

## ‘They Aren’t Just Roads, But Economic Corridors’

*Rajat M. Nag is the Director General of the Greater Mekong Sub-region (GMS) program for the Asian Development Bank (ADB) in Manila, the Philippines. See EIR, Nov. 15, for Gail Billington’s article on the central role of the GMS projects at the ASEAN+3 summits, held in the first week of November in Phnom Penh. This interview was conducted for EIR on Nov. 12 by Gail and Michael Billington.*

**EIR:** We wrote an article for our journal last week on the GMS summit, and in fact, the title of the article incorporates something that you had said, which was “infrastructure and what goes with it.”

We are very keenly interested in this kind of project. Let me very briefly tell you that *EIR* was founded in 1975, central to its founding was the idea to promote global infrastructure projects, great projects. At the beginning, we proposed an international development bank to replace the International Monetary Fund (IMF), to finance low-interest, long-term loans for infrastructure development.

In 1997 we published a report on the Eurasian Land-Bridge perspective, and have pursued this very closely ever since then, and have linked that to a proposal for a New Bretton Woods financial system to finance this kind of infrastructure. We are interested in the developments coming out of the conference last week. I’ve drafted some questions, and, perhaps, we could just proceed with that. . . .

What do you think were the most important results of the GMS meeting, and then, the GMS in the context of the Phnom Penh meetings?

**Nag:** I would say, three very critical and very important outputs of the summit. First, was a political recommitment by the six leaders to regional and subregional cooperation. So, this program is ten years old and . . . there was very clearly a strong commitment to move on and strong endorsement.

The second one is: Poverty reduction is the key objective in this area, but economic growth is the way to go about it, together with social development, but you cannot move away from the need for economic growth and, hence, exactly the point that you were mentioning, Gail, the need for physical infrastructure.

And the third point, which I thought was very important is that the leaders felt that, while you have economic growth, while you have physical infrastructure, you must do it in a very environmentally and socially sensitive way, so it wasn’t

just a question of pouring concrete or building a road, but to make sure that it ultimately benefitted the people.

So, I would say political recommitment, emphasis on economic growth, with environmental management, would be the three major things.

**EIR:** Given the context of what’s been going on in the world recently, do you see any effect from the world being caught up in a dialogue on whether or not there would be a war in the Middle East around Iraq; and to what extent was that a factor in terms of a remarkable level of collaboration at these meetings?

**Nag:** You know, in one sense it wasn’t a factor at all. I mean, you know, people looked in long term, looked sort of beyond what is happening right now, but I think the second part of what you said was very important. I think leaders realize that you have to cooperate, you have to have regional cooperation, you have to move forward in a “win-win” situation between the nations, other than one at the cost of the other. So, the situation in the Middle East, the issues surrounding that were not on the table at all, at least in the GMS summit. In the ASEAN summit, which was the larger one, yes, of course, the issues of security, terrorism, etc., they were discussed.

**EIR:** Of the projects associated with the GMS scheme, what do you see as the top priorities, or what do you see as the best synchronization of projects?

**Nag:** The top priority, I see, are the transportation networks that are now being supported, the so-called East-West corridor, which goes from Thailand to Laos, into Vietnam, into the Danang port out to the sea, so it basically gives Thailand an out into the sea, rather than going through the Gulf of Thailand. That is one. Then there is the North-South economic corridor, which links up Kunming, Yunnan Province with Chiang Rai, with Bangkok, and then another North-South route, which basically links up Bangkok with Phnom Penh, and Ho Chi Minh City, Vietnam.

So what we see, is these are not just roads. They are, of course, roads to begin with; but they are really economic corridors, and that is the way we look at this.

**EIR:** Well, that’s exactly how we described it in our *Eurasian Land-Bridge* report. You have development corridors, which also incorporate manufacturing, agricultural zones, science and technology centers, educational centers, and that sort of thing.

**Nag:** And so, these roads become the necessary condition, but are not sufficient, and then you need all the other things that you mentioned.

**EIR:** Given the growing evidence of economic crisis in the U.S.A. and Europe—where you have at the local, state, and national levels now, huge budget deficits—and also the collapse of foreign direct investment in Asia; what do you see as

FIGURE 1

## Eurasia: Future Main Routes of the Eurasian Land-Bridge



the prospects that—it was calculated that half of the funding for the GMS would come from private investment. What do you think are the prospects of that?

**Nag:** Well, the prospects certainly don't look as good right now, but we have to keep a very long-term view on these. We recognize that public sector funding, whether national level or international—and by that, I mean international organizations, such as us [the Asian Development Bank]—we can fund only a small fraction of the requirements of the physical infrastructure.

It has to come from the private sector whenever that will, but one point we are trying to pursue is raising funds in the local market, in the Asian markets—to see if we can raise funds in Singapore or Hong Kong or Bangkok. And also look at local currency financing.

**EIR:** I just read today, I think, in the *Bangkok Post*, that there was some question about the ADB launching bond issues in local currencies, which they have resisted in the past because they were afraid it would serve as a conduit for capital flight by financial institutions. Is that what you are referring to? Are you proposing that the ADB issue these kinds of local currency bonds for infrastructure development?

**Nag:** Including infrastructure, not only infrastructure, but including infrastructure; including [also] for small and medium enterprises in these countries. But I think, Mr. Billington, the concern you have raised is a genuine one, whether this could be used as an excuse or a medium for capital flight. What we have said very clearly is that any bonds that we issue will be raised and used locally, so we are not going to use bonds to then convert into dollars and then take it out of the country. So this is very much to mobilize local resources for local projects, and I think this point is now appreciated and accepted by the governments.

**EIR:** So you expect this will go through, then?

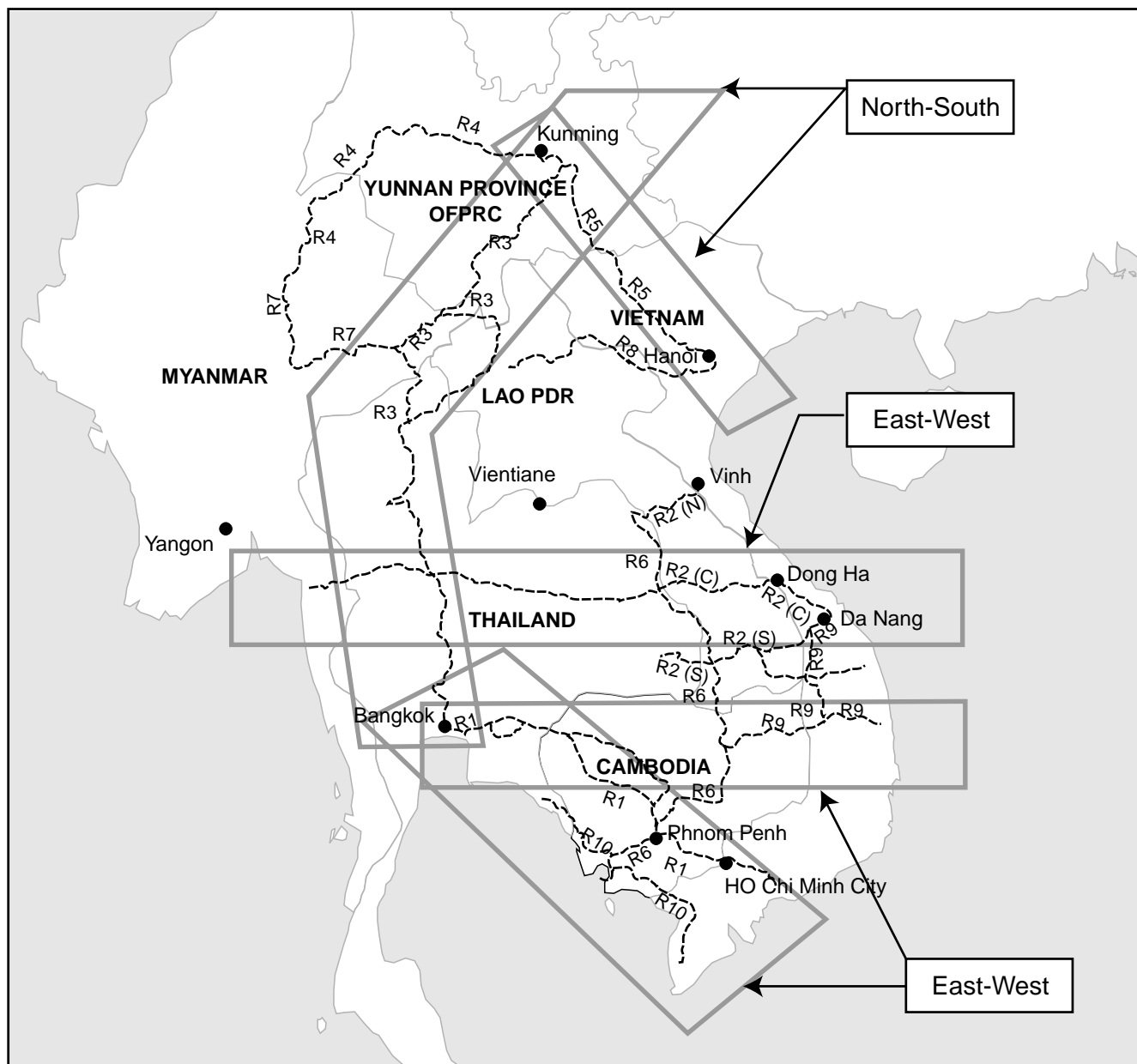
**Nag:** Well, it also depends on the state of the capital markets and the markets in general, but we are proceeding on working with it. But it is still some time away, I think.

**EIR:** What concerns do you or the ADB have—you mentioned the environmentally sensitive areas—about the river-clearing projects going on in the upper reaches of the Mekong?

**Nag:** Right, that is one; but if I might just give a slightly broader context. Our concerns are really, first, with the effect

FIGURE 2

# Greater Mekong Sub-region: “Economic Corridors” With Major Proposed Sub-regional Roads



Source: EIRNS; Asian Development Bank.

EIR's 1997 map of the proposed three main Eurasian Land-Bridges (**Figure 1**), shows the context for the Greater Mekong Sub-region development (within circle). Since this proposal was made, the ASEAN+3 nations have developed the additional “Asian Railroad” project, the North-South line from Kunming to Bangkok.

The Asian Development Bank's map of the major proposed new roads being developed across the region (**Figure 2**), shows that they are intended as the central axes of “economic corridors” of development, including port, water management and navigation, power, and resource development. (The map has been edited for detail.)

on the people. There can be considerable resettlement effects, and we want to make sure that the resettlements of the people are consistent with what would be their rights to a fair compensation, a fair substitute for their livelihood, etc. We want

to also make sure that the clearings and the effect on the forestation, for example, is consistent with sound conservation principles. We just don't want a road to go through a protected biodiversity area, for example.

We are concerned about the effect of movement of people, which, obviously, all of these would entail, and, therefore the issue of sexually transmitted diseases, HIV-AIDS and all the ills that go with it. And what we are doing is making sure that: a) in the design stage itself all of these are built in; and b) there is an awareness of the local people, in particular, of these effects, and how to manage them.

The issue that you raised about the development in the upper reaches of the Mekong is an important one, but a separate one. We—ADB—are not involved in financing any of those projects, but we are certainly talking to the upstream countries to communicate to them the concerns of the downstream countries, such as Vietnam and Cambodia, and getting the countries together to look at the effects of such development—shared environmental impact assessments, for example—and see if the designs could be modified or mitigated.

**EIR:** One of the things that's going on in the United States is that the Army Corps of Engineers, who were really considered experts in this, have come under a lot of attack; but it is an institution that has a useful function in terms of developing that kind of expertise.

**Nag:** You know, we take the view that development is about trade-offs, and the option of doing nothing is also an option, of course, but that must be taken very consciously. So, if we don't build a particular physical infrastructure or a road, or a transport corridor, "not doing" also has costs to the society and that, therefore, has to be carefully balanced against the economic benefits of doing the project and the environmental costs that may come with it. . . .

**EIR:** One side to this was brought home to me very clearly when I spent about six weeks in France earlier this year; what you see very clearly, for example, in the mastery of forestry cultivation, which 17th-Century Minister of State Jean-Baptiste Colbert developed. This kind expertise does exist and it needs to be applied to the specific circumstances of climate and culture in which you operate, but the knowledge is there if you make it comprehensible.

**Nag:** The knowledge is there. It can be and should be applied, and, therefore, development cannot be just a matter of going hell-bent on building a road, but it really has to be taken in a very comprehensive package. We at least believe we do take such a comprehensive view on exactly the points you are making. If you build a hydropower project, it has very many positive benefits, and it has some negatives, and you have to manage those negatives, and make sure that the people who are affected—their rights are protected. And, therefore, the whole thing becomes very complex, but I suppose one can't avoid it.

**EIR:** To what extent in the whole Greater Mekong Sub-region area has there been success and progress in clearing the unexploded ordnance from the Indochina wars?

**Nag:** You know, we ourselves aren't involved, so my information is sort of indirect, or second hand. In Laos, they are still continuing with that, and in parts of Cambodia. Certainly toward the northeastern parts of Laos and the northeastern parts of Cambodia, so that still remains a problem in many of those areas.

In Vietnam, that sort of thing does not seem to be much of an issue any more. But certainly in Laos and Cambodia, in the northeastern part, that certainly remains an issue, and as we get into those areas, which until only recently in Cambodia, were still under the Khmer Rouge, I think there has to be a considerable amount of lead time before projects can be undertaken there.

**EIR:** On the bigger picture of Asia, if I may: Russia and China have been very actively involved around reaching some kind of resolution on the Koreans. China was very involved at the last ASEAN summit. To what extent do you see any indications of Russia taking an interest also in the kinds of projects that you are involved in, or regional projects of this sort?

**Nag:** Russia is not a member country, so we do not really have any projects there or much discussions with them. So my views are essentially very personal and general. But we see Russia as sort of straddling Europe and Asia; therefore, many of these large projects obviously are of interest to them, be it gas pipelines or be it other infrastructure. Some of the Central Asian republics, or former Soviet republics, are members of the ADB, but not Russia.

**EIR:** When we published the report on the Eurasian Land-Bridge in 1997, our maps of this included three routes: the northern route, which was the old Trans-Siberian; the central route through Xinjiang in Central Asia; and then the southern route, which had two branches, one from China around Vietnam, and one that cut down through Kunming in Yunnan, meeting what is called, in Southeast Asia, the Asian Railroad; and ultimately, through Myanmar, India, and on through to the West. The whole southern route of the Eurasian Land-Bridge straddles the hub of the Mekong project. So to what extent is there conscious discussion or planning between these two broad infrastructure projects?

**Nag:** I would say not in any sort of detail, but we are, of course, aware of the broad outlines of these routes. What we are doing is looking at local benefits, with, shall we say, sub-regional perspectives and ultimately a global perspective, or certainly a trans-Asian perspective. But the projects that we are looking at now, we are making sure that they are "doable," and they are pragmatic, and relevant for the countries now. And, some of the projects that you mentioned, ultimately, will benefit everybody, but there are so many other political issues, which are still to be resolved, which may take some time. Myanmar, for example: Operations in Myanmar at the moment are suspended, and it depends on our board when that will be resumed.

So we are not letting the larger complications come in the way of implementing or designing projects right now, but, hopefully, they will all be part of a much larger network. . . . You just have to go to any village, and the first thing they ask for is a road connecting them to the nearest roadhead, or access roads to the market, or the local hospital.

**EIR:** Are you not involved as much in the rail projects along these same routes?

**Nag:** We are not. They are on the table, as it were, but, you know, financing for those projects is much higher, and we think we have got to get private sector funding coming into that. So, they are part of the planning, but they are not part of the project by planners yet.

**EIR:** Just for your information, there was an excellent article by Associated Press, which I read in the *Richmond Times-Dispatch*, in Virginia on Nov. 10, on the railroad plans in Asia. It was very positive, very upbeat. We have a very serious problem here in the United States, among many. One of them, which I think cuts to the core, is that at a recent conference on Laos, the current U.S. Ambassador was speaking, and I asked a question about the Mekong project, and about whether or not the United States, instead of sitting out and watching this, couldn't get involved in developing some of these grand projects in the region. The Ambassador's answer was: "We don't do infrastructure any more." I just gagged—here is America, with a tradition of the great nation builder, which openly espouses the idea that "We don't do infrastructure." It's an appalling thought, but, unfortunately, that is the policy. It is the policy that has increasingly dominated the country, and we are fighting here, domestically, to change that whole conception.

**Nag:** You know, roads and schools and hospitals and telecommunications are all infrastructure, and schools and hospitals are also part of social infrastructure, so I think, we can't just say we won't do it. As I said earlier, we have got to make sure we do it with adequate safeguards and all the environmental issues, which is what I suppose bothers and concerns lots of people, and quite rightly, but I certainly think we have to move forward and carry everybody with us. . . . I have always commented that any time we meet any of the leaders in these countries, they talk about the need for roads and connectivity, which is not surprising. That is exactly what every society has always done—built roads, connected villages, reached out, and I think that we just need to recognize that is a very understandable aspiration.

**EIR:** Were you on the GMS officials tour of the region last Summer?

**Nag:** I was not, unfortunately; my colleagues decided that I would stay in headquarters, while they would go on this trip. So, I tracked their progress and talked with them, but no, I was in headquarters, unfortunately.

**EIR:** What was their impression? This was the first time that they could actually see what this area looks like: How did it affect their thinking about the project?

**Nag:** I think they were not looking at a particular project, but at the region as a whole. They came away with two very strong impressions. One was the need for better connectivity. If you can reduce the travel time from seven hours to two hours, there are tremendous economic benefits to that. And the second thing I think they came away with, was a much better understanding of themselves as a group, as a region, and that really was, I think, even the more important benefit. People who travelled together suddenly realized that they have much more in common than they don't, and, they have much more to gain from cooperation than they don't. So we were very pleased with this aspect, which came out very, very well.

**EIR:** One of the things that we have always insisted on, in discussing this kind of project, is the question of how do you finance it. Our proposal is that we have to build a new financial system. We need a new Bretton Woods.

**Nag:** You know we keep saying that if we just talk, that's good, but that's not good enough, because you have got to then "do;" and the theme of our summit, as you must have noticed, was "make it happen." So, we are trying our best to make it happen, and, obviously, the bottom line will be funding. So that is what we have to focus on now.

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