URBAN DEVELOPMENT IN THE GREATER MEKONG SUBREGION

ASIAN DEVELOPMENT BANK
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Chapter 5
Promoting and Scaling Up Cooperative Urban Development: A Perspective from the People’s Republic of China via Yunnan Province

Xiangming Chen

Introduction

The Greater Mekong Subregion (GMS) has recently turned 20. As a collective unit, the GMS has become more linked and increasingly integrated as its member economies have grown rapidly through more trade, investment, and other ties with one another. According to the recent report The Greater Mekong Subregion at 20: Progress and Prospects by the Asian Development Bank (ADB), economic growth in the region has averaged close to 8% per year throughout the 2 decades, with most countries growing more rapidly in the second decade than in the first. Given the overall growth record of the People’s Republic of China (PRC), its two subnational units in the GMS—Guangxi Zhuang Autonomous Region (Guangxi) and Yunnan Province (Yunnan)—have a close to double-digit growth rate, while most of the other countries have consistently averaged between 6% and 8% per year, with the exception of Thailand’s more mature economy. Fast growth has also reduced poverty rates by more than half in Cambodia and the Lao People’s Democratic Republic (Lao PDR), both the poorest countries in Asia and the world.¹ This is a significant achievement in a relatively short time span considering Cambodia, the Lao PDR, and Myanmar were ranked at the bottom, even among least developed countries. Their lagged development at the outset of the GMS Program was in different ways and to differing degrees linked to their geographic locations, colonial histories, ethnic and military conflicts, and socialist legacies. Without the GMS as the initial trigger and continued stimulus, its member countries would not have done nearly as well as they have.

The collective progress of the GMS countries benefited most from the growing openness and linkages to one another under a cooperative framework. According to ADB, the openness ratio—or the ratio of total trade to gross domestic product (GDP) for all GMS countries—increased greatly, albeit unevenly, over time. Their incoming foreign direct investment also rose more than tenfold, and in some cases even higher. Intra-GMS trade grew 22% per year between 2000 and 2009, even though it still accounts for only 6% of total GMS trade. This pace and scale of cross-border economic flows fostered tendencies and movements in regional integration with the growing spread of agglomeration benefits. By this aggregate economic measure, the GMS is a major success story that has been well documented by ADB.

Beyond and beneath the national and regional views, there lurks another layer of the GMS that lagged in development—connections among the cities within and across the member countries. Given the expansive geographic territories, agricultural lands, and multiple borders within the GMS boundary, rapid economic development in member countries over the last 20 years is unlikely to evenly benefit all of their subnational parts. To achieve more balanced subnational development, the cities—large or small—in GMS countries will need to play their individual and collective roles more effectively to generate local growth, stimulate regional development, contribute to national welfare, and foster GMS and even global integration. This is a difficult proposition because besides the national capitals, there are few cities of sufficient demographic and economic scale and strength in the GMS. Moreover, these noncapital cities are located unevenly across space, weakly connected, and quite limited in functioning as regional centers to facilitate broader development. While this may not be unique to the GMS, it raises the timely question of how to promote and guide regional development of cities within and across national boundaries, which can help propel the GMS to the next and more successful stage of development.

Reassessing Regional Urban Development

Urban development, or the growth and changing functions of cities, always occurs in some sort of regional context. In fact, the regional dimension and connections of cities long predate their positions in any kind of national urban system and policy environment, because cities and regions are much older than the modern sovereign nation-state in its legal territorial form, which formally
came into existence with the Peace of Westphalia in 1648. For centuries, if not longer, the regional context of cities was shaped and constrained by natural geographic endowments such as location on or by oceans, rivers, or valleys. Increasingly longer distance trade, in conjunction with industrialization, overcame some regional territorial barriers and reinforced several regional comparative advantages to facilitate inter-city economic connectivity and functional division of labor. Some aspects of this regional urban change were captured by the German geographer Walter Christaller in his Central Place Theory in the first half of the 20th century. He saw a regional urban system in which the cities or urban settlements are arrayed hierarchically to provide services to surrounding areas in a fairly regular and predictable spatial pattern. This model crystalized the classical notion of natural economic regions as more or less closed containers of functionally and spatially linked cities with surrounding rural hinterlands.

Central place-like regional systems also emerged and existed robustly in many parts of pre-1949 rural PRC. G. William Skinner provided an extensive treatment of this development. The PRC’s rural marketing systems consisted of settlements that performed central place economic functions in a regular hierarchy. Skinner identified three levels of central places: standard market town, intermediate market town, and central market town, each of which had a market that served a corresponding area. A local or regional city stood above the central market town and served a larger and more urbanized marketing area. Urbanization in many parts of Asia from the 1960s exhibited an extended metropolitan form of mixed urban and rural characteristics and processes by which major cities spilled out uneven industrial, commercial, and residential development into the agricultural hinterlands. Some aspects of these earlier regional systems and processes of both rural and urban attributes have survived despite varied national policies and planning—albeit in altered forms—in several GMS countries through the eras of socialist planning and subsequent market transition.

A regional perspective on cities has recently taken a new turn, deviating from the vibrant path of research on global cities and primary cities from the 1980s. This has stemmed from a growing literature on the renewed importance and dynamics of varied forms of regions and regionalism. This research has

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recognized the “crucial middle” role of regions in bridging and integrating global, national, and local economies. This role also turns regions into highly contested terrains for the diverse tensions and outcomes of economic integration, or lack of it, to play out. These include simultaneous tendencies in competitive and cooperative policies and practices of subnational and local governments against those of global and local firms, as well as shifting opportunities and constraints on economic development.5 Looking at cities from this renewed perspective on regions helps us see more clearly how to balance the opportunities and constraints facing the cities in the GMS.

A revived focus on cross-border or transborder regions has added another analytical wrinkle and policy complication to understanding the multiple layers of the city–region nexus. In an earlier book, I characterized trans-border regions as having simultaneous tendencies toward both integration and fragmentation.6 This contradiction arises from a transborder region like the GMS being composed of multiple national and subnational politico-economic and territorial units. It has a set of complex economic, political, and spatial relations among the units, because they are linked (i) with outside units within countries, (ii) among the units within the region across borders, and (iii) with external units beyond the region. The integration of transborder regions can be both state-directed and market-led and involve social networks and nonstate actors. Transborder regions are also shaped by the twin processes of debordering and rebordering, which reinforces borders as porous, mutating spaces rather than fixed lines. Debordering is characterized by the role of borders shifting from barrier to bridge, turning some marginal and remote border cities and areas into dynamic and networked centers and hinterlands. Rebordering refers to the state imposing or reimposing control or regulation over borders so as to stem the phenomena of terrorism and other illegal crossings such as drugs and human trafficking. Nevertheless, the territorial authority of the state can be unsettling by other border-making capabilities that include global city-based financial networks and multi-sited, translocal movements.7

Given these internal and external factors, cities located in transborder as opposed to within-country regions are exposed to new opportunities for development

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associated with the cross-boundary flows of goods, services, and people. At the same time, they are also subject to certain unfavorable conditions such as marginal locations, relatively small markets, insufficient support from national governments, less developed transportation infrastructure, and potential cross-border conflicts. It is the coexistence of these two opposing sets of forces that determine the success of urban development or the lack of it in a transborder region like the GMS.

Two International Cases and Their Implications for the Greater Mekong Subregion

In understanding the urban scale and intercity cooperation of the GMS, we can look briefly at two cases in the Asian context that are both similar to and different from the GMS, and thus may carry a few pertinent lessons. Unlike such formal regional blocs as the European Union formed through negotiated treaties among nation-states, the GMS features a certain degree of interstate participation with ADB’s facilitation. The inclusion of Guangxi and Yunnan as the subnational administrative entities of the PRC adds a less formal or more subnational political layer and a prominent cross-border dimension to the GMS. An analytical and policy shift to urban development in the GMS points to the value of learning about how cities located in less developed territories and near or on borders fare in fostering or inhibiting broader regional integration and development.

The Greater South People’s Republic of China Subregion

Given this analytical complexity, I have simplified the earlier and recent findings from my research in this scheme which shows that the dominance of export-oriented manufacturing in the Pearl River Delta (PRD) is embedded in its regionalized, global–local production linkages through global production chains that span Taipei, China; Hong Kong, China; and the PRD cities in Guangdong Province. It displays the complementary inputs from and the functional linkages among the four geographic nodes of commodity chains that connect the PRD to the global economy through Hong Kong, China and Taipei, China. For example, toys are designed in Hong Kong, China; assembled in the PRD, often with a chip made in Taipei, China for talking dolls; and finally packaged in and shipped from Hong Kong, China to world markets. The commodity chain structure of labor-intensive industries in the PRD reveals both the cooperative and competitive
aspects of industry-level, inter-firm ties among the PRD; Hong Kong, China; and Taipei, China. The broad distribution of benefits for the different nodes (cities and region) of a given chain varies according to their relative position on and contribution to its overall value. Generally speaking, multinational companies are most profitable by controlling marketing and retailing. Firms from Hong Kong, China and Taipei, China control the less profitable segments of order receiving and manufacturing services, while factories in the PRD cities profit the least by occupying the middle segment of manufacturing (footnote 7).

Studying the Greater South People’s Republic of China Subregion (GSCS)—the PRD in particular through this analytical approach—also highlights the varied and generally complementary roles of core, secondary, and peripheral cities in shaping the production chains within and through a regional urban system. This shifts from a horizontal to a vertical analysis of how cities of different sizes and complexities function both independently and interdependently with one another regionally. While Hong Kong, China and Shenzhen are the dominant cities in the region, relevant lessons for the GMS are more likely to arise from looking at the role of secondary cities like Dongguan. Dongguan is a favorably located secondary city in the PRD bordering Shenzhen (and thus close to Hong Kong, China) and located by the railroad between Guangzhou and Hong Kong, China. This location, coupled with its flexible policies and incentives, has turned Dongguan into one of the “hottest” spots for investments from Hong Kong, China and Taipei, China in over 15,000 enterprises. These accounted for 80.0% of Dongguan’s gross industrial output, 62.5% of its economic growth, and 90.0% of its exports in 2002, pushing Dongguan up to the PRC’s third-ranked city in exports volume behind Shanghai and its more powerful neighbor Shenzhen.8

A rural township surrounded by rice fields and known for growing lychee fruit in the 1980s, Dongguan has risen to a large manufacturing center that stretches 2,520 square kilometers (km²) and includes about 8 million people today. With large revenues from leasing increasingly valuable land for building factories, the local government is capable of funding the entire primary and secondary education at no cost to residents, and of experimenting with completely free health insurance and old-age pensions. The level of wealth in Dongguan households is reflected in a 20% ownership of private cars, the highest of all cities in Guangdong Province and one of the highest in the PRC (footnote 7).

The city today even boasts the world’s largest shopping mall with a gigantic entertainment park—the New South China Mall—which, however, has attracted only a small number of businesses, customers, and tourists.

Overall, the GSCS is a mature and successful region. Its success stems from the comparative advantages of the four main units (Fujian; Guangdong; Hong Kong, China; and Taipei, China) in creating a powerful synergy for rapid growth and integration. Economic complementarity among the constituent units of the GSCS has created direct and strong linkages between the global and local economies via investment flows and production chains. These flows and linkages allow cities in the PRD to become differentially specialized centers of low-cost manufacturing such as Dongguan. However, this distinctive strength shows an increasingly vulnerable side, as rising labor costs and shortages have slowed down the region’s growth—especially during the global financial crisis—triggering a difficult process of industrial upgrading.  

If the GSCS, or the PRD more precisely, provides a successful reference or positive lesson for the GMS, the Greater Tumen Subregion in Northeast Asia offers a few potentially negative lessons that may be more pertinent to the GMS.

The Greater Tumen Subregion

The Greater Tumen Subregion (GTS) emerged in 1991 when the United Nations Development Programme (UNDP) initiated the Tumen River Area Development Project. The original core of the GTS was labeled the Tumen River Economic Zone, which was anchored on the border city of Hunchun in Jilin Province of the PRC, the border port city of Sonbong of the Democratic People’s Republic of Korea (DPRK), and the port city of Posyet in the Khasan Region of the Russian Far East (RFE). In 1994, this zone of 1,000 km² was enlarged into the Tumen River Economic Development Area, which covered approximately 10,000 km² and was bounded by the border city of Yanji in the PRC, the port city of Chongjin in the DPRK, and Vladivostok and Nakhodka of the RFE. On an even larger scale, the region and its hinterland constitute the spatial core of Northeast Asia encompassing northeastern PRC, the Republic of Korea, Mongolia, the DPRK, and the RFE, especially its eastern section. In 2005,

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this regional project was transitioned to the four member states of the PRC, Mongolia, the Republic of Korea, and the Russian Federation and rebranded as the Greater Tumen Initiative (GTI). The member states agreed to extend their cooperation for another 10 years via the GTI Strategic Action Plan, 2006–2015. Under this most recent cooperative framework, the Greater Tumen Region is defined as comprising four provinces in the PRC: Heilongjiang, Inner Mongolia Autonomous Region, Jilin, and Liaoning; four Eastern port cities of the Republic of Korea: Busan, Gangwon-do, Gyeongsangbuk-do, and Ulsan; three provinces of Mongolia: Dornod, Hentii, and Sukhbaatar; and Primorsky Territory of the RFE. To draw more relevant implications for regional urban development in the GMS, I focus on the more narrowly defined GTS, especially on the cities and their interconnections in the broader border zones across the PRC, the DPRK, and the RFE.

The GTS has an uncanny similarity to the GMS in featuring the interactions among the socialist and postsocialist border (and hence peripheral) areas—the PRC, the Russian Federation, and the DPRK—in the Asian and global economy, mostly via border trade. Since the early 1990s when relations between the DPRK and the Russian Federation began to decline, the PRC has supplied about one-third of the DPRK’s imports, especially oil and grains. The period 1991–1994 saw the most rapid growth of Jilin Province–DPRK trade. The number of traded items went from 217 in 1987 to 230 in 1994. The number of PRC and DPRK companies involved in trade rose from 20 in 1991 to over 110 in 1994. The volume of trade between Jilin’s Yanbian Prefecture (with its large population of Korean descent) and the DPRK surged from $75 million in 1991 to $310 million in 1993, which accounted for nearly 70% of Yanbian’s total foreign trade and about 60% of Jilin’s total trade with the DPRK that year.

In the GTS, the border city of Hunchun in Jilin Province has been an important frontier center due to its favorable location. Centrally situated at the trilateral borders of the PRC, the DPRK, and the RFE, Hunchun has the closest and most convenient access to the railroad and road termini near the DPRK and RFE borders. Following the onset of the Tumen River development in 1992,

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11 Footnote 8, p.3.
Promoting and Scaling Up Cooperative Urban Development

sponsored by the UNDP, Hunchun was chosen by the central government to be among the first group of officially designated open border cities and was allowed to set up the first Border Economic Cooperation Zone in the PRC. It received infrastructure investment totaling $150 million from the state. In April 2000, the national government approved the establishment of the Hunchun Export Processing Zone. In February 2001, the national government approved the Hunchun PRC–Russian Federation Free Market and Trade Zone, which offered financial incentives and procedural conveniences, including visa-free entry for Russian traders and duty-free exodus of Russian goods.

The GTS has benefited little from the positive forces of economic globalization via production-driven trade as in the GSCS. Instead, its development and integration have been constrained by unfavorable internal economic conditions, limited and late political decentralization, underdeveloped transportation infrastructure, and the lack of complementarity among the participating units of the GTS. The limited inflow of global capital and export-oriented manufacturing due to the peripheral location of the GTS have imposed an external constraint on PRC border cities like Hunchun to develop beneficial translocal and global ties. Except for the PRC, the national and regional governments of the RFE and the DPRK have severe financial constraints that prevent them from upgrading their segments of the cross-border transportation infrastructure. As a result, the serious dearth of physical or territorial connections in the GTS will persist for a long time and thus inhibit long-term regional growth and integration.

On the surface, the GTS appears to resemble the GMS in having a major international organization (i.e., UNDP) as a key facilitator, a large frontier and underdeveloped cross-border region, a small and unevenly distributed number of relatively small cities, and a lack of transportation connectivity among them. At a deeper level, the differences between them are much more important. The GTS does not have nearly the economic diversity and dynamism of the GMS and has to deal with the political isolation, economic malaise, and military threat of the DPRK. Even the later involvement of the Republic of Korea and Mongolia is shallow and distant. The GMS, however, has enjoyed 2 decades of deeper economic cooperation that is now setting the stage for shifting the development priority to the urban scale, albeit against its own constraints and opportunities.
Urban Development in the Greater Mekong Subregion: Constraints and Opportunities

What are the most relevant lessons from the GSCS or PRD and the GTS for the GMS? In mutually reinforcing and contrasting ways, the two cases illustrate an essential set of factors such as a tiered urban hierarchy, clear functional specialization, and strong transportation linkages that make cities effective in regional growth and integration. To assess how these factors operate in the GMS context, a wider look at the systemic attributes of the GMS cities must be undertaken to see how their positional and relational roles are shaped by critical conditions at the local, national, and global scales.

Salient Characteristics of the Greater Mekong Subregion Cities

Major and minor cities tend to grow individually while connecting to each other in favorably endowed regions that, for example, normally benefit from opportunities provided by an important river. Despite the shared rich water resources of the Mekong River, the GMS has not bred a regional urban system featuring a high level of urbanization, cities of tiered scales and functions, and strong inter-city connections. This current state of urban development could be attributed to the colonial history, a remote frontier status, and a low level of economic development, but it is a given and must be documented and dealt with. All GMS countries show a relatively low level of urbanization, below the world and Asian averages through 2010 (Table 5.1). It is worth noting that even the most urbanized of the GMS members—Guangxi and Yunnan—remained lower than the national level of urbanization of the PRC. Several member states of the GMS experienced accelerated urbanization during 1990–2003. Guangxi, Yunnan, and the least urbanized countries of Cambodia and the Lao PDR urbanized most rapidly. All the GMS countries experienced slower urbanization more recently. Generally speaking, all GMS member countries have entered the stage of urbanization (over 30%) that is usually associated with fast economic growth anchored to cities of a larger size with more functional strength.

While the level of urbanization in the GMS has been relatively low, there is a persistent dominance of a few major cities that are also capitals of their respective countries. Table 5.2 displays the ratio of the capital cities’ population to the total urban population in GMS countries. While not the most conventional measure of urban primacy, which ranks the largest city against the second-largest city and the smaller ones in an urban system, the data in Table 5.2 confirm the disproportionately large size and weight of the capital city in the GMS countries. Besides the extreme primacy of Bangkok, Phnom Penh
<table>
<thead>
<tr>
<th>Area</th>
<th>Urban Population (10,000)</th>
<th>Urban Population (%)</th>
<th>Urban Population Growth (annual %)</th>
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<tr>
<td>World</td>
<td>226,330</td>
<td>301,570</td>
<td>350,000</td>
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<td>Asia</td>
<td>103,228</td>
<td>161,436</td>
<td>184,773</td>
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<td>PRC</td>
<td>31,110</td>
<td>49,800</td>
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<td>Guangxi</td>
<td>628</td>
<td>1,235a</td>
<td>1,842</td>
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<td>Yunnan</td>
<td>618</td>
<td>1,127</td>
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<td>Thailand</td>
<td>1,040</td>
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<td>Myanmar</td>
<td>1,000</td>
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<td>Viet Nam</td>
<td>1,340</td>
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<tr>
<td>Lao PDR</td>
<td>60</td>
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<tr>
<td>Cambodia</td>
<td>120</td>
<td>250</td>
<td>280</td>
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... = data not available, Lao PDR = Lao People’s Democratic Republic, PRC = People’s Republic of China.

*a Data for 2000 as data for 2003 are not available.

*b For 1990–2000 and 2000–2010, respectively.

accounted for about half of Cambodia’s total urban population around 2000. Over time, however, the demographic dominance of these cities has declined and is projected to drop further by 2015 as the growth of secondary and other cities is expected to pick up speed. Guangxi seems to be an exception as its capital city of Nanning has grown faster than the other cities of the region. Still, strong urban primacy is not good for each GMS country in that it perpetuates the overconcentration of resources in a single city at the expense of secondary and even smaller cities. Given its vast geographic territory, the presence of very few large cities can only play a highly limited role in stimulating and coordinating broader regional development. The GMS countries have very few and sufficiently large secondary cities to help transmit and relay development impulses to the more distant hinterlands.

The overall low level of urbanization coupled with the dominance of a few capital cities in the GMS means that only this handful of urban centers have more diversified functions and that most other relatively small cities are narrowly specialized in single sectors like trade, transportation, and tourism, with little local manufacturing strength. They are also spread unevenly over large distances and are thus incapable of generating many economic linkages and spillovers within and across the GMS countries such as those that have taken place in the PRD as discussed earlier. These characteristics of the GMS cities appear to present more constraints than opportunities for cooperative and integrated regional development.

New Opportunities and Influence from Yunnan Province

As urban development in the GMS is emerging as a polity priority for the next phase of its development, the region is facing new opportunities unleashed by strong and targeted policies from the Government of the PRC and Yunnan. On 6 May 2011, the State Council of the PRC issued an important document entitled “Supporting the Accelerated Construction of Yunnan as the Important Outpost for the Southwest Region,” which tasked the capital city of Kunming to become the international hub for PRC’s southwestern region facing the GMS. Symbolically, Yunnan’s tallest building is rising in Kunming’s Panlong District, which will serve as the financial and commercial zone for the local presence and regional expansion of multinational companies. This is only one important component of a broader and ambitious plan to build Kunming up and out as a comprehensive center for trade, transportation, tourism, education, and

Table 5.2: Urban Primacy in the Greater Mekong Subregion Countries (Percentage of Total Urban Population in Largest City), 1960–2015, Selected Years (%)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Kunming, Yunnan Province, PRC</td>
<td>28.0</td>
<td>40.4</td>
<td>34.5</td>
<td>10.7</td>
<td>9.1</td>
<td>17.2</td>
<td>14.4</td>
</tr>
<tr>
<td>Nanning, Guangxi Zhuang Autonomous Region, PRC</td>
<td>(1964) 2.1</td>
<td>...</td>
<td>(1982) 5.9</td>
<td>6.2</td>
<td>...</td>
<td>7.4</td>
<td>(2010) 14.5</td>
</tr>
<tr>
<td>Phnom Penh, Cambodia</td>
<td>69.6</td>
<td>52.5</td>
<td>45.2</td>
<td>48.4</td>
<td>51.4</td>
<td>49.8</td>
<td>31.1</td>
</tr>
<tr>
<td>Vientiane, Lao PDR</td>
<td>...</td>
<td>...</td>
<td>(1985) 74.8</td>
<td>...</td>
<td>63.8</td>
<td>(2005) 44.3</td>
<td>(2010) 38.5</td>
</tr>
<tr>
<td>Yangon, Myanmar</td>
<td>22.6</td>
<td>22.9</td>
<td>27.3</td>
<td>31.9</td>
<td>31.6</td>
<td>30.8</td>
<td>28.3</td>
</tr>
<tr>
<td>Bangkok, Thailand</td>
<td>65.1</td>
<td>65.5</td>
<td>59.3</td>
<td>56.6</td>
<td>55.7</td>
<td>54.0</td>
<td>48.8</td>
</tr>
<tr>
<td>Ho Chi Minh City, Viet Nam</td>
<td>25.9</td>
<td>25.6</td>
<td>26.5</td>
<td>24.2</td>
<td>23.0</td>
<td>21.7</td>
<td>19.6</td>
</tr>
</tbody>
</table>

_ = data not available, Lao PDR = Lao People’s Democratic Republic, PRC = People’s Republic of China.

Sources: Adapted from Table 2 from W. Song. 2005. A Design of the Urban Structure of the Greater Mekong Subregion. (in Chinese) PRC’s Science and Technology Research Articles online. http://www.paper.edu.cn; data for Guangxi provided by Yina Zhang at Fudan University in Shanghai.
research and development. Kunming was a scenic-but-sleepy, historic-but-less developed provincial city through the early 2000s. Since then, both central and Yunnan provincial governments have pushed it to become a much more powerful international metropolis that will spread and distribute growth benefits to and around the smaller secondary cities in Yunnan, while at the same time projecting long-distance influences over the border to the GMS.

In implementing the strategy of Kunming as an international outpost, Yunnan provincial and Kunming municipal governments have introduced a variety of related policies and projects with important connections to and implications for the GMS. First, they are building a central Yunnan regional economic circle knitted together by the four cities of Chuxiong, Kunming, Qujing, and Yuxi, with Kunming as the core. This is intended to grow the three secondary cities as the eastern, southern, and western poles for the larger region. As a cluster, these four cities and their connected hinterlands constitute the most populous and economically densest region in Yunnan, but they have experienced uneven development as well as lack of connected infrastructure and overall coordination. The balance of these factors will determine whether these four separate cities can combine into the envisioned central Yunnan economic circle. Meanwhile, Kunming has recently consolidated its hub position with the opening of the fourth-largest international airport in the PRC in June 2012.

To extend Kunming’s influence in the direction of the GMS countries south and west of the border, in May 2012, Yunnan approved the establishment of six border economic cooperation zones—including one around the city of Tengchong—allowing them the autonomy to offer financial incentives and approve investment projects. This provincial initiative augmented the central government’s approval of opening three border economic cooperation zones in the cities of Hekou, Ruili, and Wanding in 1992 when the GMS was launched. Having grown rapidly since, Ruili and Hekou are now the largest and second-largest border ports for Yunnan’s total foreign trade. At the border trade market in Ruili, there are often hundreds of petty traders and dealers, including some from Bangladesh, India, Myanmar, Nepal, Pakistan, and Thailand selling cotton, jade, bracelets, ivory items, and aquatic products. The Ruili and Wanding municipal governments have encouraged foreign investors to utilize raw materials to manufacture products to meet both local and international demand. The opening of a second land border bridge at Hekou to Viet Nam in June 2012

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widened the scope of PRC–Viet Nam border trade by allowing easier, faster, and greater flows of goods and traders. On 23 February 2013, a train that departed Kunming ran through Yunnan’s Yuxi City and reached Mengzi City, signaling the completion of a southbound railway that will be eventually linked to Hekou. This improved transportation linkage also helps strengthen the possible formation of a southern Yunnan city-region, including the secondary cities of Gejiu and Kaiyuan with Mengzi. Besides building transportation linkages toward the border with its southern neighbors, Yunnan has been constructing highway and railway connections into the Lao PDR and Thailand, thus extending and tightening the transport network across the multiple boundaries of northern GMS.

To complement the spatial planning of new city-regions and extension of transportation connections to and through the border, Yunnan has created new institutional and cultural ties to the GMS countries. It has recently set up commercial representative offices in Singapore and Cambodia and is planning to expand the number of Confucius Institutes (Chinese cultural institutes) and Chinese language centers already operating in the GMS countries. Yunnan sends about 300 teachers and students to the neighboring countries to study. It has trained a growing number of specialists who can speak Thai, Burmese, and Vietnamese. The number of international students in Yunnan rose from 760 in 2001 to 10,000 in 2007 and over 20,000 in 2011, and about 80% of them came primarily from Southeast Asia and also South Asia. The provincial government recently called for setting aside more scholarships to attract students from Cambodia, the Lao PDR, and Myanmar. Under a new agreement between the Yunnan Provincial Education Department and the Ministry of Education and Sports of the Lao PDR, the two sides will jointly produce TV programs on Chinese language learning and the teaching of specialized subjects and professional skills. Yunnan will provide annual university scholarships for 10 Lao PDR students who will study at Kunming Medical University in the next 5 years, while nearly 1,000 Lao PDR students are already studying in Yunnan now. Yunnan has some 13,000 learners of Lao and 200 teaching staff members for the language.

Growing Influence of the People’s Republic of China

The above evidence clearly shows that the PRC and Yunnan have aggressively pursued a regional “Go South” policy toward the GMS with a dual focus on cross-border economic cooperation and cultural exchange. As this Kunming-

based and border-oriented urban development initiative gains momentum, it will project a stronger PRC influence across the border to Southeast Asia. To facilitate trade along and beyond the PRC’s long border with Myanmar, the Lao PDR, and Viet Nam, the PRC has been extending its tentacles of transport infrastructure to the GMS. The PRC has also intensified its varied efforts to secure the rich natural resources in the region. It has stirred up controversy in generating more hydropower by building dams on the Lancang River in Yunnan, which forms the upper reaches of the Mekong River. The PRC has also begun to extend its sphere of political influence in the GMS. When a drug lord from Myanmar massacred 13 PRC sailors on the Mekong River, the PRC worked closely with the Myanmar and Lao PDR police to capture and later execute Naw Kham, the alleged mastermind. And despite having run into some resistance from local farmers in northern Myanmar living near the route of the PRC–Myanmar oil and gas pipeline, which starts at Kyaukphyu Port on Myanmar’s coast and enters the PRC at the city of Ruili, the pipeline started to deliver natural gas to the PRC in July 2013.

The growing engagement of the PRC in the GMS is motivated by how state policy and market forces have intersected and reinforced each other, with Beijing playing a larger role. As the PRC pushes its national “Go West” development strategy forward, Yunnan has become the focal region for accelerating southwestern development, with Kunming emerging as its most important hub for generating and spreading regional development benefits. Strengthening economic and physical ties with the GMS became an extension of the PRC’s regional and international development strategy for securing more market opportunities in trade, investment, infrastructure, and energy. The more active market processes of cross-border trade, migration, commuting, and tourist activities fuel this process.

The PRC appears to be benefiting more from its growing relationship with the GMS in two ways. First, due to its sheer economic size and political influence, the PRC has widely spread its presence and footprint in the GMS and thus has been a key driving force of the subregion’s development and integration. Second, the PRC occupies the higher end of the development spectrum and thus can gain more value-added through setting more self-favoring terms for trade and infrastructure projects. While the GMS countries and cities may benefit from new economic opportunities tied to the PRC, especially new opportunities in Yunnan, they (except for Thailand) are generally in less advantaged positions in dealing with the PRC’s powerful influence originating from and through Yunnan’s cities, especially Kunming.
Developments on the Southeast Asian Side

While the preceding section has documented the PRC’s growing presence in city-oriented development in the GMS, it should not be taken as a PRC-centric or PRC-only analysis of multifaceted and multisited developments within and across cities in the GMS. Some of these developments have been in response to the PRC’s outreach and one another’s needs. I draw from my earlier and current research to focus on intra-GMS economic linkages among cities in the different member countries. In response to active border trade from Ruili and Wanding, the Myanmar border towns of Muse and Namhkam have done well by importing Chinese goods such as garments and consumer electronics, which occupy as much as 80%–90% of the local markets in northern Myanmar. The border trade has also revived cities away from the border. In Lashio, a remote but important market town 195 kilometers (km) from Mandalay, many trucks loaded with Chinese consumer goods roll through the town and onto the booming city of Mandalay. The population of Lashio was about 50% Chinese, while Mandalay, the seat of Myanmar’s culture, was one-fifth Yunnanese Chinese. A network of Chinese clan and linguistic credit associations provided capital to Chinese-owned business ventures in creating a powerful social group that was distinctively Chinese. With the Myanmar–PRC oil-gas pipeline being completed for full operation in 2013, the economic connections between northwestern Myanmar and Yunnan are only expected to get stronger and more diverse.

Like the Yunnan–Viet Nam border trade, Guangxi–Viet Nam border trade has taken place at a number of open crossings spaced out along the 1,020 km border. Along the northern segment of the Guangxi–Viet Nam border, the PRC border town of Shuikou became a bustling post for exchanging goods with Viet Nam. On a daily basis, trucks loaded with potatoes and apples crossed over the checkpoint into Viet Nam, whereas trucks full of iron and manganese ores rolled in from Viet Nam’s side. Given the rich deposit of iron and manganese ores in Viet Nam’s Cao Bang Province and the Government of Viet Nam’s relaxation on exports, the town of Shuikou became the largest border import–export and processing base for certain mining products in Guangxi. At the southern tip of the Guangxi–Viet Nam border by the Gulf of Tonkin, the PRC border city of Dongxing and its Viet Nam counterpart, Mong Cai, formed a dynamic twin trade post. A commercial outpost between the PRC and Southeast Asia for several centuries, Dongxing reemerged from total isolation during the PRC–Viet Nam border war during the late 1970s. During the early 1990s, when Guangxi–Viet Nam border trade officially began, thousands of PRC and Viet Nam border residents would walk across the 10-meter wide river separating Dongxing from
Mong Cai to buy and sell mostly daily necessities. This border trade grew in scale and volume after the bridge—damaged during the war—was repaired and reopened, and the Government of the PRC raised the ceiling for exempted taxes on traded goods (footnote 8).

For the border trade ties to stretch beyond the small border cities, the GMS transportation network needs to expand to incorporate more places. Given its fairly long border with Viet Nam’s Lao Cai and Lai Chau provinces, Yunnan is connecting its recently completed Kunming–Mengzi Railway to the border city of Hekou so it can be joined with the Kunming–Hai Phong Railway, which provides the shortest overland route from landlocked southwestern PRC through northern Viet Nam to maritime Southeast Asia. With financing and technical assistance from ADB, several projects to improve or upgrade the important roads in the GMS have been under way or partially completed. A very important highway links Kunming with Bangkok for about 1,800 km via two separate routes in Myanmar and the Lao PDR, respectively. It is the main overland transportation artery through south Yunnan toward Southeast Asia. Following the opening in April 1994 of the 1,174 meter Mittaphab (Friendship) Bridge connecting the Lao PDR and Thailand across the Mekong River, several other bridges have been proposed as priority projects by the GMS countries. Thailand and the Lao PDR have recently agreed to build a new bridge over the Mekong River, between Bueng Kan in Thailand and Borikhamxay in the Lao PDR. This will be the fifth bridge linking the two countries; the fourth bridge is now under construction between Chiang Khong District of Chiang Rai and Bokeo Province in northern Lao PDR. Given the vast size and uneven development of the GMS, there are continued challenges to build a well-connected cross-border transport network that can alleviate the physical constraints of large geographic distances between the cities and towns and a major natural barrier like the Mekong River, which separates some of them even more.

Development and Cooperation across the Greater Mekong Subregion Cities

The preceding section reviewed the new opportunities (largely originating from Yunnan) and persistent constraints or weaknesses facing the GMS cities with reference to a more successful region in the PRD and another much less so in the GTS. It is clear that any recommended policies to promote and coordinate urban development within each GMS country and across them will have to
target and adapt to complex conditions and differing realities. But these can be simplified by a pair of related concepts—diversity and disparity—that can guide a more tiered and integrated approach to foster GMS city development and cooperation. Cities in the GMS are very diverse in scale, location, functionality, as well as their distance and connectivity to borders and other cities. By extension, there is great disparity within the GMS with regard to the pace and mode of growth, level of human capital, capacity of innovation, transportation infrastructure, and quality of life. These city-level characteristics are complicated further by national variations in the recent history, political system, level of development, and demographic and cultural composition of GMS countries. While the PRC, the Lao PDR, and Viet Nam have been similarly undergoing transition from some version of socialist planned economy, they vary greatly in the autonomy of cities and the financing of their urban infrastructure. Despite the myriad of cross-border linkages among many ethnic minorities formed through spatial mobility over a long time, a number of GMS cities and towns have existed in more or less isolated local ecological and economic environs associated with some ethnic groups’ traditional activities. This makes it institutionally and financially challenging to use a unified national policy to stimulate and synchronize broad-based urban development across the GMS.

A multitiered approach to foster urban development makes the best policy sense in light of current conditions such as the Kunming-originated regional initiative, planned development of several economic corridors, completed and ongoing transportation arteries, and a range of strong border-intensive trade ties across international boundaries. While giving full attention to the Kunming-anchored and border-targeting policies of the PRC, this approach should seek a broader GMS-based urban development strategy that can simultaneously take advantage of the new opportunities unleashed by the PRC’s “Go South” initiative and counter and mitigate its potential undue strong influence. This calls on the key stakeholders of the PRC in relation to the GMS, the GMS as a whole, but especially the Lao PDR, Myanmar, and Viet Nam, to consider the following policy approaches:

i. Create city clusters or circles within and across the GMS boundaries that make them collectively more competitive and synergistic by enhancing intercity cooperation within the subregion.

ii. Encourage the national governments of the GMS to use targeted policies and other leverage to empower these connected and clustered cities to work together horizontally by means of interlocal institutional and informal ties.

iii. Further strengthen and enlarge the geographic scope of existing trade and other economic connections between any pair or other linked border cities.
iv. Scale up and out the related and complementary nature of the above by completing the major and multimodal transportation networks that can link city clusters and border trade dyads into urban development corridors and eventually elevate their converged benefits to the GMS level.

The first recommendation is prompted and demonstrated by what Yunnan recently attempted to create—the central Yunnan and southern Yunnan city circles, which encompass three or four secondary cities that are either around or away from the dominant core of Kunming. This approach is partly premised on the classical regional system of cities in that it takes advantage of geographic proximity between a few cities in making them fully connected to produce agglomeration benefits. Secondly, this geoeconomic rationale calls for a more complex political and institutional reform for providing decentralized decision making to the provincial and local levels. As the second recommendation makes clear, the national governments should push and incentivize municipal authorities to be more willing to cooperate across administrative boundaries against the political pressure on achieving isolated GDP growth and protecting local markets and specialized products. The basic idea of this approach can be adapted to promote interlocal cooperative development in certain regions of GMS countries away from their capital cities. It will need to adjust for much smaller urban places or towns with their surrounding villages around a given secondary city in countries like Louangphabang in northern Lao PDR or Mandalay in northern Myanmar. There may even be a possibility for a developing rural-based marketing system around small urban central places that may approximate those in the pre-1949 PRC described by Skinner (footnote 5).

Regarding the third recommendation, the established and expanding trade in and between border towns presents a renewed opportunity to promote and spread urban development in the GMS. In addition to what has been documented earlier in both the GTS and GMS, border-focused urban development has recently gained greater momentum beyond petty trade. The Thai town of Mae Sot on the border with Myanmar is booming, riding on Myanmar’s rapid opening up and its strategic position as a regional transportation hub. In the last 2 years, 20 new hotels have sprung up, mainly involving Thai investors. Concrete pillars are being laid for a Big C Supermarket, cinemas showing the latest films are opening, and department stores are selling international brand names. The Thai population in Mae Sot is projected to increase from 130,000 to 220,000 in the next 2 years, while there is already an estimated 150,000–200,000 migrant workers from Myanmar, with over 1,000 of them entering Thailand at Mae Sot every day.
The boom, however, has not improved the poor working and living conditions in Mae Sot. This case reflects the differential comparative advantages on both sides of the border in terms of land and labor costs. As it draws these factors of production together into a growing space of frontier economy, it may be capable of pulling a lagged region to faster growth. This is reminiscent of the early dynamics associated with making the border town of Shenzhen a special economic zone in the early 1980s, which benefited greatly from being on the border with Hong Kong, China (footnote 12). In fact, the Thai government is planning to turn Mae Sot into the country’s first special economic zone by 2015.

Other similar developments provide new momentum to implement the third recommendation. For example, ADB is providing a total of $220 million to strengthen the small cities in Cambodia, the Lao PDR, and Viet Nam along the GMS East–West Economic Corridor, which can also help mitigate potential dependence on opportunities originating from Yunnan and Kunming. Through ADB, female street vendors in three small cities (Battambang in Cambodia, Kaysone Phomvihane in the Lao PDR, and Dong Ha in Viet Nam) will have access to a microfinance project worth $2.5 million in nonrefundable aid from the Japan Fund for Poverty Reduction. The local authorities will also develop child care services to ensure children’s safety while their parents earn a living. This initiative is well suited to address the weak attributes and functions of many GMS cities: agricultural production, trade, and tourism near the border regions. However, it is financially very challenging to develop border cities and regions in the non-PRC part of the GMS. Viet Nam has an ambitious plan of establishing 52 border gates in its border areas with Cambodia, including 13 international border gates and 13 main border gates by 2020. Local residents in An Giang, Dong Thap, and Kien Giang provinces must give up their land to investors to serve the border economic zone projects, but cannot move because resettlement areas have yet to be built. In the border commune of Thuan Yen in Ha Tien Town of Kien Giang Province, where the Thuan Yen Industrial Zone has existed for the last 8 years, 37 out of the 115 households have to give land to the industrial zone but still have no other places to relocate to. These zones have also attracted very limited investment due to their poor infrastructure. The promises and challenges of these border economic zones point to the critical need for putting strong financial backing and other supportive measures behind the focused policy of favoring border cities as local economic growth engines.

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18 VOV Online Newspaper. 2013. ADB Provides $2.5 Million for Mekong Delta Cities. 22 May.
Finally, urban development needs to be scaled up to the GMS level, whether it is from city clusters or circles within Yunnan or booming individual or twin cities across any of the international borders. The key to making this happen is twofold. On the one hand, the ongoing development of the transportation and economic corridors in both directions in the GMS will enhance local and regional urban development. The completion of the GMS East–West Economic Corridor, the massive 1,500 km multilane highway linking the coasts of Viet Nam and Myanmar through the Lao PDR and Thailand, which goes through Mae Sot, will add to its continued growth. This will further shorten the distance of about 100 km between Mae Sot and the Myanmar port of Mawlamyine, which is only another 100 km from the port of Yangon for accessing the Andaman Sea and the Indian Ocean.

More connected transport infrastructure for strengthening the ties among the main cities along the East–West Economic Corridor will enhance the viable growth alternative to the North–South Economic Corridor, which is increasingly influenced by the PRC from Yunnan. Yet the Yunnan portion of the Southern Corridor will facilitate the formation and linked growth of its central and southern city clusters. The larger spatial scope of this growth in conjunction with location comparative advantages could be conducive to a cross-border production network around cities of varied scales and functions. While this scenario is unlikely to involve the full range of industries located in the PRD, it can happen on a limited scale considering that the growing differentials in labor costs across the GMS (increasingly higher in the PRC than in Cambodia, the Lao PDR, Myanmar, and even Viet Nam) have already driven a few of the most labor-intensive industries (i.e., shoes and garments) from the PRC to Southeast Asia. This is not surprising since the average wage in Cambodia and the Lao PDR is approximately one-third of that in PRC coastal cities like Shanghai and about half of that in Kunming. In 2012, Cambodia received more foreign investment per person than the PRC for the first time since the 1970s.20 Given the much smaller labor pool in the Lao PDR and Cambodia, rising demand from accelerated industrial growth can quickly lead to higher wages and less competitiveness. In the meantime, the planned establishment of the National GMS Supply Chain Cooperation and Exchange Center in Kunming in 2014 can potentially create a new regional manufacturing base for more advanced industries such as microelectronics, which are gaining in local scale and concentration due to the push by both the national and Yunnan provincial governments.21

The institutional side of scaling urban development to the GMS level is to extend the second recommendation to formulating some sort of intercity alliance across international boundaries. While this has been used with uneven success in other regional contexts, including a Mayors’ Forum of several cities in the PRC, the Republic of Korea, and Japan (footnote 8), it is a worthy policy experiment for the GMS that can be instigated and assisted by ADB. If not already in place, initiating a partner city program is another promising strategy to bring about cooperation and exchange between pairs of GMS cities. If successfully institutionalized, these initiatives will help push the other more centralized governments of the GMS to devolve urban development to regional and local levels as the PRC has done with Yunnan and its capital city of Kunming.

The growing trade and other cross-border economic transactions between the PRC and other GMS countries could bring about undesirable social consequences such as the cross-border trafficking of women for marriage and prostitution. These problems should be addressed if the process of cooperative and coordinated cross-border urban development is not to be derailed. Ultimately, it is up to all six GMS member countries, and not just the PRC alone, to determine how to compete and yet cooperate to achieve greater sustainable development. If a win–win relationship between the PRC and the other five GMS countries focused on cooperative urban development can be developed and sustained, the economic and political landscape of the GMS will be forever reshaped with benefits for all.
Urban Development in the Greater Mekong Subregion

This book about the urban agenda in the Greater Mekong Subregion (GMS) is timely as the world economy embraces the region with accelerated growth. An important element of the Association of Southeast Asian Nations Economic Community, the GMS is expected to catch up with the rest of Asia by 2050. With urbanization levels still averaging about 30%, gross domestic product contributions of towns and cities have moved ahead to 50%–60%. By 2050, when urban areas in the GMS reach 64%–74%, urban gross domestic product will grow to an estimated 70%–80%. The challenge lies in consolidating and deepening development along the existing corridors and improving the environmental conditions to prepare for future green growth developments.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to the majority of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.