

“ASEAN Economic Community (AEC):
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Opening Remarks: Making Dynamic Mekong Region

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What are research and policy issues?

1. How can the Mekong region develop together?
2. Can local firms and SMEs benefit from globalization?
3. Why is the AEC necessary and what else are necessary?

Q1. How can the Mekong region develop together?

Krugman and Venables (1995) “Globalization and the Inequality of Nations”

- if transportation costs between two countries/regions are high, manufacturing will concentrate in an industrialized country/region, leaving the other one unindustrialized.
- But, if transportation costs between two countries/regions fall enough to offset the unindustrialized one’s disadvantage of being away from markets and suppliers, manufacturing will move from the industrialized country/region to the unindustrialized one.

A key parameter is cross-border transportation cost, but it is problematic

McCallum (1995)

- trade between Canada provinces is more than twenty times trade between the US states and Canada provinces after controlling for distance and size

Anderson and Wincoop (2004)

- estimated the tax equivalent border barriers cost at 44%, and whole trade costs at 170%.

Item	Unit Price (US\$)
Cross-Border Transportation From Bangkok to Vientiane, Laos	
1. Transportation by a truck from BKK port to Vientiane (from Laem Chabang)	1,150 1,250
2. Port charge in BKK	
3. Thai in-transit custom clearance at NongKhai	100
4. Documentation fee for importation in Laos including E-system	220
5. Custom clearance at border in Laos	275
6. Sub-total of cross-border transportation (3+4+5)	595

Note1: 4. and 5. includes 10% VAT in Laos.

Note2: Cross-border transportation cost/ Within Thailand transportation cost =1/6=51.7%

Item	Unit Price (Baht)
Cross-Border Transportation Cost at Thai-Laos Border	
1. Bridge transportation fee	680
2. Custom clearance of goods (at the Lao Border)	800
3. X Ray at Non Kha	100
4. Immigration of a driver (at the Lao Border)	100
5. Immigration of a truck (at the Lao Border)	750
6. Thanaleng warehouse	1,000
Sub-total of cross-border transportation (3, 4, 5)	3,430

Cross-Border Transportation facilitation measures are: (TPP obligations)

- 1. “electronic or automation systems,”
- 2. “express shipments” to be released within six hours,
- 3. “release of goods” within 48 hours of the arrival of the goods, without temporary transfer to warehouses or other facilities

Q2. Can local firms and SMEs benefit from globalization?

1. Melitz (2003) "The Impact Of Trade On Intra-Industry"

Only high productivity firms (or large scale firms) can export since export requires large fixed cost (human resources).

2. Mayer and Ottaviano (2007). *The Happy Few: The internationalization of European firms*

1. A few % of firms can export,
2. top 5% of export firm account for for 81% of German's export, and 73% of France's export

Q3. Why is the AEC necessary and what else are necessary?

1. Nowadays, digital economy is growing rapidly where young entrepreneurs operating SMEs can participate in service supply chains.
2. A new approach may work: “start-up business” by government, by cooperation from large firms, in financing, marketing, R&D.

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