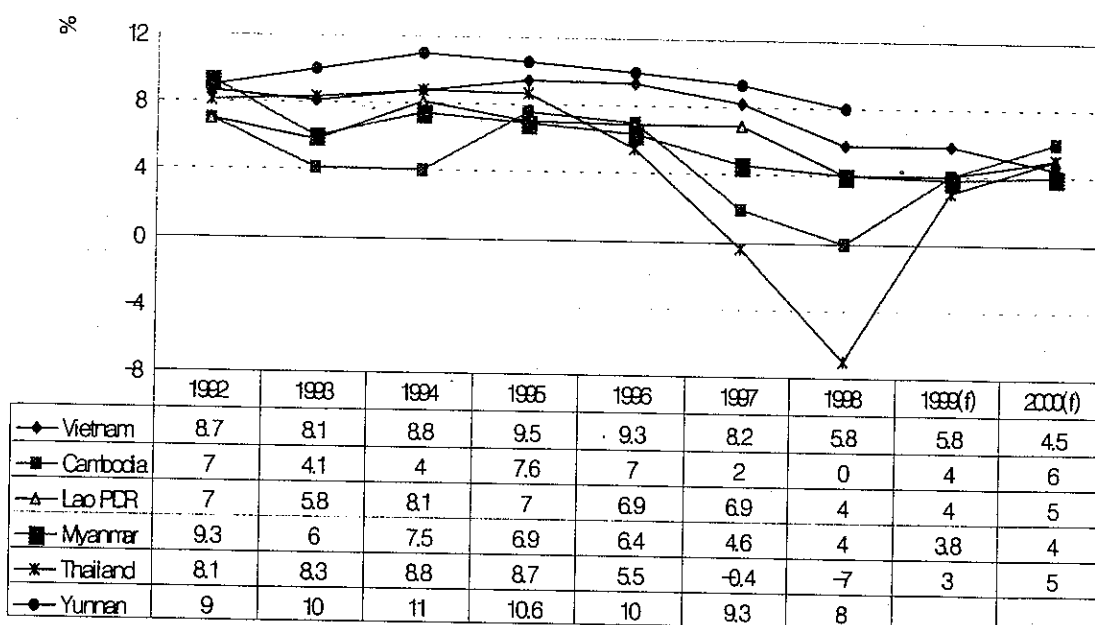
## IV. The Prospects for Korean participation in the Mekong River Basin Development

### 1. The growth potentialities of the River Basin and the necessity for Korea's participation

#### 1) Growth potential

Even though the countries in the River Basin are currently experiencing the secondary effects of the economic crisis in East Asia, continued economical reform and maintenance of political stability are almost certain to lead to future growth. The other reason for such growth is that the economy in the rest of East Asia, including that of their biggest partners

Figure2. Growth Rates of GDP of the Mekong River Basin Countries and Yunnan Province(1992-2000)



Source: ADB, Yunnan Province.

EIU, *Country Report: Laos*, 3<sup>rd</sup> Quarter 1999.

for economic cooperation, is recovering. Nevertheless, the recovery speed of the economy in Thailand will exert a considerable influence on economic growth in Indochina.(refer to figure2)

The growth potential of the River Basin countries is widely believed to be the highest in the world. According to the ADB, if an upward tendency of growth similar to the one before the economic crisis resumes again, the area's GDP per capita will increase to four or five times that of 1997 by 2020. Further, population of the region is expected to grow to 348 million, creating both a gigantic new consumer market and a plentiful labor market. The GDP in the entire River Basin is expected to increase to US\$ 1.25 trillion by 2020, owing to the abundant hydro power and natural resources, and the spirit of self-help between the countries in the Basin. As Cambodia, following Myanmar and Laos, have joined ASEAN and AFTA, the influx of investments into the area as well as its economical development will be more active than ever (refer to table 8).

The potential for waterpower generation in the River Basin is appraised as great. The MRC made it clear that the theoretical water power stored in both the upstream and downstream of the River Basin is presumed to be 1.17 trillion KWH, and its capacity of facilitation 134 million KW.(refer to table 9) In addition to the water resource in the Mekong River Basin, natural resources, such as coal, petroleum, natural gas and timber abound, as does quality labor.(refer to table 10)

In that the Basin's growth potentiality is the highest in Southeast Asia and the fact as well that most of the development businesses in the Mekong River Basin are new in progress are the infra-development needed to mutually connect areas of the Basin, its future economical development can be anticipated

**Table 8. Social and Economic Indicators in the GMS  
(Trends and Outlook)**

	1990	1995	2000	2010	2020
Population levels (million persons)	213	234	255	300	348
Pop. Growth rates <sup>a</sup> (%)	1.9	1.9	1.8	1.7	1.5
Urban/rural pop. Ratio(%)	23	27	30	38	50
Share of GMS pop.(%)					
Lao PDR	1.9	2.0	2.0	2.1	2.3
Vietnam	31.0	31.8	32.5	34.0	35.3
Yunnan Province	17.2	16.9	16.4	15.2	14.1
Thailand	26.3	25.8	25.4	24.5	23.6
Cambodia	4.1	4.4	4.5	4.9	5.2
Myanmar	19.2	19.1	19.2	19.3	19.4
Labor force levels (million persons)		116	130	165	198
Labor force growth <sup>a</sup> (%)		2.5	2.4	2.2	2.0
GDP \$ billion <sup>b</sup>	135.0	201.6	295	636	1,250
GDP growth rates <sup>a</sup>		8.0	8.0	8.0	7.0
GDP/capita \$ <sup>b</sup>	710	875	1,156	2,120	3,600
Primary (agriculture)					
- growth rate <sup>a</sup>	-	3.0	3.5	4.0	4.0
- share of GDP	17.0	15.0	12.0	8.0	6.0
Industry					
- growth rate <sup>a</sup>	-	12.0	10.0	9.0	8.0
- share of GDP	36.0	38.0	40.0	44.0	46.0
Service					
- growth rate <sup>a</sup>	-	8.0	8.0	8.0	6.0
- share of GDP	47.0	47.0	48.0	48.0	48.0

Notes: a/ Average annual over preceding 5(10) years

b/ In 1995 dollar terms

Source: ADB, Apr 1997, *Greater Mekong Subregion : Socio-Economic Review*.

**Table 9. Theoretical Stored Hydraulic Power of the Mekong River Basin**

	Basin area (km <sup>2</sup> )	Annual flow (million m <sup>3</sup> )	Stored hydraulic power energy (billion kWh)	Capacity of stored hydraulic power facilities
Downstream basin	165,000	—	665	76,000
Upstream basin*	557,928	381,630	505	58,000
Laos	(202,400)	(212,750)	(366)	(42,000)
Thailand	(184,245)	(54,920)	(26)	(3,000)
Cambodia*	(141,433)	(72,160)	(32)	(4,000)
Vietnam*	(29,850)	(41,800)	(81)	(9,000)
Total	722,928	—	1,170	134,000

Note: \* indicates that the delta areas of Cambodia and Vietnam are excluded.

Source: MRC(吉松昭夫, 小泉肇, 1996, 『メコン河流域の開発: 国際協力のアリーナ』. コーエイ総合研究所.)

**Table 10. Natural Resources of the Mekong River Basin Countries (1994)**

	Hydraulic power (TWH/year)	Coal (M tonnes)	Petroleum (M tonnes)	Natural gas (Gm <sup>3</sup> )
Vietnam	82	33,260	199	2.0
Laos	102	226	—	—
Cambodia	41	—	—	—
Myanmar	366	256	39	150
Thailand	49	2,270	119	435
Yunnan Province	450	23,580	—	—
Total	1,090	59,592	357	724

Note: Lignite and peat coal are included in the case of Vietnam and Yunnan Province.  
Source: ADB

## 2) The necessity for Korea's participation

Since a great deal of attention has been paid to this area as a newly

rising market with the highest potentiality of growth in the world, it is expected, in spite of the recent recession caused by the economic crisis, that the growth of the countries in the Mekong River Basin would be rapid, and the influx of capital from foreign investors and various aid organizations will be reactivated. And, as all the countries except the People's Republic of China have become regular members of ASEAN, the influence of Singapore and Malaysia, Korea's competitors, is foreseen to gradually increase in the area. In addition, taking into account the fact that Korea's future economic interest will greatly depend upon the Asia and Pacific region, in particular, upon the Southeast Asia region, it is vitally necessary for Korea to invest in the Mekong River Basin from the longer-term viewpoint.

Further, it is also necessary for Korea to obtain an early foothold in its advance into the market of the River Basin by participating in the projects of infrastructure enlargement with a view to the long term. As Japanese corporate influence in these countries except Thailand remains relatively low, active Korean corporate participation in the markets of these countries is now both more desired and desirable than ever. As for Thailand, it is very difficult for Korean corporations to compete with Japanese companies in Bangkok where Japanese products enjoy a foreign market share of 90%, while an advance into districts beyond Bangkok and its outskirts would render another opportunity to Korean corporations.

In this regard, it is worthwhile for Korea to promote an advance into the Thai market together via participation in the Mekong River Basin Development. Such promotion could as well improve the cooperative relationship with ASEAN and also secure a bridgehead for an advance into the southern part of the People's Republic of China. Further, Korea could take advantage of the lower income countries of the Basin to enter labor-intensive light industries and advance into more affluent markets

of Southeast Asia and further abroad. However, the key to advancing into the River Basin is a cooperative relationship with 'ASEAN 10' who are emerging as a huge market.

## **2. Promising fields and prospects for Korea's participation**

### *1) Prospective fields and regions for advance*

Development of the Mekong River Basin Development is divided into the GMS affairs of the ADB, the MRC, the connecting of railway networks promoted by ASEAN and the ESCAP, the various development efforts led by Japan and ASEAN and finally, the infrastructure efforts of each country in the Basin.

Infrastructure efforts have been promoted with priority placed on the building of roads, communication networks and energy production. Considering that large scale, civic capital participation should be positively promoted in the form of BOT, most of the MRC efforts are comprised of surveying the technical feasibility in relation to the water resources of the Mekong River, while the aid funds for the projects are provided from the aid countries and international organizations. In contrast with their own infrastructure business, the countries of the Basin are in difficulties raising funds due to their high degree of risk in state credit. However, the business is mostly on a small scale with a comparatively high profit.

In the transportation projects of railway networks, promoted by ESCAP and ASEAN, the manufacture of railroad-related products, machinery and materials, and also civil engineering, are promising fields. Further. The attraction of projects in which Japan and AESAN are involved is that they can easily secure funding.

Accordingly, the ADB led projects of SOC, such as transportation, energy and communication, provide good prospects for corporate sector

involvement. Since the projects of the Mekong River Basin Development, being closely connected with the economical development of the countries concerned, can not be promoted by ODA alone, there is still plenty of room for increased private sector participation. Particularly in the field of energy, promoted by the ADB, the greatest emphasis is presently placed on the construction of the electric power network linking the nations and on surveys to examine the projects feasibility, whilst the projects of dam construction, being judged as a profitable one, is allocated through private BOT channels. Accordingly, the ADB, in regard to the expanding field of transportation, would actively promote international tender through the supply of existing loans, but as far as the projects of communication and dam construction are concerned, the organization is expected to depend on the advance of private investment (though partial aid is possible for investment consultation or surveying technical and economical feasibility).

As the River Basin encompasses abundant water resource as well as vast farmland, agricultural development is also a promising field, particularly in view of a possible coming worldwide food crisis. Furthermore, agricultural development projects have a great effect on inducing advances in the projects of fertilizer, agricultural machinery and multipurpose dam construction.

In developing electric power projects, there are extensive potentials considering the rapid rise in demand for electric power expected by the countries of the River Basin. According to the ADB, more than \$100 billion (about \$10 billion a year) in electric power development in the River Basin by 2010 is to be expected, with much of this investment likely to soon follow the end of the Asian economic crisis. This field in turn has a great effect on inducing exports (of electric power supply, generation equipment and electrical instruments) as well as increased BOT projects.

With the prospect that the promotion of the Mekong River Basin

Development will lead to the countries of the Basin developing different strategic industries from each other according to the major regions around

**Table 11. Prospects for Important Strategic Fields by Region of the Basin (2020)**

	Rural activation	Labor intensive industry	Capital intensive industry	High technological industry	Water power generation	Excessive consuming type of electric power
Industrial area in Thailand			⊙	⊙		
Rural area in Thailand	⊙	⊙				
Industrial area in Yunnan		⊙	⊙		⊙	⊙
Rural area in Yunnan	⊙	⊙				
Industrial area in Myanmar			⊙			
Rural area in Myanmar	⊙	⊙				
Industrial area in Vietnam		⊙	⊙			
Rural area in Vietnam	⊙	⊙				
Cambodia	⊙	⊙			⊙	
Laos	⊙	⊙			⊙	⊙
Foundation of Strategic Support	Agricultural subject	Comparative advantage of labor force and excellent coast	Scale, resources and excellent coast,	Economic level	Surplus electric power	Cheap electric power

Source: The Conference of the Development Conception of the Grand Mekong Region, 1996. 10, *Report for the Development Conception of the Grand Mekong Region*.



2020 as the following table 11, the various types of projects to be specialized in by the regions should be taken into account.

*2) Projects preferred by Korean corporations*

It appears that Korean corporations prefer participating in the projects of energy, transportation and communication in the Mekong River Basin Development. According to the survey conducted in 1996 by the International Contractors Association of Korea and the Federation of Korean Industries, projects in the fields of energy, transportation and communication with which the ADB and the related countries show strong interest, enhancement of corporate image as well as the contribution to the long term economic prospects can be expected. In addition to the degree of importance each project plays in terms of economic development, each project's relationship to the respective state strategy is also

**Table 12. Projects Preferred by Korean Firms (GMS Project Only)**

Country	Institution	Project Name	Common Feature
Thailand	FKI	R1, A4, R2, B1, B3, R9, RW1, RW3, A1	R1, A4, R2, B1, R3, RW1, RW3
	ICAK	R1, A4, RW1, RW3, B1, R2, R3, RW8	
Vietnam	FKI	R1, R2, A5, W9, W7, R8, A1	R1, A5, W9
	ICAK	R1, R5, A5, W8, W9, RW3	
Myanmar	FKI	B1, A3, R3, R7, W10, A2	B1, A3, R3, R7, W10
	ICAK	A3, W10, B1, R2, R3, R7, RW5, RW8	
Cambodia	FKI	R1, R6, W6, A1	R1, R6, A1
	ICAK	R1, W5, A1, RW3, R6, R9	
Laos	FKI	A1, R2, A2, A4, A3, R6, A6	R2
	ICAK	R2, R8, RW7	

Source: International Contractors Association of Korea

very significant (refer to table 12).

In a survey to Korean potential investors in the region, they view in a descending order Vietnam, Cambodia, Laos, Thailand and Myanmar as the most promising areas for investment. Vietnam is regarded as promising from the viewpoint of having the largest market potential in both the short and long term, while Myanmar is the least promising due to its precarious political situation. The reason why the three countries of Indochina are preferred over Thailand is that Japanese advance into the area is comparatively light compared to its presence in Thailand.

While this survey was taken prior to the crisis, such a pattern of preference is likely to remain unchanged. Currently, Korean corporations are showing great interest in the infrastructure projects promoted by the countries themselves in the River Basin. Laos's construction of a new airport and hydraulic power generation plant, railway projects between Phnom Pehn and Sihanoukville and the substation and forest development project in Cambodia, and Myanmar's hydraulic power generation and cement factory are all projects in which Korean corporations have shown strong interests.

### *3) Prospects for Korean participation*

For Korea, it is very difficult in reality to instantly participate into the projects of the Mekong River Basin Development due to the economic crisis. In comparison with Japan and other advanced countries, the funding necessary for the Korean government's promotion of economic cooperation with developing countries, is currently too little. The case in the private sector is similar. For those Korean corporations undergoing restructuring, their ability to procure capital falls behind corporations in advanced countries or multinational ones.

In spite of such difficulties, considering that the Mekong and Southeast

Asia are Korea's major economic partners, and the River Basin has vast economic potential, Korean corporate and governmental participation into the area will likely be active soon.

For this very reason, Korean president Kim Dae-jung put emphasis on participation in the Mekong River Basin Development in the summit talks of 'ASEAN plus Korea, the People's Republic of China and Japan' held at the end of 1998. As the Korean economy in recent times is recovered, and the trade with and investment in Southeast Asia have become more active recently, prospects for greater private and public sector Korean involvement has increased.

If Korea's participation is realized, grant type aid will concentrate on the projects of the MRC, while credit assistance and private participation will be concentrated in the GMS projects of the ADB, the connection of railroad networks and various other projects of assistance led by ASEAN and Japan. In building a strong foundation for long term advances in the region, Korea should increase technical support rather than long-term investment.

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## V. Summary and Conclusion

The Mekong River flowing through the People's Republic of China, Myanmar, Laos, Thailand, Cambodia and Vietnam, is the largest river in Southeast Asia and those countries' lifeline as well. The area, since the end of 1980s, has undergone rapid economic growth due to the conversion to a market-oriented economy system and a policy of continuous economic development. The tremendous economic growth potential of this area stems from its abundant labor force and natural resources.

Activities to develop the Mekong River Basin resumed in the first half of the 1990s. Much of the support for the Mekong River Basin Development Plan has been undertaken under the auspices of the ADB, MRC, and ESCAP. The Mekong River Basin Development Project focuses on several key sectors: transportation, energy, communications, trade and investment. These SOC construction projects, including the TAR (Trans-Asia Railway) Project, make for an extremely attractive market.

Despite the active development by the countries of the Basin and assistance from Japan and international organizations, such as the ADB and ESCAP, limitations, such as the rapid change of external environment accompanied by the economic crisis in East Asia, as well as Basin country specific problems, have prevented faster development. For example, mobilizing funds on a large scale, projects plagued by low profitability and unclear development objectives. Above all, because countries in the Basin, excepting Thailand, are relatively underdeveloped countries with a low ability to mobilize funds, they are forced to depend on outside public and private investors for the funding needs of large scale investment projects. Even Thailand, which is still suffering from the economic crisis, is facing limited access to funding. Further, the impact of the economic

crisis in East Asia in recent years is also slowing development. As Thailand, Japan and the existing ASEAN, who are the largest and most active participators in the Basin, are in crisis, the River Basin Development projects have been largely put on hold.

The development of various infrastructural elements, such as roads and energy, are urgently required for continued economic growth and the inducement of foreign capital for the Basin development. Furthermore, as the economies in the region have begun to recover from the financial crisis, it is expected that the Basin Development activities will resume. With all the nations in the region having joined ASEAN, except for China, the region has become even more important and is expected to experience accelerated economic development backed by repercussions of economic growth. In particular, if the GMS Fund, which was discussed at a regional meeting in Manila in September 1998, is established, the development of the Mekong River Basin may be expedited.

There will certainly be renewed interest in investing in the region by Japan, Australia and Europe as the Basin is increasingly seen as being an untapped but potentially lucrative new market. The existing ASEAN members will also continue their active participation in the Basin Development through the "One Southeast Asia (ASEAN 10)" banner.

Korea had a great deal of interest in the Basin Development even prior to the ASEM summit in March 1996, and Korean corporations had been active in road construction and hydraulic power projects, and government aid, which had been inadequate up to that point, has been expanded and facilitated since the summit. While Korea remains keenly interested in participating in the development of the area, the lingering effects of its economic crisis prevent it from immediate participation in the Basin Development. Taking into account, however, the fact that the Basin and Southeast Asia are Korea's largest markets and possess great

potential for future growth, it is essential that Korea's active participation in the region is viewed in a mid and long-term context.

In the event that Korea participates in the Mekong River Basin Development, it is necessary that grant-type aids be provided to the MRC projects while credit assistance and private investments are directed toward the ADB's GMS projects, railroad-networking projects and various assistance projects led by ASEAN and Japan. It is important for the nation to participate in technical assistance rather than large-scale investments for the short run, while gradually building a long-term foundation for future cooperation.

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## Appendix I . Subregional Projects in the Greater Mekong Subregion

### 1. Transport

#### *Road Transport Subsector*

- R1. Bangkok-Phnom Penh-Ho Chi Minh City-Vung Tau Road Project
- R2. Thailand-Lao PDR-Viet Nam East-West Corridor (routes 8,9 and/or 18)
- R3. Chiang Rai-Kunming Road Improvement Project Via Myanmar and Lao PDR
- R4. Kunming-Lashio Road System Improvement Project
- R5. Kunming-Hanoi Road Improvement Project
- R6. Southern Lao PDR-Sihanoukville Road Improvement Project
- R7. Lashio-Loilem-Kengtung Road Improvement Project
- R8. Southern Yunnan Province-Northern Thailand-Northern Lao PDR-Northern Viet Nam Road Improvement Project
- R9. Northeastern Thailand-Southern Lao PDR-Northeastern Cambodia -Central Viet Nam Corridor Project

#### *Railway Transport Subsector*

- RW1. Yunnan Province-Thailand Railway Project
- RW2. Yunnan Province-Viet Nam Railway Project
- RW3. Thailand-Cambodia-Viet Nam Railway Project
- RW4. Project to Extend the Subregional Railway Network to Lao PDR through the First International Mekong Bridge
- RW5. Yunnan Province-Myanmar Railway Project
- RW6. Project to Provide Northeastern Thailand-Lao PDR Railway Links(in addition to RW4)

RW7. Railway Projects Connected with Mineral Developments in Lao PDR

RW8. Thailand–Myanmar Railway Project

*Water Transport Projects*

W1. Upstream Lancang/Mekong River Navigation Improvement Project

W2. Mekong Delta Navigation Improvement Studies

W3. Red River Navigation Improvement Project

W4. Southern Lao PDR–Cambodia Navigation Improvement Project

W5. New Phnom Penh Port Development Project

W6. Sihanoukville Port Improvement Project

W7. Central Viet Nam Ports Improvement Project

W8. Cai Lan Port Development Project

W9. Thi Vau–Vung Tau Port System Development Project

W10. Yangon–Thilawa Port Improvement/Development Project

*Air Transport Projects*

A1. Cambodia Airports Improvement Project

A2. Yunnan Province Airports Improvement Project

A3. Myanmar Airports Improvement Project

A4. Second Bangkok International Airport Project

A5. Viet Nam Airports Improvement Project

A6. Project to Establish New Subregional Air Routes

*Institution Building*

I1. Subregional Transport Forum

## 2. Energy

*Power Generation and Transmission*

E1. Xe Kong and Se San Basin Hydropower Development in Cambodia. Lao

PDR and Viet Nam including Transmission Interconnection among these countries and Thailand

- E2. Nam Tha Hydropower Project in Lao PDR including Transmission Interconnection with Thailand
- E3. Transmission Interconnection with Thailand of the Jinghong Hydropower Project in Yunnan Province
- E4. Nam Theun Basin Hydropower Development in Lao PDR, including Interconnection with Thailand and Viet Nam
- E5. Thanlwin Basin Hydropower Development in Myanmar and Thailand, including Transmission Interconnection between the two countries
- E6. Theun Hinboun Hydropower Project in Lao PDR, including Interconnection with Thailand
- E7. Immediate Interconnection of Existing Power Systems
- E8. Long-term Subregional Generation and Transmission System Development

*Natural Gas Transmission*

- B1. Yadana-Bangkok (Myanmar-Thailand) Gas Pipeline Project
- B2. Planning and Preparedness for Emergency Response to Marine Oil and Hazardous Substances Pollution

*Institution Building*

- C1. Establishment of and Electric Power Forum for the GMS
- C2. Strengthening of the Legal and Institutional Planning and Framework for Effective Water Management

**3. Environment**

*Institution Building*

- 1. Subregional Environmental Training and Institutional Strengthening
- 2. Support of Environmental NGO Activities

*Management of Wastes and Hazardous Substances*

3. Environmental Legislation and Minimum Regional Environmental Standards
4. Planning and Preparedness for Emergency Response to Marine Oil and Hazardous Substances Pollution
5. Toxic and Hazardous Waste Management
6. Introduction of Environmentally Sound Technology for Transport (Urban Air Pollution Abatement)
7. Pesticide Regulations

*Management of Natural Resources*

8. Environmental Strategy of the GMS
9. Regional Network for Cooperation Among National Parks and Wildlife Sanctuaries
10. Subregional Environmental Monitoring and Information System
11. Combatting the Illicit Trade in Endangered Species
12. Poverty Alleviation and Environmental Improvement in Remote Watersheds in the GMS
13. Management of Tonle Sap and Critical Wetlands of the Lower Mekong Basin

**4. Human Resource Development**

1. Centers of Excellence Institutional Network
2. Health Surveillance and Information Sharing (covering HIV/AIDS, malaria, and other communicable diseases)
3. Instructors' Training (as part of a larger subregional Technical Skills Training Project)
4. Subregional Cooperation in HIV/AIDS
5. Improving Educational Access and Quality in Border and Remote Areas

6. Cooperation in Employment Promotion and Training in the GMS
7. Vaccine Production, Procurement, Distribution and Utilization
8. Health Sector Financing
9. Leadership in Primary Health Care
10. Annual Workshop on Employment in the GMS

## **5. Trade and Investment**

### *Facilitating and Enhancing Trade Flows*

1. Subregional Trade Working Committees
2. Subregional Trade Promotion Cooperation

### *Improving Investment Climate*

3. Forum of Investment Promotion Agencies
4. Investment Promotion and the Environment
5. Regulations Governing Private Sector Involvement in Financing Large Scale Infrastructure Projects and in Sales of Government Assets

### *Building a Strong Science and Technology Base*

6. Subregional Inventory of Science and Technology Resources and Policies
7. Harmonizing and Improving Technical Standards

### *Increasing the Role of the Private Sector*

8. Subregional Chamber of Commerce

## **6. Tourism**

1. Promoting the Subregional as a Tourist Destination
2. Subregional Tourism Forum
3. Training the Trainers in the Basic Craft Skills of Tourism

4. Training Resource Managers in Conservation and Tourism
5. Mekong River Tourism Planning Study

## 7. Telecommunications

### *Transmission Projects*

- C1. Thailand–Lao PDR–Viet Nam #1 Optical Fiber Cable Link
- C2. Cambodia–Viet Nam Optical Fiber Cable Link
- C3. Thailand–Cambodia Optical Fiber Cable Link
- C4. Myanmar–Thailand #1 Optical Fiber Cable Link
- C5. Myanmar–Thailand #2 Optical Fiber Cable Link
- C6. Thailand–Lao PDR–Viet Nam #2 Optical Fiber Cable Link
- C7. Thailand–Lao PDR–Viet Nam #3 Optical Fiber Cable Link along Route  
9
- C8. Lao PDR–Cambodia Optical Fiber Cable Link
- C9. Thailand–Lao PDR–Yunnan Province Optical Fiber Cable Link
- C10. Thailand–Myanmar–Yunnan Province Optical Fiber Cable Link
- C11. Yunnan Province–Viet Nam Optical Fiber Cable Link
- C12. Myanmar–Yunnan Province Optical Fiber Cable Link
- C13. Yunnan Province–Lao PDR Optical Fiber Cable Link

### *Studies*

- S1. Mobile Telecommunications Study
- S2. Network and Operations Support Study
- S3. Cross Border Tariff Options Study
- S4. Telecommunications Training Needs Study
- S5. Unified Numbering Plan Study

## Appendix Tables

Appendix Table 1. Asian Development Bank-Assisted Technical Assistance Projects

Project name	Date Approved	Total Project Cost (US\$000)	Financing			Status
			TASF	JSF	Govern-ment	
<b>A. Umbrella RETA</b>						
Studies on Subregional Cooperation Among Cambodia, the PRC, Lao PDR, Myanmar, Thailand and Viet Nam-Phase I	9-Mar-92	270.0	270.0			Completed
Promoting Subregional Cooperation Among Cambodia, the PRC, Lao PDR, Myanmar, Thailand and Viet Nam-Phase II	10-Jun-93	5,260.0	1,500.0	3,000.0		Completed
Subregional Electric Power Forum-GMS Meeting of Telecommunications Officials	20-Sep-95	78.0				Completed
Promoting Subregional Cooperation Among Cambodia, the PRC, Lao PDR, Myanmar, Thailand and Viet Nam-Phase III	2-Oct-95	30.0				Completed
Subregional Telecommunications Forum-GMS	23-Jul-96	3,250.0		3,000.0	250.0	Ongoing
	18-Jun-97	50.0				Ongoing
<b>Subtotal</b>		8,938.0	1,770.0	6,000.0	250.0	
					918.0	
<b>B. Feasibility Study</b>						
Study of the Lao-Thailand-Viet Nam East-West Transport Corridor	18-Jul-94	1,000.0				Completed
GMS Infrastructure Improvement: Ho Chi Minh City to Phnom penh	9-Nov-95	3,100.0		3,000.0	100.0	Ongoing
Thailand-Cambodia-Viet Nam Southern Coastal Road Corridor	18-Jul-96	100.0	100.0			Ongoing
Se Kong-Se San and Nam Theun River Basins Hydropower Development Study	22-Aug-96	2,500.0	500.0			Ongoing
Study of the Lao-Thailand-Viet Nam East-West Transport Corridor	11-Dec-96	3,100.0		3,000.0	100.0	Ongoing
Chiang Rai-Kunming Road Improvement via Lao PDR	27-Feb-97	625.0		600.0	25.0	Ongoing
East Loop Telecommunications Project in the GMS	28-May-97	820.0			50.0	Ongoing
<b>Subtotal</b>		11,245.0	600.0	6,600.0	275.0	
					770.0 - France	
					3,770.0	

Appendix Table 1. (continued)

Project name	Date Approved	Total Project Cost (US\$000)	Financing				Status
			TASF	JSF	Govern- ment	Cofinancing	
C. Others							
Subregional Environmental Monitoring and Information System	9-Feb-95	4,000.0		1,000.0	2,000.0	1,000.0 - UNEP 16.0 - Singapore 3.0 - TAT	Completed
Regional Program to Train Trainers in Tourism in the GMS	23-Oct-95	149.0	130.0				Completed
Cooperation in Employment Promotion and Training in the GMS	18-Apr-96	920.0		600.0	50.0	270.0 - ILO	Completed
Subregional Environmental Training and Institutional Strengthening in the GMS	9-May-96	2,370.0		800.0	705.0	765.0 - Norway 100.0 - Finland	Completed
Mitigation of Nonphysical Barrier to Cross-Border Movement of Goods and People Mekong/Lancang River Tourism Planning Study	29-May-96	232.0		180.0	24.0	28.0 - ESCAP	Completed
Cross-Border Movement of Goods and People in the GMS	24-Jun-97	655.0		600.0	55.0		Completed
Prevention and Control of HIV/AIDS in the GMS	26-Aug-97	730.0		550.0	40.0	140.0 - ESCAP	Ongoing
Poverty Reduction and Environmental Management in Remote GMS Watersheds	17-Sep-97	150.0				150.0 - Australia	Ongoing
Strategic Environmental Framework for the GMS	31-Dec-97	3,800.0		1,000.0	600.0	2,200.0 - Finland	Ongoing
Study of Health and Education Needs of Ethnic Minorities in the GMS	20-Mar-98	1,900.0		600.0	270.0	1,000.0 - Switzerland 30.0 - UNEP	Ongoing
Tourism Skills Development in the GMS	30-Jun-98	850.0		300.0	50.0	500.0 - UK	Ongoing
Protection and Management of Critical Wetlands in the Lower Mekong Basin	29-Sep-98	135.0		125.0		10.0 - TAT	Ongoing
	22-Dec-98	2,070.0		1,000.0	420.0	650.0 - Finland	Ongoing
Subtotal		17,961.0	130.0	6,755.0	4,214.0	6,862.0	
Total Amount		38,144.0	2,500.0	19,355.0	4,739.0	11,550.0	

Source: ADB, Apr 1999, *Economic Cooperation in the Greater Mekong Subregion: An Overview*.



**Appendix Table 2. Asian Development Bank-Assisted Loan Projects(as of 8 January 1999)**

Country	Project Name	Date Approved	Total Project Cost (US\$Million)	Financing		
				Bank	Government	Co-financing
PRC	Yunnan Expressway	29-Sep-94	461.4	150.0	311.4	0.0
Lao PDR	Theun Hinboun Hydropower	8-Nov-94	270.0	60.0 <sup>a</sup>	14.5 <sup>a</sup>	195.5 <sup>b</sup>
Lao PDR	Champassak Road Improvement	31-Aug-95	60.1	48.0	12.1	0.0
Lao PDR	Nam Leuk Hydropower Development	10-Sep-96	112.6	52.0	22.1	38.5 OECF
Cambodia	Siem Reap Airport	12-Dec-96	17.0	15.0	2.0	0.0
Cambodia	Phnom Penh-Ho Chi Minh City Highway	15-Dec-98	40.0	40.0		
Viet Nam	Phnom Penh-Ho Chi Minh City Highway	15-Dec-98	100.0	100.0		
	Total		1,061.1	465.0	362.1	234.0

Notes: a The financial participation of the Government of Lao PDR, through Electricit du Laos(EdL) is as follows Equity-\$66.0 million; Debt-\$8.5 million. \$6.0 million of the Government's project equity was provided as a loan by ADB

b Other financing sources for the project are as follows: Equity - Nordic Hydropower (\$22.0 million), MDX Power (\$22.0 million); Debt-Commercial Loan (\$81.5 million), Export Credit (\$70.0 million).

Source: *Ibid.*

Appendix Table 3. Status of MRC Projects( - 1999)

Project	External Funding		Time Frame
	Country/ Agencies	Amounts in U.S. Dollars	
Policy and Planning			
Mekong River Water Utilization Programme	World Bank	350,000	1997~1998
Preparation of MRC Rules for Water Quality	France	600,000	1999~2000
Preparation of MRC Rules for Water Quantity	Japan	200,000	1996~1999
Preparation of Mekong River Basin Dev. Plan	Sweden	405,000	1995~1999
	Denmark	265,000	
Watershed Management and Forestry			
Strategy study on development of watershed management/forestry sector in Lower Mekong Basin	Switzerland	202,000	1998~1999
Watershed classification in Lower Mekong Basin	Switzerland	2,600,000	1994~1999
Forest cover assessment and monitoring	Germany	4,067,000	1994~1999
Sustainable management of resources(SMRP)	Germany	4,300,000	1995~2000
River Works and Transport			
Ferry facilities(Cambodia)	Denmar	18,600,000	1995~1999
Updating of the hydrographic atlas	Finland	4,700,000	1994~1999
	Finland(ext.)	1,920,000	
Study for improvement of access channel to Bassac River	Belgium	1,772,000	1994~1999
Water Resources Development			
Rural electrification	Japan	120,000	1994~
Natural resources-based development strategy for Tonle Sap area, Cambodia	UNDP	988,000	1994~1998
Flood control planning for development of the Mekong Delta	Rep. of Korea	872,000	1997~2000
Sekong-Sesan-Nam Theun river basins hydropower study	ADB	133,000	1996~1999
Fisheries			
Assessment of Mekong fisheries	Denmark	5,213,000	1997~2000
Management of reservoir fisheries, Phase I	"	3,491,000	1995~1999
Cambodian capture fisheries project	"	2,269,000	1994~
Support to fisheries management and development coo- peration	"	1,056,000	1996~2000
Aquaculture extension in the Mekong Delta	"	1,893,000	1998~2000

Appendix Table 3. (continued)

Project	External Funding		Time Frame
	Country/ Agencies	Amounts in U.S. Dollars	
Agriculture and Irrigation			
Sustainable Irrigated Agriculture			
SIRAP I	Netherlands	6,667,000	1994~19998
Consolidation Phase		1,009,827	
Integrated planning and management of land and water resources for agriculture in the Mekong river countries-towards sustainability	Denmark	117,000	1997~1999
Modern irrigation technology and extension training course	Rep. of Korea / Israel	66,000	1997~1999
Environment Sector			
Environmental sound management of soil and water in the Plain of Reeds(VN and Cambodia)	Sweden	1,440,000	1998~2000
Inventory and management of wetlands in the Lower Mekong Basin	"	825,000	1994~
Inventory & management of Cambodian wetlands	Denmark	1,899,000	1997~
Water quality monitoring network in the Lower Mekong Basin	Sweden	929,000	1994~
Soil erosion and sedimentation studies	"	422,000	1994~1999
Danida-MRC Environment Programme including	Denmark	1,177,000	1997~
*Environmental policy and guidelines			1998~
*Environmental capacity-building for NMCs (Cambodia, Lao PDR and Viet Nam)			1998~
*Integration of environmental concerns in projects			1997~
*MRCS Environment Programme			1998~
Environmental Training Programme(ETP)			1997~
*Danida component		653,000	
*SDC component		330,000	
*Sida component, Phase II		270,000	
Pilot study for water resources and environmental management	UK	625,000	1997~2000
Environmental assessment programme in the Greater Mekong Subregion	UNEP	393,000	1994~1999
Hydrology Sector			
Groundwater investigation programme			1994~
Phase I	Sweden	525,000	
Phase II	"	75,000	
Improvement of the hydromet. Network	Japan	1,941,000	1994~2000
	Australia	1,039,000	

Appendix Table 3. (continued)

Project	External Funding		Time Frame
	Country/ Agencies	Amounts in U.S. Dollars	
Remote sensing, GIS and database Geographic Information System	ADB Switzerland UNEP/GRID	700,000 345,000 242,000	1994~1998
Land resources inventory for agricultural development	Japan	949,000	1997~
Human Resources Development Role of women in water resources development in the Lower Mekong Basin	New Zealand	300,000	1995~1999
Strengthening the institutional framework for effective MRC/HRD system	Switzerland	280,000	1995~
Programme Support Support for Mekong programme MDBC-MRC Cooperation programme	UNDP Australia	2,815,000 571,428	1994~ 1996~
Australian consultancy fund	"	490,000	1994~1999
Swedish consultancy fund	Sweden	1,250,000	1995~2000
Japanese contribution to the Commission	Japan	384,000	1995~
Others Improvement of Documentation Centre	UNDP/France	34,000/114,000	1995~2000
Core contribution to the MRC	Switzerland	1,496,000	1996~
Mekong Trust Fund	UNDP, Japan, NZ, Switz., MRC	664,000	1997~1999

Source: Mekong River Commission, 1999, *Annual Report 1998*.

**Appendix Table 4. Donors' Contributions Received:  
1994~1998(for MRC Projects only)**

Donors	1994	1995	1996	1997	1998	Total
Australia	435,982	784,025	1,213,468	0	21,647	2,455,122
Canada	0	52,632	0	0	0	52,632
European Union						
Austria	219,000	0	0	0	0	219,000
Belgium	0	235,830	0	425,328	782,220	1,443,378
Denmark	1,247,796	2,834,470	6,897,396	1,981,724	2,809,130	15,770,516
Finland	627,233	0	616,915	843,008	544,340	2,631,496
France	181,836	137,238	0	0	0	319,074
Germany*	27,164	42,373	37,219	24,598	98,400	229,754
Italy	0	0	0	0	0	0
Netherlands	1,576,911	1,128,700	900,000	276,833	438,848	4,321,292
Sweden	1,419,440	657,506	0	1,861,082	221,832	4,159,860
United Kingdom	37,300	0	38,441	0	312,500	388,241
Commission of EC	164,000	0	0	0	0	164,000
Sub-total - EU	5,500,680	5,036,117	8,489,971	5,412,573	5,207,271	29,646,612
Israel	0	0	5,000	31,500	33,000	69,500
Japan	857,000	807,000	1,125,000	455,459	1,230,832	4,475,291
Republic of Korea	175,000	200,000	344,990	284,401	633,000	1,637,391
New Zealand	47,850	38,868	158,777	93,000	5,462	343,957
Switzerland	90,000	629,990	90,774	1,559,000	0	2,369,764
UN Agencies:						
UNDP/Cambodia	692,371	175,900	109,428	350,661	0	1,328,360
UNDP/Thailand**	579,600	0	422,816	230,748	416,496	1,649,660
UNDP/OPS	28,500	0	0	249,591	0	278,091
UNDP/World Bank	0	0	0	0	0	0
UNEP/AIT	98,000	98,000	197,324	0	0	393,324
UNEP/Nairobi	80,000	219,980	91,750	0	0	391,730
UN/FAO	113,562	0	0	70,900	0	184,462
WHO	0	0	0	0	0	0
Sub-total - UN Agencies	1,592,033	493,880	821,318	901,900	416,496	4,225,627
Others:						
Asian Development Bank	167,252	21,385	36,000	30,000	79,862	334,499
Japan Institute of Irrigation and Drainage	0	0	0	0	141,751	141,751
Murray-Darling Basin Commission	0	0	0	0	84,976	84,976
World Bank**	0	0	0	100,000	57,439	157,439
Miscellany	25,500	20,040	0	0	35,973	81,513
Sub-total - Others	192,752	41,425	36,000	130,000	400,001	800,178
Total	8,891,297	8,083,937	12,285,298	8,867,833	7,947,709	46,076,074

Notes: \* Secretariat support cost only, all other project contributions were managed by the donor.

\*\* Excluding direct payments from sources.

Source: *Ibid.*

**Appendix Table 5. Donors' Funds Disbursed:  
1994~1998(for MRC Projects only)**

Donors	1994	1995	1996	1997	1998	Total
Australia	429,532	872,993	480,985	217,701	317,415	2,318,626
Canada	0	11,399	41,233	0	0	52,632
European Union						
Austria	221,295	181,302	5,217	4,326	0	412,140
Belgium	12,161	175,156	89,549	649,530	532,263	1,458,659
Denmark	790,409	1,682,632	3,079,005	2,917,144	4,824,872	13,294,062
Finland	439,436	452,777	230,925	877,523	603,077	2,603,738
France	189,419	1,544	8,493	48,556	4,971	252,983
Germany*	27,164	42,604	36,987	24,598	98,400	229,753
Italy	93,984	4,269	0	0	0	98,253
Netherlands	1,725,158	1,557,458	1,019,703	453,448	471,935	5,227,702
Sweden	1,328,388	752,568	1,026,195	959,344	761,636	4,828,131
United Kingdom	8,845	32,352	36,248	0	72,476	149,921
Commission of EC	43,159	0	0	0	(77,907)	(34,748)
Sub-total - EU	4,879,418	4,882,662	5,532,322	5,934,469	7,291,723	28,520,594
Israel	0	0	0	31,129	31,681	62,810
Japan	137,801	575,473	774,945	482,889	442,607	2,413,715
Republic of Korea	351,183	58,837	401,819	290,534	44,793	1,147,166
New Zealand	72,925	41,706	51,917	78,720	25,360	270,628
Switzerland	247,692	368,476	629,477	208,017	768,343	2,222,005
UN Agencies:						
UNDP/Cambodia	655,458	153,140	230,449	94,432	286,246	1,419,724
UNDP/Thailand**	582,323	398,969	524,852	256,321	389,964	2,152,430
UNDP/OPS	4,445	0	112,960	249,591	0	366,996
UNDP/World Bank	89,651	11,054	0	0	0	100,705
UNEP/AIT	86,241	111,577	103,923	69,746	37,811	409,298
UNEP/Nairobi	7,159	209,370	76,692	9,407	2,727	305,355
UN/FAO	66,982	35,533	0	40,860	21,836	165,211
WHO	27,412	6,434	0	0	0	33,846
Sub-total - UN Agencies	1,519,671	926,076	1,048,876	720,357	738,585	4,953,566
Others:						
Asian Development Bank	182,647	50,556	74,134	68,259	112,497	488,093
Japan Institute of Irrigation and Drainage	0	0	0	40,012	76,795	116,807
Murray-Darling Basin Commission	0	0	0	56,895	31,889	88,784
World Bank**	0	0	0	61,841	93,647	155,488
Miscellany	42,352	0	21,431	14,560	17,914	96,257
Sub-total - Others	224,999	50,556	95,565	241,567	332,742	945,429
Total	7,863,221	7,788,178	9,057,139	8,205,383	9,993,248	42,907,169

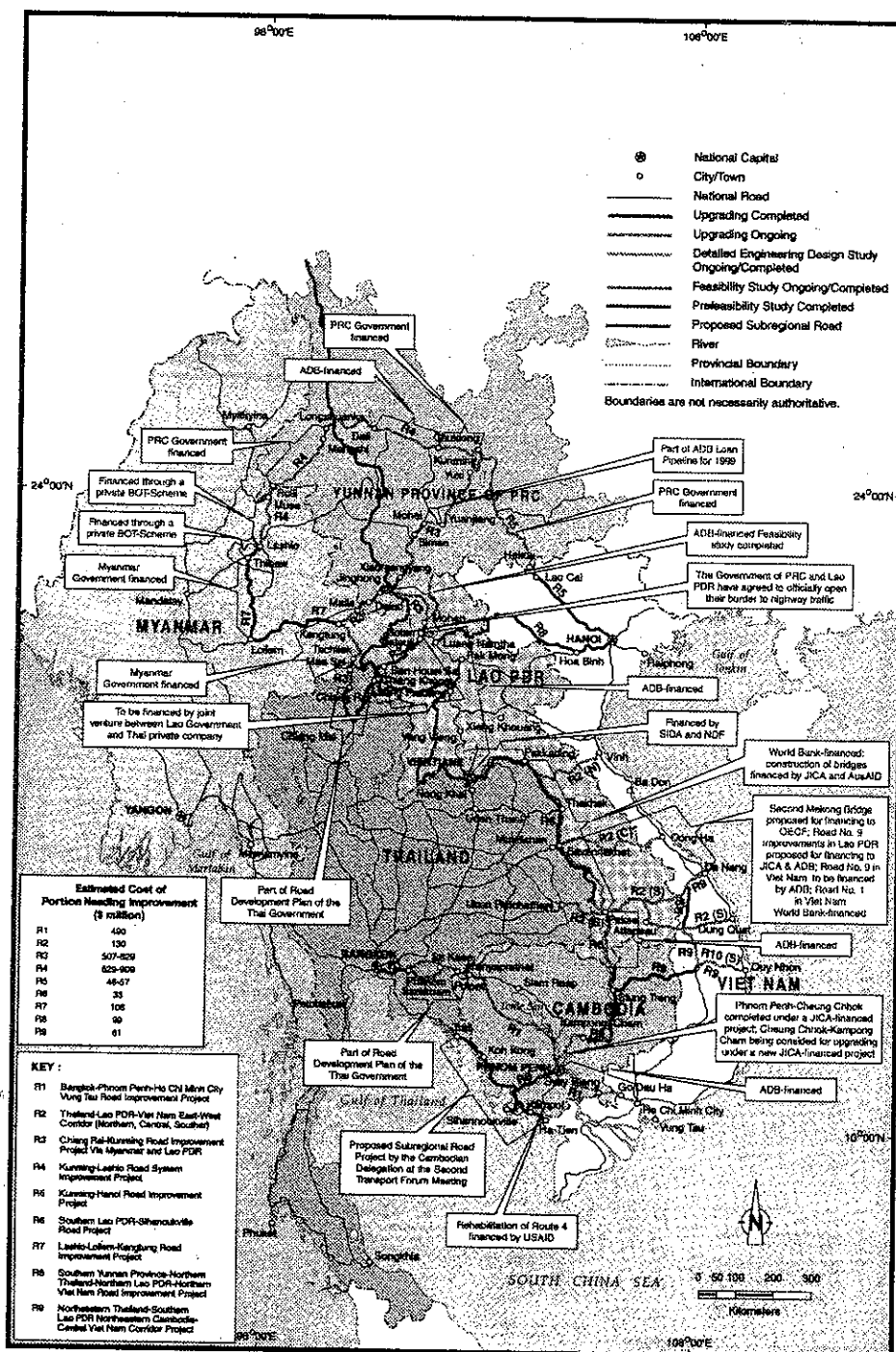
Notes: \* Secretariat support cost only, all other project expenditures were disbursed directly to payees by the donor.

\*\* Excluding direct payments from sources.

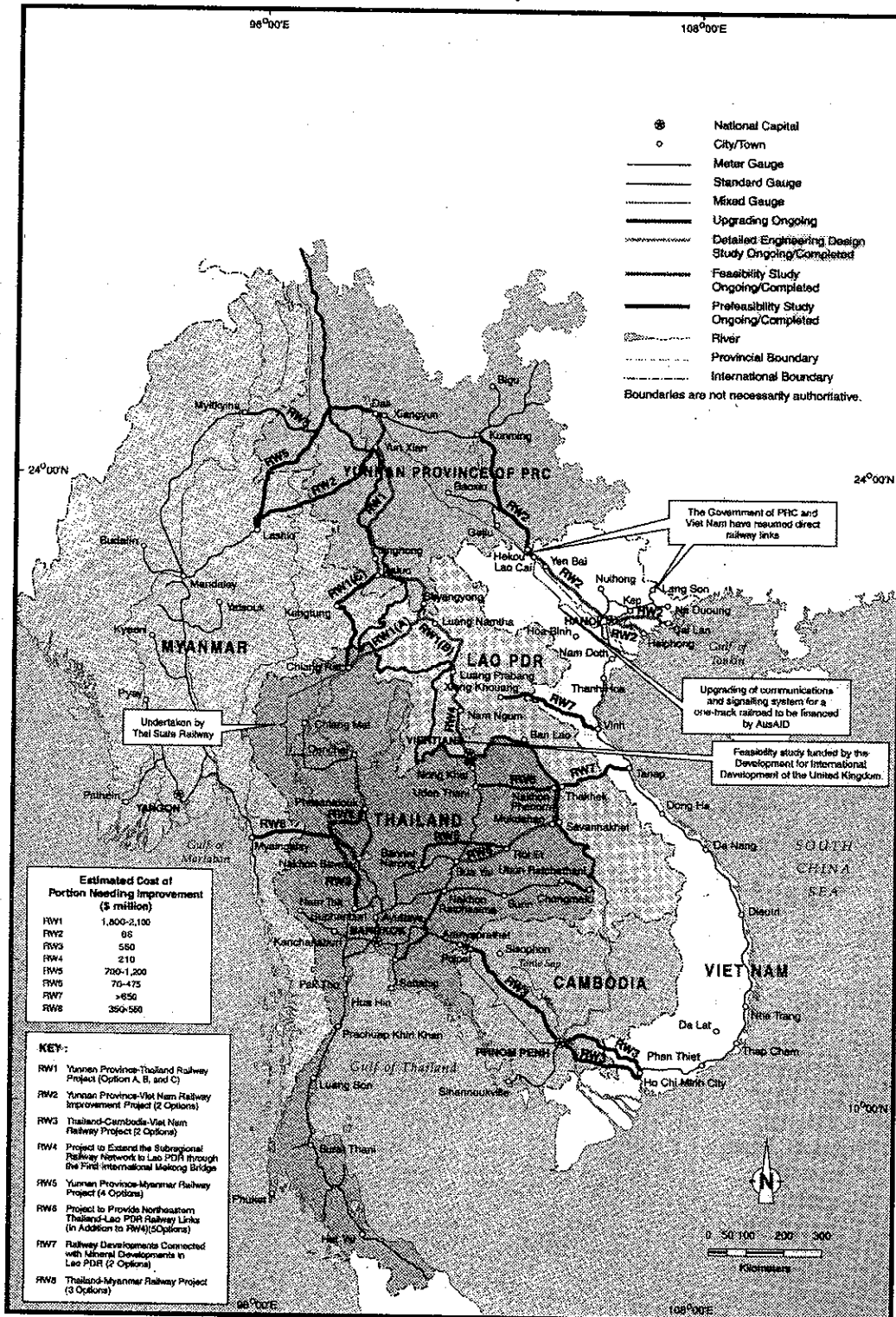
Source: *Ibid.*

## Appendix Figures

Appendix Figure 1. Status of Subregional Road Projects  
(as of February 1999)

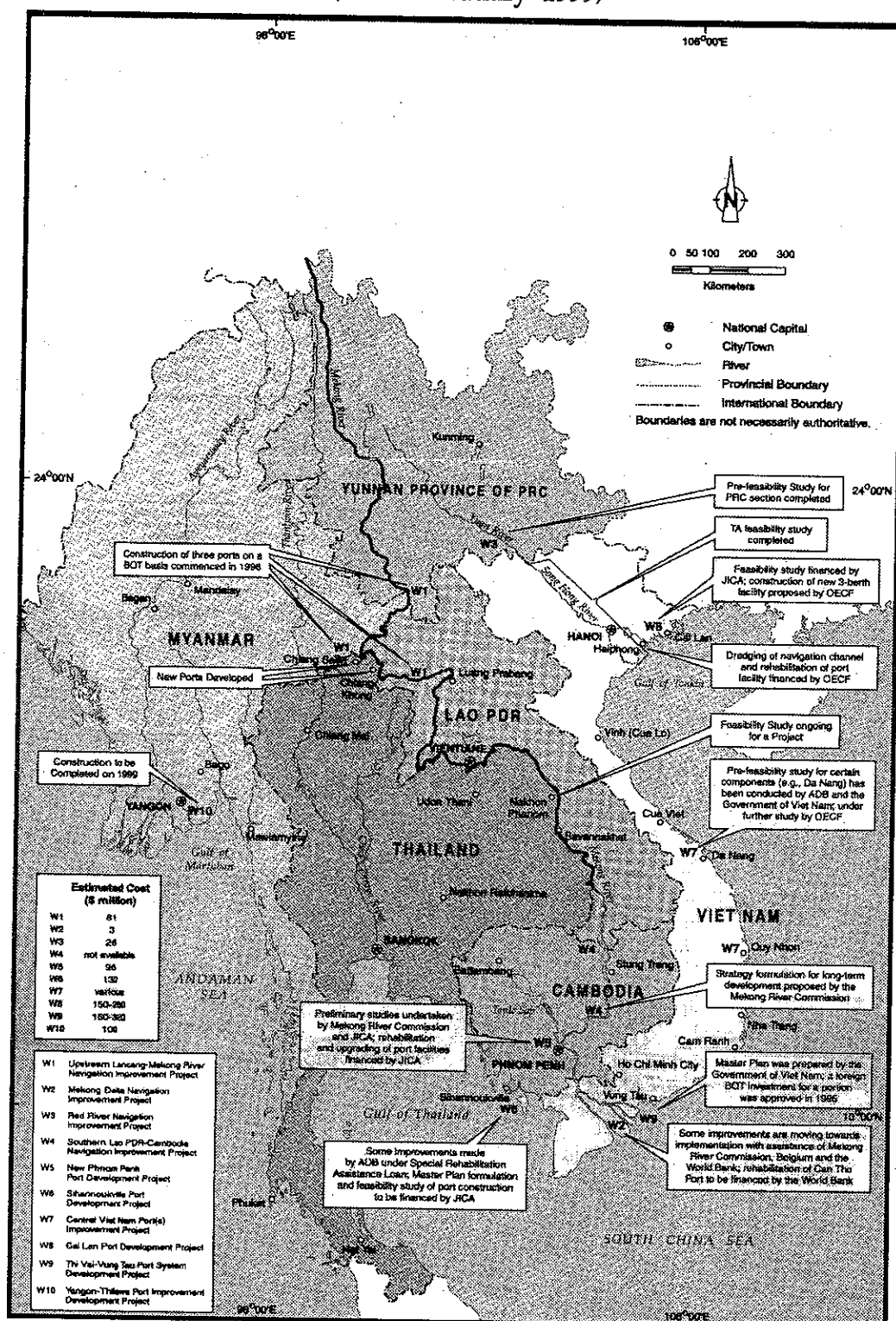


Appendix Figure 2. Status of Subregional Railway Projects  
(as of February 1999)

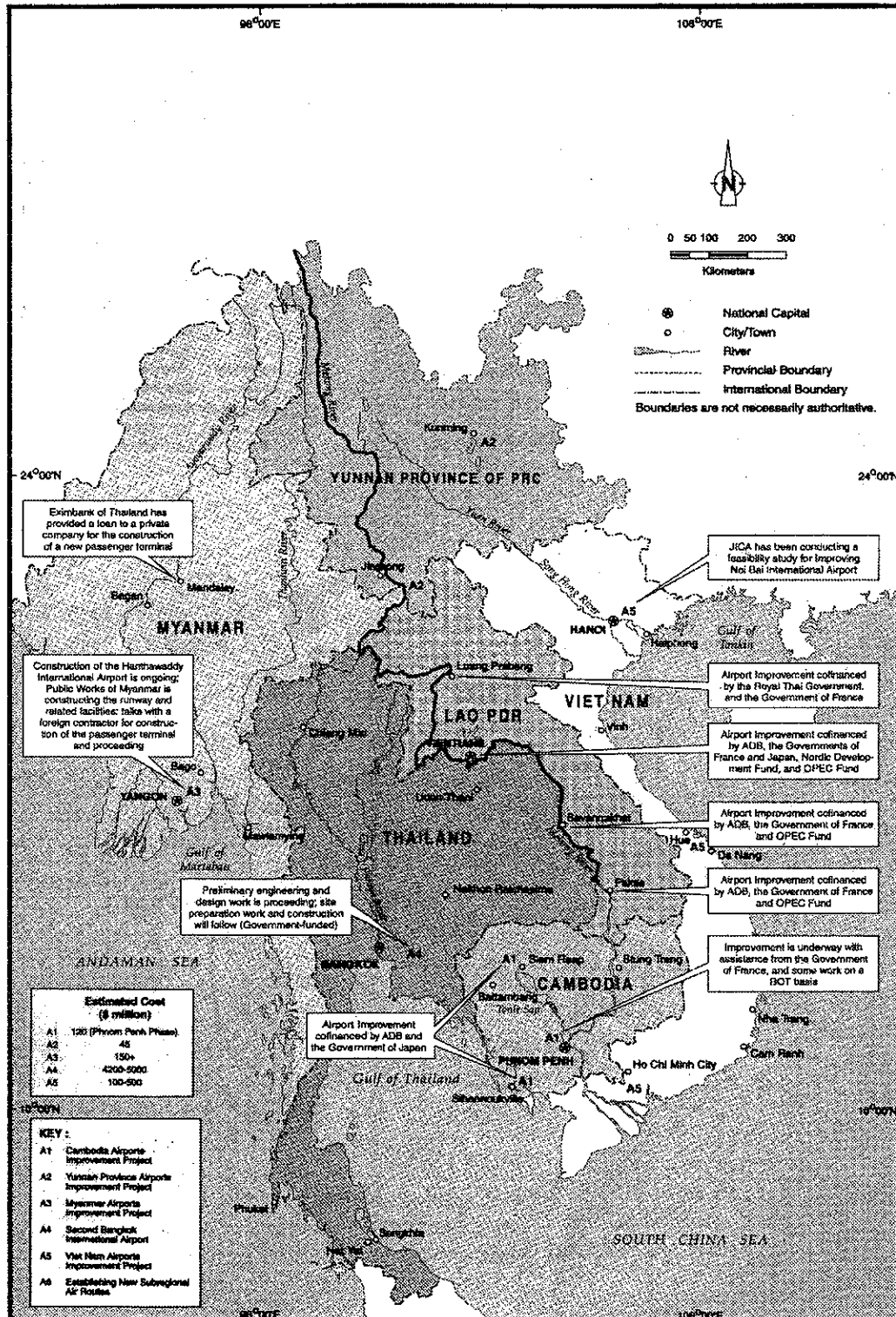




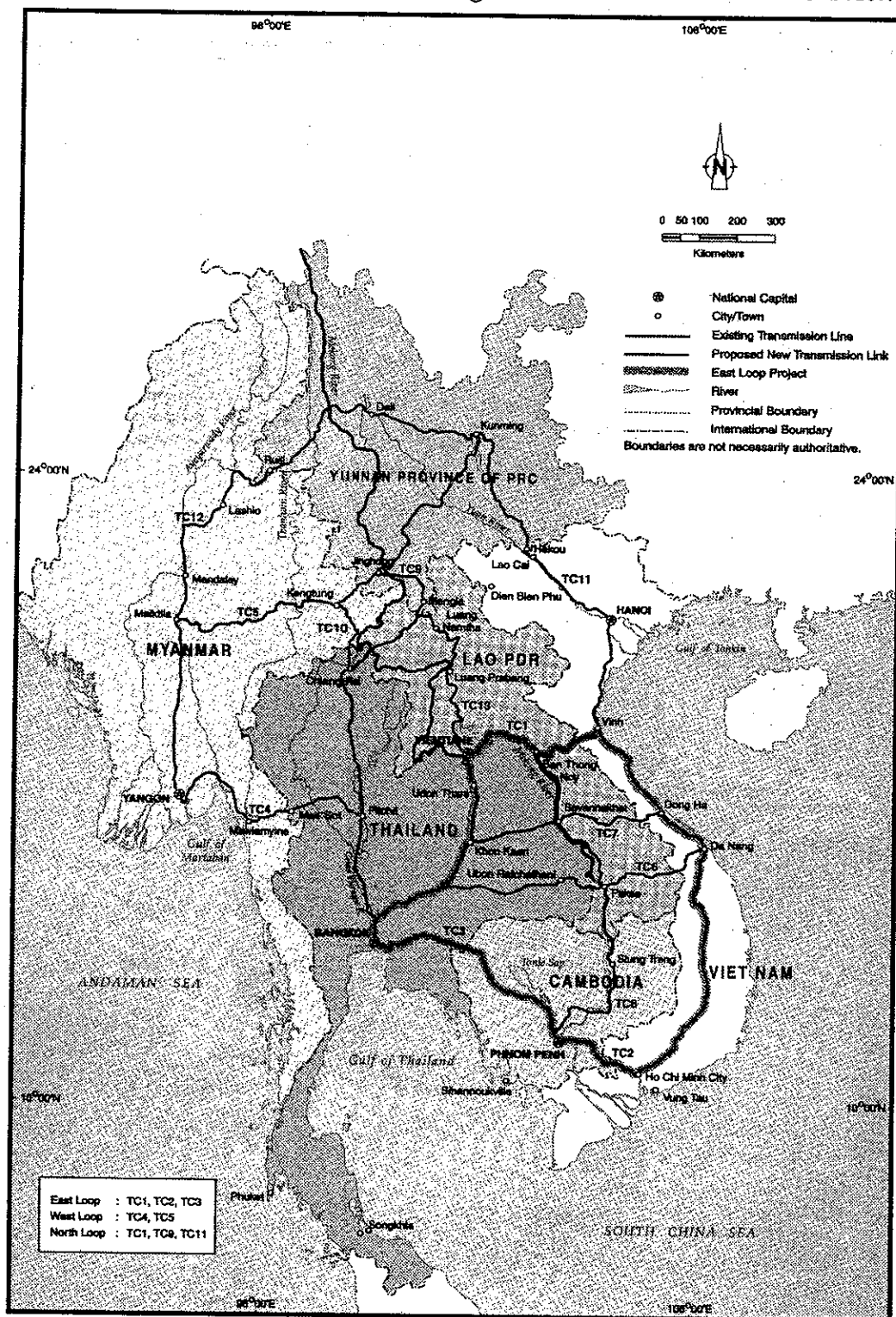
Appendix Figure 3. Status of Subregional Water Transport Projects (as of February 1999)



Appendix Figure 4. Status of Subregional Air Transport Projects  
(as of February 1999)



**Appendix Figure 5. Proposed Subregional Telecommunications Network**



## 國文要約

메콩江은 중국, 미얀마, 라오스, 태국, 캄보디아 및 베트남을 지나는 동남아 최대의 江이자 이 지역의 젖줄이다. 이 지역은 1980년대 말 이후 시장경제체제로의 전환과 지속적인 경제개발정책으로 인해 1990년대 이후 빠른 경제성장을 보여 왔다. 특히 이 지역은 메콩江을 중심으로 한 경제적 유사성으로 인해 GMS라고 불리며, 노동력과 천연자원이 풍부하여 세계적으로도 성장잠재력을 인정받고 있다.

1990년대 초반이후 추진되고 있는 메콩江 유역개발은 ADB, 메콩江위원회(MRC), ESCAP 등 추진주체에 따라 다양하며, 그 분야도 汎아시아 횡단철도(TAR)를 포함하는 수송, 에너지, 통신 등의 각종 인프라 사업, 인적자원개발, 관광 및 환경 등을 포함하는 대규모 종합개발사업이다. 반면 同 유역 개발사업은 추진주체의 불명확과 개발자금동원의 한계 등으로 어려움을 겪고 있으며, 특히 1997년 후반기부터 진행된 東아시아 경제위기는 메콩江 유역개발의 당사국 뿐만 아니라 주요 참여국들에게 어려움을 가중시켰다.

메콩江 유역은 앞으로 지속적인 경제개발과 외자유치 등을 위해 도로나 에너지 등 각종 인프라의 확충이 시급한 실정이다. 그리고 최근 동남아 경제가 그 동안의 침체기를 벗어나 회복되고 있고 세계경제환경 또한 호조되고 있어 同 유역 개발전망은 한층 밝아졌다. 더욱이 1998년 9월 마닐라의 메콩江 관련국회의에서 논의된 GMS Fund가 설립된다면 유역개발사업은 더욱 활기를 띠 것으로 전망된다. 메콩江 유역이 미개척 신흥시장임에 따라 선점의 기회를 향유하기 위해 일본, 호주, 유럽 등의 관심이 고조되고 있다. 또한 이들과 밀접한 관계가 있는 기존의 ASEAN 국가들도 同 유역국가 대부분을 포함하는 '하나의 동남아(ASEAN 10)' 실현을 통해 이들 지역과의 경제협력 강화 및 유역개발 참여에 적극적이다.

우리나라의 메콩江 유역개발에 대한 관심이 고조된 것은 1996년 3월의 ASEM 전후이나, 이전부터 우리 기업들이 도로, 수력발전 등의 공사에 참여하고 있고 정부차원의 지원도 미미하지만 이미 진행되고 있는 상황이었다. 최근 우리나라도 경제위기를 겪은 바 있어 메콩江 유역개발사업에의 참여가 당장은 어려운 상황이나, 메콩江 유역과 동남아가 우리나라의 주요 경제 파트너인 점과 同 유역이 동남아에서도 가장 성장잠재력이 높다는 점을 감안할 때, 우리 정부 및 기업 차원에서 同 유역에 대한 중장기적인 참여전략수립이 요구되고 있다.

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