

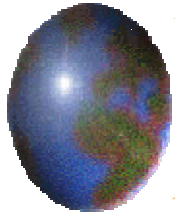


Survey on the Business Needs and Strategies in Mekong region



September 30, 2009

**Japan External Trade Organization
(JETRO)**

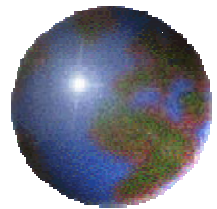


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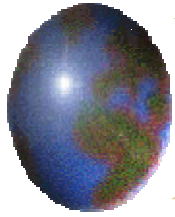
Overview of the JETRO Survey

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- . Business strategies by private companies for further improvement of connectivity inside (and beyond) the Mekong-region
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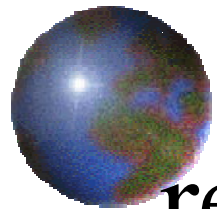


. Overview of the JETRO Survey



I. Overview of the JETRO Survey

- 1. Objective :** As agreed at the AMEICC WEC-WG on July 30th, grasp business needs and strategies of Japanese/non-Japanese companies in Mekong sub-region to identify necessary issues for further promotion of investments and industrial development.
- 2. Time period:** July to September 2009
- 3. Method:** Interview to individual companies
- 4. Number of companies interviewed: 103 (as of September 9th)**
Thailand: **40** companies Viet Nam: **24** companies
Cambodia: **9** companies Lao PDR: **14** companies
Myanmar: **4** companies Singapore (regional headquarters, etc) : **12** companies
- 5. Industrial sectors interviewed:**
Automobiles (two- and four-wheels) and parts: **14**
Electric appliances and parts: **12**
Textiles/garments: **14** Food processing : **13** Wood processing: **3**
Chemicals/petro chemicals: **2** Steels: **2**
Trading companies: **12** Tourism: **3** Finance: **3** Logistics: **8**
Others: **17**



. Attractiveness of Mekong- region as investment destinations (referential overview)



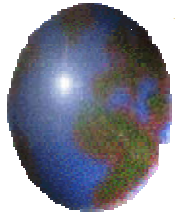
Countries and regions regarded as promising markets in the medium to long term (five to 10 years)

	Total (884 companies)		Motor vehicle ,motorcycle parts and their accessories (110 companies)		Electric and electronic parts and their components (95 companies)		Fabricated metal products (71companies)		Foods, processed agricultural and marine products (64 companies)	
		Ratio		Ratio		Ratio		Ratio		Ratio
1	India	38.1	India	49.1	China	44.2	India	32.4	Thailand	32.8
2	China	27.4	Thailand	33.6	India	32.6	Thailand	29.6	China	28.1
3	Thailand	27.0	Indonesia	28.2	Vietnam	31.6	China	28.2	Japan	23.4
4	Vietnam	25.1	Vietnam	25.5	Thailand	30.5	Vietnam	26.8	Middle East	18.8
5	Japan	18.4	China	22.7	Europe	28.4	Japan	26.8	India	17.2

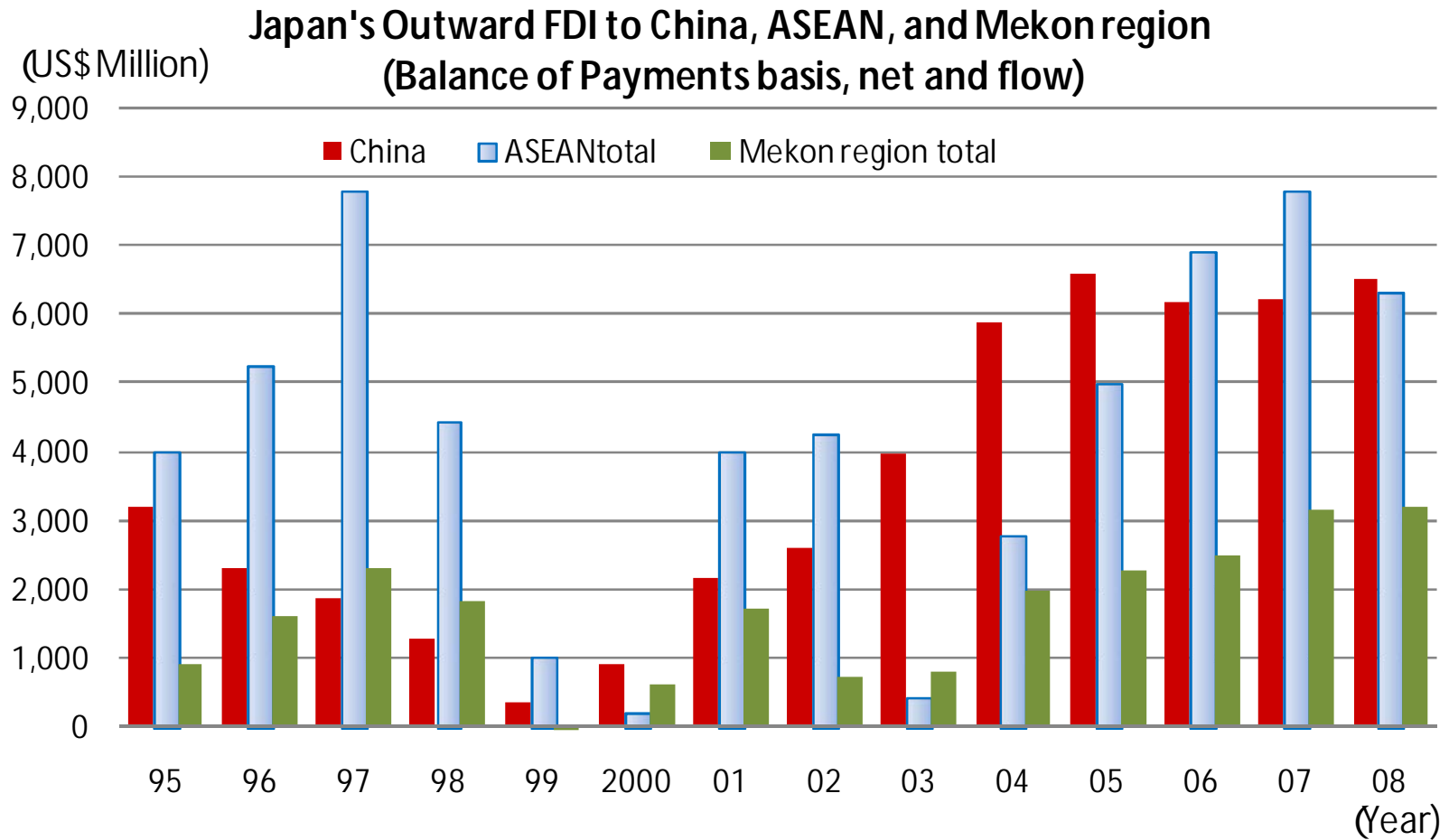
	Chemicals (64 companies)		Electric machinery and electronic equipment (60 companies)		Plastic products (56 companies)		Iron and steel (40 companies)		General machinery (40 companies)	
		Ratio		Ratio		Ratio		Ratio		Ratio
1	India	53.1	India	43.3	Thailand	42.9	India	47.5	India	72.5
2	China	34.4	Europe	30.0	China	37.5	Thailand	35.0	Vietnam	42.5
3	Vietnam	21.9	Vietnam	23.3	Vietnam	28.6	Vietnam	27.5	Indonesia	25.0
4	Indonesia	20.3	U.S.	21.7	India	28.6	Indonesia	25.0	Thailand	25.0
5	Thailand	18.8	China	16.7	Japan	25.0	China	15.0	Middle East	25.0
			Middle East	16.7						

	Motor vehicles and motorcycles (31 companies)		Nonferrous metals and products (27 companies)		Rubber products (26 companies)	
		Ratio		Ratio		Ratio
1	India	38.7	India	44.4	India	42.3
2	Indonesia	19.4	Thailand	33.3	Thailand	26.9
3	Vietnam	19.4	Vietnam	25.9	Vietnam	23.1
4	Thailand	16.1	China	25.9	Japan	23.1
5	Middle East	16.1	Japan	22.2	China	19.2
					U.S.	19.2

Source: Survey of Japanese-Affiliated Firms in Asia and Oceania (FY 2008 Survey) ₆




Transition of Foreign Direct Investments in ASEAN and Mekong region



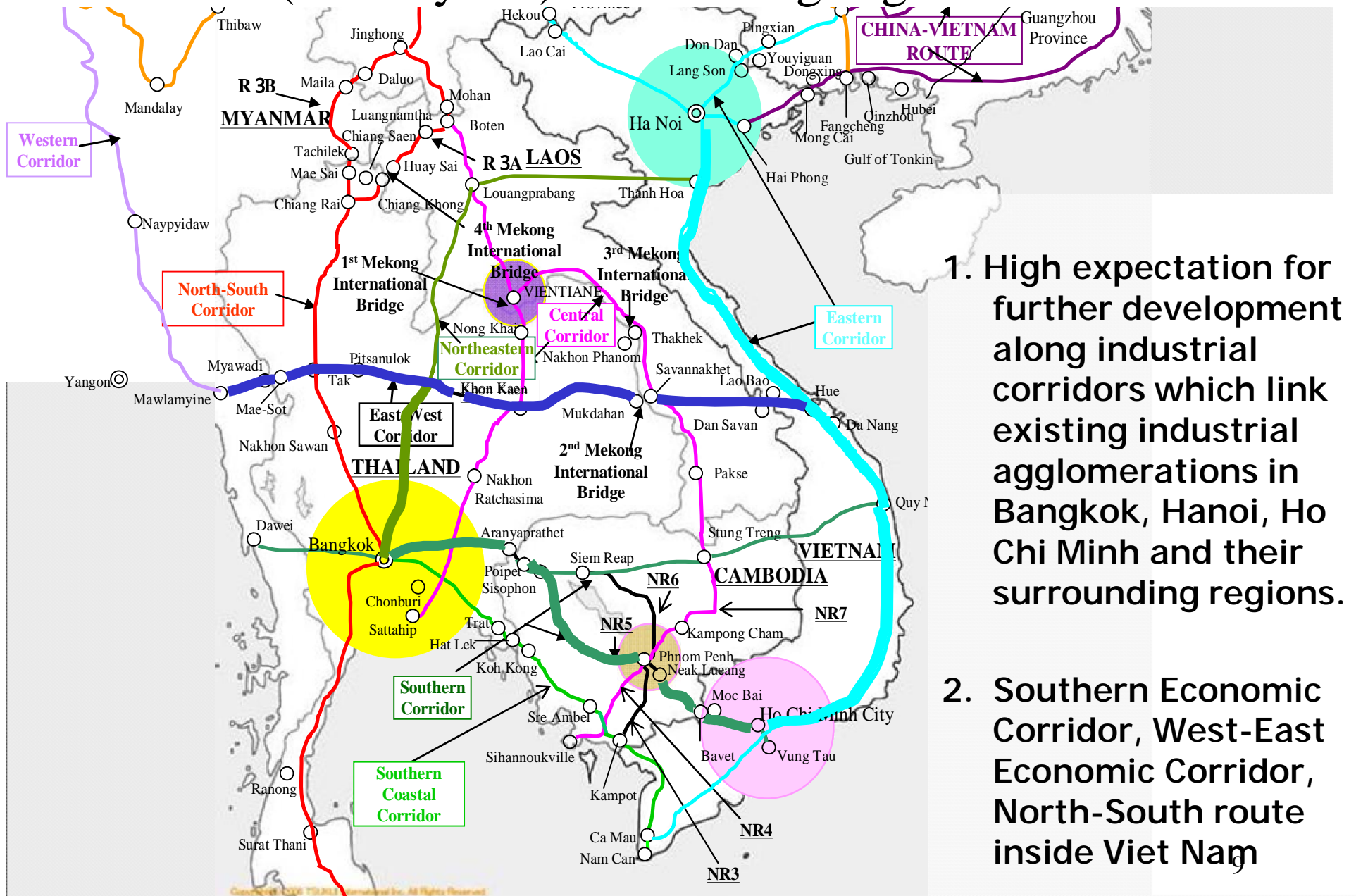
Note: Mekong region consist of Cambodia, Laos, Myanmar, Thailand and Vietnam. Due to statistical constraint, Mekong region total is calculated by deducting from the ASEAN total the figures of Singapore, Malaysia, Indonesia, and Philippines”

Sources: Prepared by JETRO from Ministry of Finance Balance of Payments Statistics and Bank of Japan foreign exchange rates.

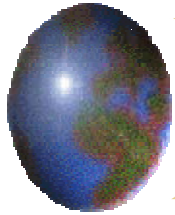


III. Business strategies by private
 companies for further improvement
of connectivity inside (and beyond)
the Mekong-region

III-1. Business strategies for the improvement of connectivity inside (and beyond) the Mekong-region



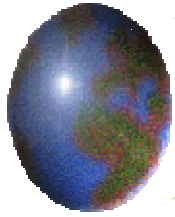
1. High expectation for further development along industrial corridors which link existing industrial agglomerations in Bangkok, Hanoi, Ho Chi Minh and their surrounding regions.
2. Southern Economic Corridor, West-East Economic Corridor, North-South route inside Viet Nam



Business Strategies attached to Industrial Corridors 1: Southern Economic Corridor

- 1) Further development as “textile/garment industries corridor” through appropriate division of labor between Thailand, Cambodia and Viet Nam
 - “Southern Economic Corridor would increase its importance as transportation route of fabrics, textiles and garments” (textile maker in TH, garment maker in VN)
 - “Currently, we already transport fabrics from Bangkok to Phnom Penh via land road. In the future, it is expected that most of the sea transportation of fabrics/textiles would be substituted by road transportation from Bangkok to Ho Chi Minh city” (textile makers in TH)

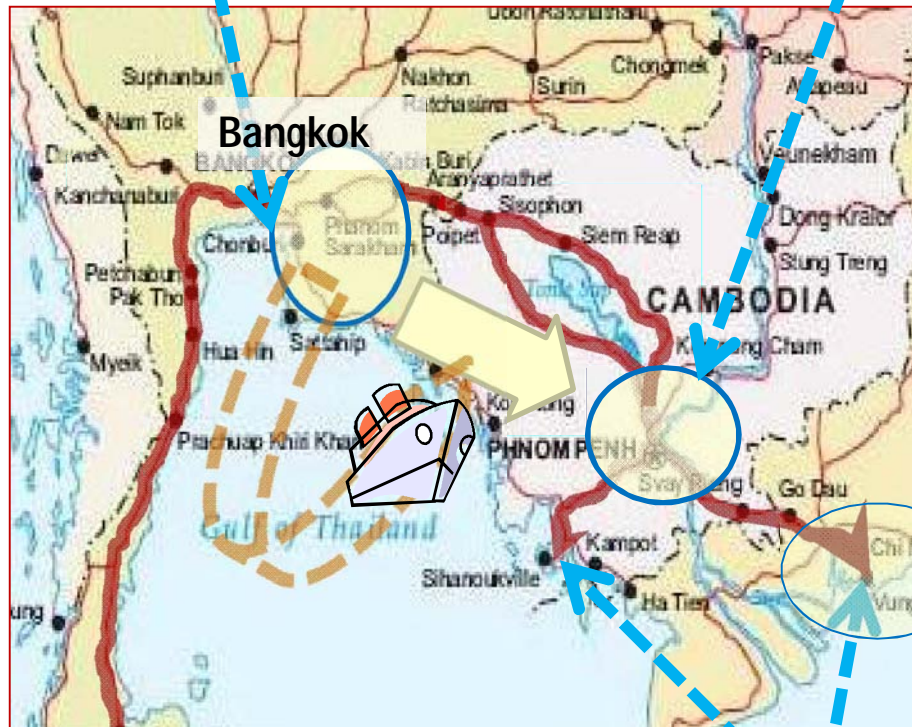
- 2) Further increase of transaction of both materials/parts and final products through the improved connectivity between three consumption basis (Bangkok, Phnom Penh and Ho Chi Minh)
 - “ If the cost of land transportation is decreased to a level that is 10%-20% higher than sea transportation, we would consider substitution from sea- to land-transportation. Currently, sea transportation from Bangkok to Ho Chi Minh takes more than 1 week by consolidated 40 feet container, but land transportation would be faster.” (auto parts maker in TH)
 - “ We highly expect the improvement of land road linking through Cai Mep-Thi Vai Basin, Ho Chi Minh city and Phnom Penh, with a view to facilitating the importation of products/materials.” (motorbike maker in Cambodia)
 - “ Improvement of bridge over Mekong River at Neak Lueang is highly expected” (textile maker in TH, motorbike maker in Cambodia)



Southern Economic Corridor as “textile/garment industrial corridor”

- Design final products (apparel)
- Produce fabrics/textiles and export to Cambodia and Viet Nam

Cut/sew/finish in Cambodia



Cut/sew/finish of apparels and production of materials/semi-finished products in Viet Nam

Improvement of road infrastructure
leads shortening of transportation
and reduction of cost.

Export to overseas (e.g.,
Japan, United States, etc)



Business Strategies attached to Industrial Corridor 2 : East-West Economic Corridor

Expansion of production network and achievement of “cross-border division of labor” through the improvement of connectivity between Bangkok and Hanoi, where automobiles and electric/electronic appliances are actively produced.

☞ Necessity of i) cost reduction by resolving “one way delivery without returning cargos” problem and ii) shortening of transportation time through improvement of infrastructures.

- “Export printer parts from Thailand to Hanoi once a week. In addition to the high transportation cost, transshipment risk (e.g., theft, breakage failure) is another big problem (electronics parts maker in TH)
- “While mainly using sea transportation, some portion of parts are exported from Thailand to Northern Viet Nam by land transportation because of the lengthy of time through shipment and high cost in air transportation” (auto parts maker in TH)
- “After the closure of Souvarnabumi air port in November 2008, we started land transportation of products from Bangkok to Hanoi, and currently the amount of land transportation is four-folds those through sea transportation.” (electronics parts maker in TH)
- “In order to carry heavier products (e.g., engine parts from Thailand, mold parts from Viet Nam), improvement and maintenance of the road is strongly needed”. (auto maker in TH)
- “ Currently, we export auto parts produced in Northern Viet Nam to Thailand via sea transportation” (auto parts maker, VN) “ Exportation of bike parts from Viet Nam to Cambodia, Lao PDR and Thailand would increase in the future. For that purpose, development of supporting industries in Viet Nam is strongly needed” (motorbike maker in Viet Nam)
- “If the Third Mekong Bridge is completed, we would use it for Bangkok-Hanoi land transportation (electric appliance maker in TH and VN, forwarders in TH and VN, auto maker in VN)



Business strategies for the improvement of East-West Economic Corridor (automobiles, etc)

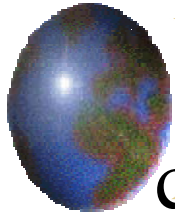


Greater Hanoi and surrounding region:
[Automobiles/parts thereof]
Toyota Group (Toyota, Denso, Yazaki, ...)
Honda (two- and four-vehicles), Yamaha
VINAMOTOR, Xuan Kien, Hyundai, Ford

[Electric/electronics]
Panasonic (television, white products), Canon (printers), LG (white products), Samsung (television, mobile phone), etc

Greater Bangkok and Eastern-seaboard region:
[Automobiles/parts thereof]
Toyota Group (Toyota, Denso, Aishin-seiki, ...), Honda, Mitsubishi, Hino, Matsuda, Bridgestone, Ford, GM etc

[Electric/Machineries]
Mitsubishi (electric appliances), Panasonic (televisions, white products), Daikin (air conditioners), Yanmar (industrial machineries) etc



Business strategies attached to the industrial corridor 3: South-North route in Viet Nam

Responding to the expanding domestic demand in Viet Nam, enhancement and facilitation of transaction in both final products and materials/parts between Hanoi (accumulation of two- and four-wheels vehicles, office electric appliances) and Ho Chi Minh (accumulation of home electric appliances, textiles and food-processing industries) is highly expected.

- "We carry approximately 0.3 million motorbikes/year from Hanoi to Ho Chi Minh. On the back-way, we transport agricultural products (e.g., pork meats, vegetables, coffee products)." (Forwarder in VN)
- "Construction of South-North highway or industrial way to link Hanoi and Ho Chi Minh is highly expected. Shortening of lead time (currently, 4 to 5 days via land transportation) is very beneficial." (electric appliance maker, auto maker, forwarder in VN)
- "In Viet Nam, where population would exceed 100 million in the near future, facilitation of the transportation of parts/materials between North and South would be significantly important in order to satisfy the domestic demand" (steel maker)

Business strategies: Improvement of South-North route in Viet Nam



Greater Hanoi and surrounding region:

[Automobiles/parts thereof]
 Toyota Group (Toyota, Denso, Yazaki, ...)
 Honda (two- and four-vehicles), Yamaha
 VINAMOTOR, Xuan Kien, Hyundai, Ford

[Electric/electronics]
 Panasonic (telephones, white products), Canon
 (printers), LG (white products), Samsung
 (television, mobile phone), etc

Besides, many companies are operating in the
 sectors such as apparel/garments, foot wears,
 food processing etc

Da Nang and surrounding region

Mabuchi motor, etc.

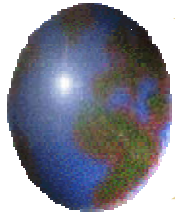
Greater Ho Chi Minh and surrounding region:

[Textiles/garment]
 VINATEX, Wacoal, Uniqlo and others

[Electric/electronics]
 Panasonic (televisions) Sanyo (white products),
 Fujitsu (personal computer), Toshiba (television)
 etc

[Steel and related materials]
 Vina Kyoiei (steel tubes, bars/rods)
(POSCO: hot-rolled, cold-rolled)
*(Sumitomo & CSC: flat rolled products for autos
 and electronics)*

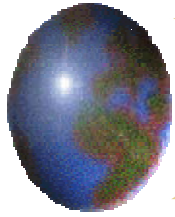
[Automobiles/parts thereof]
 Suzuki (two-/four-wheels), Vinastar (four-wheels;
 Mitsubishi), Mekong, etc and parts makers



-2. Business strategies attached to the improvement of connectivity between Mekong and emerging economies (especially, India and China)

Business strategies for the increase of exportation from Mekong to India and China (automobile, electric appliances and processed foods)

- "Currently, exportation of auto parts from Thailand to India (Chennai) are shipped through Singapore. Thus, direct link between West coast of Thailand and East coast of India would be more cost efficient." (auto maker in TH)
- "We export auto parts from Thailand to India, because of the insufficient quality of auto parts suppliers in India" (auto parts maker in TH)
- "Planning to export final products from North Viet Nam to Southern China via land transportation" (electric appliance maker in VN)
- " Currently considering the possibility of exporting to Southern China and India from Thailand" (processed food maker in TH)
- "Improvement of infrastructure in India (e.g., sea port and warehouses in Chennai, Mumbai) is strongly welcomed with a view to expanding exportation from Thailand" (electric appliance maker in TH)

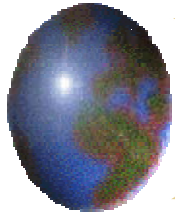


-3. Business strategies for the expansion of production network frontier-I

1. Textiles (apparels/garments)

Shift of production from Thailand and Viet Nam to Cambodia, Lao PDR and Myanmar where access to the labor market is much easier for apparel/garment companies.

- "Planning to open new production facility near Thai-Lao border area. Besides, if the land road to link Bangkok and Yangon were constructed, we can consider to contract manufacturing with garment factories in Myanmar (textile/garment maker in TH)
- "Recently, textiles/garments companies in Viet Nam has been seeking new production frontier such as i) shifting garment factories to Lao PDR and ii) starting cotton fiber production in Cambodia." (textile/garment maker in VN)
- "Planning to open new production facility near Lao-Viet Nam border area in order to facilitate exportation from Da Nang sea port via East-West Economic Corridor" (garment maker in Lao PDR)
- "If the i) expansion of East-West Economic Corridor to Myanmar and ii) permission of contract manufacturing for export purpose were achieved, we can consider expansion of production in Myanmar for the purpose of exportation to overseas, including Japan. (garment maker in Myanmar)



-3. Business strategies for the expansion of production network frontier-II

2. Food processing and wood processing companies

By utilizing advantaged primary commodities and good environment in Cambodia and Lao PDR, further development of agriculture-related, timber and processing industries are expected.

- "Currently, producing cucumber pickles at the middle of Lao PDR for the exportation to Japan" (processed food maker in Lao)
- "In order to use in the food processing factory in Thailand, we are seeking the possibility to contract with Cambodian farmers" (processed food maker in TH)
- "Considering to establish new/expand existing wood-processing factories at the middle of Lao PDR." (processed woods maker in Lao)
- "Considering to start wood-processing production in Cambodia for exportation purpose. (trading company in TH)

Reference】 Possibility of establishing special agricultural zone

Since the wide land is necessary for the agricultural production, issue of land ownership becomes a big obstacle in many cases. In order to prevent such troubles and reduce cost burden, establishment of "special agricultural zone" where the ownership problem is exempted, is strongly needed. (processed food maker in TH)



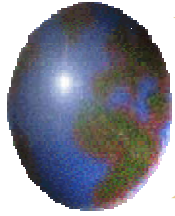
-3. Business strategies for the expansion of production network frontier-III

3. **Automobiles (four-vehicles)**: If the logistics infrastructures (soft and hard) are sufficiently improved, auto parts makers (especially, labor-intensive ones) could start production where access to labor market is easier.

- "In order to respond to the expansion of domestic demand in Viet Nam, shift of parts makers' production to Viet Nam is strongly encouraged" (auto makers in TH, VN)
- "If the soft- and hard-infrastructure in Southern Economic Corridor are sufficiently improved, there is a possibility that labor intensive parts suppliers can start production in Cambodia" (auto parts maker in TH)

4. **Motorbikes**: Possibility of expansion, upgrading and diversification (including localization) of production process in Cambodia and Lao PDR

- "Planning to open new production facility of motorbikes in the near future" (motorbike maker in Lao)
- "If the production of motorbikes in Lao PDR expands, parts suppliers would consider production in Lao." (motorbike maker in Lao)
- "Considering to start diversified production process, such as welding and coating in Cambodia." (motorbike maker in Cambodia)



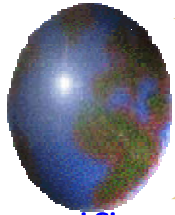
-3. Business strategies for the expansion of production network frontier-IV

5. **Electric/Electronics appliances:** Thailand and Viet Nam (especially, Greater Ho Chi Minh region) are two large production basis. Possibility of exportation from Viet Nam depends on the degree of progress in local procurement.

- "Division of labor" between Thailand and Viet Nam is already established. In this context, we recently shifted production of TV tuners from Thailand to Viet Nam" (electronics maker in TH)
- "Local procurement of parts/materials in Viet Nam has been increasing" (electronics maker in TH and VN)
- "In terms of exportation, Thailand has competitiveness currently. However, if the ratio of local procurement increases in Viet Nam, export competitiveness would be strengthened" (electronics maker in TH)

6. **Industrial/construction materials (steel)**

- "We highly expect that hard-infrastructure (e.g., railways, bridges) development in Mekong region would expand demand for steel products." (steel maker in TH)



-4. Business strategies for the development of service industries in Mekong

Specific examples of service sectors with private companies' interest

1. Retailing and distribution services

- "Upon the accession to the WTO, 100% foreign-owned investment in retailing and distribution services is permitted (January 2009). It is a big chance for Japanese retailing services" (trading company in VN)

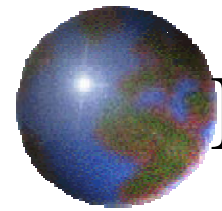
2. Tourism industries

i) Expectation for the "Mekong Historical Trail"

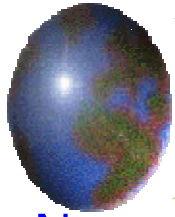
- "Under the regional cooperation among Mekong countries, it is expected to link Southern resort area of Thailand, Ayudhaya archeological sites and Angkor Wat archeological sites and name it as "Mekong Historical Trail". European countries had already made big success in linking historical sites in each of the members" (trading company in Cambodia)

ii) Improvement of tourism routes for attracting overland travelers

- "Improvement of land road has good effect on tourism industry. Transportation time between Hanoi and Gulf of Ha Long became shortened and number of tourist were increased." (tourism company in VN)
- "Construction of railroad to link between Aranyaprathet and Siem Reap is highly expected. If this railway is completed, travelers can go to Angkor Wat from Singapore and Malaysia by train." (tourism company in TH)
- "Further improvement of Southern Economic Corridor would be beneficial even for tourism industries. Besides, completion of North-South Economic Corridor will enable land transportation of sight-seeing travelers from Thailand to Yunnan (Southern China), via Lao PDR" (tourism company in TH)



IV. Request for Policy Responses



IV-1: Improvement of hard-infrastructures

1. Necessity of improving/upgrading sea ports

i) Construction of deeper sea port to strengthen connectivity with overseas markets

- "If Cai Mep-Thi Vai sea port (near Ho Chi Minh city) is developed in conjunction with Southern Economic Corridor, it has a potential to serve as the gateway of India-China Peninsula." (finance company, Singapore)

- "Further development of Da Nang Port is important. East West Economic Corridor remains ineffective and freights are transported through Bangkok unless Da Nang is developed." (processed food maker in Lao)

- "Since Hai Phong sea port is too shallow for freight ships, construction of deep sea port in Lach Huyen (offshore Hai Phong) is urgently needed (auto maker in VN)

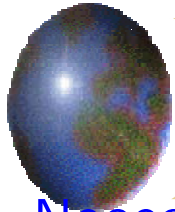
ii) Improvement of gateway in the west-side of Thailand

- "Improvement of sea ports such as Ranong and Pak Bara would be beneficial because the importation from/exportation to Middle East and/or India is facilitated." (food processing maker/electric appliance maker in TH)

- "If the deeper sea port is constructed in Dawei, it would be very beneficial from the viewpoint of both exportation and importation" (trading company in Myanmar, food processing industries in TH)

iii) Improvement of sea port in the Southern-east of Thailand (in case the steel furnace is constructed)

- "Leadership by Thai government for the development of Southern region is strongly expected" (trading companies, energy company in TH)



IV-1:Improvement of hard-infrastructures

2. Necessity of improving road infrastructures (1)

i) East-West Economic Corridor

- "In order to carry heavier products (e.g., engine parts from Thailand, mold parts from Viet Nam), improvement and maintenance of the road of East-West Economic Corridor is strongly needed". (auto maker in TH)

- "If the Third Mekong Bridge is completed, we would use it for Bangkok-Hanoi land transportation ." (electric appliance maker in TH and VN, forwarder in TH)

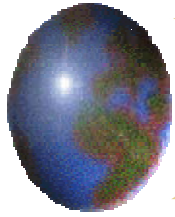
ii) Southern Economic Corridor

- "We highly expect the improvement of land road linking through Cai Mep-Thi Vai Basin, Ho Chi Minh city and Phnom Penh, with a view to facilitating the import of products/materials." (motorbike maker in Cambodia)

- "Obstacles between Ho Chi Minh City and Phnom Penh are i) insufficient improvement of national route 1 and 5 in Cambodia, which is currently single-lane and road condition becomes even worse approaching towards Phnom Penh, ii) insufficient capacity of ferry transportation in Neak Lueng and iii) risk of breakage in both road- and ferry-transportations." (motorbike maker in Cambodia)

- " Improvement of bridge over Mekong River at Neak Lueang is highly expected" (textile maker in TH, motorbike maker in Cambodia)

- "Terrible traffic jam between Cai Mep-Thi Vai and Ho Chi Minh (national route 51 in Viet Nam) should be resolved through road infrastructure development" (forwarder in VN)



IV-1: Improvement of hard-infrastructures

2. Necessity of improving road infrastructures (2)

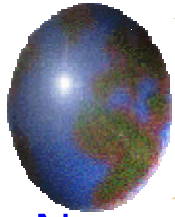
iii) Inside Viet Nam

- "Construction of South-North highway or industrial way to link Hanoi and Ho Chi Minh is highly appreciated. Shortening of lead time (currently, 4 to 5 days via land transportation) is very beneficial." (electric appliance maker, auto maker in VN)

- "Improvement of road infrastructure in the Greater Hanoi region (e.g., national route 5, 10 and 18) are necessary in order to make an access to sea port easier and facilitate export/import (forwarder in VN, tourism company in VN)

iv) Others

- Road to link Bangkok and Yangon (textile maker in TH)
- Road infrastructure around Ennol sea port (India), and so on

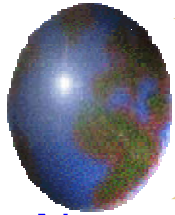


IV-1: Improvement of hard-infrastructures

3. Necessity of improving industrial railways

i) Industrial Railways

- "Since importation of petro-chemical products (ethylene) from Middle East would increase in the near future, development of Ranong seaport as gateway of these products to Mekong countries. In conjunction with the development of sea port, improvement of railway to link i) Andaman seashore and Gulf of Thailand seashore and ii) Bangkok and Ranong Seaport are also necessary" (chemical company in TH)
- "The best way to carry cargos from Yangon to Dawei should be considered. Since river transportation is risky in the rainy season, land transportation including railway would be preferable." (trading company in Myanmar)
- "Construction of railroad to link between Aranyaprathet and Siem Reap is highly expected. If this railway is completed, travelers can go to Angkor Wat from Singapore and Malaysia by train." (tourism company in TH)
- "Completion of the railway between Vientiane, Nong Khai and Bangkok (sea port) would enable cost-effective freight transportation" (garment maker in Lao)

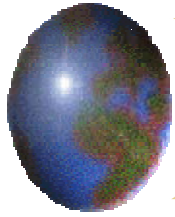


IV-1: Improvement of hard-infrastructures

4. Necessity of improving logistics parks

ii) Logistics park, inland depot

- “In the land custom (e.g., Den Sawan- Lao Bao, at the border of Lao PDR and Viet Nam), custom clearance system is more complicated than in sea port customs, because of the lack of places/systems to sort mixed cargos to each of the destinations. Thus, inland depot is necessary also for land customs” (forwarder in VN)
- “ In the Thanalene logistics park, which will be constructed by Japan’s ODA, it is so much expected that green lane for Japanese enterprises is set up for the facilitation of custom clearance” (manufacturer in Lao)



IV-1: Improvement of hard-infrastructures

5. Expectation for the establishment of high-tech industrial basis

In response to the introduction of progressed technologies in automobile industries and IT-related sectors, strengthening of R&D functions and other high-tech basis development would be necessary, especially near Bangkok and Hanoi

i) Strengthening of R&D functions

- " In order to shift the designing function from Japan to Thailand, science/engineering educational institutions should be further enhanced in Thailand in order to nurture more excellent engineers" (electric appliance maker in TH)

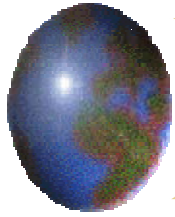
- " In the near future, it would be necessary to set up R&D function in the emerging market such as Viet Nam" (motorbike maker in TH)

- " With a view to developing Thailand as production basis, we are proposing "Science City" initiative which aims at attracting R&D function of manufacturing, medical and renewable energy" (developer in TH)

ii) High-tech production basis

- "Development of high-tech industrial zone where high-tech material and electronics industries are accumulated would be significantly important in order to achieve further development of "high-tech" cars" (auto maker in TH)

- " Viet Nam has a potential to be the hub of communication data network in Mekong, because of its geographical location." (communication company in VN)



IV-1: Improvement of hard-infrastructures

6. Expectation for the improvement of electricity and communication facilities

In order to ensure the stable operation of manufacturing and services, upgrading of electricity and communication facilities would be essential.

i) Electricity

- " Stable supply of electricity is necessary in expanding businesses to the production and sales of frozen products. Food-related industries need appropriate control of temperature and humidity." (trading company, processed food company in Cambodia)

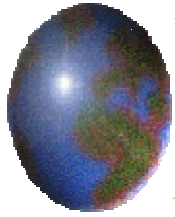
- " One of the largest obstacles in the production operation is instability in electricity. Power outage happen once a week in average" (footwear maker in Lao)

- "Electricity supply still becomes unstable sometimes even in the industrial zones where many advanced factories are accumulated." (auto parts maker, electronics maker in VN)

ii) Communication facilities (internet, etc)

- " Communication infrastructure in Viet Nam is still under-developed. Stability of supply and maintenance is insufficient." (communication company and developer in VN)

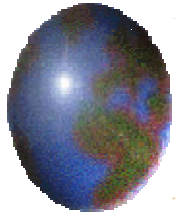
- " Speed of internet access is quite slow in Viet Nam, thus causing some communication troubles" (auto parts maker in VN)



IV-2: Improvement of soft-infrastructures

1. Facilitation of custom clearance system (e-customs, green lane, harmonization of document formats (e.g., certificate of origin))

- "For enhancing the utilization of economic corridors, improvement of soft-infrastructures such as simplification and facilitation of custom clearance system is necessary" (electric appliance maker in TH)
- "Since the application format is different country-by-country even in neighboring countries in Mekong (e.g., written in each country's own language), the procedure is complicated and time-consuming. Enhancement of electronics clearance system (e.g., EDI) is necessary" (forwarder in VN)
- "Custom in Cambodia (at Poipet) lacks computer systems. Consequently, documents (e.g., tax format) is hand-written. Thus, further facilitation by the introduction of computer system is strongly needed" (motorbike maker in Cambodia)
- "Green-lane custom clearance for textile products are strongly needed for the purpose of simplification and facilitation of custom clearance" (textile maker in VN, TH)
- "At the border customs, it is time- and cost-consuming that both side of the custom authorities inspect cargos. It is desirable to allow check by either of the two sides as sufficient requirement." (garment maker in TH)
- "24 hours custom service is strongly requested" (electronics parts maker in VN)
- "Sometimes, tariff rate imposed on the same product differs by the discretion of officers" (industrial zone administrator in VN)
- "Harmonization of preferential Rules of Origin among several FTAs is strongly needed. Formats, attachment of invoices and cost-analysis methods are different in each of the FTAs. We receive many requests for its harmonization from shippers" (forwarder in TH)

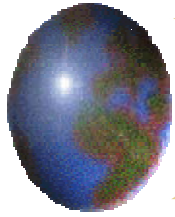


IV-2: Improvement of soft-infrastructures

2. Prompt implementation of Cross-border Transportation Agreement (CBTA) and abolishment of transshipment requirement

- "With a view to facilitating the land transportation between multiple Mekong countries, early implementation of CBTA is highly expected." (electric appliance maker in TH, processed food makers in Lao and TH)
- "In the land transportation in Mekong region, we always face with the transshipment risks (e.g., theft, breakage, distribution to wrong destination etc) . Thus, direct carriage by the same truck is necessary." (electric appliance maker in TH)
- "In the case of land transportation from Bangkok to Cambodia, it is required to change trucks. In order to abolish the necessity of transshipment, early implementation of CBTA is strongly required" (garment/textile maker in TH, processed food maker in TH, motorbike maker in Cambodia)
- "Triple license, which started from June 2009, has not been used so far, because i) the running range is restricted only on East-West Economic Corridor, ii) the price becomes relatively higher" (forwarder in VN)
- "In order to enhance the attractiveness of Mekong-region as single travel destination, procedures required for tour buses in trans-boundary movement should be more simplified." (tourism company in VN)

CBTA: Signed by the Leaders by 6 countries (Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam and China) in 2007. The main purpose of the agreement is the facilitation and simplification of procedures required for cross-border cargo transportation. CBTA consists of basic agreement, 16 annexes and 3 protocols ³¹



IV-2: Improvement of soft-infrastructures

3. Other soft-infrastructures to be improved

Human resources development

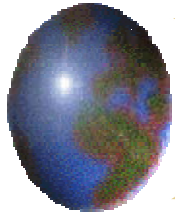
- "Human resource development in CLM countries, especially in manufacturing sector (Monozukuri) is strongly encouraged" (auto parts maker in TH)
- "Human resource development in Mekong countries should be focused on nurturing excellent young workers/engineers who graduated from industrial high school" (electric appliance maker in TH)
- "Engineer-level skilled workers should be increased through improvement in high schools and vocational training schools" (parts maker in Lao)
- " Cost of hiring workers fluent in Japanese is relatively expensive" (auto/electric parts maker in VN)

Supporting industries development, especially in Viet Nam

- " Exportation of bike parts from Viet Nam to Cambodia, Lao PDR and Thailand would increase in the future. For that purpose, development of supporting industries in Viet Nam is strongly needed" (motorbike maker in Viet Nam)
- "In order to cope with expansion of domestic demand in Viet Nam, parts makers' production shift to Viet Nam is strongly encouraged" (auto makers in TH, VN)
- "In terms of exportation, Thailand has competitiveness currently. However, if the ratio of local procurement increases in Viet Nam, export competitiveness would be strengthened" (electrics maker in TH)

Special Economic Zone (SEZ) development

- "SEZ function should be further improved. Government agencies in charge of SEZ are not able to address problems inside SEZ such as shortage in the supply of electricity and water and sewerage systems. Officials of customs etc are not dispatched to One-stop service center in SEZ. " (processed foods manufacturer in Cambodia)
- "Since the wide land is necessary for the agricultural production, issue of land ownership becomes a big obstacle in many cases. In order to prevent such troubles and reduce cost burden, establishment of "special agricultural zone" where the ownership problem is exempted, is strongly needed" (processed food maker in TH)

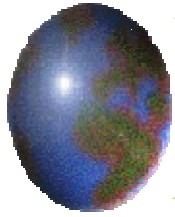


IV-2: Improvement of soft-infrastructures

3. Other soft-infrastructures to be improved (cont)

Improvement of transparency

- "Ordinary problem we face is the "payment for which we cannot get receipt". Resolution of this issue is strongly expected." (manufacturer in Cambodia)
- "Considerable amount of money and time are usually spent for the custom clearance. Improvement of such procedures are strongly needed" (manufacturer in Cambodia)
- "Consistency and transparency of regulatory measures are necessary. For example, introduction of value-added tax in 2009 caused a lot of troubles and postponed to January 2010." (manufacturer in Lao)
- "In the process of exportation and importation to other countries, we have to pay "under-table money" which would unnecessarily increase the transaction costs" (manufacturers in Cambodia, Lao and Viet Nam)
- "Sometimes, tariff rate imposed on the same product differs officer-by-officer" (industrial zone administrator in VN)
- "Operation of regulatory measures tends to lack transparency and measures are sometimes subject to unexpected change afterwards. For example, we imported auto parts by utilizing duty free scheme under AICO. However, after the expiration of the scheme, we were requested to restore exempted tariffs" (trading company in TH)



IV-3: Other matters

1. Issues of regulatory measures in each of the Mekong countries (specific examples)

Thailand:

- "Deregulation of remittance of foreign currency by Regional Operating HQ would be preferable " (financial company in TH)

Vietnam:

- "On transshipment, customs requires many documents (list of loaded items) which are normally not required at other countries' ports. It is necessary to develop law and regulations on transshipment " (logistics company in VN)

Cambodia:

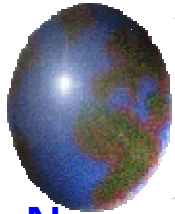
- "Overseas remittance from Cambodia is subject to 14% bank charge fee. Thus, cash transfer from Cambodia is extremely difficult" (manufacturer in Cambodia)

Lao PDR:

- "Lao Government admits imported goods as "materials for production" only 6 months from the date of importation. However, sometimes "materials for production" are not used for production more than 6 months. In these cases, we cannot send back it to materials producer unless we don't apply for extension." (parts maker in Lao PDR)

Myanmar:

- "Permission procedures of exportation and importation should be simplified. It takes more than 3 weeks to get permission." (garment maker in Myanmar)
- "Duration of import permission (3 months) is too short. For example, in importing automobiles from Thailand, it will take more than 2 months for production and takes more time to adjust to Myanmar regulation (change from left handle to right handle, etc)" (trading company in Myanmar)



IV-3: Other matters

2. Necessity to improve financial schemes and other market environments

i) Possibility of infrastructure finance and funding through Public-Private Partnership (PPP)

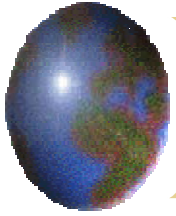
- "In general, country risk is relatively high in making a loan for emerging economies. Especially, for the case of Cambodia and Lao PDR, we cannot take high risk in the initial phase" (financial company in TH)
- "Risks in infrastructure development is too high for only private sectors to owe. In developing infrastructures under PPP, public agencies are highly expected to take risks to a certain degree." (financial company in Singapore)
- "Strengthening of public credit guarantee system for SMEs would enable them to receive financial support in a smooth and timely manner" (finance company in TH)

ii) Financing of foreign currencies

- "Foreign currencies are severely insufficient in Viet Nam, because state-owned enterprises and private investors don't sell U.S. dollars anticipating decline in the value of Viet Nam Dong. Consequently, exporting companies cannot obtain dollars to procure parts/materials from overseas. As for the resolution, Government should introduce such measures as to i) restrict the total amount of dollar holding, ii) intervene to the market to break the image of lower dong rate and iii) procure dollars and pump them into the market" (financial company in Singapore)

iii) Intra-group transfer of money

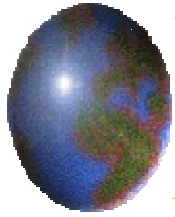
- "In order to improve the effectiveness of intra-group utilization of money, restriction on intra-group money transfer should be exempted especially for manufacturing industries" (finance company, TH)



IV-3: Other matters

3. Utilization of advantages of Mekong countries such as GSP rate and LDC Preferential Duty Free Scheme

- "Recently, Vietnamese textile companies have been shifting to Cambodia, where LDC Preferential Duty-free Scheme is available" (garment maker in VN)
- "We chose Cambodia/Lao PDR as production basis because we can export to Japan under LDC Preferential Duty-free Scheme" (footwear makers in Cambodia and Lao)
- "We use GSP tariff rate in exporting televisions and digital cameras to European Union. Under the GSP scheme, tariff is reduced from 14% in MFN rate to 5-6 %" (electric appliance maker in TH)



IV-3: Other matters

4. Possibility of new “cross-border division of labor” as the result of progress in regional economic integration

“Cross-border division of labor” by utilizing ASEAN-Japan Comprehensive Economic Partnership (AJCEP)

- “Since Thailand entered into force of AJCEP in June 2009, new product operation by integrating all Mekong countries is expected.” (textile maker in TH)

- “ Upon the conclusion of AJCEP with two-processed accumulation rule inside ASEAN, cooperation among textile industries in ASEAN has been enhancing through AFTEX. The objective is to achieve i) expanding materials production in Thailand and Indonesia, ii) production of intermediary goods and high-end apparels in Viet Nam, and iii) shift of garment production to CLM countries” (textile maker in VN)

Expectation for further progress in regional economic integration in East Asia

- “We have been supporting the progress in AFTA-CEPT and ASEAN+1 FTAs as effective tools to expand exportation. In this connection, we also support further expansion of regional FTAs, such that under ASEAN+6 framework” (textile maker in VN)

- “ Currently utilizing Thailand-India FTA (early harvest program) and ASEAN-China FTA in exporting to these large market countries. Regional-wide FTA in East Asia would increase these opportunities” (auto parts makers in TH)