

ASEAN "Road Trip" Highlights China Trade Potential

By Martin Petty

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BANGKOK (Reuters) - Southeast Asia's foreign ministers embarked on an unconventional land, sea and air trip to China on Monday to push ambitious plans to fully connect the region's frontier markets with Asia's biggest economic power.

The day-long trip from Thailand to China, organised by the Association of South East Asian Nations (ASEAN), showcases an infrastructure plan to increase trade, investment and tourism, underscoring strengthening ties between the 11 countries involved with a combined GDP of nearly \$6 trillion.

The "connectivity masterplan" to link new and existing rail, road and sea routes and allow seamless travel within a free trade area of 1.9 billion people is complex and ambitious. But analysts say there is huge trade potential between ASEAN and China and better links could encourage powers like Japan and South Korea to forge a closer relationship with 10-member ASEAN.

"With ASEAN in general, all roads are going to China. It's a good logistical move that might stimulate other regional players to step up," said Pavin Chachavalpongpun, a strategic studies specialist at Singapore's Institute of Southeast Asian Studies.

"ASEAN needs to make a strong economic commitment and by moving towards China, it's definitely doing that. It's taken a big and decisive step."

The ministers started their trip in Chiang Rai on the Thai side of the "Golden Triangle", before crossing the Mekong River by barge to Houey Xay in Laos. They travel by coach to Jinghong in China's Southwest Yunnan province and will then fly to Kunming for a meeting on Tuesday.

"We are now passing through a deep valley making our way to the city of Luang Nam Tha, in less than one hour, that's our lunch and we're hungry!" said ASEAN Secretary General Surin Pitsuwan in one of dozens of excited tweets, that one from Laos.

RAILROAD OVERHAUL

In a statement issued earlier, Surin said ASEAN and China were now loosely connected but urgent improvements would be made before 2015, the year when ASEAN wants to become an integrated community in a model similar to the European Union.

He said the trip aimed "to demonstrate to the world that we are effectively connected and this connection will certainly improve by the time ASEAN becomes one community".

Central to the plan is linking a system of high-speed rail lines, a move spearheaded and financed largely by China, which will provide loans and technology to Laos and Thailand and develop networks that allow rail travel all the way to Singapore.

Last October, Cambodia reopened a stretch of railway that was destroyed during the country's civil war, part of a \$141 million project to repair 650 km (400 miles) of track, with an \$84 million investment from the Asian Development Bank.

That will connect the capital, Phnom Penh, with Vietnam to the east and Thailand to the west, and it aims to transform Cambodia into a regional transport hub. Studies are under way to link Phnom Penh to Vietnam's economic hub, Ho Chi Minh City.

Japan insists it is not being left out and sees benefits from improved transport links that would allow goods to move between Vietnam, Thailand, Cambodia and Laos and cut costs for Japanese firms with manufacturing bases in Thailand.

Kimihiro Ishikane, deputy director-general of Asian and Oceanian affairs at the Japanese foreign ministry, said it was in Japan's interests to have better connections and uniform customs, visa and cargo procedures in all the countries.

"The region is a favoured destination of investment for Japan, so many Japanese are focusing on this area and we see huge potential," he told Reuters in a recent interview. "Connectivity must be enhanced and infrastructure has to be both physical and institutional. We're positive, but we're not expecting too much too soon," he added.

Pavin of ISEAS said ASEAN needed to pay close attention to problems that could arise from improved links, such as transnational crime, illegal migration and drug smuggling.

"There will be side-effects and we have to be realistic because 2015 may be too soon," he said. "ASEAN is good at form, but it still lacks substance, but this is step forward."

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