

# Mekong-Ganga Policy Brief

Special Issue on 20 Years of  
Mekong-Ganga Cooperation (MGC)



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ASEAN-India Centre at RIS



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## Special Issue on 20 Years of Mekong-Ganga Cooperation (MGC)

### Compendium of Articles Published on Mekong-Ganga Cooperation (MGC)

December 2020



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# Message

## **Prof. Sachin Chaturvedi**

Director General, RIS

RIS has been in the forefront of supporting the process of regional economic integration in Asia with studies and research. Besides pioneering contribution to the process of economic integration in South Asia and on broader regional cooperation in Asia, RIS has been working on strengthening the ASEAN-India economic partnership with special emphasis on India-Mekong cooperation.

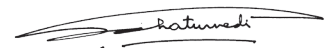
The Mekong-Ganga Cooperation (MGC) initiative was launched on 10 November 2000 at Vientiane in the First MGC Ministerial Meeting. It comprises six member countries, namely, Thailand, Myanmar, Cambodia, Lao PDR, Vietnam, and India. The emphasis is on four areas of cooperation, viz. tourism, culture, education, and transportation linkage in order to get MGC on solid foundation for future trade and investment cooperation in the region.

In order to enhance deeper cooperation between India and Mekong countries, RIS undertook a project on “Building Capacity through South-South Cooperation: Case of Mekong-India Cooperation”, which was supported by the Ministry of External Affairs. The main objective of this project was to reinforce trade and investment related capacity of Mekong countries through information sharing, dissemination of knowledge and experiences, networking and transfer of skills. After the 5<sup>th</sup> ASEAN-India Summit in January, 2007, RIS launched the Mekong-Ganga Policy Brief series in March 2007 as part of the aforesaid project. This publication is aimed to disseminate the policy-related research, news, viewpoints, and information about resources among the policy circles and think-tanks to promote the cause of deeper cooperation between India and Mekong countries.

The historical relations with the Mekong sub-region become all the more important in view of India's ‘Act East Policy’ that aims deepening our ties with Southeast and East Asian countries. Hence, there is added emphasis on strengthening our ties with Indo-Pacific, IORA, ASEAN, BIMSTEC and CLMV. The ASEAN-India Centre at RIS has been bringing out the ‘Mekong-Ganga Policy Brief’ as part of its work programme. The present publication is the Special Issue of the Mekong-Ganga Policy Brief to commemorate the 20 years of Mekong-Ganga Cooperation.

I take this opportunity to thank the Ministry of External Affairs and also Chairman and Members of RIS Governing Council for their support. I compliment Dr. Prabir De and his team at ASEAN India Centre at RIS for bringing out this compendium.

I am sure the publication would serve as a useful reference for policy makers, academicians, practitioners and stakeholders.



**Sachin Chaturvedi**





# Acknowledgements

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This Special Issue is the compendium of articles published in previous issues of MGPB since March 2007. It includes articles, speeches and statements issued on Mekong-Ganga Cooperation (MGC) time to time since 2007.

We are grateful to Prof. Sachin Chaturvedi, Director General, RIS for his cooperation and encouragement.

We have benefited from the support provided by the RIS administration. We are grateful to Mr Tish Malhotra and Mr Sachin Singhal, who have coordinated the publication of this special issue.

Views expressed in this special issue are those of the authors and not the views of the Government of India or MGC member countries or Research and Information System for Developing Countries (RIS) or ASEAN-India Centre (AIC). Usual disclaimers apply.





# Special Articles





# Indian IT Industry: Lessons for Mekong Countries

Prabir De\*

The strong demand over the past few years has placed India among the fastest growing IT markets in the world. The Indian IT industry has been demonstrating its superiority, sustained cost advantage and fundamentally powered value proposition in the international market. Over time, India has become the global IT hub. Today, Indian IT industry represents US\$ 37.4 billion market and is expected to become US\$ 47.8 billion by end of 2007-08, an increase of nearly 28 per cent in the current fiscal (see Table 1). The IT industry (software and ITES) exports from India grew from US\$ 12.9 billion in 2004-05 to US\$ 23.6 billion in 2006-07 and is expected to reach US\$ 31.3 billion in 2007-08 (see Table 1). It presently contributes 5.4 per cent of GDP, up from 4.8 per cent last year. With this spectacular performance, Indian IT sector is shifting its base from low-end business processes to high-value ones.

**Table 1: Indian IT Sector Performance**

(US\$ billion)

	FY 2004	FY 2005	FY 2006	FY 2007E
IT Services	10.4	13.5	17.8	23.7
Exports	7.3	10.0	13.3	18.1
Domestic	3.1	3.5	4.5	5.6
ITES-BPO	3.4	5.2	7.2	9.5
Exports	3.1	4.6	6.3	8.3
Domestic	0.3	0.6	0.9	1.2
Engineering Services and R&D, Software Products	2.9	3.9	5.3	6.5
Exports	2.5	3.1	4.0	4.9
Domestic	0.4	0.8	1.3	1.6
Total Software and Services Revenues, of which,	16.7	22.6	30.3	39.7
Exports	12.9	17.7	23.6	31.3
Hardware	5.0	5.9	7.0	8.2
Total IT Industry (including Hardware)	21.6	28.4	37.4	47.8

E – Estimated.

Source: NASSCOM, New Delhi.

\* Fellow, Research and Information System for Developing Countries (RIS), New Delhi, India.

Service and software exports remain the mainstay of the sector contributing US\$ 31.3 billion and beating forecast to register a 32.6 per cent growth. According to NASSCOM, increasing traction in offshore product development and engineering services is supplementing India's efforts in IP creation. This segment is growing at 22-23 per cent and is expected to report US\$ 4.9 billion in exports in 2006-07. FDI has reached an unprecedented scale; over US\$ 10 billion, announced in 2006-07, to be invested over the next few years. The total IT software and services employment is likely to reach about 1.6 million in 2007-08. The industry in collaboration with the government and other stakeholders has initiated several initiatives to further enhance the availability and access to suitable talent for IT-ITES in India.

Indian IT-ITES sector is estimated to have helped create an additional 3 million job opportunities through indirect and induced employment in telecom, power, construction, facility management, IT transportation, catering and other services. Government has taken several steps to further enhance this industry.

In order to ensure that the benefits of IT reach the common man, Indian government has initiated a move to make available tools and fonts in various Indian languages freely to the general public. Several regional languages software tools and fonts have already been released. All Indian languages are expected to be covered in 2007-08.

To facilitate penetrations of the IT and ITES in the rural areas, the Indian government has formulated a proposal to establish 100,000 Common Service Centres (CSCs) in rural areas, which will serve not only as the front-end for most government services but also as a means to connect the citizens of rural India to the World Wide Web. According to the Government of India, the scheme will be implemented through Public-Private Partnership (PPP). An outlay of Rs. 57.42 billion has already been approved.

Indian companies are enhancing their global services delivery capabilities through a combination of Greenfield initiatives, cross-border mergers and acquisitions, partnerships and alliances with local players. This is enabling them to execute end-to-end delivery of new services. Global software giants such as Microsoft, Oracle and SAP, have established their captive development centres in India. A majority of the companies in India have already aligned their internal processes and practices to international standards such as ISO, CMM, and Six Sigma. This has helped establish India as a credible sourcing destination. As of December 2006, over 400 Indian companies have acquired quality certifications with 82 companies certified at SEI CMM Level 5 - higher than any other country in the world. Therefore, Indian firms are gradually gaining ground.

Why India has been so successful in IT sector? According to many commentators, it is the *Abundant Talent* which has helped India to sustain the rapid growth in IT sector over time. With over half of the population of India aged less than 25 years, India's young demographic profile is a unique and an inherent advantage. This, complemented by a vast network of academic infrastructure and the legacy effects of British colonisation, has contributed to an unmatched mix and scale of educated, English-speaking talent.

*Cost Advantage* is another important factor which has positively contributed to the rise of India's IT industry. India has a strong track record of delivering a significant cost advantage, with clients' regularly reporting savings of 25-50 per cent over the original cost base. There is still scope for further lowering of infrastructure and overhead costs in coming days in India due to its double-digit growth

and higher spending in infrastructure sector. For example, due to technology diffusion, we witness rapid decline in telecom costs in India.

Emphasis on *Quality and Information Security* is also another important factor for the rise in India's software exports. Demonstrated process quality and expertise in service delivery has been a key factor driving India's sustained leadership in global service delivery. Today, India-based centres (both Indian firms as well as MNC-owned captives) constitute the largest number of quality certifications achieved by any single country. According to NASSCOM, National Skills Registry and the Cyberlabs initiatives launched over the past 18- 24 months are now running successfully these efforts by establishing a self-regulatory organization that will identify a basic set of security and privacy standards, that member companies will be expected to adhere to.

Spread of quality telecommunication facilities is another factor for software sector development. Telecom penetration in the country has increased from a modest 3.6 per cent in 2001 to over 12.6 per cent in 2006 and is targeted to reach to 29.6 per cent by 2009. While the wireline segment continues to witness steady growth, rapid adoption of wireless telephony has made India the fastest growing market in the segment. At the end of 2006, there were over 98 million wireless subscribers in India, up from barely 4 million in 2001. Yet, this is only a start. The low penetration levels and a growing consumer base are driving strong growth forecasts across all segments of telecom demand and are likely to keep this sector in the spotlight for the foreseeable future.

In addition to strong telecom links, cities across the country have witnessed steady growth in office facilities, hotels and other supporting business infrastructure matching global standards. Importantly, this growth is taking place, not only in existing urban centres – but increasingly in towns and smaller cities.

The enabling business policy and regulatory environment has played a critical role in the rapid growth of the Indian IT-BPO sector. IT-BPO firms enjoy minimal regulatory and policy restrictions along with a broad range of fiscal and procedural incentives offered by the Central as well as individual State Governments. These measures have earned wide appreciation, which is best exemplified in the fact that several other nations are trying to emulate the policy environment that has helped develop the IT-BPO sector in India. The Software Technology Parks of India (STPI) scheme has played a pivotal role in catalyzing the growth of this sector and supporting its rapid proliferation across the country. The tax holiday has helped attract much needed investments (MNC and Indian) in the sector and the virtual model has allowed firms to avail benefits without constraints on their choice of location – encouraging entrepreneurship and integrated growth. Other aspects of continuing policy reform that will aid the sectors growth include the rationalization of international taxation policies, mutual trade agreements with partner nations, and a proactive and positive stance on international free trade.

## Going Forward: Opportunities for Cooperation

- Rise of India as a global IT hub offers many lessons for Mekong countries. Requirements of Mekong countries in IT are primarily two folds:
- Increased national capacities to develop and implement policies and programmes, including regulatory and institutional frameworks, that facilitate equitable access to information and communication technology for development, and

- Enhanced national capacities to apply information and communication technology in planning and implementing socio-economic development programmes, including for the promotion of gender equality.

In order to strengthen IT sector, the first and foremost requirement for Mekong countries is to ensure domestic supply of adequate talent pools. Training is the regular and significant component in the induction process of all IT firms. Mekong countries firms should establish dedicated facilities and teams for employee skill enhancement initiatives. Mekong countries should also work with the academia across the subregion and abroad, through *IT Workforce Development Initiative* to encourage and facilitate greater industry interaction in Mekong subregion. The long term steps that are needed include much higher government investments in education, major education reform and better compensation and research grants for teachers/researchers in IT sector.

Indian government may think to set up (similar in the line of Entrepreneurship Development Institute of India) a chain of finishing schools for IT professionals to make them more employable with a short terms of honing of technical skills and imparting soft skill training, helping bridge the manpower supply-demand gap in Mekong subregion.

Setting up Special Economic Zone (SEZ) for IT sector in Mekong subregion would be very useful in attracting FDI and also strengthening domestic supply capacity. For Mekong to fully capitalize on the opportunity in the IT space, countries in this subregion need to continue working towards timely and coherent execution of initiatives to address supply-side concerns by (i) ensuring talent supply, (ii) creating world-class infrastructure, (iii) strengthening information security, (iv) enhancing operational excellence, (iv) providing regulatory support, and (iv) catalyzing domestic market development.

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# Mekong Cross-Border Transport Agreement (CBTA)

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Prabir De\*

The Mekong CBTA is originally a trilateral agreement between and among the Governments of the Lao PDR, Thailand, and Vietnam signed on 26 November 1999. Cambodia, China and Myanmar acceded to the CBTA in 2001, 2002 and 2003, respectively. A Memorandum of Understanding (MoU) was signed to clarify the relationship between the CBTA and its annexes and protocols; and commitment to amend article 17 of the CBTA. An additional MoU was also signed to reflect the staged approach in the application of the CBTA to non-commercially operated vehicle. On 30 April 2004 an amendment to the CBTA was signed to reflect the revision to Article 17 of the CBTA on mutual recognition of driving licenses and for the inclusion of Annex 16 in the list of annexes and protocols. The CBTA is now formally known as The Agreement for the Facilitation of Cross-Border Transport of Goods and People.

The Mekong CBTA is a compact and comprehensive multilateral instrument that covers all the relevant aspects of cross-border transport facilitation in one document. These include:

- single-stop/single-window customs inspection
- cross-border movement of persons (i.e., visas for persons engaged in transport operations)
- transit traffic regimes, including exemptions from physical customs inspection, bond deposit, escort, and agriculture and veterinary inspection
- requirements that road vehicles will have to meet to be eligible for cross border traffic exchange of commercial traffic rights, and
- infrastructure, including road and bridge design standards, road signs, and signals.

The CBTA applies to selected and mutually agreed upon routes and points of entry and exit in the signatory countries. The CBTA includes a preamble and 10 parts, and has 20 annexes and protocols. The CBTA has entered into force with its ratification by all six member countries in December 2003. Full implementation of the Agreement and its annexes and protocols is expected by 2007/2008.

South Asian countries may follow the Mekong CBTA that has been very successful in implementing single window customs clearance at all border crossings in Mekong. Specifically, Mae Sai-Tachilek is one of the seven pilot points selected under the CBTA, which came into force in December 2003, to streamline regulations and reduce nonphysical barriers by introducing single window customs clearance. By end of 2006, 13 border points in the Mekong have become operational. A single-stop, single-window customs clearance system has been put in place in the Dansavanh (Lao PDR)-Lao Bao (Vietnam) border crossing point since June 30, 2005.

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\* Fellow, Research and Information System for Developing Countries (RIS), New Delhi, India.

Since most of the countries in South Asia are geographically interlinked and regional trade is growing very fast, deeper regional cooperation would be most desired to make the countries agree to transit of goods moving from one to another country within and/or outside the region. The prominent example is Mekong's East-West Economic Corridor, which has been promoted to connect the Andaman Sea (the Myanmar coast) through Thailand and Laos with the South China Sea (at Danang in Vietnam). All this has happened only due to acceptance of the Mekong CBTA.

It is, therefore, important that the countries in South Asia evolve an appropriate policy to facilitate uninterrupted overland trade. Mekong CBTA has some good lessons for South Asia to follow. Towards this direction, deeper cooperation between India and Mekong countries will be beneficial in facilitating cross-border transport of goods.

## **Mekong CBTA**

### **Part IV: Cross-Border Transport of Goods**

Article 7: Exemption from Physical Customs Inspection, Bond Deposit, and Escort

(a) The Contracting Parties undertake to exempt cargoes in international transit from:

- (i) routine customs physical inspection at the border
- (ii) customs escorts in the national territory, and
- (iii) the deposit of a bond as a guarantee for the customs duties.

(b) For that purpose, the Contracting Parties undertake to institute a transit and inland customs clearance regime, as specified in Annex 6. Article 8: Transit Traffic

(a) The Contracting Parties grant freedom of transit through their territory for Transit Traffic to or from the territory of the other Contracting Parties.

(b) Transit Traffic shall be exempt from any customs duties and taxes.

(c) Charges relating to Transit Traffic other than customs duties and taxes shall be gradually levied in two steps:

Step 1: Charges concerning Transit Traffic other than customs duties and taxes shall be levied as determined in Protocol 2.

Step 2: Charges levied on Transit Traffic shall only be cost related.

Article 9: Phytosanitary and Veterinary Inspection

The Contracting Parties shall comply with international agreements related to the regulations of the World Health Organization, Food and Agriculture Organization, and Office International des Epizooties in applying inspection of goods crossing the border.

Article 10: Special Regimes for the Transport of Particular Categories of Goods

(a) The Agreement shall not apply to the transport of Dangerous Goods, as defined in Annex 1.

(b) The transport of Perishable Goods, as defined in Annex 3, shall be granted a priority regime for border crossing clearance formalities, set out in Annex 3, so that they may not be unduly delayed.

*Source:* Asian Development Bank, Manila.

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# Mekong Economic Corridors: Asia's New Lifelines

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Prabir De\*

The Mekong region comprising Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, and Vietnam covers an area of enormous wealth and natural resources. However, the greatest challenge the Mekong is facing today is that despite plenty of resources and significant economic progress in recent years, poverty is very much widespread in the region. The effect that improvement of cross-border transport infrastructure has on poverty incidence is a central issue for assistance for Mekong LDCs and for their own public investment policies.

Mekong countries have undertaken programmes to strengthen their economic linkages while fostering peace, facilitating sustainable growth, and improving living standards in the process. In particular, the Mekong region is working towards improving connectivity through strengthening linkages in transport, energy and tele-communication. The vision is to create a more integrated, prosperous, and equitable region, complementing national efforts to promote economic growth and reduce poverty, and augment domestic development opportunities to create regional opportunities.

Sustained economic growth over the past decade has increased the demand for transport services. Efficient transport networks have become more important to regional cooperation, in both absolute and relative terms, as tariff based barriers to economic cooperation have generally declined. With support of the Asian Development Bank (ADB), the Mekong governments endorsed a 10-year strategic framework in 2001 to serve as the blueprint for enhanced connectivity, increased competitiveness, and a greater sense of community in the region. About 11 flagship projects were identified, including the Phnom Penh-Ho Chi Minh City Highway, the East-West Economic Corridor, the Northern Economic Corridor (Boten-Houayxay), the Yunnan Expressway (Chuxiang-Dali) and Southern and Western Yunnan Roads Development, the Guangxi Roads Development, the Siem Reap Airport, and the Dali-Lijiang Railway. However, the three economic corridors, namely, the North-South Economic Corridor (NSEC), the East-West Economic Corridor (EWEC), and the Southern Economic Corridor (SEC), dominate the Mekong transport sector development plan. These three corridors are planned to encourage trade, investment, and tourism in Mekong region, and ease the cross border movement of people and goods. At the same time, to encourage seamless flow of goods and services across borders in the region, the "hardware" part of the economic corridors is supported through a "software," known as Mekong Cross-Border Transport Agreement (CBTA), which was endorsed and adopted by all the Mekong countries. The CBTA is also formally known as the Agreement for the Facilitation of Cross-Border Transport of Goods and People.

The Mekong economic corridors are planned to serve 2.6 million sq km of surface area and about 320 million people. The corridors, as conceived, would link the region with a direct outlet for trade with Southeast, South and Northeast Asia. The combination of improved access to trade

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\* Fellow, Research and Information System for Developing Countries (RIS), New Delhi, India.

and reduced impediments to cross-border trade would accelerate the economic development of the region along the corridors.

According to ADB<sup>1</sup>, the all-weather roads are expected to allow smooth and efficient travel along the NSEC and EWEC by 2012. Parallel to this, interconnected power transmission lines will provide increased flexibility and reliability of electricity supply throughout much of the Mekong. These actions are expected to bring about accelerated economic growth and a very strong impetus in efforts to reduce poverty in all Mekong countries.

## Gains So Far

Today, high transport costs and low connectivity levels are more detrimental to a country's development than ever before, presenting particular challenges for landlocked countries. In many cases, an important means of overcoming obstacles to trade competitiveness is the promotion of "corridors" and bilateral and regional transit arrangements between landlocked countries and their transit neighbours. Mekong economic corridors are planned to reduce trade costs. Reduced trade costs can also indirectly induce foreign direct investment (FDI), mainly through intra-firm vertical integration across borders that exploit the comparative advantages of each location, and, such increases in FDI can further increase regional trade, adding to the direct effect of trade expansion. This defines a virtuous triangle of mutually reinforcing effects between cross-border infrastructure development, trade, and investment, the final effects of which are higher economic growth. However, institutions and policies have to be in place to ensure the poor take part in this growth process. Increased trade and growth would also expand the fiscal resources available to governments thereby enable consideration of new policy options.

The remarkable progress in the Mekong region in recent years is thus reflected in the increase in average per capita income from about US\$ 630 in 1992 to about US\$ 1100 in 2006<sup>2</sup>. A recent study (Edmonds and Fujimura, 2006) found a positive effect of cross-border infrastructure on trade in major goods in the Mekong region.

In general, the development of economic corridors in the Mekong region has played an important role in fostering trade within the region. The Mekong economic corridors continue to produce sizable economic benefits at the micro level, including higher levels of traffic, improved traffic flow, increased transport of goods, higher toll revenues, and enhanced bus services for passengers using public transport.

According to an ADB study,<sup>3</sup> the road improvement prompted traffic on the highway (excluding motorcycles and other two-wheel vehicles) to grow by about 47 per cent between 2000 and 2004, compared with about 2.5 per cent growth in traffic in the four years before that. The growth in traffic generated more than US\$ 450,000 in toll revenue for the Government of Vietnam in 2004.

Among the three corridors, the EWEC is in most advanced stage of implementation. It is a 1,500 km artery starting from Da Nang Port in east in Vietnam to the Andaman Sea in the west in Myanmar. The benefits are apparent. So far, 60 companies have invested in the special economic zone located on the Lao PDR-Vietnam border in the EWEC (ADB, 2005).

By end of 2006, 13 border points in the Mekong have become operational. A single-stop single-window customs clearance system has been put in place in the Dansavanh (Lao PDR)-Lao Bao (Vietnam) border crossing point since 30 June, 2005.

Civil aviation projects have improved connectivity and air safety in the Mekong region, as well as access to more distant destinations. Airports have been upgraded at Mandalay, Vientiane, Hanoi, Phnom Penh, Siem Reap, and several other locations in Mekong in recent past. These improved airports, air safety, and more open skies have stimulated business and tourism travel, encouraged investment, and generated new employment opportunities, even in remote areas of the Mekong. As a result, Mekong region has witnessed a rise in tourist flows. Tourist arrivals in Mekong countries increased to nearly 18.8 million in 2005, and is expected to rise to 30 million in 2010.

To address the future transport demand, Mekong leaders have redefined the Mekong transport development plan, and have proposed a new Mekong corridor network.<sup>4</sup> This new Mekong Transport Strategy has two important objectives: (i) to strengthen existing internal links through identification of additional or expanded cross-border links; and (ii) to intensify the linkages with neighbouring regions such as with South Asia and BIMSTEC (Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation).<sup>5</sup> More than 150 new investment projects have been proposed under the new Mekong Transport Strategy. Of these, 31 were considered as high-priority investment projects, including 20 road projects, 2 railway projects, 4 airport projects, and 5 water transport projects (ADB, 2007).

## Challenges and Opportunities

Mekong countries are suffering from acute poverty; more than 52 million people are living below the poverty line in the region. Major challenges, therefore, are: (i) the rising income disparities between urban and rural areas, (ii) a growing income gap between rich and poor, (iii) inadequate attention to the special needs of ethnic minorities, (iv) gender inequities, lack of access to basic health and education, and (v) inadequate protection of the environment.

The linkages between poverty and transport corridors are complex, given the multidimensionality of poverty and crosscutting nature of transport development. The emphasis, therefore, should be to connect growth, poverty reduction, and investment with the infrastructure development being pursued through Mekong economic corridors. Mekong economic corridors should offer more inclusive growth. Nonetheless, the full potential of the Mekong countries can be realized only if the problem of poverty and environment is properly addressed.

One of the striking challenges of the Mekong economic corridors is that their success closely depends on the accompanying policy reform, capacity development, and institutional strengthening in the region. Here comes the role of regional cooperation. Greater regional cooperation would remove the landlockedness of Lao PDR in Mekong, thus making it land-linked. Being land linked, Lao PDR can serve as “hub” for trade between Mekong and South Asia. In view of the economic growth in South and Southeast Asia, Lao PDR might seek to increase its trade with India and Thailand.

Given a long historical and cultural link between India and Mekong countries, there are ample scopes for cooperation and so also potential gains. Towards this direction, Mekong-Ganga Cooperation (MGC) is a forum, established primarily to strengthen the institutional capacity of the Mekong countries. Under the MGC, there is a proposal to set up a railway line from Delhi to Hanoi. As a matter of fact, opening of the second Friendship Bridge over the Mekong river connecting the town of Savannakhet in Lao PDR with Mukdahan in Thailand has made it possible to travel by road from anywhere in India right up to Da Nang in Vietnam through EWEC.



The growing partnership between India and Mekong countries is also viewed in the context of growing importance of South-South cooperation. While dealing with Mekong countries, capacity building need cannot go unnoticed. One of the principal reasons for the relative backwardness of Mekong countries is that despite being endowed with natural resources, they were never exploited to full scale due to lack of improved technology and useable infrastructure services. Therefore, all the three countries in Mekong attach utmost importance to develop their science and technology capability. India has been playing a major role to strengthen the entrepreneurial capacity of the Mekong countries. The challenge is to translate recent gains into lasting progress through successful regional cooperation. A collective effort towards strengthening institutional capacity in Mekong will not only reduce the poverty of the region, but will also effectively make the Mekong economic corridors as lifelines of the entire Asia.

### Endnotes

<sup>1</sup> See, for example, Bryant (2005)

<sup>2</sup> See, World Bank (2007)

<sup>3</sup> As quoted in ADB (2005)

<sup>4</sup> As noted in ADB (2007)

<sup>5</sup> See, ADB (2007)

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# Mekong Economic Corridors Bring Significant Social Benefits

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Doan Hong Quang\*

The Mekong economic corridors are one of the important components of the Strategic Framework for the Greater Mekong sub-region adopted by the 10th GMS Ministerial Conference in Myanmar in 2001. The implementation of the Mekong economic corridors has developed significant changes in many sectors in the Mekong countries resulting from several interrelating factors such as improvements in cross-border trade, increase in tourism and investment. Vietnam having long coast is an important end of a large number of roads in the context of Mekong economic corridors including the North-South, East-West and the Southern corridors. As a result, Vietnam is expected to benefit significantly from these corridors.

From policy perspectives, a natural question is how much the economic corridors in the context of the Mekong will contribute to the progress of poverty reduction in the poor border areas along the roads. Theoretically, poor areas could benefit from improvement of infrastructure via two main channels. First, these corridors will arguably improve the interconnectivity of goods and labour markets, facilitate cross-border trade and investment, and hence are likely to spur economic growth in GMS countries. Expansion of overall economic activities could have positive spillover impacts on the poorest areas through backward linkages. Second, improved connectivity and reduced transaction costs could lead to increase in investment in these poor areas, and hence contribute directly to reduce poverty by several ways such as availability of off-farm employment or improved market access.

By examining the lessons from the distribution pattern of benefits associated with rapid growth in the past, this article argues that these two impacts of the Mekong economic corridors could be limited if no appropriate accommodating policies were implemented. The policies should be tailor-made to suit the specific conditions of each directly affected region, and hence a much better understanding of the poverty of the region is needed.

Corridors go through poorest areas, mainly inhabited by ethnic minorities. A salient feature of the roads of Mekong corridors in Vietnam is that a large number of them go through the mountainous areas that are covered by tropical forest. In addition, they also go through the areas where the ethnic minorities reside. The North-South Corridor runs through Lao Cai and Yen Bai in the North East, the EWEC goes through Quang Tri in the North Central Coast and Southern Corridor through Central Highlands (Gia Lai) to Binh Dinh. More than 80 per cent of Vietnam's ethnic minorities live in the two regions: Northern Mountains and Central Highlands.

These border areas where the corridors run through are the poorest areas in Vietnam (Table 1). Ethnic minorities are a predominantly rural population, dependent on agricultural income to a far greater extent than their Kinh and Chinese counterparts. Importantly, ethnic minorities are much

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more dependent on forestry land than Kinh people. But Vietnam Living Standard Surveys (VLSS) show only 24 per cent of ethnic minority's households report having forestry land (Swinkels and Turk, 2006).

**Table 1: Poverty Rate in 2004 (%)**

Provinces	Poverty Rate (Overall)	Poverty Rate (Kinh and Chinese)	Poverty Rate (Ethnic Minorities)	Share of Ethnic Minorities (1999)
Vietnam	19.5	13.5	60.7	12.7
Northern Mountains	35.4	14.2	57.4	48.5
North Central Coast	31.9	26.7	76.1	10.6
South Central Coast	19.0	14.9	92.2	5.3
Central Highlands	33.1	13.6	74.4	32.7
Mekong Delta	15.9	14.7	34.9	6.5

Sources: GSO – VLSS 2004 and Population Census 1999, Vietnam.

Rapid poverty reduction is one of the outstanding achievements of Vietnam's recent development. During the period 1993-2004, poverty incidence reduced by almost 39 percentage points from 58.1 per cent to 19.5 per cent. In annual terms, a growth rate of GDP per capita of nearly 5.9 per cent was associated with a reduction in poverty by roughly 9.4 per cent, implying one of the highest elasticity of poverty reduction to economic growth in the world.

It is worthwhile to note that growth in Vietnam is more pro-poor than many other fast-growing developing countries. An ample evidence of this pro-poor growth is the quick pace of poverty reduction in the rural areas, which even outperformed the pace in urban areas. In 1993, nearly two third of rural population lived in poverty as compared to 25.2 per cent in urban areas. By 2004, only one in every four rural residents had an expenditure level that is below the poverty line. On average, rural poverty was reduced by 3.8 percentage point a year, almost twice as high as that in the urban areas in Vietnam.

Among the important factors leading to rapid poverty reduction in Vietnam, the reform in property rights and integration into the world economy are arguably two of the most important factors. Several studies have well documented the decisive role of these two factors behind rapid growth and poverty reduction in Vietnam.<sup>1</sup> Measures such as the relatively egalitarian distribution of land to farmers since "Doi Moi" together with improvement in securing property rights for land and the gradual removal of barriers to both domestic and international trade have clearly provided "right" incentives for farmers to invest more not only in terms of quantity but also in terms of effectiveness. The resulting increase in productivity and output has in turn helped a large number of poor living in the rural areas escape poverty.

Yet the ability of the poor to participate in the value chain is not so well documented in the existing literature. There is no doubt that improved access to international trade represents a big opportunity to expand the sectors with comparative advantages. If the poor can participate either directly or indirectly in the expanding sectors due to opening up the economy, the increased trade and investment flows would have a large positive impact on poverty reduction. If the poor farmers



in Vietnam were not able to diversify their products and income sources to take advantage of having access to the large and growing market demand for their main products, the story of poverty reduction would be quite different. A related issue, the mobility of the poor to move to the expanding sectors, especially non-farm activities, also remains relatively unexplored.

Looking beyond the average, some aspects of the success story is less spectacular than others. The rate of poverty reduction in ethnic minority areas has been much slower than among the ethnic majority and a significant poverty gap still exists. From 1993 to 2004, poverty rate among ethnic minorities was reduced by 25 percentage points, a considerable achievement but still modest as compared to the 40 per centage point decrease for the Kinh and Chinese. As a result, ethnic minorities in 2004 still accounted for 39 per cent of all poor people, nearly doubling of the proportion of ethnic minorities in the poor population in eleven years. According to the latest available Living Standard Survey in 2004, the proportion of ethnic minority's population below the poverty line was 61 per cent, while the poverty incidence among the Kinh and Chinese was merely 13.5 per cent.

But the geographic dimension of poverty does not alone explain why ethnic minorities are poorer than others in Vietnam. The Kinh majority and Chinese in remote areas have also experienced faster improvement of living standards than ethnic minorities. In most regions, the poverty incidence for the Kinh and Chinese in 2004 was not much different from the national average of 13.5 per cent. Even in the North West, the poorest region, only 17 per cent of the Kinh and Chinese had a level of expenditures below the poverty line while about 80 per cent of ethnic minorities were poor (Swinkels and Turk, 2006).

It should be noted that there have been significant amount of resources and efforts devoted to facilitate the development of remote areas mainly inhabited by ethnic minorities. Perhaps the more systematic and eminent measures are the National Targeted Programs, especially the Hunger Eradication and Poverty Reduction (HEPR) Program and Program 135 that place great emphasis on the development of infrastructure for poor communes, especially those in remote and mountainous areas. Notable resources have been provided to poor communes. The HEPR spends about 30 billion VND per year in 41 provinces, while Program 135 alone allocated about 500,000 VND to every beneficiary household in 2003. The spending of targeted programs for poverty reduction in 2003 accounted for about 0.4 per cent of GDP or 180 million USD.

The current situation imposes a serious policy puzzle that is how to narrow the gap between the Kinh-Chinese and ethnic minorities. There seems to be limited supporting evidence of trickle down growth as Vietnam has experienced rapid overall economic growth and poverty reduction for about two decades and the time span is sufficiently long for the realization of spillover effects even with the time lag as commonly argued for. Improved physical connectivity to markets alone also appeared not to be the solution. With increased investment in particular, in the context of the National Targeted Programs, accessibility for ethnic minorities improved considerably. Between 1998 and 2004, the proportion of people living within two kilometers of an all-weather road has increased by similar amount for both rural Kinh and ethnic minorities rural residents, from 59 per cent to 66 per cent for ethnic minorities and from 76 per cent to 84 per cent for rural Kinh (Swinkels and Turk 2006). The World Bank (2006) also provides a striking example of districts with similarly short distances to a provincial town but experiences very different poverty incidence depending on the share of ethnic minorities in the population.

There are a number of studies looking at the causes of poverty of ethnic minorities in Vietnam, but the report *Ethnicity and Development in Vietnam* by the World Bank in 2007 provides arguably the most comprehensive analysis. Apart from the frequently cited explanations such as limited access to finance, lack of infrastructure or less access to education, the report also examined the mobility as well as social and cultural factors that may prevent ethnic minorities from taking full advantages from opportunities associated with rapid economic growth and increased integration. The study finds that language and cultural factors are important barriers to marketization and commercialization of minority livelihood. Together with limited mobility, these barriers prevent the minorities from diversification of their crops or working in off-farm activities, hence preventing higher rate of poverty reduction.

Slower progress of the ethnic minorities in poverty reduction provides evidence that increased openness and investment and improvement in connectivity do not necessarily result in equitable pattern of distribution of gains among ethnicities in Vietnam. Since the potential gains from Mekong corridors will result from similar sources, it cannot be taken for granted that the ethnic minorities who inhabited in the border areas along the corridors will benefit as much as the others.

Another issue, not discussed in details here, is that increased border trade would be associated with increased deforestation, and hence negatively affecting the livelihood of the vast majority of the ethnic minorities living in the areas directly affected by the corridors. Since this is extremely difficult for people here to change from one to other activities, the unwanted outcome could increase the vulnerability of the poor ethnic minorities.

Given the complexity of the issue, a holistic approach beyond standard safeguards approach is needed to tackle the poverty issue of ethnic minorities in the context of Mekong corridors. The ultimate challenge is to find appropriate accommodating policies for enabling the ethnic minorities to take full advantages of the newly arisen opportunities.

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# Women's Empowerment through Microfinance in India: Lessons for Mekong Countries

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Beena Pandey\*

India has taken a major step forward by launching, along with five South East Asian countries, viz. Cambodia, Lao PDR, Myanmar, Thailand and Vietnam, the Mekong-Ganga Cooperation (MGC) initiative in late 1990s. In the Joint Vientiane Declaration 2000, Mekong countries agreed to develop transportation networks and promotion of air services and linkages in the MGC region. Cooperation in the field of women's empowerment, health and nutrition and the conservation, preservation and protection of heritage sites and artefacts, among others, has also been central to MGC initiative.

The most challenging social problem the Mekong region facing today is poverty especially among women living in rural areas and those are belong to ethnic minorities. Today, Mekong region is faced with wide disparities between urban and rural communities and between rich and poor, gender inequities, lack of access to basic health and education, and inadequate protection of the environment on which traditional livelihoods depend. However, the key to sustaining the social and economic empowerment in the Mekong region is to address these social and environmental consequences and to protect the vulnerable groups as far as possible.

Over the past ten years, despite having a growth of 7.1 per cent per annum, Cambodia continues to be one of the poorest countries in the world, with 34.7 per cent population living below the poverty line. Gender discrimination persists in terms of education, health, employment opportunities, lack of access to land ownership and credit, etc. in Cambodia. On the other, with one of the highest rate of economic participation of women in the world, Vietnam has made good progress with respect to gender equality. However, this progress has not been uniform as women lack access to health, education and economic opportunities in both formal and informal sectors. In Vietnam, women are in fact over represented in low skilled employment with low wages in the informal sector. On the other, as compared to women, men benefit from jobs with decision making power and higher status. As shown in Table 1, while the female labour force participation rate in India has been quite low, as compared to Mekong countries, the gap between the labour force participation rates of males and females persists in all the countries reported here.

In India, several instruments have also been experimented to narrow the gap between the labor force participation rates through Self Help Groups (SHGs), and some initiatives taken by the private sector of empowering small and poor labourers as stakeholders of their supply chains. This includes examples of Amul in cooperatives, Lijjat in self-help groups, Tata tea in giving stakes to both males and females workers in their tea estates, or ITC's e-chaupal initiative, among many others.

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**Table 1: Labour Force Participation Rate**

Country	Labour Force Participation Rate (%) (ages 15-64)			
	Male		Female	
	1990	2004	1990	2004
Cambodia	86.7	81.4	81.0	78.0
Lao PDR	81.6	82.3	56.3	56.4
Vietnam	85.5	82.4	79.4	77.4
India	86.6	84.3	40.3	36.0

Source: World Bank, World Development Indicators, 2007.

Against this backdrop, there is a tremendous scope for the Mekong region to learn from several successful experiments conducted in India and elsewhere particularly in the field of micro finance for women's empowerment. In India, microfinance programmes have been increasingly promoted as a potential tool for women's empowerment and also as a tool for poverty alleviation. Empowerment of women is a process in which women challenge the existing social norms and cultural traditions to improve their own well being. Progress towards gender equality and women's empowerment in India has been built upon strong commitments by the Government through wide range of policy measures and programmes. The National Policy for Empowerment of Women (NPEW) was adopted in India in 2001 with an objective to bring advancement, development and empowerment of women in all spheres of life.

Recognizing that women can leverage their strength, increase bargaining power and enhance capacities and skills through joint action, the systematic efforts have been initiated to encourage the organization of women into Self Help Groups (SHGs) and to channel resources to these groups. The SHGs movement has been supported through wide range of schemes of a large number of government departments like Departments of Women and Child Development, Rural Development and Agriculture, among others. These schemes have become the main vehicle for providing women with access to savings and credit mechanisms and institutions through micro-credit schemes. In fact, the schemes started as 'micro credit', which only relates to provision of loans, have gradually expanded to microfinance' including the provision of savings, credit and to some extent insurance facilities to the poor in both rural and urban areas.

In India, various micro-finance programmes have been initiated with the explicit goal of empowering women, as many microfinance institutions (MFIs) target female clients only. The success of the concept of micro-credit through SHGs has encouraged the Government of India to establish a national level micro-credit organization. Rashtriya Mahila Kosh (National Credit Fund for Women) was set up in 1993 under the Ministry of Women and Child Development, Government of India with an initial corpus of Rs. 310 million. It provides credit for livelihood and income generating activities to poor women in the informal sector. It extends micro-finance services through a client friendly and hassle free loan mechanisms for household activities, housing, micro-enterprises and family needs during emergencies, etc. to bring about the socio-economic upliftment of poor women. Since its inception till date, it has sanctioned loan of Rs. 2294 million benefiting 595,937 women in both rural and urban areas in India. (WCD, *Annual Report 2007-08*).

Some micro-credit programmes have remained confined to a small area and have been successfully functioning within the existing credit and savings facilities. For example, the Indira Mahila Yojana has been successful in states like Andhra Pradesh, Maharashtra, Karnataka, and Tamil Nadu. The

most unique success which has been achieved by these micro finance programmes by targeting women for the credit services has been their ability to repay loans in the range of more than 95 per cent, higher than the traditional banks. Overwhelmed by the repayment rates, a pilot project for linking SHGs with banks was launched by the National Bank for Rural Development (NABARD) and the Small Industries Development Bank of India (SIDBI). These banks increased their lending to these SHGs, which in turn provide credit facilities to the poor, especially women.

Self-employed women in the rural areas face major financial problems like lack of working capital and lack of ownership assets, and often fall in the vicious cycle of debt and exploitative approach of the moneylenders. Self-Employed Women's Association (SEWA) has established the Mahila SEWA Cooperative Bank with the specific objective of providing credit to the self employed women with a view to empower them. The origin of the microfinance can be traced to the establishment of SEWA cooperative bank in 1974 with 4000 members as share holders and each contributed Rs. 10 as share capital. It provides banking services at the doorsteps of these economically active low income women. Besides offering wide range of loans, savings and insurance schemes to the poor women, the Bank has been instrumental in making them self-reliant and strengthening them at the grassroots level. SEWA's activities are driven by the needs and demands of its members. A wide range of activities covering saving and credit groups, micro insurance, watershed development, dairy cooperatives and fodder security, agricultural development, forest plantations, drinking water, craft production, tailoring unit, salt production, gum collection, mobile ration vans and urban community slum organization, etc. are implemented by the members through a number of different institutions established by SEWA including large number of cooperatives of which the largest is SEWA Bank to make members and their organizations self-reliant individual institutions. SEWA has opened a managerial school where illiterate or semi-illiterate poor self-employed women learn management strategies according to their own requirement and demand for new sophisticated items in the market.

The success of the SEWA Bank demonstrated that women are economically active and are bankable. With the help of the micro credit facilities, women have been using credits more productively, carry out savings and became responsible enough for timely repayment of loans. On the more, many landholdings have now even shifted in the names of the female member of the family. Access to savings and credits gives them a greater economic role in decision making for the welfare of their households. This also enables women to increase expenditure on the well being of themselves and their children in terms of their health, nutrition and education. Therefore, access to microfinance resulted into women's increased economic activity and their control over income, has improved their social and economic status, knowledge and relative empowerment in India.

Efforts to reduce poverty succeed best when they mobilise the poor themselves, including and especially the women. Recognising the fact that microfinance programmes in India has the potential to have a powerful impact on women's empowerment, the Mekong countries may evolve suitable strategies and draw upon the experiences of the select experiments conducted in India in addressing poverty and empowerment of women in cooperative sector. Importance of structural interventions through promoting asset ownership by the women in formal and informal sectors with the initiatives of SHGs has a powerful impact on women's empowerment. Strengthening women's financial base and economic contribution to their families and communities will therefore play a positive role in empowering them in Mekong region, where women represent an ever increasing share of poor. India's success stories of SHGs seem able to help Mekong women not only to increase their savings and boost their incomes but give them the confidence needed to step into new areas of community



affairs as well. Such groups are thus capable of making a positive impact on poverty in Mekong region. In parallel, we also need to practice “gender awareness” in order to ensure that women are constantly kept in the picture.

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# Investing in Cambodia: Opportunities and Constraints

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Chan Hang Saing\*

Situated in Southeast Asia, Cambodia is endowed with a wide range of natural resources which offer high potentials for natural resource based industrial activities. Realizing the importance of and benefit from the exploitation of such resources for its social and economic development, since early 1990s the Royal Government of Cambodia (RGC) has started and continues to open itself to the region and the world through a range of liberalization and integration efforts, namely the accessions to Association of South East Asian Nations (ASEAN) and World Trade Organization (WTO) in 1999 and 2004, respectively. This reflects country's high degree of openness being a member of such associations. Additionally, the introduction of the Law on Investment in 2001 offers a favourable environment for investment through the provision of fiscal incentives and investment guaranty. For instance, the regulation allows 100 per cent ownership by foreign investors over most assets, except for land. In view of the above, this article aims to depict certain priority sectors with high potential for investment with the highlights of a number of key preferential treatments provided by Cambodia's trading partners and outline constraints faced by foreign investors in Cambodia.

## Sector with High Potential for Investment

With its intention and endeavour to sustain the current high level of growth, the RGC in cooperation with its development partners has been making significant efforts in mapping out several commodity and service sectors in order to diversify its few existing export sectors, i.e. garment and tourism. The Diagnostic Trade Integration Study (DTIS), conducted in 2007, has concluded 19 sub-sectors with high potential for export and contribution to human development.<sup>1</sup> This indeed is in line with the government policy in drawing large magnitude of foreign direct investment (FDI) into the sectors. Therefore, it is obvious that a number, probably all, of those sectors are likely to be viable entry points for foreign and domestic investors. Below are highlights of some of those potential sub-sectors under specific industry classifications:

### Agriculture and Fisheries

Cambodia's agriculture and fishery sector contributes to almost a third of its total output and absorbs approximately 60 per cent of the total labour force (Table 1). As almost two-third of the country population is living in the rural area and depends largely on agricultural farming, agriculture value-added per worker increased over time.

The inflow of FDI to the agriculture sector has been low at 3.5 per cent, as a share of total FDI, in 2004. This provides opportunity for investors to embark on large-scale agriculture development utilizing the large number of cheap labour force.

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**Table 1: Agriculture Value-Added (at constant 2000 \$)**

Country	Value added per worker (\$)		Value added as percentage of GDP	
	2000	2004	2000	2004
Cambodia	290.19	305.08	37.87	32.70
Lao PDR	450.78	459.92	52.55	46.97
Thailand	540.60	605.04	9.02	10.07
Vietnam	277.84	304.10	24.53	21.76

Source: World Bank, World Development Indicators, 2007.

### Rice Farming

Paddy cultivation is the country's traditional and common farming practice as around 70 per cent of the households engage with the activity. It has been noticeable that total paddy production has reached 6 million tons in 2005 due to expansion of harvested area and favourable weather conditions (NIS, 2006). This helps enhance export activities to its neighbouring countries Vietnam and Thailand and other rice importing countries such as EU and US under special preferential treatment. The increasing price of rice in the international market, coupled with expansion of harvesting areas, offers broad opportunities for foreign investors to enter rice milling industry as large proportion of rice production has been exported raw to Vietnam and Thailand.<sup>2</sup>

### Fisheries

Possessing a large fresh water reservoir, known as *Tonle Sap* Lake, and an approximately 440 kilometre coastline, Cambodia abounds in both freshwater fish and sea fish. There was a substantial increase of fish catch in the early 2000s from 296,000 tons in 2000 to 444,500 tons in 2001. However, the volume declined to 360,000 tons in 2005 which appears to be high if compared with the catch in the 1990s. In addition, there has been rise in demand for fish products in the domestic and Thai markets. This grants promising investment opportunities in food processing industry, i.e. canned fish, animal products, etc. In complement to that, Cambodia obtains various preferential treatments from its multilateral trade agreements (see Box 1). At the international level, Cambodia being an LDC is provided with preferential market access at low/zero tariff rates, i.e. duty free to EU, US and Canada, and 0-5 per cent rate to Japan. In the region, under AFTACEPT arrangements, Cambodia could enjoy duty free of fish export to Malaysia and Singapore and 5 per cent to Thailand and duty free access for all fish products to China under "Early Harvest Programme" (Cambodia and WTO, 2005).

### Agro-industry

As clearly seen through its geographical location and natural resource abundance, Cambodia is an appropriate location for agro-processing industry. Locations along the Mekong River, i.e. Kompong Cham province provide strategic destinations for the development of industry-support plantations. Realizing such potential gain and favourable conditions for industrial development, the RGC builds strategy around the provision of concessional land to domestic and foreign investors aiming at creating backward linkages of existing/ potential industries with the local economic activities such as smallholding farming activities. Several sectors offer investment opportunities,<sup>3</sup> like silk processing, jute and fibres, sugar, palm oil refineries, cashew nut processing, rubber processing, tapioca starch, flour and fruit products, among others.



## Tourism

Located in Southeast Asia and possessing natural and cultural views, Cambodia has the advantage in attracting high number of tourists from the region and the world. Cambodia has been attracting growing number of tourists from the world. The total number of tourist arrivals has reached 2.06 million in 2007 with an 18.53 per cent increase, and the share of income of the sector to GDP was about 13.1 per cent in 2005. Currently, the government concentrates on three poles of tourism development (Phnom Penh, Siem Reap, and Sihanoukville) by ensuring favourable conditions for domestic and international investors to establish hotels, restaurants and resorts with the international standards. Since early 2000s there has been noticeable rise in number tourist arrivals, and flow of FDI into the sector has also been significant. The opportunities for investment appear to be bright with increasing popularity of Angkor Wat complex, rural natural views and the beautiful beach.

## Garment

Growth of the sector has been magnificent since mid 1990s, *albeit* flat growth in 2007. With a status as a least developed country, Cambodia has acquired two main preferential statuses – General System of Preference (GSP) and Most Favoured Nation (MFN). Such treatments are granted by countries like EU, US, Canada, Japan, and Australia. In addition, as a member of ASEAN, it could also use low-cost content imported from member countries. The sector has been purely export-oriented industry which utilizes limited/no local content for the production. This could somehow provide chance for investors to invest in certain supporting industries, particularly in jute and cotton.

## Opportunities in Other Sectors

### Special Economic Zones

The government is well conscious that there is a need for diversifying its current export basket and promoting investment in agro-industry. In December 2005, the RGC introduced the concept of special economic zone/export processing zone (SEZ/EPZ) by issuing a sub-decree on the establishment of the zone, thereby a dozen of economic promotion zones were granted to foreign investors. The zone is equipped with one-stop-shop service where key ministries in charge of import export inspection are present in the zone. Additionally, investment guaranty and other fiscal and administrative incentives are also provided for the investment in the zone. Among the zones permitted, one is Manhattan SEZ, located five kilometres from the border of Vietnam. It has been operational and hosts five factories, four of which are well under way (Saing, 2007).

There are high opportunities for foreign investors to invest in those locations as they are close to the border where energy supplies are available at lower cost than those in the urban centres. Transportation cost is also apparently affordable for export to neighbouring countries and the world.

### Infrastructure

As a developing country which has gone through decades of civil wars, there has been immense need for infrastructure development such as the construction of roads, railways, bridges, airports, sea ports and other facilities. Noticeably, cost of total number of projects approved in the construction sector has risen considerably from US\$ 30 million in 2005 to US\$ 908 million in 2006. Traditionally, investment in the form of Build Operate Transfer (BOT) has been popular and viable for the private sector entry (e.g. the renovation of Phnom Penh International Airport by a private company). The

company has been operating well and is due to transfer full ownership to the government in 2020. Besides, the initiative among Greater Mekong Sub-Region (GMS) members to build Southern Economic Corridor linking Thailand and Vietnam crossing Cambodia provides high opportunity for investment in the road network construction and other supporting facilities.

## Hydropower

Cambodia has geographical location, many parts of which are suitable for hydropower development. Due to rising industrial activities and the growth of population, Cambodia needs investment in energy sector. So far most locations in Cambodia use electricity generated by the diesel power plants. The cost has been high compared with those in Thailand and Vietnam. The government has encouraged investment in the sector by providing various tax incentives, namely tax holiday for up to 9 years and tax exemption on the import of machinery.

## Extractive Industries

Cambodia has a large stock of natural resource, particularly mine which is both onshore and offshore. Since the onset of its privatization effort in the early 1990s, the RGC has granted permission to several private firms to explore such mineral resources as oil, gold, bauxite, and other metallic mines. It appears to be promising in the oil and gas extraction offshore, and the areas estimated to store large volume of oil and gas has been divided into blocks and contracted to various private firms such as China Petrotech, CNOOC, Polytech, PTTEP-SPC-RP, Chevron-MOECO-GS Caltex.<sup>4</sup> The contracts take the form of production sharing. While the onshore one, concession of certain locations in the North Eastern part of Cambodia have been granted to a number of private firms for exploration, for instance, BHP Biliton acquired license to explore bauxite.

## Investment Incentives

### Investment Guarantee

According to the Law on Investment in Cambodia all investors shall be provided with guarantee as follows:<sup>5</sup>

- A foreign investor shall not be treated in any discriminatory way.
- The RGC shall not undertake a nationalization policy.
- The RGC shall not fix the price or fee of the products or services of a Qualified Investment Project.

### Taxes incentives (Chapter 5, Law on Investment)

- Tax holiday: i) 6-9 years starting the first year of sale; ii) 5-year loss carry forward.
- Reduced corporate income tax after tax holiday period:
  - » After tax holiday: 9% for the first five years and 20% thereafter;
  - » Instead of tax holiday: 40% special depreciation.
- Exemption from import duties and VAT:
  - » 100% on inputs for qualified sectors
  - » VAT exemption for both inputs and sales of supporting industries to export-oriented garment and footwear sectors.

## Constraints

Although there are several opportunities and incentives, investors face a number of constraints as well. Cost of doing business shall be placed as a primary concern as it has been well-perceived to be a hurdle in business operation and start up everywhere. Fuel price is one factor which marks up cost of production as Cambodia is a net importer of petroleum. EIC survey in 2007 reveals high fuel price in Cambodia at US\$ 0.96/litre compared with its neighbouring countries Vietnam at US\$ 0.65/litre and Thailand at US\$0.68/litre. Likewise, there has been grave concern among private business entities concerning anti-competitive and informal business practices and regulatory policy uncertainty in Cambodia.

**Table 2: Selected Business Ranking Indicators of GMS Countries (Rank)\***

	Ease of doing business	Starting a business	Dealing with licenses	Employing workers	Registering property	Getting credit	Protecting investor	Paying taxes
Cambodia	145	162	144	133	98	177	64	21
Lao PDR	94	49	152	74	16	68	33	152
Myanmar	-	-	-	-	-	-	-	-
Thailand	15	36	12	49	20	36	33	89
Vietnam	91	97	63	84	38	48	165	128

Source: World Bank, Doing Business, 2008.

Note: \*countries ranked out of 178 economies.

In relation to the aforementioned concerns, a report titled “*Doing Business 2008*” discloses poor performance indicators in relation to business practices. Table 2 reveals low business ranking indicators compared with Lao PDR, Thailand and Vietnam, *albeit* better performing in the fields of Paying Taxes and Protecting Investors.

Nonetheless, concerns raised by the private sector have so far been taken into consideration by the RGC. For instance, public private sector dialogue has been organized quarterly, and there has been effort by the RGC and its development partners in formulating public private sector at the provincial level in order to tackle existing business hurdles.

## Endnotes

1. For detail information, see executive summary of *Cambodia's Trade Integration Strategy*, 2007, p. 16-35.
2. So far no official report discloses exact volume of such informal export.
3. Extracted from *An Investment Guide to Cambodia: Opportunities and Conditions*, 2004, p.34.
4. Based on map compiled by Oxfam America
5. Investment Law: Article 8-11.



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# Prospering Thailand-India Economic Partnership

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Suthiphand Chirathivat\*

**T**he resurgence of Thailand-India economic relationship is one of the most significant events in the contemporary period between the two nations. It is a renaissance that is not only taking place with the transformation in Asia, but also throwing open new opportunities for millions of people on both countries in this vast region to build a safer, more prosperous and freer world.

Despite an ongoing global financial crisis, the biggest ever probably in living memory, both Thailand and India, like many, are actually hurting, but seem to be able to confront with the impact and to adjust accordingly their economies in order to remain active in a reshaping post crisis world. Thailand and India could collaborate more and become partners in several new initiatives to help the unfolding of prospects and uncertainties in Asia and the world.

Today, both Thailand and India share common interests that extend far beyond day-to-day business. The best way to address this partnership is to take a long term view and a new shape of things to come. A long term view in the sense that bilateral ties have long been intertwined in the context of history, culture, religion, as well as language, where Thailand has much inherited from India, directly or indirectly. Any attempts to building future bilateral ties should not miss the point of this importance. As for a new shape of things to come, it is true that these days, almost all countries, without any exception, including Thailand and India, are subject to forces of globalization, both positive and negative ones. But globalization without a proper regionalization is just an empty slogan. For this reason, Thailand and India share major long term regional and bilateral policy challenges posed by their historical contact up to the present, especially the economic dimension set by market-driven trade, investment, technology spillovers and increasingly mobile human populations. Over the years, the friendship between the two nations has led to close collaboration in many areas.

## Fast Growing Economic Ties

More recently, the relationship has gotten even closer economically. It is here that major bilateral changes have occurred as both sides start to see and explore more economic opportunities offered by each other. India has rapidly changed to become Thailand's major trading partner, and India ranks high being the most important South Asian investor in Thailand. In 2008, bilateral trade between the two reached more than US\$ 6 billion, a six times' increase from 2000. Indian FDI approvals in Thailand had also substantially changed in the last few years, with the presence of not only existing Thai-Indian companies, but also the new Indian multinationals like Aditya Birla, Indorama, Tata and many others. Thai investors, the third among ASEAN, after Singapore and Malaysia, have also made more their presence with a rising India and tremendous opportunities offered for their business

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inside the country. They are doing business in food processing, hotels and tourism, construction and electrical equipment manufacturing.

The openness gap with regard to trade in goods, services, capital and people flows between the two countries has consistently reduced and contributed substantially in improving their relationships in recent years, with Thailand, generally, more open, as an economy, but India also fast growing and liberalizing its protective regimes. Precisely, this could also be illustrated by the large numbers of Indian tourists visited Thailand. In 2008, more than 600,000 Indian visitors came here to visit the capital city Bangkok and various parts of the country, and they were from major cities like Delhi, Mumbai, Kolkata, Bangalore and Chennai. At the same time, the number of Thai citizens visiting India increases each year - more than 50,000 tourists visited India in 2008, spreading more beyond the Buddhist sanctuaries, to other emerging and interesting cities. This illustrates the potential of people-to-people contact, especially the young generation and great scope for collaboration on education and training. Thailand's hospitality and agro-business industry are well known in India and Indian genuine knowledge in science and technology is also well advanced compared to Thailand's endowments in this field. These represent some of the areas that require bold initiatives and expressions of their willingness to come closer together.

Thailand's recent embrace with India rests largely on an increasing integration with the ASEAN+6 countries. With the recent trade and investment trends, Thailand has been able to reverse for the first time its trade deficit with India to a position of a trade surplus since 2005. The formation of preferential and bilateral trade and investment arrangements like an Early-Harvest Scheme (EHS) of Thailand- India FTA seems to serve as a catalyst for furthering growing interests in Thailand-India trade and investment. India's economic policy changes since the beginning of the 1990s, in line with the liberalization process of the WTO, also contribute to make Thailand-India economic ties an interesting new landscape to be followed more closely. One should also recognize the role played by multinationals from Japan, South Korea, the EU, the US, Taiwan, Australia, for instance, that are still active to build their regional production and service networks and use the potentials of Thailand and India in securing their business outlook through FDI combining with trade.

## Links Moving to the Next Level

Seizing new arising opportunities of Thailand and India, however, will require strong leadership and commitment of both sides. It requires regionalism rather than isolationism, and free trade rather than protectionism. When both think of their future, they should expect more – not less – attention, trade, investment, innovation, people flows and other major areas of cooperation from different levels of their partnerships. Fortunately, both Thailand and India have made interesting ground works and moved a long way before they become closer in recent years. This is especially true at the time of global financial and economic crisis when both the economies are likely to be contracted by several percentage points or so. Thus, they would require promising partnerships to be forged in several new areas.

Indeed, both Thailand and India have been playing a more active role in enhancing regional economic partnerships. Thailand is a founding member of ASEAN and remains prominent player all along in regional affairs whether it is the ASEAN Regional Forum (ARF), the Greater Mekong Subregion (GMS), or recent initiatives like the ASEAN+3 or the East Asia Summit (EAS). India is a major power of the world and also in South Asia. So any interesting cooperation schemes have often to do with the key role of India. Certainly, domestic and regional changes have helped these two



countries to become closer. India's "Look East Policy" and Thailand's "Look West Policy" have been instrumental to bridge mutual understanding and further contact. Thailand's support of India to be an ASEAN Dialogue Partner, now more than a decade, has contributed to India fostering its linkages with the region, through the ASEAN+6 and the ASEAN-India cooperation, which also extends to other cooperative efforts at the subregional level, like Bay of Bengal Initiative for Multi-Sectoral and Technical Cooperation (BIMSTEC), Mekong-Ganga Cooperation (MGC), and the bilateral level, like Thailand-India FTA.

Precisely, Thailand-India FTA, with an EHS, has already been implemented since September 2004, covering 82 major traded items with the trade value of more than US\$ 500 million in 2008. The progress and success in such partnerships have produced positive efforts in extending liberalization attempts to cover new modalities, almost all manufacturing traded goods, services, and investments. However, it seems to be that India's desire is likely to see ASEAN-India FTA implementing soon before re-negotiating for a further deepening of Thailand-India FTA. In the meantime, Thailand expects rules of origin, standard inspections and other non-tariff barriers in India, to be more relaxed, in order to help Thai exporters meet the Indian requirements. To both, bilateral trade is complementary to each other with Thailand's exports to India in the areas of processed food and automotive components and parts and Indian exports to Thailand in areas where Thailand lacks expertise such as pharmaceuticals and chemicals. In any case, it seems to be that both sides are still upbeat with the results of on-going negotiations at the regional level like ASEAN and BIMSTEC, which should also contribute to a deepening bilateral economic relationship, but should not fall of short sight to their own bilateral partnership.

Among other things, there is a growing interest in connectivity linking the two regions. The two countries are well connected by air transport with more airlines, over hundred flights per week, to meet the demand. However, still more needs to be done in terms of road and rail links. As often noted, Thailand continues to play an active role in helping economic and infrastructure development especially in Cambodia, Myanmar, Lao PDR, and Viet Nam. The country strategy has already started to work for land transport improvement with the neighbours and is even extending this same approach beyond the region to reach parts of Southwest China and Northeast India. In connection with India and South Asia, Thailand sees 1,400 km of road link, which once completed, would strongly benefit all countries including Myanmar, the country in the middle between the two, in the long run. For India, it would mean road connectivity with ASEAN.

## Challenges for Future Partnership

Both Thailand and India economic relations with Asia and the world will continue to be growing despite an uncertain economic environment worldwide. The crisis is and will continue to weaken the Western economies, so the pendulum has swung, and to many, the economic prowess might move back to the Asian region. There is still much hope from a reasonable growth of China and India among the Asian nations in a post crisis world. Thailand and India require close ties and commitment to working hard in solving all upcoming problems and finding new opportunities. The EAS, in which both countries are working together with others, will have to enhance the region's purposes and vitality. There will be more pro-active regional response to an on-going crisis with specificities to address needs in bridging gaps in income, human resources development and infrastructure apart from continuing trade and finance cooperation and liberalization.

As partners in progress, prospects for deepening a bilateral economic relationship should not be limited to a strict sense of give-and-take exercise like in the scope for further FTA and Economic Partnership Agreement (EPA). Liberalization is often seen among trading partners who will get the fair share and if possible what would be the government role and measures to mitigate such an impact. Such a view should not limit in further developing FTA and EPA between the two. On the other hand, both could not forget a long term view of such liberalization will also create more cooperation in resource pooling rather than market sharing according to the good use of their comparative advantage. Besides, they could gain more in well structured global and regional production networks in which they would work for more efficiency and better resource allocations in the longer run. Thailand- India FTA and EPA in this sense will be closely linked to the progress for an ASEAN-India FTA and EPA and BIMSTEC FTA and EPA, and other cooperation schemes like MGC. There is no doubt that leadership and commitment needed from both sides will be more than ever. Joint business groups to organize in priority sectors are important to lay the ground work for inter-governmental organizations. There should be ways and means to improve issues of common concerns like the lack of information among their followed citizens and also the misconceptions with each other. Also, interaction among them and with countries around the region has to grow day-by-day and from strength to strength. Its new nature of relationships requires them not to be strict only to bilateral ties but rather to become more wide-ranging and comprehensive in their future bilateral approach. There are wide ranging areas of cooperation, Thailand believes, that they could foster together starting from bridging development gaps, poverty reduction, skilled development down to energy saving and technology dealing with the environmental improvement. Thailand relies on India's good spirit to join ASEAN constructively with the belief that India will join the East Asian region in developing prosperity and peace for the benefits of people in Asia and the world in the years to come.



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# India-ASEAN Transport Network: Fostering East Asian Partnership

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Prabir De\*

Over the last decade of globalization, India and East Asia have become much closer than ever before.<sup>1</sup> Trade between India and East Asia increased from a meagre US\$ 20 billion in 1991 to over US\$ 110 billion in 2007.<sup>2</sup> Such spectacular growth continued in investment and production networks between the two. Yet, a large part of India-East Asia's economic potentials, particularly in trade and investment, is unrealized. According to some commentators, infrastructure bottlenecks within countries and lack of cross-border infrastructure network are the important ones that holding back deeper integration between India and East Asia.<sup>3</sup>

Cross-border (regional) infrastructure is typically seen as one of the major determinants of economic integration process (Atalik and Fischer, 2002; Kuroda et al, 2008). It enhances regional (and international) connectivity through free flow of goods and factors across border allowing countries to benefit from a better relocation of resources. An efficient and integrated transport and logistics network between India and East Asia is utmost important to enhance the flow of goods and services, particularly when increased trade and investment between them are seen as the outcomes of trade liberalisation initiatives, those are already undertaken (e.g. India-Thailand FTA or India-Singapore CEPA), or are underway (e.g. India-ASEAN FTA). This article briefly discusses the emerging land transportation network between India and East Asia, and presents some important challenges that need to be addressed in order to enhance the regional connectivity.

## Land Transportation Networks: Steady but Slow Progress

Merchandise trade between India and East Asia is primarily transported by sea. While India has overland links with East Asian countries through Myanmar, the land-bridge between South and Southeast Asia and cross-border land transportation between India and East Asia is yet to witness any major breakthrough. There is no formal arrangement of cross-border trade and transportation between India and Myanmar, except trade in few goods for the need of local people living both sides of the border. In general, free movement of goods between India and East Asia through India – Myanmar border is not only restricted but also risky for political and security reasons. The land transportation network between India and East Asia is very weak and fragmented.

To help remove the physical and nonphysical barriers to trade and transportation between India and East Asia, several land transportation projects are being planned, of which BIMSTEC Trilateral Highway (BTH), a subregional project connecting India with Thailand through Myanmar, and Asian Land Transport Infrastructure Development (ALTID) programme, a pan-Asian project initiated by the United Nations Economic and Social Commission of Asia and the Pacific (UNESCAP), are the important ones.

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## Pan-Asia Land Transport Network

UNESCAP initiated the ALTID project in 1992 with the aim of improving and expanding transport and communications links within Asia, as well as with other regions. The ALTID project comprises the Asian Highway (AH), the Trans-Asian Railway (TAR), and the facilitation of land transport. ALTID project's main objective is to establish pan-Asian connectivity through uniform standards across the region.

**Asian Highway:** With participation of 32 countries as of 31 March 2009, AH network presently covers a total length of 141,000 km of highways in Asia. The Intergovernmental Agreement on the Asian Highway entered into force on 4<sup>th</sup> July 2005, and as of 31st March 2009, the Agreement has been signed by 28 countries, of which 22 countries have enforced the Agreement, including India and most of the East Asian countries. However, Indonesia, Lao PDR, Malaysia, and Singapore have signed the Intergovernmental Agreement, but they are yet to enforce it. Since the entry into force of the AH Agreement in 2004, a significant progress has been achieved in developing and upgrading the AH network. During 2005 and 2006, about 10,000 kilometres of the AH in member countries have been upgraded to meet minimum standards and other sections have been improved to higher class standards. Still, about 12,000 km or 9 per cent of the total AH network still remains below minimum standards (UNESCAP, 2008a). About US\$ 26 billion has already been being invested or committed for the development of various sections of AH routes in member countries, while about US\$ 18 billion is needed to upgrade and improve about 26,000 km of AH routes (UNESCAP, 2008a).

**Trans-Asian Railway:** The Trans-Asian Railway was originally conceived in the 1960s. Its medium- to long-term objective is to provide a continuous rail link between Singapore and Istanbul with possible onward connections to Europe. The progress of TAR has been very similar to AH. Current network of TAR covers 114,000 km of railways in 22 member countries. TAR network has also been formalized through an Intergovernmental Agreement, which has now been signed by 22 countries, of which six have ratified or accepted it including India. However, East Asian countries like Malaysia and Japan are yet to sign the Intergovernmental Agreement, and Indonesia and Viet Nam have signed but not yet ratified. The Intergovernmental Agreement on TAR will come into force on 11 June 2009 with China becoming the eighth country ratifying the Agreement (UNESCAP, 2009). Around 6,500 km or 8 per cent of 81,000 km of the TAR network is missing link, mostly in the Southeast Asia. An estimated investment of US\$ 15 billion is required to build single-track lines on the missing links to complete the TAR network (UNESCAP, 2008b).

## Subregional Land Transport Networks

In addition to pan-Asian projects such as AH and TAR, there are several subregional initiatives to connect countries within the subregion in South and East Asia. These subregional programmes have undertaken several road and railway projects, some of which can facilitate land transportation between India and East Asia.

ASEAN (Association of Southeast Asian Nations) has several cross-border transport projects, of which ASEAN Highway and the Singapore-Kunming Railway project are the important ones. GMS (Greater Mekong Subregion) programme has undertaken three major economic corridors such as (i) the East- West Economic Corridor, running from Da Nang, Viet Nam, through Lao PDR and Thailand to Myanmar; (ii) the North-South Economic Corridor, which covers the major routes running from Kunming through Chiang Rai to Bangkok or Nanning through Hanoi to Haiphong; and (iii) the Southern Economic Corridor, running through the southern parts of Thailand, Cambodia, and Viet Nam. The countries in GMS have also signed a Cross-Border Transport Agreement (CBTA)

for facilitation of movement of goods and vehicles across border. Brunei Darussalam-Indonesia-Malaysia- Philippines-East ASEAN Growth Area (BIMP-EAGA) has undertaken projects on air and maritime services, as well as software aspects of regional infrastructure. Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) has been pursuing five economic corridors. SAARC (South Asian Association for Regional Cooperation) has planned ten road corridors, five rail corridors, ten inland or maritime gateways and seven aviation gateways for implementation in the subregion. Likewise in BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), implementation of BIMSTEC Trilateral Highway (BTH) linking India- Myanmar-Thailand has also been taken up by the member countries in 2005 for improving physical connectivity in the subregion.

### Challenges and Policy Options

The demand of regional connectivity in East Asia increased during 1990s to support the export-led growth strategy and fragmented production network, which later was fuelled by successful implementation of some transport corridors in the GMS and elsewhere in Asia. Cross-border transport networks envisaged by UNESCAP and Asian subregions are well thought projects for the countries to get their goods to market more efficiently, quickly and cheaply. But, except GMS, where the progress is remarkable, implementation of similar projects in other subregions is relatively slow.

India and East Asia have been witnessing sharp rise in merchandise trade and showing greater trade interdependence on a large variety of goods. At the same time, lack of regional connectivity continues to pose higher trade costs, thus impeding trade growth and eroding the benefits of trade liberalisation. There is potential for improving regional transport network to reinforce regional production and trade. Any attempt, therefore, towards deeper integration of the economies of the region thus holds high promise, if accompanied by initiatives that help integrate the region through improved cross-border transportation network.

Although several benefits are apparent from completed subregional projects such as in GMS, three main issues hamper the full delivery of India – East Asia benefits – first, the subregional transport corridors (“Hardware”) in Asia are not always supported by “software” except perhaps the GMS; second, missing infrastructure links in many parts have reduced the effectiveness of the completed projects in subregions; and third, the lack of synergy between national and subregional transport corridors between India and East Asia is very common. As a result of the road improvement, national traffic has increased across the corridors, indicating that national level benefits have been high.<sup>4</sup> At the same time, the international land traffic has been slow to grow, partly due to the absence of an agreement to facilitate cross-border movement of vehicles and absence of a strong and stable pan-Asian transport networks. So far, the overall attitude toward AH and TAR projects is apparently tilted toward addressing national constraints rather than developing regional arrangements.

A scrutiny of subregional programmes clearly shows that most of them have now undertaken exclusive projects to improve subregional connectivity. To realise the potentials of these subregional networks, we may have to integrate them with the pan-Asian arteries such as AH and TAR. The new upcoming cross-border projects like Mekong-India Economic Corridor (MIEC)<sup>5</sup> also need to be integrated with pan-Asian networks to maximize welfare. In parallel, the initiatives for building the supply capabilities and trade liberalization in Asian countries have to be complemented by a new approach towards intermodal transport and transit for making the entire continent interconnected that existed in the past. Asia should have either its own regional transit arrangement or through accession to the existing international conventions. In order to hardware infrastructure of an Asia-wide transport network to work effectively, we have to strengthen the rules, regulations and

standards relating to the network to a regional standard, preferably to an international standard. There is also need for an appropriate financing mechanism to mobilize Asia's huge savings for infrastructure development, particularly financing and managing missing links and bridges. We also have to mobilize private sector participation in regional infrastructure projects. Effective coordination is, therefore, necessary to generate willingness of countries to participate in the regional connectivity projects.

Regional cooperation among Asian countries is essential for establishing Asia wide transport network towards an integrated Asia. An integrated connectivity between India and East Asia would provide substantial benefits to landlocked and island countries as well as poor small countries by giving them access to world market at lower costs. Therefore, high level policy direction is important in the successful development of mutually beneficial regional transport infrastructure and services between India and East Asia. Finally, the need for integrated transport and logistics network is quite pressing at a time when ongoing global financial turmoil makes it necessary for Asian countries to strengthen their regional infrastructure networks in order to enhance the regional demand.

Thailand and India are in the centre stage of the subregional programmes, contracting parties to AH and TAR, having bilateral FTA in operation, members of pan-Asian cooperation initiative like East Asia Summit (EAS) Group (ASEAN+6), and members of G20, besides partners in some other subregional initiatives like Mekong-Ganga Cooperation (MGC). India-Thailand combination is thus very unique. Improved connectivity between them, land transport or otherwise, have every potential to strengthen the India-East Asia cooperation.

## Endnotes

1. In this article, East Asia is defined as Northeast (China, Japan and Korea) and Southeast (10 ASEAN members) Asian countries.
2. Calculated based on Direction of Trade Statistics Yearbook 2008, IMF.
3. Refer, for example, Brooks and Menon (2008), Brooks and Hummles (2009), and Francois, et al (2009).
4. See, for example, Kumagai et al (2008).
5. MIEC is new corridor being envisaged by the Economic Research Institute of ASEAN and East Asia (ERIA).

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# Foreign Direct Investment in Mekong Countries: Opportunities and Challenges

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Gurpreet Singh Bhatia\*

The Mekong countries comprising Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand and Vietnam grew rapidly during the last decade. With the exception of the years of global financial crisis, growth rates of this magnitude and duration are remarkable in Mekong history. Output in the region increased by 7.82 per cent in the last decade. Cambodia witnessed the strongest GDP growth of 8.1 per cent, followed by Vietnam (7.3 per cent), Lao PDR (6.7 per cent) and Thailand (4.1 per cent).<sup>1</sup> It has been observed that higher investment is pivotal to growth of some of the Mekong countries, and, therefore, attracting foreign direct investment (FDI) has been the major focus of policy reforms in the region. FDI can also have important positive effects on a host country's development effort. In addition to the direct capital financing it supplies, FDI can be a source of valuable technology and know-how while fostering linkages with local firms, which can help improve an economy's health. Based on these arguments, developing countries have offered incentives to encourage foreign direct investments in their economies, and subsequently carried reforms in order to sharpen the FDI policy.

## FDI Policy Reforms in Mekong Countries

### Cambodia

The Government of Cambodia began its free-market reform process in the mid- 1980s. Cambodian Government passed a liberal foreign investment code in 1989 and subsequently set up a National Investment Council in 1991. Cambodia national assembly passed the new Laws and Regulations on Investments in the Kingdom of Cambodia and established a liberalised investment regime. The Government set up the Cambodian Investment Board (CIB) under the Council for Development of Cambodia (CDC), its foreign investment approval body. The Government changed the foreign investment regime by revising the Law on Investment in early 2003. There is no limit on foreign equity participation as 100 per cent foreign ownership is allowed in almost all the sectors and industries. But Cambodia follows restrictive investment policies in its infrastructure sector. For example, electricity transmission and port operations are closed to foreign capital participation and the foreign participation in airports is limited to less than 50 per cent.<sup>2</sup>

### Lao PDR

Lao PDR implemented the open-door policy under its New Economic Mechanism in 1986, passed the Foreign Investment Code in 1998, and set up Foreign Investment Management Committee (FIMC)

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for the promotion of FDI. Lao PDR implemented the Investment Code in mid-1994 and revised it in end-2004. The Code allows foreign investment in all sectors with 100 per cent ownership except in mining and energy projects. In the case of joint ventures, foreign equity participation is allowed to be at least 30 per cent of total invested capital. In 2009, the National Assembly of Lao PDR passed the promotion of Investment Law. Under the new Law, incentives will be provided to investors who are investing in hospitals, schools, colleges, universities and skill development centres. Lao PDR allows 100 per cent repatriation of capital, profits and dividends after deduction of 10 per cent withholding tax that is creditable against corporate tax.<sup>3</sup>

### Vietnam

Vietnam initiated economic reforms (called *Doi Moi* i.e. “renovation”) in 1986, with an aim of creating a market-oriented economy. The country’s first FDI law, passed on 9 December 1987, aimed at facilitating new investments and providing international market access for the country’s exports. In 1990, the FDI Law was amended to facilitate private sector to engage in joint venture (JV) with foreign firms. Following the Asian financial crisis of 1997, the FDI Law was further amended in mid-2000 in which foreign invested enterprises (FIEs) were allowed to indulge in mergers and acquisitions (M&As). Though Vietnam invites FDI in many sectors, there are limits on foreign equity participation in Vietnam. For example, private participation is not allowed in mining and telecommunications and a minimum 30 per cent foreign capital is required in JVs.<sup>4</sup>

### Thailand

Thailand maintains a relatively liberal investment regime. Thailand’s Investment Promotion Act of 1977 focused at promoting investment in agriculture and manufacturing sector, and Thailand later passed the revised investment foreign investment legislation on November 1999. FDI in Thailand is allowed in almost all sectors including financial services like banking and insurance, and in services like aviation and transportation. Initial foreign investment is subject to a minimum capital requirement of Thai Bhat 2 million. Thailand’s latest investment promotion measures are aimed at attracting FDI in eco-friendly chemicals, high-tech equipment and energy savings and alternate energy business.<sup>5</sup>

### Myanmar

Myanmar implemented open economic policy in the year 1988. Myanmar’s first investment-related law was implemented in the form of Myanmar Foreign Investment Law (FIL) in order to facilitate investment in private sector. Foreign investors in Myanmar have options to start business either in the form of wholly foreign-owned or a JV with local partner (where the minimum share of foreign entity is 35 per cent of total equity capital). FDI in Myanmar is permitted in almost all sectors except in 12 sectors specified by the Government. Foreign investment is exempted from income tax for three years.<sup>6</sup>

## India-Mekong Investment Trends

India and the Mekong region have many commonalities in historical, cultural and political aspects. India is one of the fastest growing economies in the world with a growing share of foreign investment abroad. India launched “Look East Policy” in 1991 to intensify its engagement with Association of South East Asian Nations (ASEAN) through deeper economic, political and strategic cooperation. FDI flows from India to ASEAN members were US\$ 591 million in 2008, accounting for 1.2 per cent

of total FDI in the region. In 2009, the FDI inflows from India to ASEAN grew to US\$ 984 million, accounting for 2.5 per cent of total FDI in the region.<sup>7</sup>

On the other hand, India received US\$ 105.98 billion cumulative FDI equity inflows during January 2000 to December 2009. However, the FDI inflows from the Greater Mekong Sub-region (GMS) countries<sup>8</sup> to India were US\$ 75.53 million, representing only 0.08 per cent of the cumulative FDI inflows in India. A scrutiny of sectoral FDI equity inflows from GMS to India during the same period reveals that highest FDI inflows have been in the telecommunications sector (23 per cent of FDI inflows), followed by construction (15 per cent), housing and real estate (14 per cent), chemicals other than fertilizers (12 per cent) and hotel and tourism (5 per cent).<sup>9</sup>

India invested in 52 FDI projects in Vietnam with a total registered capital of US\$ 211 million during 1988-2010.<sup>10</sup> Indian FDI has occurred mainly in sectors such as oil and gas exploration, mineral exploration and processing, sugar manufacturing, agro-chemicals, informational technology (IT), and agricultural processing. Tata Group of India is expected to invest more than US\$ 4.5 billion in next few years in production of steel and exploration of iron ore. Reliance, Essar, RPG, and ONGC are major Indian companies that have invested in Vietnam.<sup>11</sup> From Vietnam, an IT firm has invested about US\$ 0.15 million in India in information technology development project.<sup>12</sup>

India and Thailand are important regional partners and are active members of regional groupings such as East Asia Summit (EAS), Mekong-Ganga Cooperation (MGC) and Asia Cooperation Dialogue (ACD). Bilateral investments between these two growing economies have grown rapidly in the last decade. Cumulative Indian FDI into Thailand was around US\$ 1.5 billion during 1970 and 2008. Thailand, in turn, has invested over US\$ 65 million in India from April 2000 to December 2009. Major Indian firms investing in Thailand are as follows: Tata Group (automobiles, IT, steel), Aditya Birla Group (chemicals, textiles), Indo Rama Group (chemicals), Ranbaxy, Dabur and Lupin (pharmaceuticals) and Bharti Airtel (telecommunications). While the major Thai firms investing in India are C P Aquaculture (India), Italy-Thai Development, Krung Thai Bank, Charoen Pokphand (India) (banking services), Stanley Electric Engineering (electronics), Thai Summit Neel Auto (automobile), Thai Airways (airlines), Precious Shipping (shipping), Preuksa Real Estate, Dusit and Amari group of hotels (recreational activities), to mention a few.

Currently, investment flows from India to Cambodia are negligible. But the Government of India has identified sectors such as IT, water resource management and electricity where India can potentially invest in Cambodia. As a step towards enhancing bilateral investment, the first India-Cambodia Trade and Investment Business Forum, Exhibition and Buyer Seller Meet was held in Phnom Penh on 11-12 November, 2009. In a latest development, Cambodian Trade Ministry attended the India-ASEAN business fair in New Delhi, held during 5-6 March 2011, in order to boost investment between the two countries.

India and Myanmar signed a Bilateral Investment Promotion Agreement (BIPA) and Double Taxation Treaty (DTT) in 2008. Both countries plan to enhance cooperation in the fields of energy, oil and natural gas, power, IT, infrastructure development, telecommunications and agriculture. According to the *World Investment Report 2010*, the cumulative FDI inflows during 2000 to 2008 in Myanmar were over US\$ 2.3 billion. The same report mentions that the total FDI flows from the world to Lao PDR increased from an annual average of US\$ 24 million in 2001 to over US\$ 156 million in 2009. India has identified factors such as effective transport connectivity, cheap labour, and availability of natural resources as important determinants of FDI in Lao PDR.



While India has the advantage in IT and telecommunication sector, the Mekong countries are blessed with abundant natural resources and educated labour force. Wage advantage, vast and growing market and ASEAN free trade region are some of its advantages over other regions in the world. Moreover, India and Mekong countries share similar culture. Thus, there is vast untapped potential for further enhancement in bilateral investment between India and Mekong countries.

## Barriers to FDI

FDI from India to Vietnam is low despite Vietnam possessing a large market and abundant labour force with relatively lower wages. According to the Vietnamese Ministry of Planning and Investment (MPI), FDI is inhibited in Vietnam due to poor infrastructure and low-quality work force, for example, out of 2 million employees working in the FDI sector, only 0.4 million (40 per cent) are trained at vocational schools. Infrastructure systems like electricity, water, traffic and seaport in Vietnam are also very weak. Also, Vietnam does not have clear instructions on conditional investment sector (businesses need a license to operate in this sector). For example, there are about 70 conditional investment areas for which there are no clear-cut instructions.<sup>13</sup> Although the Vietnamese economy is dependent on agriculture to a large extent, it has not been able to attract FDI in this sector, mainly due to implementation of old techniques that act as barriers to investment in this sector. Vietnam has not devoted enough money to make agriculture as an attractive sector for foreign investment. Vietnam ranked 78 (out of 183) in Doing Business Index 2011, prepared by the World Bank and International Financial Corporation (IFC). According to the Index, investor protection against self-dealing is very low in Vietnam (it ranks 173 out of 183). At the same time, Cambodia ranks 147, Lao PDR 171, and Thailand 19 in Ease of Doing Business Index of the World Bank.

## Concluding Remarks

The economies of Mekong region grew at 6.7 per cent in 2010, which is a commendable performance considering the fact that many economies in the world are still suffering from economic slowdown in the aftermath of global financial crisis. There is no doubt that the Mekong countries require large amount of FDI as it has positive spillovers in the form of dispersion of knowledge, managerial expertise, and dissemination of marketing techniques. Cambodia is continuing its free-market reforms that were initiated in the mid-1980s. Though FDI from India to Cambodia has been negligible in the past, India has identified various sectors that are perceived to have potential in the near future such as IT and infrastructure development.

Lao PDR has also followed an open-door policy since the mid-1980s and actively seeks FDI in areas like education and skill-development. India can be a major source of FDI in this area as it has a strong services sector.

Vietnam began its economic reforms programme in the mid-1980s and seeks to attract FDI in various sectors. Indian MNCs are investing in various sectors in Vietnam like agriculture, mineral exploration and information technology. As both countries grow further, one can expect increase in FDI from both sides.

Thailand continues to follow liberal investment policies and MNCs from both sides have invested in sectors such as IT, pharmaceuticals, telecommunications, banking and electronics.

Mekong region countries need to address some policy issues in order to attract substantial amount of FDI in long-term. Countries like India wishing to invest in Mekong countries face barriers that

prohibit FDI due to weak legal and institutional framework and because of lack of investor-friendly business regulation prevalent in these countries. These barriers are in the form of unclear property rights, a weak legal system, and a lower quality of governance. FDI to these countries also face barrier due to lack of well-developed physical infrastructure and low entrepreneurial skills in these Mekong countries. If Mekong countries are able to address these impediments to FDI, large investment in diversified sectors and the resulting positive spillover effects can be expected in these countries.

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# Prospects for India-Vietnam Cooperation in Biotechnology

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Vu Nguyen Thanh\*

Modern biotechnology provides breakthroughs in healthcare, agriculture, processing industry and environmental protection. The global biotech market in 2009 reached a value of US\$ 201 billion and is forecast to reach US\$ 318 billion in 2014.<sup>1</sup> In Asia and the Pacific region, the biotech market has been growing at a rate of around 16 per cent per year. Higher growth rates have been witnessed in emerging markets like India, Malaysia, and Singapore. These countries are anticipated to dominate the market in future with combined share of around 70 per cent of overall market size.<sup>2</sup>

Biotech is one of the fastest growing knowledge-based sectors in India. It is expected to play a key role reshaping India's rapidly growing economy. During 2005-2009, the industry witnessed an impressive growth of around 26.5 per cent per year and generated total revenue of US\$ 2.4 billion in 2009.<sup>3</sup> India is looking forward to achieve US\$ 5 billion in biotech revenue in 2011 and US\$ 10 billion in 2015.<sup>4</sup> India is recognized as a manufacturer of economical high-quality bulk drugs and formulations. Biopharma contributed 62 per cent of Indian biotech revenue, followed by bio-service (19 per cent), bio-agri (14 per cent), bio-industrials (4 per cent), and bioinformatics (2 per cent).<sup>4</sup> With a large pool of scientific talents, advanced research and development facilities, world class information technology, and cost effectiveness, the biotechnology industry in India is emerging as a global key sector.

## Biotechnology in Vietnam

With a population of over 86 million, Vietnam is the 13th most populous country in the world. Currently the country is implementing reform process toward modernizing the economy and competitive export-driven industries. Vietnam achieved a strong growth rate of 7.5 per cent in the last two decades. Despite the global recession, GDP of Vietnam increased by 6.8 per cent in 2010 over the previous year.

Biotechnology in Vietnam is historically grounded in agriculture. Biotechnology was identified by Vietnamese government as one of the six key technological directions for the country's socio-economic development. The first national law supporting biotechnology development was issued in 1994. In 2008, the government approved the "Master Plan for Development and Application of Biotechnology to the Year 2020." With the Master Plan, Vietnamese government is aiming at boosting biotech research and application in order to build a new high-tech industry supplying key products, thus contributing to the growth. The government is showing its commitment in

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consolidating resources, calling for diverse forms of investments, improving legislations in order to increase biotech investment efficiency facilitating the formation and development of biotech market in Vietnam. The target was set that by the year 2020, biotechnology of Vietnam will reach regional advanced level and international standard at strategic fields.

Vietnam is taking steps in preparation of technical infrastructure for biotech development. It is expected that the heart of biotech innovation will be a network of national key laboratories. Five laboratories have been established with an investment of US\$ 3 to 5 million each.<sup>5</sup> A special funding is given to facilitate international research collaboration and technology transfer. Two hi-tech parks are in schedule to host hi-tech enterprises including biotechnology. Investment in biotech R&D has increased from US\$ 300,000 in 1991 to US\$ 10 million in 2010, 6 over the last two decades. In 2000, the government approved post-graduate overseas training programme with funding of US\$ 15 million per year. It was targeted to have 4500 technicians, 12000 bachelors, 1200 masters, and 300 PhDs trained in biotechnology in Vietnam during the period 2011-2015.<sup>6</sup>

In 2010, the government issued biosafety decree creating the framework for commercialization and utilization of genetically modified organisms (GMOs) and genetically modified (GM) products. Under the decree, products containing more than 5 per cent GM materials would need to be labelled, and the release of GMOs should be approved by biosafety committee. In 2010, large scale field trials for GM corn, soy bean and cotton were launched, there by paving the way for commercialization of GM crops in 2012. Integrating with the world economy, Vietnam's government recognizes the importance of protecting Intellectual Property Rights (IPR). Vietnam is a member of World Intellectual Property Organization (WIPO), and a party to Paris Convention for the Protection of Industrial Property, World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Vietnam has achieved reasonable progress in biotechnology. The role and position of biotechnology is recognized by the government and the society. The level of research and technological development has been improved markedly. Biotechnology has penetrated into various aspects of life and contributed to Vietnam's successful story of moving from a food importing country to the world's second largest rice exporter.

## India-Vietnam Relations

India and Vietnam have a long history of friendly relationship and cooperation. These two countries established official diplomatic relations in 1972. Vietnam and India signed a bilateral trade agreement in 1978 and bilateral investment promotion and protection agreement in 1997. Direct air links, visa exemption agreement, etc. have been established to bolster businesses and tourism. The two countries established strategic partnership in July 2007. Vietnam and India are members of the Mekong-Ganga Cooperation (MGC) and ASEAN-India Free Trade Agreement (FTA).

Bilateral trade between Vietnam and India has increased rapidly over the last two decades, from US\$ 75 million in 1990 to US\$ 2754 million in 2010. India currently is the 11th largest exporter to Vietnam. In 2009, Vietnam imported from India US\$ 170 million of biotech related products, mainly medicaments (US\$ 123 million) and GM cotton (US\$ 47 million). In 2010, India invested in 50 projects with total inward FDI of US\$ 212 million in Vietnam.

In education and training, India offers Vietnam more than 100 long-term and short-term scholarships every year. During 2001 to 2008, India offered Vietnam a US\$ 2.5 million project

on human capacity building in software industry. Vietnam and India have signed science and technology cooperation agreement in 1976. A subcommittee for science and technology cooperation was established in 1997. The 8th session of the subcommittee was held in New Delhi in December 2010. Till date, four collaboration projects have been signed.

## **Prospects for India-Vietnam Biotech Cooperation**

Although biotechnology has already contributed significantly to the country's socio-economic development, biotech market in Vietnam is still in early stage of formation. The market lacks leading players and this opens vast opportunity for biotech direct investment and joint ventures. Several Indian biotech companies already have their presence in Vietnam, including Ranbaxy, Venky, Vinh Thinh - BIOSTADT JSC, etc. Taken into consideration the specificities of biotech development in Vietnam and India as well as trends in biotech development and technology transfer, following fields of collaboration would be of mutual interest:

### **Education and Training**

During the past few years India has undergone a rapid technological change, especially in the field of biotechnology. With world standard in education, R&D, technological knowledge, English language, India is an appropriate partner for Vietnam in human resource capacity building. Besides offering fellowships as happened in the past, Indian universities could consider to open its branches in Vietnam. Knowledge transfer would establish the presence of India and open up the market and business.

### **Antibiotic Production**

Vietnam is a developing country in the tropics where infectious diseases are common. With a large population, the country's demand in antibiotics is high. According to Vietnam customs statistics, in 2010 the country spent US\$ 290 million on import of antibiotics. The increasing demand for antibiotics during the last few years causes concern in the country, and the government is actively acquiring the technology for domestic production. With vast experience in antibiotic production, Indian companies would be the best partners.

### **Environment Protection**

With rapid pace of urbanization and industrialization, pollution in Vietnam is growing at an alarming rate. The government is now tightening regulations on environmental protection. Several large factories were forced to close down due to non-compliance of rules and regulations. The market for waste treatment is large. Indian technology is often regarded as cost effective and suitable in Vietnamese condition.

### **Agriculture**

As true home of Green Revolution, India has vast experience in agricultural biotechnology. With over 800 GM cotton varieties approved and more than 20 domestically developed GM food crops under field trial, India could offer the region with alternative choice alongside with traditional GM suppliers. Since India is relatively late with GM food approval for domestic use, steps should be taken to build up mutual trust and recognition in commercialization of GM products. Collaborative development and trial of GMOs could also be considered.

## Biofuel Research

Both India and Vietnam are deficient in fossil energy resource. India produces only 30 per cent of its oil requirement and has to import the rest from other countries. Vietnam has to import more than half of its petroleum requirement. Vietnam has to diversify energy supply and renewable biofuel is one of the options. Three large bioethanol factories are expected to enter in operation in 2011. Current technology is problematic since it utilizes food stuffs for ethanol production. Vietnam is launching research on 2nd generation of bioethanol, that is, bioethanol based on lignocellulose derived from agricultural waste and forestry residue. With ample supply of rice straw, corn cobs, sugarcane bagasse, etc. second generation of bioethanol is promising for both Vietnam and India.

## Biotech Promotion

Cultural differences and the lack of information are the major barriers affecting India-Vietnam cooperation. For bolstering biotech collaboration, the establishment of a center for collaborative research and technology transfer could be considered. The center will be responsible for biotech market research, introduction of Indian technology, collaborative R&D, and monitoring the pace of cooperation.

## Concluding Remarks

Biotechnology has become an integrated part of the world economy. With the growth rate of 16 per cent per year, biotech market in Asia and the Pacific region holds vast potential for development and collaboration. Although in early stage of development, biotechnology in Vietnam has received special attention from the policy makers. A legislative framework has been established and measures have been taken to ensure that by the year 2020 biotechnology of Vietnam shall reach regional advanced level. India and Vietnam have long history of friendly relations and cooperation. Biotech joint ventures, collaboration in biotechnology education, environment protection, production of antibiotics and biofuel, commercialization of GM crops are promising fields for deepening that relationship.

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# An Invitation from a Neighbour

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V. S. Seshadri\*

Myanmar is open for trade and investment but the response from Indian business has not been adequate despite the growing political ties between the two countries. A message coming out from our neighbour Myanmar, that is transforming itself after 50 years of military rule, is: 'We are open for business.' Are our commercial establishments listening and are they ready?

Our bilateral relations with Myanmar have gathered momentum in recent times. We have agreed on a wide-ranging development cooperation agenda. India has made substantial commitments to assist Myanmar in the areas of capacity building, connectivity, infrastructure and border region development. Our trade and economic ties have, however, not kept pace. India figures at only seventh place in Myanmar's total imports and ranks even lower at 13th place in terms of foreign investments into Myanmar. Being a large and contiguous neighbour, a closer overall engagement would call for a more robust trade and investment share that seems definitely possible at a time when rapid changes are unfolding.

## Inclusive Politics

To what extent has Myanmar transformed itself? President Thein Sein has, in the last two years, taken the country towards a democratic path that has made political life more inclusive; it has also enabled Daw Aung San Suu Kyi and her National League for Democracy (NLD) to enter Parliament, *albeit* in a small way. The government has released a great majority of political prisoners and launched an ethnic reconciliation process to build peace with various minority groups that have been out of the national mainstream before independence.

Some problems have no doubt arisen in taking forward this process. Hostilities broke out with the Kachin rebels but the atmosphere has improved since late January 2013. Tensions have also been building between the Buddhist and Muslim communities. Deadly riots erupted last year in Rakhine state in two spells between the Rohingyas and the Rakhine Buddhist community, leading to casualties and displacement of people. Last month there were attacks against the Muslim community in certain areas of Central Myanmar.

President Thein Sein has acknowledged that rioters have harmed the image of the country but he has also talked about adoption of a different approach to build trust. In a recent meeting with Muslim leaders, Ms. Suu Kyi told them that the law has to be just for all and she would want everyone to feel proud of being a citizen of the country. Building trust and peace to pave the way

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\* Former Indian Ambassador to Myanmar from July 2010 to February 2013, and presently is the Adviser in RIS. (This is a shorter version of author's original article published in The Hindu on 19 April 2013).

for an inclusive society is a delicate and painstaking process. It is hoped that the troublemakers are firmly and effectively dealt with and the supremacy of the rule of law is maintained.

One can expect that responsible leaders of Myanmar would not want adverse domestic developments to affect its hosting of international events in the coming months. It will also chair the ASEAN from January 2014.

## More Open Economy

Myanmar is also moving towards an accelerated development programme with the promise of a more open economy. An unexpectedly deliberative Parliament, social activism and loosening of media controls have further energised the process. An economic reform programme launched with more debate is likely to be more acceptable and enduring even if the process is slower.

Several steps have already been taken. An IMF Staff Assessment Report on Myanmar acknowledges that the government has embarked on a bold set of reforms and cites changes brought about in the areas of foreign exchange, banking, budget formulation, agriculture and improvement in business climate. It further notes that economic performance has improved projecting a 6.25 per cent growth for 2012-13 and a growth rate of 7 per cent over the next five-year period. The local currency Kyat, for example, has seen a fair degree of stability.

On the financial front, private local banks have been granted an enhanced role, including handling foreign exchange transfers, and have been allowed to consolidate themselves. Steps are under way to make the Central Bank more autonomous from the Finance Ministry.

On the trade side, procedures for import and export licences have been made easier. Myanmar products will also now enjoy concessional market access with the European Union making them eligible for benefits under its GSP scheme. This will be particularly attractive for those establishing garment making units in Myanmar. On the investment front, a new Foreign Investment Law was enacted in November 2012 after which new regulations and procedures for the processing of investment proposals have been issued. The Myanmar Investment Commission has provided further details about the areas where, and in what form, foreign investments will be allowed.

Lack of adequate infrastructure is a constraint and an opportunity. The government is paying attention to setting up power and other infrastructure projects. Expansion of telecom network, airports development, hotel zones in major cities and real estate development, including affordable housing, are other areas where one can see specific initiatives being taken. This is apart from the offers invited for a large number of onshore petroleum and gas blocks for which bids were due by mid-March and which should have elicited a good response. A few months ago, the government also invited bids for 30 offshore blocks, 19 deep sea ones and 11 in shallow waters.

Many Indian trade and industry associations have mounted delegations to Myanmar during the last several months. A few product shows have been held. Some companies are exploring trade and investment opportunities. A few have also been shortlisted for certain infrastructure projects. Our companies and industry associations will, however, need to pack in a lot more punch to significantly improve our trade and investment ranking. The US\$ 500 million concessional Line of Credit extended by EXIM Bank of India to the Myanmar government could play an important role in enhancing trade relations to mutual benefit. Both the governments and the agencies concerned will, however, need to ensure that the proposals for utilising these credit lines are quickly finalised and translated into contracts.

## Development Programmes

Devising suitable commercial strategies can also help to build on our development cooperation programmes. For example, our businesses can explore possible commercial ventures that can ride on the back of some of the infrastructure that will be created from the Indian government-assisted Kaladan project in western Myanmar or the Kalay-Yargyi road project in the North-West that will enable Moreh on our Manipur border to be connected to Mandalay and beyond by 2016 as part of the India-Myanmar-Thailand trilateral highway project. Similarly, our IT companies could work on commercial spillovers of benefit to both countries from the Myanmar Institute of Information Technology that is being set up with the Indian government support as a centre of excellence in Mandalay. All such commercial proposals will no doubt need host country approvals but if they are well conceived and bring value addition, they would be welcomed.

On its part, our government will also have to try and make the cost of doing business with Myanmar more competitive. Encouraging enhanced direct air connectivity between our metros and Yangon is now rendered easier with a more liberal bilateral air services agreement signed during Prime Minister Dr. Manmohan Singh's visit to Myanmar in May 2012. As of now, there is only a tri-weekly Air India flight from Kolkata to Yangon. It is woefully inadequate. Compare this with airlines from Japan, the Republic of Korea, Qatar and Taiwan which have introduced regular flights to Yangon in the last six months, and airlines from China, Singapore and Thailand now flying more frequently every day and to more destinations in Myanmar.

## Shipping, Banking and Finance

Furthermore, direct shipping services that will enable our goods to reach Myanmar in a matter of a few days, as in fact they did during the colonial days, than several weeks at present, would play a critical role in facilitating greater trade. The Shipping Corporation of India will need to take the initiative here with some initial support from the government to make the services viable.

Banking and finance are other areas. The United Bank of India made a beginning with the opening of a representative office in Yangon in December 2012. More Indian banks need to follow. Making available easy credit finance would provide a big boost to banking and finance sector. While the US and EU have taken steps to suspend or waive the economic sanctions imposed by them earlier, these have not altogether translated into allowing US\$ denominated letters of credit to be opened vis-à-vis Myanmar. Our banks need to operationalise these as soon as they become possible.

Finally, our businesses have also to learn how to do business in Myanmar. Businesses from countries like China, Thailand, Korea, Japan and Singapore frequent the country. Many of them have established a strong local presence keeping regular contacts with government ministries in Nay Pyi Taw, the new capital, and networking with the local business people in Yangon, Mandalay and other business centres, all of which form an important part. Trade and industry associations of these countries have also made Myanmar a priority country. It is essential that as our political ties and development cooperation efforts gather momentum, our trade and investment relations also gain further strength so that they get to reinforce one another.



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# Myanmar and Regional Connectivity

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Tin Htoo Naing\*

Many of the economies in South and Southeast Asia depend either on the investment flows from the western economies or the market of those economies or both as the principle engines for rapid economic growth. The Southeast Asian countries are aware of the need to further diversify its engines of growth from the traditional growth engines of the US to Japan and more recently, China to India as well. Connectivity improvement is the key to such growth.

Although a small economy with a population of 60 million and a GDP of US\$ 58 billion, Myanmar's possession of natural resources and its strategically important location give it a significance beyond its economic weight class. Myanmar is the only land bridge between India, China and ASEAN, and has a unique opportunity to develop as a regional economic hub. With a potentially vibrant agriculture sector, it can become the food basket of Asia.

Myanmar is further endowed with significant energy and other mineral resources, which it can use to support rapid industrial development based on its strategic location and latecomer advantage (Verbiest and Tin, 2011). However, underdeveloped infrastructure and an unfavorable institutional and business environment seriously limit Myanmar's participation in regional and global production networks.

Myanmar needs financial and technical assistance from international agencies to design and implement needed policy reforms to transform growth potential into actual growth and to foster peace-building and democratisation process. Recently, the EU and USA eased restrictions on Myanmar, and the World Bank and IMF have pledged to restart the relations with Myanmar government.

Likewise, Myanmar has to perform well in its duties as ASEAN Chair in 2014, and comply fully with AFTA (ASEAN Free Trade Area) requirements by 2015. Deeper integration within ASEAN and fast expanding trade with China and India would further be the drivers of rapid growth.

Myanmar is a full member of regional cooperation blocs such as ASEAN, SAARC, GMS, BIMP-EAGA, BIMSTEC, ACMECS, ACD and BCIM. The purpose of these regional groupings is to provide economic and technological cooperation among the members in the areas of security, trade and investment, technology, energy, tourism, transport and communication.

Myanmar is of geopolitical importance for regional connectivity with its location at the tri-junction of East Asia, Southeast Asia and South Asia, and a potential central hub for exchange of goods, services and technology. The cross-border connectivity plays a very important role in this scenario. Establishing better connectivity will allow Myanmar and the other neighbouring countries, to create

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possibilities for collaboration between them and to expand economic synergies for development in the region.

## Economic Corridors

Economic Corridor is an approach to leverage overall development by integrating infrastructure with other economic opportunities including trade, investment and efforts to address social and other impacts arising from increased connectivity of respective region.

There are three main economic corridors that have so far been defined in the GMS Programme, namely, the East-West Economic Corridor (EWEC) – running from the Da Nang Port in Vietnam, through Lao PDR, Thailand, and to the Mawlamyine Port in Myanmar; the North-South Economic Corridor (NSEC) – which covers the major routes running from Kunming to Chiang Rai to Bangkok via Lao PDR and via Myanmar, and from Kunming to Hanoi to Haiphong (and most recently, from Nanning to Hanoi); and the Southern Economic Corridor (SEC), which runs through southern Thailand, Cambodia, and southern Vietnam.

With the assistance of UNESCAP, ADB and Mekong River Commission, EWEC project is being implemented not only to improve freight transportation and trade in the region but also for the development of transportation network across Mekong subregion, mainly in Cambodia, Lao PDR, Myanmar, and Vietnam (Cho, 2008).

The EWEC is designed to be the direct and continuous land route between the Indian Ocean and the South China Sea. The highly efficient transport system will strengthen economic cooperation between Myanmar, Thailand, Lao PDR and Vietnam by linking two port cities: Mawlamyine in Myanmar and Da Nang in Vietnam.

Although EWEC connects eastern ASEAN countries, Western and Southern Economic Corridors are the key base to establish Mekong-India Economic Corridor (MIEC) by extending the link to Dawei in Myanmar. The MIEC is advantageous for Myanmar as it will enable direct trade, transit trade and the development of special economic or industrial zones along the corridors (e.g., Yangon, Mandalay, Monywa, Myingyan, Mawlamyine, Dawei, Kyautphyu, etc.) as well as trade posts in the border areas (e.g., Myawaddy, Tamu, Rhi, Muse, etc.). Development of economic corridors and transportation networks will reduce not only transport costs but also growth differentials among the respective countries in the region.

## India-Myanmar-Thailand Trilateral Highway

India-Myanmar-Thailand Trilateral Highway (TH) Project is an important development process for trade, transport and the economy of three member countries. The inspiration of TH project is to enhance trade, investment and tourism by linking the three countries. It is planned to be a 1,360 km long Moreh-Bagan-Mae Sot highway at the estimated cost of US\$ 700 million. The intrinsic objective of the road was to fulfill the ambition of creating a 'link' between Northeast India and Southeast Asia.

However, until now, route for the TH within Myanmar has not yet been stable although some sections have been approved. This obstacle limits survey sites to be investigated, data availability and production of related maps. The TH route granted by Myanmar government passing through the country comprises various missing links: some are village-to-village tracks and some are totally untouched. India and Thailand have upgraded some of the link roads but due to financial scarcity in Myanmar, much work remains incomplete.



Apart from financial problems, there are many debilitating concerns such as security in the region. The development and commercially viable status of TH highly depend on political stability in some of the states in India's Northeastern region.

## **Stilwell Road**

China and India have suggested to the Myanmar government that the 1726 km-long Stilwell Road, which could serve as an important road link between the world's two most populous nations, be reopened. The road links Ledo, in India's Assam State, with Kunming in China. Trade between China and India has expanded rapidly in recent years and both countries would benefit from the road link. India and China are eager to reopen this road. India wants to open its landlocked northeastern states to trade with China and ASEAN nations, while China is willing to send its products through the same route (UMFCCI, 2011). Myanmar can benefit from this transit trade by charging fees and gaining spin-off benefits from tourism.

## **Tiddim-Rhi-Falam Road**

Detailed project report for upgrading of Tiddim-Rhi-Falam Road was carried out by the Border Road Organisation of India and Public Works of Myanmar in 2006. A technical team from RITES Ltd. of India had consulted Myanmar officials on the implementation of the project in 2008. IRCON International Ltd. has been assigned by the Indian government and delegation from the two countries had visited Tiddim-Rhi-Falam Road in 2009. Regarding the information from Indian side, it has been known that US\$ 60 million has already been allocated for upgrading 225 km road section between Tiddim and Rhi. If this road opens, it would surely boost bilateral trade between the two countries.

## **New Delhi-Hanoi Rail Link**

India is planning New Delhi-Hanoi Rail Link with two possible routes. The main tasks of developing New Delhi-Hanoi Rail Link are: (a) to link India's Manipur with India's main railway corridor, and (b) to re-establish and renovate railway networks in Myanmar.

RITES has already completed a preliminary study to establish Delhi-Hanoi railway link in 2006. There are also other rail link projects like the Jiribam-Imphal-Moreh line in Manipur and the Tamu-Kalay-Segyi line in Myanmar, as well as rehabilitation of Myanmar's existing Segyi-Chaungu Myohaung line. According to the RITES, the Jiribam-Imphal-Moreh rail link is estimated to cost US\$ 649 million, the Tamu-Kalay-Segyi link in Myanmar US\$ 296 million, and the cost of refurbishing the Segyi-Chungu-Myohaung line has been pegged at US\$ 62.5 million. All these rail links would ultimately add up to the New Delhi-Hanoi rail link proposed at the MGC ministerial meeting held in Phnom Penh in June 2003.

## **Dawei Deep Sea Port**

The Dawei project is being implemented by the Italian-Thai Development Company. It would include a 250 sq. km area with three major components: Deep Sea Port, Industrial Estate (Heavy, Medium and Light Industries), and cross-border road, rail and pipeline links. The total project investment cost of infrastructure and supporting facilities is estimated to be US\$ 8.6 billion, and the required investment from potential industrial investors in the industrial estate is estimated to exceed US\$ 50 billion (MPA, 2010).



In regard to the geographic review, the proposed project area is supposed to become an Asian regional hub linking to China and Southeast Asia, India, the Middle East, Europe, and Africa. It is at the end of the Southern Economic Corridor of the Greater Mekong Subregion, and a gateway to the Indian Ocean.

The construction for the Dawei project is scheduled to be completed by 2018. The project has three phases of five years each. The first phase of infrastructure construction started in 2011. However, the project has been progressing slowly due to limitation of financial resources, which remains a contentious issue as noted elsewhere.

### **Kyaukphyu Deep Sea Port**

China is developing another project for building a deep-sea port at Kyaukphyu in western Rakhine State in Myanmar. Kyaukphyu deep-sea port and connecting highway projects will shorten the overall distance by thousands of kilometers and will save cost and time for China by sending their products to the west and Middle East through Myanmar, instead of passing through the Malacca Strait. As the projects, both Dawei and Kyaukphyu, are designed to develop the port with industrial zones and transportation links, they will promote not only trade volume but also foreign direct investment in the region (MPA, 2011). The project, targeted to complete within three years, is to be implemented in line with another ongoing China-Myanmar gas pipeline project from Kyaukphyu to Kunming.

### **Kaladan Multi-Modal Transit Transport Project (KMMTTP)**

The purpose of the project is connecting the landlocked area of Northeast India with the sea via western Myanmar and open up trade routes to Southeast Asia. The Framework Agreement was signed by the Minister of Foreign Affairs of the Union of Myanmar and the Minister of External Affairs of the Republic of India during the goodwill visit of Vice Chairman of the State Peace and Development Council (SPDC) in April 2008 (MPA, 2010).

The project will firstly connect Kolkata seaport in east part of India, with the seaport in Sittwe, the capital city of Rakhine state in west part of Myanmar, a total distance of 539 km. It will then link Sittwe to the Mizoram state in Northeastern India via river and road transport. The project is aimed at reducing the travel time in Aizawl-Silchar-Siliguri-Kolkata route (1,700 km). The equipment and materials from India were supplied and the construction work was started in December 2010 and is scheduled to be completed in 2013. Plans have been made for 50,000 tonne ocean liners to berth at Sittwe deep seaport that will cost US\$ 120 million. As part of the project, the border road of Lungtian and Paletwa has been built.

### **Conclusion**

India-Myanmar-ASEAN Connectivity could be realised through enhanced physical infrastructure development, effective institutional arrangements and empowered people. Myanmar is located at a strategic geographical location in the Southeast Asia. As it is costly for ASEAN countries to reach the Indian Ocean through the Malacca Straits, Myanmar can serve as a gateway and development of EWEC and SWEC corridors will be beneficial for the region. The other projects such as Dawei and Kyaukphyu deep sea ports, KMMTTP and highway projects will heavily shorten the overall distance and will save money and time for ASEAN, India and China for their trade through Myanmar. The improvements in transportation infrastructure network will deliver numerous benefits

and ensure that all economies across the region have competitive access to international markets through an efficient, reliable and thriving regional network. It will also integrate national markets to promote economic efficiency and private sector development. Improvements in the modes and infrastructures in terms of their capacity will result in reduced transport costs, which in turn will increase trade, and help change the location of economic activities. However, the current projects being implemented through Myanmar are faced with delays due to political instability, and the effects of the international financial crisis. Building an enhanced regional connectivity requires not only the infrastructure development but also the development of new strategies and institutions, more effective implementation of existing and future initiatives (ADB, 2011). ASEAN-India must turn ambitious plans for better regional connectivity into reality in order to tap their full economic potential.

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# Mekong-Ganga Cultural Fusion

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Rajeev Ranjan Chaturvedy\*

The Mekong is one of the longest and most magnificent rivers in the world. Akin to the Ganga river in India, the Mekong is seen not only as a source of livelihood but also a sacred entity with cultural and spiritual significance. It is also known as “mother of rivers” or “mother of waters”. The countries in this region, namely, Thailand, Cambodia, Lao PDR, Vietnam and Myanmar long fought over and controlled by outside powers, from the colonial era through the Cold War, are rapidly changing with a fast changing world. The Mekong countries are emerging to be a new growth centre and also a new strategic frontier in Asia.

With a population of around 240 million and a combined GDP of US\$ 664 billion, the Mekong region has geopolitical significance and economic weight. It is located at the junction of the enormous emerging markets of Asia. The cultural and religious diversity of the Mekong region in Southeast Asia is remarkable. Nearly 100 different ethnic groups live just in the lower Mekong basin. Khmer, Lao, Thai and Vietnamese people have depended upon the Mekong’s resources for thousands of years. The Mekong still forms an integral part of each distinct culture and they all rely upon its fish to eat and its waters to travel and trade. The diversity of cultures and traditions is legendary.

Indian culture, religions and political ideas played a considerable role in the politico-cultural landscape of the Mekong region. The cultural and civilizational imprints of India influenced the emergence of statehood and inter-state system in Southeast Asia. Studies show that the countries in this region adapted and modified a whole range of foreign ideas and rules to suit their interests and local context. This process of adaptation preserved and in some cases amplified local beliefs and practices while producing significant but evolutionary historical change in domestic politics and inter-state relations. The Indian cultural influence, therefore, was an adaptation and not an acceptance. Moreover, Southeast Asians gave as much as they learnt from foreign cultures and civilizations.

The influence of Indian civilization on the Mekong region is evident to anyone who has been to this region. Also, a large number of literatures are available on India’s influence in this region. The impact that the Mekong region and Southeast Asia had on cultural and historical events in India has not drawn adequate attention. The evidence, however, suggests that the cultural influence flowed both ways and Southeast Asia has also contributed in enriching India’s culture and traditions.

In his exceptional book *The Ocean of Churn*, Sanjeev Sanyal has illustrated Southeast Asia’s influence on Indian society. The Khasis of Meghalaya, for instance, remain matrilineal to this day. Traces of matrilineal customs seem to have been imbibed even by neighbouring communities that

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may never have been matrilineal. For instance, in Assamese Hindu weddings, the ‘sindoor’ (red vermilion) is applied to the forehead of the bride by the mother-in-law at the ‘jurun’ ceremony that precedes the wedding. The act of applying sindoor is a key part of Hindu marriage ritual and is usually the prerogative of the husband. The performance of this rite by the groom’s mother symbolizes the women of the family accepting a new member – a very matrilineal view of wedding. Another good example, which Sanyal highlights in his aforesaid book, is the custom of chewing paan (betel leaves with areca nuts, usually with a bit of lime and other ingredients). While it is common across the Indian subcontinent, the areca nut, called ‘supari’ in Hindi or Bengali, is originally from Southeast Asia and was chewed across the region and as far as Taiwan. Paan continue to play an important cultural role and are used in many ceremonies in India and Southeast Asia. These examples are a clear manifestation of two-way cultural communication.

Despite a rich cultural heritage, the cultural connectedness and communication between these two regions is very limited. We are living in an interconnected world in the age of diffused culture based on a modern outlook that relies on science and rationality to address emerging challenges. While we celebrate our past and continue to follow several rich cultural traditions, we also witness modifications and adaptations and infusion of new elements in our cultural journey. The contemporary dynamics of the region and the fast-changing global society brings new ideas and poses different challenges. Therefore, it is important for the Mekong-Ganga Cooperation (MGC) regional forum to deliberate upon issues on which they could share their expertise and experience and learn from each other. As such, we identify four major issues on which there is a possibility of greater collaboration.

## Cultural Resource Management

First issue is the management of cultural resources. Cultural resource management (CRM) is directly related to the management of economic development, tourism, preservation, and commodification. The ultimate goal of CRM is sustainable management of cultural resources. Culture and cultural resources represent a vital asset in efforts to develop tourism across Southeast Asia. Tourism in the Mekong region is highly dependent on cultural attractions, and proper management strategies would ensure that cultural assets could be preserved and also contribute significantly to the material well-being as well as the stability of their societies. The Mekong region and India could work together to share their best practices in the area of CRM. Technological and professional cooperation could enhance understanding and improve sustainable CRM.

## Intercultural Communication

Second important issue is intercultural communication. Since the beginnings of civilization, when the first humans formed tribal groups, intercultural contact occurred whenever people from one tribe encountered others and discovered that they were different. These ideas of cultural differences have long been recognised, but in the absence of accompanying cultural knowledge, this recognition most often elicited the human propensity to respond malevolently to those differences. Everyone is quick to blame the alien. This penchant to blame the alien is still a powerful element in today’s social and political rhetoric. For example, it is very common to hear charges that immigrants are responsible for all of the perceived social and economic problems affecting society. Furthermore, culture is a dynamic thing and it changes with time and circumstances. Cultural groups face continual challenges from such powerful forces as environmental upheavals, pandemics, wars, migration, the influx of

immigrants, and, the growth of new technologies. As a result, culture changes and evolves over time. More importantly, due to lack of intercultural communication, the knowledge remains limited. Intercultural communication is vital to develop a better understanding of each other's practices and sensitivities, likes and dislikes, and thus, it could be very helpful in boosting mutual interaction.

## Cultural Industry

Third important issue is dealing with the cultural industry. Both Southeast Asia and India have experienced an explosion of popular cultural products such as movies, pop music, animations, comic, television programmes, and fashion magazines that have expanded and deepened their reach, not only domestically but also across national and even regional borders. Today, there is no one dominant stream of products originating from any single location, but a variety of commodities, images, and fashions that simultaneously derive from multiple centres. These multi-directional flows of popular culture have intensified to reach consumers in different national and linguistic areas, and have substantially decentralised the region's popular culture market. As a result, consumers are exposed to various popular cultures to a great extent and are characterised by a diversity of consumption habits and lifestyles. The production and distribution of these flows, however, is very unpredictable.

The massive production and consumption of popular culture has had a major impact on the way governments perceive commodified culture. Cultural policies represent ways for governments to emphasize and reinforce nation- building or prevent the infiltration of foreign cultures either on moral or political grounds. In the name of defending the best interests of civil society and deterring encroachment from undesirable outside forces that may threaten their nations' cultural life, governments have resorted to censorship. Moreover, to promote culture, governments take various other measures such as building museums and monuments, establishing folklore studies, promoting national sports, or designing national school curriculums. However, the success of the cultural industries has generated a major shift in official thinking. Indeed, there is a realisation among governments that cultural industries are a great source for enhancing countries' soft power and have the potential of cultivating lucrative export enterprises. Indeed, culture is linked to both the developmental idea of amassing national wealth and enhancing the national image by promoting the export of national cultural products. As a result, government-led discourses of cultural policy, culture and cultural products throughout the region have acquired both economic and political value. In fact, the external dimension of culture has become an important tool for enhancing national image. How the cultural industries of the Mekong region and India collaborate will depend much on governments' policies and support. Certainly, it requires a greater coordination and structured approach.

## Religion and Traditions on Political Culture

Finally, the fourth important issue is influence of religion and traditions on political culture. The term 'culture' has several meanings, but what people do or make depends ultimately on how they think. Culture consists of what people hold in their heads, how they think about the world, and society, and themselves. While the political culture of Vietnam owes far more to Confucianism, Buddhism has shaped the worldviews of the majority of people in Cambodia, Laos, Thailand and Myanmar. Thus, to a large extent, political culture is rested upon patronage and personal relationships. Patronage may take many forms, but all depend ultimately on access to either wealth or power. Political parties in these countries have incorporated the political culture of patronage and hierarchy. Vietnamese

political culture, however, is centralised and delegated. However, issue of corruption is there as well. Though, this is a sensitive matter, policymakers could devote more attention to improve political communication. Institutional collaborations would enhance transparency and enrich political culture.

## Going Forward: Opportunities for Cooperation

In today's web of interconnected world, human life has improved and communication has become very fast. More and more people in more and more places are enjoying better lives than ever before. We are witnessing increasingly overlapping areas of commonality among people and regions with similar aspirations. Policy makers should work proactively to highlight the positivity and good things that are happening in their countries and engage more constructively to address pressing transnational problems. Cultural aspect of external interface is a powerful tool in governments' diplomatic scheme. A pragmatic cultural policy could drive a convergence of interests towards cooperation in finding common solutions. The fusion of cultural past could be enriched further through a robust cooperation between the Mekong region and India at present.

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# India's Cultural Connect with the Mekong Region

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Ishani Naskar\*

The Mekong Region comprises of both coastal and inland countries of Southeast. Cambodia, Lao PDR, Thailand and Vietnam are the Mekong countries based on the fact that Mekong river flows through them. No other river in Southeast Asia has such immense importance as the Mekong, and the river has nourished not only the economies of the Mekong countries, it also has been a catalyst to ancient civilizations that spin around powerful and culture-loving kingdoms of Funan, Khamboj, Champa, Subarnabhum. Probably such similarities could be drawn with ancient riverine civilisations of the Nile, the Tigris or the Euphrates. In context of India's relations with the Mekong region, the ancient relations have been identified with Ganga. The river Ganga continues to be the lifeline of India and an indispensable part of Indian civilization and culture.

There is the need to take the relationship forward in the contemporary times. In tune with the gradual acceptance of sub-regional initiatives, the Mekong-Ganga Cooperation (hereon MGC) was launched in 2000. What needs to be espoused here is the primacy of civilisational contacts. Symbolic of the civilisational aspect, the MGC was launched at Laung Prabang, the ancient capital of Laos, located on the banks of Mekong, on occasion of their festival of lights. It drives home the importance of ancient civilisation and culture as components that would constitute the backbone of this cooperation framework. It is, therefore, very apt that the fundamental areas that have been identified are tourism, education, culture and transportation.

The relations are age old and a rich repository of scriptural, epigraphic, numismatic and architectural evidences help one chart the magnitude and depth of this historical relationship. One of the strongest bases of the present day interactions between India and Southeast Asia is the long trajectory of socio-cultural contacts within the region.

A somewhat detailed description of the historical links between India and the Mekong countries is not unjustified because it is based on the firm belief that the present can build and sustain inter-state relations only on a base of a positive past. India's endeavours at building bridges with her eastern neighbours, be it through India-ASEAN or India-Mekong region (through MGC), need deeper connections based on not only economic linkages but through further deeper connectivity. By connectivity, it not only means physical infrastructural connectivity, it also means connections between communities, groups, societies and the people. This is possible through academic channels, institutional exchanges but even more intensively through sports, cultural platforms, travel and tourism. The idea is not to confine the contacts to the intelligentsia, or the professionals or the bureaucracy. It must involve the people - common people who can help in developing a better sense

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of integration between the two sides – India and the Mekong. India has already taken some policy decisions in taking those primary strides in establishing the ‘human contact’.

To begin with, the 2nd Ministerial Meeting of MGC that drew the outline of cooperation in the sectors identified through the Hanoi Action Programme ensured that education, culture, tourism (apart from connectivity) received constant attention.

Education especially higher education has been an important element in India’s policies towards the region. Capacity building has now a more unique approach that involves inculcating ethical values, developing professional attitudes and skills, environment conscious approach and a democratic orientation in decision making because India has a strong democratic culture. The impact of Indian value system would help to create a more positive mindset towards her. The establishment of Entrepreneurship Development Centres (EDCs), Centres for English Language Training (CELTs) and Vocational Training Centres (VTCs) are substantial steps. These centres will be supplemented with new Centres of Excellence in Software Development and Training. Scholarships constitute a major component in India-Mekong cooperation programmes. It is noted that about 900 scholarships are already being offered by India under the Indian Technical and Economic Cooperation (ITEC) Programme. Laos alone gets 210 slots under this scheme every year, while Vietnam gets around 150, Cambodia gets 96 slots and Myanmar gets around 30 slots. Demand seems to be increasing and it has been announced that India will train one representative each from Cambodia, Lao PDR, Myanmar, Vietnam and Thailand in museology and conservation techniques under the ITEC Programme.<sup>2</sup> This will help create experts to take care of the heritage of the region, which has elements of India-Mekong region ancient contacts. Besides, such expertise will help taking care of the recently founded MGC Traditional Asian Textile Museum at Siem Reap in 2014.<sup>3</sup> India also proposes to supplement the existing capacity building programmes in the areas of law enforcement, financial markets, IT and space. A total 50 scholarships have been provided by Indian Council for Cultural Relations (ICCR) and the scheme has been extended till 2016.<sup>4</sup> A total 6 scholarships are offered for studying at the Nalanda University. At present, 4 students are enjoying this scholarship.<sup>5</sup> There are other scholarship slots for individual Mekong countries under the Colombo Plan, the Mekong Ganga Cooperation Scholarship Scheme and the General Cultural Scholarship Schemes (both by ICCR).

India’s cultural relations with the Mekong countries have also started gaining momentum. It has certain visible components and activities. Capacity building is a part of the cultural programme, where the role of ICCR is very vital. Conservation and restoration of heritage sites in some Mekong countries constitutes another important ingredient. Following respective MoUs, temple complexes at Vietnam, Myanmar, Lao PDR and Cambodia are being restored such as at My Son<sup>6</sup>, the Ananda Temple, the Vat Phu temple, and the Ta Phrom Temple. Bilateral cultural exchange agreements have also been signed with the Mekong countries. With Lao PDR, a Cultural Exchange Programme for the years 2011 to 2013 was signed in 2010, India-Vietnam Cultural Exchange Programme 2011-2014, India-Cambodia Cultural Exchange Programme 2013-2015, India-Thailand Cultural Exchange Programme 2016-2019. Film Festivals, Festival of India, individual troupe dance performances, etc. have showcased the Indian culture in the Mekong countries. For instance, Indian Film Festival was arranged in Laos in 2012. Such a film festival was also arranged in Vietnam in 2015. A festival of India was organised in 2014 showcasing Indian dance, performances by Sangeet Natak Academy, Buddhist Festival by Central Institute of Himalayan Cultural Studies, Food Festival, folk dance by Kalbelia Group, Mehendi, and Yoga. All elements of the festival received an overwhelming response in Vietnam. An Indian dance performance took place in Vietnam in 2014. Again, in Myanmar and

in Cambodia, cultural exchanges have taken place in the form of dance troupe performances by both the sides.

Indian cultural centres shoulder the responsibilities of cultural exchanges and other activities that help India fulfil its goals. While Myanmar and Thailand each has a cultural centre, Hanoi, Phnom Penh and Vientiane are yet to have their respective Indian cultural centres. But that has not hampered substantive steps in building the blocks of India-Mekong cultural relations. Especially, Buddhism has emerged as a strong component of the cultural link. For instance, a Chair on Buddhist and Sanskrit Studies has been set up at Preah Sihanouk Raja Buddhist University that has been operational since October 2010. India has donated a 16-foot sandstone Buddha to Myanmar, which has been placed in the Shwegadon Pagoda, Yangon. The International Conference on Buddhist Cultural Heritage was organised in 2012. Myanmar was invited with other members of the MGC as Guest of Honour at the 5th Buddhist Conclave, which was held in Varanasi in October 2016. Indian Prime Minister has acknowledged the leadership of Vietnam in facilitating the inscription of the Archaeological Site of Nalanda Mahavihara. India has confirmed a project to preserve and conserve stone inscriptions and temples of King Mindon and King Bagyidaw of Myanmar in Bodhi Gaya would be undertaken by the Archaeological Survey of India (ASI) with financial support from the Government of India. The two sides have also agreed on joint technical support for preservation and conservation of the two stone inscriptions. The Nalanda University is gradually being turned into a centre for archival resources (Common Archival Resource Centers (CARCs)) and courses on history of the region have been designed accordingly. The above mentioned MGC Museum at Siem Reap, Cambodia was constructed by India at a cost of US\$ 1.772 million. Documentaries to highlight the importance of the MGC Museum titled 'Power of the 6' has been commissioned, DVDs made and copies distributed to the member states. India believes it will reiterate the point of civilisational contacts.

Culture is expected to encourage people to people contact as much as tourism. The India-ASEAN Cultural Framework has provided the background for promotion of tourism between India and the Mekong Region. It is believed that tourism has a potential to promote India's cultural diplomacy. Yet, the starting point receives a jolt when one looks at the state of connectivity and measures that could boost tourism in the region. Air connectivity is not very promising. For instance, an observation shows that there were no direct flights between India and Vietnam until 2014, following a revised Air Services Agreement in 2013.<sup>7</sup> In 2015, India and Cambodia have signed bilateral treaties aimed at promotion of tourism. Yet, the Indian government sees the lack of adequate air connectivity between India and the region so as to not only boost tourism but also to support India's Act East Policy.<sup>8</sup> A substantive literature is available on how Northeast India is absolutely crucial for the entire roadmap of connectivity. Buddhism has a strong potential in promoting tourism. The Buddhist Circuit has the potential of attracting number of Buddhist followers to India. As early as 2010, the Government of India had started promoting Buddhist tourism by arranging for Buddhist Tourist trains for travel companies to familiarise with the pilgrim sites. There have been government projects to promote Buddhist Tourism in Uttar Pradesh and the Ajanta Ellora Caves. The recently held International Buddhist Conclave was a big platform for launching plans pursuant to that. In line with the government's Swadesh Darshan (auspicious sights of the homeland) programme, India is preparing to develop a trans-border Buddhist circuit across South and Southeast Asia for people.

The Quick Impact Projects undertaken by India also cover education, culture, tourism, development and Small and Medium Enterprises (SMEs); they await Plan(s) of Action for implementation.

## Going Beyond the Threshold: Imagining New Pastures

Browsing the literature those are relevant to understand the significance of the cultural relations in the MGC region makes cause for advocating for more. This is not to discount the ongoing activities, but yes to the MGC being an 'imagined community' of sorts that straddles to regions, its civilisation, culture and the people-to-people contact that matter utmost. They are the building blocks of this entity. Now, it is for the government(s) of the day to build on this approach in order to take forward the MGC. One of the most vital things in bringing the people of the region closer is the ability to move hassle-free of both goods or humans. It would need a proactive government and also sustainable funding. In a region that comprises of less developed to developing countries, public private partnership would help solve some of the financial issues. Given the fact that private investors may not be interested in investing in large or long- duration infrastructure projects, we must invite private operators of tourism and education.

Information Technology being one of India's core advantages, the premiere institutes like the Indian Institute of Technology (IITs) will have promising future in the region. So would be the Indian management institutes like the Indian Institute of Management (IIMs), Indian Institute of Foreign Trade (IIFT) or some other professional institute like the National Institute of Fashion Designing (NIFD). India could help promote the research agenda by introducing institutes like Indian Institute of Oceanology, The Energy Resources Institute (TERI) or Tata Institute of Social Science (TISS). There is also enough scope for universities to assist the education systems in the MGC countries, Universities and educational institutes, particularly from East and Northeast India, can play a forthcoming role. There is also a need to establish a series of India Studies Centre in the Mekong countries, which will be an umbrella study centre for study and researching on a wide variety of streams and issues on India.<sup>9</sup> It would play a crucial role in showcasing India, its history, culture, politics, etc. Thailand has already established India Studies Centre at the Chulalongkorn University, Bangkok.

Nobel Laureate Rabindranath Tagore's travels to Southeast Asia produced *Jatri*; his literature is respected in the East, including Southeast Asia. There is ample scope to take up research projects on Indian literature not only Tagore's but of literary figures from the region. Translation projects could help disseminate ideas about societies of these regions.

It is well known that India has yet to unleash all its potential in tourism and that is not happening until the physical connectivity is established. In fact tourism in India should not be limited to Buddhist Circuit only. There is immense scope for ecotourism, sports and adventure tourism, medicinal tourism, and, perhaps, also historical tourism, wherein packages could be offered based on historical periods and regimes. It would need some amount of research and imagination to design out novel packages. Especially Northeast India could be turned into a hub of tourism, especially many communities of the region naturally relate to people across the borders.

Small steps like indigenous food festivals, theatre festivals, art exhibitions, local art and handicrafts' displays involving indigenous cuisines along the border regions provide valuable input in weaving people-to-people contact. Archiving is important so that extinct indigenous art forms, music, performances do not get lost. It is important to form some form of digital networking between known and unknown sources of valuable data, documentation, audio-visual materials that help construct the cultural currents within the region. An archive at Nalanda University perhaps is not enough to nourish the culture of the region. Other universities need to be part of the documentation process.

Another extremely vital element is involving stakeholders in the MGC. As of now, the MGC seems to be a somewhat top-down process (as in most cases about regional integration in this part of the world), where the organisation is not only member driven but also policy driven from the top. A bottom-up approach involving the real stakeholders in designing the integration process is also necessary. It increases awareness amongst the people of the region. Awareness about MGC should be there amongst the new generation, and, therefore, MGC and integration of this region ought to be a part of the academic curriculum in higher studies. Needless to say, India as a democratic pluralist society has an important role to play.

One must also understand attracting students, young scholars, performers of the region will not enhance her image but help the region wean away from the overarching influence of other culture to a certain extent. A little careful planning and execution will not only yield positive dividends for India but also the MGC will emerge as a successful example of socio-cultural integration within the parameters of South-South cooperation.

## Endnotes

1. Remarks by the Minister of State for External Affairs Dr. V. K. Singh at the 7th Mekong-Ganga Cooperation Finance Ministers Meeting in Vientiane, Lao PDR on July 24, 2016.
2. Ibid.
3. Further India has proposed workshops to integrate traditional textiles with other art forms like painting, literature, puppetry and other performing arts and fashion trends. There is also a plan to build what is called a 'LIVE' section to showcase textiles artisans. Remarks by Secretary (East) at the Inaugural of the MGC Museum of Asian Traditional Textiles in Siem Reap, Cambodia, April 7, 2016.
4. "Mekong Ganga Cooperation", Government of India Report, July 2016, available at, [https://www.mea.gov.in/Portal/ForeignRelation/MCG\\_N\\_2016\\_.pdf](https://www.mea.gov.in/Portal/ForeignRelation/MCG_N_2016_.pdf), accessed on 19.11.2016.
5. Ibid.
6. My Son, a monument of ancient Hindu Cham civilisation is considered as a symbol of the historical ties between India and Vietnam.
7. "Towards a Stronger Cultural Link", Ch.12, ASEAN-India Development and Cooperation Report 2015, ASEAN-India Centre, RIS, published by New York, Routledge, 2016, p.134.
8. Minister of State for External Affairs Dr. V.K. Singh underlined the importance of maritime and air connectivity at the 2016 MGC Ministerial Meeting at Vientiane, Laos. See, "India asks MGC states to increase maritime, air connectivity", india today in, available at, <http://indiatoday.intoday.in/story/india-asks-mgc-states-to-increase-maritime-air-connectivity/1/722841.html>, accessed on, 21.11.2016.
9. Chulalongkorn University has an India Studies Centre, and there is one Centre for Indian Studies at the ISEAS Vietnam.





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# ASEAN-India Maritime Cooperation: Broad Contour

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Prabir De\*

ASEAN and India have a rich history of maritime trade and ancient cultural linkages. India is closest maritime neighbour of Mekong countries as well as ASEAN. Today, over 2/3rd of their merchandise trade has been carried through oceans. Maritime cooperation thus occupies an important place in ASEAN-India cooperation as well as India-Mekong relations.

Economic ties between India and ASEAN are always in the forefront and have been deepening day by day. In 2018, ASEAN was India's 4th largest trading partner, accounting for 10 per cent of India's total trade. In the same year, India was ASEAN's 7th largest trading partner. In 2018-19, total trade between ASEAN and India has increased to US\$ 96 billion from less than US\$ 65 billion in 2015-16. In the same period, India's export to ASEAN has increased to US\$ 37 billion in 2018-19 from US\$ 25 billion in 2015-16. The Free Trade Agreement (FTA) in goods, implemented in 2010, and the services trade and investment agreement between ASEAN and India thereafter represent an important effort to enhance ASEAN-India economic integration. India has also signed bilateral CEPAs/CECAs with Japan, Korea, Singapore, Malaysia, along with the regional FTA with ASEAN. India is a partner of the Regional Comprehensive Economic Partnership (RCEP), which is a comprehensive free trade agreement being negotiated between the 10 ASEAN members and ASEAN's FTA partners.

Maritime security and cooperation is necessary element in both foreign and security policy frameworks. ASEAN countries and India have been working closely in securing the trade routes, freedom of navigation in international waters, over flights, threat or use of force to intimidate, reducing piracy along the Malacca Straits, cooperating in addressing traditional and non-traditional security challenges, including in areas of de-radicalization, prevention of violent extremism, cyber crime and natural disaster management.

East Asia Summit (EAS) has been giving focus on maritime security and cooperation. It has been discussed also in other ASEAN-centric regional fora such as ASEAN Defence Minister's Meeting Plus (ADMM-Plus), ASEAN Regional Forum (ARF) and Expanded ASEAN Maritime Forum (EAMF). At the 10th East Asia Summit (EAS), held on 22 November 2015 at Kuala Lumpur, Malaysia had recognized enhancing maritime security as an important element of maintaining peace and stability in the region and adopted the 'EAS Statement on Enhancing Regional Maritime Cooperation'. The 11th EAS, held on 6-8 September 2015 at Vientiane, adopted declarations on promoting maritime connectivity, and certain specific issues relating to maritime security and safety. At the 13th East Asia Summit (EAS), the leaders welcomed the inclusion of maritime cooperation as a new area of

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\* Professor, Research and Information System for Developing Countries (RIS). (Views are author's own. Usual disclaimers apply).



cooperation under the Manila POA, which includes practical and comprehensive action lines to promote this area of cooperation. The leaders expressed support for further strengthening maritime cooperation among EAS participating countries in a collective and holistic manner through ASEAN-led mechanisms such as the ASEAN Regional Forum (ARF), and the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus), in line with the 2015 EAS Statement on Enhancing Regional Maritime Cooperation.

India is a member of the Expanded ASEAN Maritime Forum (EAMF). Moreover, India is also active participant in non-ASEAN centric regional fora such as the Indian Ocean Rim Association (IORA); Indian Ocean Naval Symposium (IONS); BIMSTEC; and the Council for Security Cooperation in the Asia-Pacific (CSCAP). Maritime security and safety are vigorously debated in these fora.

Notwithstanding the past activities, the ASEAN and India have to undertake collective efforts to address three aspects of maritime commons: connectivity, security and cooperation. The key priority of maritime cooperation should be to build a safe, sustainable and efficient maritime transport system in the region as well as maintain the security in the ocean. According to the National Maritime Foundation (NMF), "the enhancing regional Maritime Domain Awareness (MDA) could be undertaken through focused measures such as setting up Coastal Radar Surveillance System (CSRS) including radars, electro-optic and Automatic Identification System (AIS) sensors; regional agreement on White Shipping information (unclassified merchant ship information) culminating in a cooperative information Fusion Center (IFC) with linkages with other similar global centers; and use of a collective data center for Long Range Identification and Tracking (LRIT) of ships on lines of the EU (European Union) LRIT Data Center."

At the ASEAN-India Commemorative Summit, held on 25 January 2018, leaders of ASEAN and India have outlined the vision on the future of ASEAN-India Strategic Partnership, wherein they have designated ASEAN-India Cooperation in the Maritime Domain as one of the key areas of this partnership. India has endorsed 'Blue Economy' as a new and central pillar of the country's economic activity. It encompasses both, the coastal areas and the linked hinterland. India has emphasized the 'SAGAR' (Security and Growth for All in the Region) concept, at the Shangri La Dialogue in Singapore in 2018, which reaffirmed India's key role in strengthening Blue Economy in the India-ASEAN region. Given the economic potential of the oceans, a number of countries are investing enormous financial, technological and human capital to develop maritime economies and are striving to leverage their unique strengths.

At the bilateral level, India and Myanmar have signed the standard operating procedure (SOP) for India-Myanmar Coordinated Patrol (IMCOR). The signing of the pact formalizes a key part of ongoing maritime cooperation between India and Myanmar in the Bay of Bengal. India has already signed bilateral agreement with Indonesia and Thailand for maritime coordinated patrols. Myanmar is another country with which India has signed an agreement on maritime coordinated patrols. Thus, two of the Mekong countries, namely, Myanmar and Thailand, have signed agreement with India for maritime coordinated patrols. Cambodia and Vietnam may consider signing similar agreement with India. Recently, coast guards of Vietnam and India took part in search and rescue drill operation to strengthen the maritime security ties.

Enhancing regional connectivity and trade through direct short-sea shipping and shipping facilitation agreements would strengthen maritime connectivity between ASEAN and India. At present, ASEAN and India have been negotiating the ASEAN-India Maritime Transport Cooperation

Agreement (AIMTCA). This Agreement may provide greater access to maritime services; facilitate the flow of trade through sea; and encourage private investments in the areas of maritime transportation, port development, etc. ASEAN and India shall take up issues such as coastal shipping network (short sea shipping), development of maritime cargo routes, etc., which hold immense potential.

Strengthening maritime connectivity would lead to strengthen economic integration through higher trade and investment, promotion of tourism, and building seaports and shipping networks, cooperation for improving efficiency of ports joining ASEAN Ro-Ro and Cruise Network, etc., ASEAN and India may also decide the possibility of developing RoRo terminals, ports and building connectivity between islands under the Sagarmala project (see Box 1).

### Box 1: Sagarmala

India has taken several important initiatives in developing the country's maritime sector. One such project is Sagarmala project to modernize India's ports and shipping sector. The programme aims to promote port-led development in the country by harnessing India's 7,500 km long coastline, 14,500 km of potentially navigable waterways and strategic location on key international maritime trade routes. Components of Sagarmala Programme are: (i) Port Modernization & New Port Development: De-bottlenecking and capacity expansion of existing ports and development of new greenfield ports; (ii) Port Connectivity Enhancement: Enhancing the connectivity of the ports to the hinterland, optimizing cost and time of cargo movement through multi-modal logistics solutions including domestic waterways (inland water transport and coastal shipping); (iii) Port-linked Industrialization: Developing port-proximate industrial clusters and Coastal Economic Zones to reduce logistics cost and time of EXIM and domestic cargo; and (iv) Coastal Community Development: Promoting sustainable development of coastal communities through skill development & livelihood generation activities, fisheries development, coastal tourism etc.

*Source:* Ministry of Shipping, India.

India has taken steps to augment capacity at major ports across the country. New cargo terminals are under construction at ports in Kamarajar, Ennore, Visakhapatnam, V.O. Chidambaram, Tuticorin, Paradip and Kolkata. Partnership with ports located in Myanmar, Thailand, Indonesia, Singapore and Malaysia can make Indian ports important gateways to ASEAN countries and vice versa. The ongoing Kaladan Multi-Modal Transit Transport project is likely to improve connectivity between Indian ports on the eastern sea board and Sittwe Port in Myanmar, which would not only promote trade links with Myanmar but also facilitate transit of goods to and from the North East India.

ASEAN-India maritime connectivity agenda shall consider strengthening connectivity between the islands. Islands can be turned into centers of excellence if we implement a stronger inter-island connectivity programme. ASEAN-India islands connectivity has gained momentum in recent years with ASEAN's investments in infrastructure in its islands, and India's investments in infrastructure, tourism, agriculture (organic and fisheries) and renewable energy development in area Andaman and Nicobar Islands region. There are scope to unlock the vast potentials of cooperation with ASEAN and MGC in particular, with respect to tourism, maritime security, disaster management, etc. Several ASEAN ports and shipping companies are running terminals and carry international trade.

ASEAN and India shall conduct more cooperation and capacity building in aquaculture and deep-sea fishing. Besides, greater hydrographic cooperation through training, capacity building and joint surveys would help both to refine the knowledge and understanding on the maritime cooperation. These are the areas where India can extend effective support to Mekong countries.

ASEAN countries and India shall examine national approaches to the responsible development of marine resources including the utilization of marine-based renewable energy. Emerging technologies are opening up new frontiers of marine resource development leading to mining of seabed mineral resources. Low carbon shipping, regional fisheries agreements, ocean surveillance, information sharing, marine biotechnology, cyber security and IT services are some of the areas for cooperation.

To conclude, ASEAN countries and India have to identify all such challenges and plan collaborative responses, in terms of cooperation among naval forces, coast guards and other law-enforcement agencies, capacity-building, de-confliction of naval encounters, and confidence-building at sea.



# Speeches and Statements





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# Rise of India: An Opportunity for Vietnam and Asia

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**H**. E. Pham Gia Khiem, Deputy Prime Minister and Foreign Minister of Vietnam Founded by President Ho Chi Minh and Prime Minister Jawaharlal Nehru and nurtured by generations of leaders and people of Vietnam and India, our bilateral relations of traditional friendship and comprehensive cooperation have stood the test of time, becoming an invaluable treasure of the two countries and people. The relations are now witnessing encouraging developments in almost all fields, such as politics, economy, trade, science and technology, education and training, security and defence under the framework for comprehensive cooperation between the two countries as they enter the 21st century, the action plan for the 2004-2006 period, and other agreements.

At international and regional forums, the two sides have shared common views on numerous issues, closely collaborating with each other, making contribution to peace, stability, cooperation, and development in the region and the world over.

In 2007, Vietnam and India celebrate the 35th anniversary of the establishment of full diplomatic relations. It is time for us to lift our traditional friendship and multi-faceted cooperation to a new height. In this spirit, Prime Minister Nguyen Tan Dung will pay an official visit to India, tentatively in April 2007 and Vietnam is looking forward to receiving President Abdul Kalam in Hanoi later this year.

With the joint efforts of both sides, in recent years, trade and investment relations between the two countries have also been improved. The two-way trade increased considerably from US\$ 697 million in 2005 to more than US\$ 1 billion in 2006 as targeted in the action plan for the period 2004-2006. By the end of 2006, India has had 12 effective FDI projects in Vietnam with a registered capital of US\$ 46.4 million, ranking 34th in 73 countries and territories investing in Vietnam. Interestingly, the realized capital has reached US\$ 580 million - 13-fold of the registered capital thanks to an oil and gas exploitation project between Vietnam Petroleum, ONGC Videsh Ltd (India), and BP Exploration (U.K.), which has the realized capital of US\$ 578.4 million - 34-fold of the registered capital.

Earlier this February, ESSAR Group, signed a joint venture agreement with Vietnam Steel Corporation (VSC) and Vietnam General Rubber Corporation (GERUCO) to build a hot strip mill plant in Ba Ria-Vung Tau. Estimated to cost US\$ 527 million and to be completed in 30 months, the project will significantly raise total investment from India into Vietnam. A Vietnamese company, FPT, has made an investment of US\$ 150,000 in an Indian technology development and investment project.

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\* Excerpted from H. E. Pham Gia Khiem, Deputy Prime Minister and Foreign Minister of Vietnam interview with The Hindu, 1 March 2007. © The Hindu.

These figures show that trade and investment relations between Vietnam and India remain modest and incommensurate with our political ties and cooperation potentials. I hope that the two governments will soon work out effective measures to further promote bilateral trade and investment, especially now that Vietnam has become a WTO member. Right now, Vietnam is seeing an inflow of foreign investment and I would like to call upon Indian investors to do business in Vietnam. The Vietnamese government will grant you maximum incentives.

Vietnam always supports and highly values India's role in the EAS as well as India's active contribution to the ASEAN countries and community building in East Asia. I hope that India will continue to support ASEAN's leading role in the EAS.

We view India's and China's rise as an opportunity for Asia and Vietnam. Thanks to high economic growth, India and China are two large and potential markets for other Asian countries as illustrated by the rapidly growing trade between India and China with other Asian countries. Those economic frameworks will better serve economic development in Asia as a whole.



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# Strengthening Multi-faceted Linkages

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**M**ekong-Ganga Cooperation (MGC) signifies our desire to recapture the essence of historic ties and complementarities of a region which is the birth place of enduring civilizations, sustained and nurtured by two of the great river systems in the world. This is an effort to bring together geographically contiguous countries with shared historical and cultural traditions.

The Hanoi Programme of Action is an expression of our collective will to revive the centuries' old dynamic interaction in commerce and culture and also to revive our synergies which could be of common benefit to our peoples.

Regarding exchange of visits amongst travel agents of our countries, we can host a delegation comprising of 20 travel agents (4 each from every MGC member country) in India and organize a wholesome interaction for them with Indian travel agents and tour operators.

While accepting the chairmanship of the MGC at Cebu, the Philippines on 12 January 2007, India had offered to host 100 Buddhist pilgrims from MGC countries. I am happy to announce that we would be able to organize this visit in September.

India had in 2002 announced a contribution of US\$1 million for setting up an MGC Museum of Traditional Asian Textiles. Cambodia committed to provide a plot of land. Thailand had indicated that it would associate with the project by providing textile experts and material for display, including assistance and expertise for displaying the exhibits. I request the Leader of the Cambodia delegation to apprise us about the timeframe for completion of the project and the financial sustainability of the project after completion of the construction work.

India, Myanmar and Thailand had agreed in April 2002 to cooperate in the construction of a trilateral highway from Moreh in India, through Bagan in Myanmar, to Mae Sot in Thailand. The route alignment for the highway has, however, not yet been finalized. I seek the views of member countries about taking this idea forward.

India offered to conduct a feasibility study for a rail link between Delhi and Hanoi. As a first step, RITES was commissioned to carry out a feasibility study for an India-Myanmar rail link. The executive summary of this study which has since been conducted has been made available to all MGC member countries. I seek comments of my distinguished colleagues on how to take further this project.

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\* Excerpted from the speech of Mr. Pranab Mukherjee, External Affairs Minister at the 5th Ministerial Meeting of MGC, Manila, 1 August, 2007. @ Minister of External Affairs, India.

India offers 10 scholarships to each of the MGC member countries, including international air fare (i.e. 50 scholarships on annual basis) for culture related studies in Indian universities. However, the record of utilization leaves scope for improvement. For instance, in the ongoing year, only 30 applications have been received, of which only 16 admissions have been confirmed. I request the Leaders of the delegations present here to inform their concerned authorities of this and impress upon them the need to make nominations in larger numbers so as to ensure fuller utilization of these scholarships.

India also proposes to organize educational fairs in all the ASEAN member countries. This would cover all the MGC member countries as well. We hope that this endeavor would lead to greater awareness about the educational opportunities available in India and would help strengthen our educational ties.

The Hanoi Programme of Action, adopted at the second MGC Ministerial Meeting held in Hanoi in July 2001, provided for specific action to be taken by the MGC in four areas of cooperation, i.e. tourism, culture, education and transport and communication. The Hanoi Programme of Action has a six year timeframe, covering the period from July 2001 to July 2007. It is a very comprehensive programme and its contents continue to be relevant. We propose extension of the Hanoi Programme of Action for another six years, i.e. from August 2007 to July 2013.

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# Cambodia Welcomes Indian Investments

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Since Cambodia is back on the path of strong and sustained economic growth, testified by considerable and encouraging achievements during the last few years, I believe that this is the best time for the business community and all investors to assess the potentiality and opportunity as well as the future vision of Cambodia.

During the last decade, Cambodia has overcome many obstacles and challenges and transformed itself into a peaceful country with improved social order, stability, cooperation and development. Despite the region and world's economy have faced with major challenges, Cambodia's economy gained momentum and dynamism by growing on average 9.4 per cent per annum during 2000-2006. Especially, economic growth peaked at 13.5 per cent in 2005 the average per capita income almost doubled from 288 US\$ in 2000 to 513 US\$ in 2006. Inflation has been kept low at an average of under 3 per cent between 2000-2006. Exchange rate has been broadly stable. The country's international reserves have increased threefold from about 500 million US\$ in 2000 to more than 1.5 billion US\$ as of today.

At the same time, the promising future from the commercialization of oil, gas and other mineral resources has opened up new economic opportunities and hope for Cambodia to become a new development zone in the region. These factors suggested the possibility of high and sustainable economic growth in the medium and long terms, as well as economic diversification and faster poverty alleviation. In this context, the Royal Government of Cambodia has an ambitious vision to utilize this new opportunity for the next one to two decades to transform Cambodia into a fast-growing regional economy based on agro-business, manufacturing and services especially, in the tourism sector.

We expect to realize this vision by mobilizing the resources from all sources, either domestically or from abroad to invest in human resource development, institutions and both hardware and software infrastructures, including roads, bridges, seaports, airports, railroads, power, transmission lines, clean water supply, irrigation, development and the transfer of knowledge, know-how and technology.

Within this context, recognizing the huge forces of the Indian economy and with the successful development experiences learnt from neighbouring countries in the region where FDI have been playing an important and critical role, Cambodia is strongly determined to attract as much as possible FDI including Indian FDIs to Cambodia.

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\* Excerpted from the Speech of H.E. Mr. Hun Sen, Prime Minister of Cambodia at the Business Luncheon Organized by FICCI, ASSOCHAM and CII, 8 December 2007, New Delhi.

Therefore, I invite Indian business-men and investors, to come and visit Cambodia in order to carry out feasibility study on your investment plans. As we are supportive of the private sector and consider the private sector as an important engine to generate economic growth. We have made considerable efforts to strengthen the judicial system, developed our legal framework and institutions in order to provide a favorable environment for the private sector and protect their investments and business activities in Cambodia.

Apart from this, by clearly understanding the market demand for the development of the country, Government has actively promoted the policy of integrating Cambodia into the regional and world market. As a result, we have achieved large economies of scale. Cambodia's membership in the WTO and the ASEAN community as well as trade agreements that have been agreed and signed or still in the process of negotiation both under the bilateral and ASEAN framework with India, China, Japan, Korea, Australia, New Zealand, EU and the USA as well as the development initiatives at regional and subregional levels, have provided investors with the opportunity to gain access to the markets of almost all countries around the world.

Cambodia has comparative advantages and some important potential in the agriculture and agro-industry, labor intensive industries, processing, tourism, mining, and at some sections of the manufacturing and service sectors which are linked to the favourable condition of land, weather, and natural resources. To attract foreign investors, we have adopted several policies to promote Private Participation in the Provision of Infrastructures, to provide National Treatment which means that foreign and domestic investors enjoy the same rights. Further, foreign investors can do business with or without Cambodian partners and we also allow free movement of capital and foreign exchange, without any restriction.

In the ASEAN context, I am grateful to India for its assistance and cooperation to help narrowing the development gap through initiatives such as the Special Course for Diplomats from ASEAN Countries as well as for the establishment of Entrepreneur Development Center and Center for English Language Training in Cambodia, Laos, Myanmar and Vietnam. I am hopeful that India will consider positively our request to provide assistance in the field of IT where India is well-known for its expertise.

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# ASEAN-India Relationship Grown from Sectoral Dialogue to Summit Level Partnership

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India has been an important partner of ASEAN that has attached great importance to the relationship and partnership with India. We follow with great interest and welcome India's "Look East" policy and its efforts to strengthen relations with ASEAN as a group. It is only natural that the ASEAN-India relationship had grown from a sectoral dialogue in 1992 to a full dialogue partnership in 1995, and then it was further elevated to a Summit-level partnership. Working together, ASEAN and India have achieved great synergies. Both cherish and value peace, security and stability for national development and prosperity. Within the broader political and security framework, India has been an active participant in the ASEAN Regional Forum (ARF). ASEAN and India are close in terms of land route connectivity.

Civil aviation cooperation between ASEAN and India has been given a long awaited boost with the adoption of the ASEAN-India Aviation Cooperation Framework. The Framework, which took shape from Prime Minister Manmohan Singh's proposal for dialogue on an Open Skies Agreement, will lay the foundation for closer aviation cooperation between ASEAN and India and result in a more liberalized environment which will be beneficial to all. Under the Framework, ASEAN and India agreed to work towards concluding an agreement based on the 'Open Skies' principles, covering both airfreight and passenger services as well as cooperation in other aviation fields including airline cooperation, airports and air navigation, aviation safety, aviation security, human resources development and information exchange.

The good news is that ASEAN and India concluded the ASEAN-India Trade in Goods Agreement in August 2008 under which both sides agreed on the modality for tariff reduction and/or elimination, which is among the key elements that will facilitate the creation of an open ASEAN-India market. The two sides would also commence negotiations on trade in services and investment as a single undertaking, and to work towards the conclusion of substantial discussions on these two agreements in order to complete the ASEAN-India CECA.

ASEAN together with its East Asia Summit (EAS) partners formally brought into being the Economic Research Institute for ASEAN and East Asia (ERIA) in June 2008, which is designed to be a think-tank, similar to the OECD. It assumes an important role in building the intellectual foundation for East Asia integration and in contributing to the establishment of the ASEAN Economic Community by 2015 in terms of policy-oriented and strategic economic research and capacity building. ERIA will focus its work on the three pillars of deepening integration, narrowing

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\* Excerpted from the Address delivered by H.E. Dr. Surin Pitsuwan, Secretary-General ASEAN at the Regional Security and Cooperation Dialogue, organized by FICCI on 21 January 2009 in New Delhi.

the development gap and sustainable development in East Asia. This would certainly help to create the world's largest business space in a vibrant and more integrated East Asia.

ERIA has come up with important research activities and practical policy recommendations. Among others is the East Asia Industrial Corridor (EAIC) Project, is a region-wide cross-border comprehensive development plan which aims to facilitate and enhance economic growth in the region through industrial development of the Mekong Region and linking it with the economies of India and China. The EAIC is envisaged to be realised including through development of wider-regional industrial belts, e.g. the Delhi-Mumbai Industrial Corridor (DMIC) and the East-West Economic Corridor.

Integration of the DMIC and the EAIC is expected to enhance ASEAN-India trade as well as to provide new opportunities for "trade creation." The DMIC and EAIC will facilitate optimization of logistic costs through multi-modal integration; reduce logistic cost by improving transport infrastructure, boost industrial development by integrating with transport infrastructure.

One projected benefit under the proposed EAIC is reduced travel time of cargo from Dawei Port in Myanmar and road/rail link between India and Thailand- Cambodia-Viet Nam going through the Straits of Malacca. For example, while the current travel distance from India to Thailand is more than 4,500 km, it is expected to be less than 2,500 km. Similarly, while the current travel distance from India to Cambodia is more than 4,200 km, it is expected to be less than 3,000 km; likewise the current travel distance from India to Viet Nam is currently more than 4,200 km, but is expected to be less than 3,000 km.

ASEAN is working to upgrade its regional infrastructure including on its mainland Southeast Asia railway for which a feasibility study has been completed. The goal is to link the missing rail sections in some ASEAN Member States to make it trans-ASEAN and to link it with Kunming in South China. The rail link will be covering 33,480 km of roads.

The work in upgrading ASEAN regional infrastructure combined with enabling policy framework to facilitate and promote goods in transit, multi-nodal transport and inter-state transport would eventually contribute to a bigger EAS trade zone in due course. India's "Look East" policy has focused on economic engagement with ASEAN Member States and in the East Asian region. Given our buoyant trade and economic relations, India has key roles to play to shape the emerging East Asia architecture. Specifically, India has talented pool of human resources and tremendous research capabilities. Bringing together researchers from India and other East Asian countries under ERIA would enable the region to tap the full potential in the area of policy-oriented and strategic economic research. Through ERIA, close links with the policy-making processes in ASEAN and East Asia could be forged which could in turn enhance the internal linkages of East Asian economies.



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## Shift of Power to Asia

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I especially welcome my colleagues from ASEAN countries and their delegations, who have honoured us with their presence not only for this event but also for other activities that we in India are privileged to host this week to focus on our relations with these countries. I express my gratitude to the Secretary General of ASEAN, H. E. Dr Surin Pitsuwan for accepting my invitation.

We stand at the threshold of twenty years of the launch of the formal Dialogue partnership between India and ASEAN, which started in 1992. We look forward to holding the Commemorative Summit in 2012 in India. It is a happy coincidence, that this two decade period has been transformational for India, as also for its engagement with South East Asia. It has been a gratifying engagement for us – an engagement which has drawn strength from India's rapidly developing bilateral ties with individual ASEAN countries, and from our millennia-old bonds with the countries and civilizations of the region.

The words 'Look East' encapsulate our renewed focus on these ties. I wonder if we have a phrase that can capture the age old roots, cordiality and partnership that are at the heart of our Look East Policy. Historical ties of India with Myanmar, Thailand, the Malay Peninsula, Cambodia, Laos and with what was known as the East Indies – Sumatra, Java, Bali and Borneo - are well known. These ties are rooted in geographical contiguity and commonality of a multitude of other factors. It is both a contemporary need and a responsibility to nurture these natural relationships. We are committed to deepening our all round engagement with ASEAN.

India's first FTA was signed with ASEAN. This Agreement will provide a further thrust to the almost twenty-fold increase in our trade with ASEAN which has been witnessed in nearly twenty years since 1990. India has undertaken a number of initiatives in line with its commitment to the 'Initiative for ASEAN Integration' which is intended to bridge the developmental gap between the older and the newer, less developed, members of ASEAN, i.e. Cambodia, Lao PDR, Myanmar and Vietnam.

The shift of power to Asia in this century is almost a cliché now. While such a shift may indeed be taking place, the processes involved are far more complex than what would appear at first glance. A number of new initiatives and institutions in South East Asia are coterminous with and contribute to this shift. On the strategic side, there is the ASEAN Defence Ministers Meeting Plus Eight process. India's participation in this is part of the wider paradigm shift which characterises our Look East Policy.

The second big institutional change is the continued evolution of the EAS process. Our Look East Policy has evolved with the process, which was born in 2005. This policy has, therefore, evolved to include the Far Eastern and Pacific regions and facilitated greater links with Japan, Republic of

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\* Excerpted from the Speech delivered by Mr. S.M. Krishna, External Affairs Minister of India at India-ASEAN Delhi Dialogue-III, New Delhi, 3 March 2011.



Korea, Australia and New Zealand. EAS further expanded at its 5th Meeting in October last year to include US and Russia into its ambit. India welcomed the expansion, which we believe, will add to regional peace and security. With this backdrop of historical and contemporary wide-ranging associations, how does India look beyond the first two decades of our engagement with ASEAN? There are few vectors which suggest themselves for the future.

Firstly, I think we need to focus on a vision for our region which is inclusive. As many of you know in India we have sought to embed in our developmental experience the principle of inclusivity. These principles need to form part of international efforts as that in the end is the strongest factor for the maintenance of peace and security. Secondly, we feel that the principles of State sovereignty and non-interference in internal affairs of others must be the bedrock of our cooperative endeavors. Thirdly, diversity comes naturally to us in Asia. Respecting diversity and developing tolerance must, therefore, form the third prong of our approach.

Within this framework I believe, we must focus even more sharply in our efforts to construct an interconnected economic block. I believe that India and ASEAN can do so by concentrating even greater efforts on physical connectivity. This aspect fits very well with our own domestic priority of upgrading infrastructure. If the two can proceed in tandem, it is possible that in the space of next five to seven years we will see a dramatic flowering of India-ASEAN relations. Connectivity will enhance the potential of Merchandise Trade and Investment Agreements that have been already put into effect or are on the anvil. Greater physical connectivity will reinforce intellectual inter-linkages that we have or will foster. In this context, I would like to mention our joint initiative for the revival of the Nalanda University.

Similarly the Mekong-Ganga Cooperation (MGC) launched in the year 2000, is a sub regional initiative comprising India and five ASEAN countries. Both the Ganga and the Mekong are not mere rivers but symbols of civilizations. Members of MGC are working to promote cooperation in the sectors of tourism, culture, education and transport and communications. Our enterprising ancestors created through the passage of time a most wonderful matrix of mutually enriching cultures, and mutually reinforcing bonds. As we look to India-ASEAN engagement beyond 2012, we need to assiduously promote people-to-people relations. It is on the wings of these ties that the future of our relationship will soar.

Before I conclude, I would like to congratulate the Indian Council of World Affairs, the Federation of Indian Chambers of Commerce and Industry, the Institute of Southeast Asian Studies and the SAEA Research Group of Singapore, as well as the Economic Research Institute in Jakarta, for their fruitful partnership in restructuring the Delhi dialogue. I also compliment all the think tanks, scholars and experts involved who have worked so hard to bring this Dialogue to fruition.

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# ASEAN-India Economic Relations

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At present ASEAN and India is experiencing steady economic growth despite the global economic situation as well as robust trade spurred by the ASEAN-India Trade in Goods Agreement that came into force last year. The India-ASEAN Business Fair and Business Conclave today represent another milestone in the history of ASEAN-India dialogue relations that began in December 1995. The two events are the brainchild of H.E. Dr. Manmohan Singh, the Prime Minister of India, at the 7th ASEAN-India Summit in October 2009. I am happy to note that the proposals have materialised so speedily underscoring the resolve of both sides to leverage on the economic strengths of each other and together on the economic opportunities from rising Asia.

In essence, the government-to-government cooperation that we started through the ASEAN-India Trade in Goods Agreement under the ASEAN-India FTA is now transforming into business-to-business cooperation through the two events. Certainly, the high level of participation of ministers and business leaders, and the overall enthusiasm shown in today's fair augurs well for the future of ASEAN-India economic relations especially with the establishment of the ASEAN India Business Council, which should also promote greater business-to-government cooperation so that we can improve the climate for trade and investment under the ASEAN-India FTA for our businesses.

Let me take this opportunity to briefly update you on the key progress achieved in building the ASEAN Economic Community (AEC) that will be established in the year 2015. Since the adoption of the AEC Blueprint in November 2007, ASEAN has been making steady progress towards the realisation of the AEC.

Indeed, January 2010 is seen as a key milestone in the history of ASEAN as we realised the ASEAN FTA where the ASEAN-6 countries of Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand collectively have achieved almost a zero tariff regime as well as all our FTAs with China, Japan, South Korea, Australia and New Zealand and the ASEAN-India Trade in Goods Agreement have been realised. We are also making good progress in the liberalisation of trade in services within ASEAN as well as opening up our region for investments through the ASEAN Comprehensive Investment Agreement. Moreover, we are promoting movement of skilled labour through mutual recognition arrangements of skills and professions as well as freer flow of capital through the development of our capital markets.

We have started to focus on the second pillar of the AEC on developing a competitive economic region through greater cooperation in the critical areas of competition policy, intellectual property rights, and consumer protection. At the same time, we are strengthening our cooperation in the third pillar of the AEC on narrowing the development gap by assisting our lesser developed ASEAN countries to come fully on board economic integration while supporting our SMEs to grow and eventually venture across borders in ASEAN. The work ahead is challenging but ASEAN has shown it is ready and has the grit to make things work for the region, our partners and businesses.

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\* Excerpted from the Speech delivered by Mr. Sundram Pushpanathan, Deputy Secretary General of ASEAN for ASEAN Economic Community at the India- ASEAN Business Fair and Business Conclave, New Delhi, 2 March 2011.

I am pleased to note that, despite the continued impact of the global economic crisis, India remained the 7th largest trading partner of ASEAN, with total trade of US\$ 39.1 billion in 2009. It is equally important to note that ASEAN is India's 4th largest trade partner after the EU, the US and China. On FDI, India has remained the 6th largest investor in ASEAN, with investment valued at US\$ 970 million in 2009. FDI inflows from India accounted for 2.5 per cent of total FDI into the region. Cumulative FDI from India in ASEAN from 2000 to 2009 was about US\$ 3.67 billion. Certainly, the ASEAN-India FTA will be the cornerstone of our growing and prospering economic partnership. Once fully implemented, after we conclude our services and investment agreements, it will pave the way for the creation of one of the world's largest free trade areas with a market of almost 1.8 billion people and a combined GDP of US\$ 2.8 trillion.

The ASEAN-India Trade in Goods Agreement, in particular, will see tariff liberalisation over 90 per cent of products traded, including the so-called "special products," such as palm oil (crude and refined), coffee, black tea and pepper. It will open the way for over 4,000 items to be traded duty-free between ASEAN Member States and India. The services and investment agreements will provide greater market access for Indian professionals, services providers as well as investors to the ASEAN region and vice-versa.

Beyond our bilateral free trade area, ASEAN and India are exploring an East-Asia wide trade arrangement together with the other countries under the EAS. This will create the world's largest economic space for our businesses to operate and prosper. ASEAN has just launched its Master Plan on ASEAN Connectivity covering physical, institutional and people-to-people connectivity both within ASEAN and ASEAN with its partners. India can actively participate in this connectivity to reap mutual benefits. This would include further strengthening infrastructure connectivity between India and ASEAN through the Mekong countries; concluding speedily the ASEAN-India Air Transport Agreement; and advancing further India's cooperation with ASEAN in the areas of education, energy, agriculture and forestry, science and technology, information communication technology, tourism, small and medium enterprises, and others.

In closing, I wish to underscore that ASEAN and India have developed a strong foundation for cooperation and collaboration in the last 15 years. It is the time that our business communities build their networking and partnerships leveraging on this firm foundation and their inherent strengths, so as to take leadership in driving the economic dynamism between the two growth poles in East Asia. We need to alleviate the business dimension of our cooperation to a higher level and we should start now with this India-ASEAN Business Fair and Business Conclave.

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# Myanmar – the Golden Land: Suvarnabhumi

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I consider it a great honour and privilege to be here this morning at the inaugural function of the International Conference on Buddhist Cultural Heritage. As the international community watches Myanmar with renewed interest, it is only apt that this important meeting of scholars - designed to provide us with a better understanding of the depth and global spread of Buddhist influences - is being organised in this golden land- “Suvarnabhumi.”

While describing the Buddha, Pandit Jawaharlal Nehru, India’s first Prime Minister had written: “Seated on the lotus flower, calm and impassive, above passion and desire, beyond the storm and strife of this world, so far away he seems, out of reach, unattainable. Yet again we look and behind those still, unmoving features there is a passion and an emotion, strange and more powerful than the passions and emotions we have known. His eyes are closed, but some power of the spirit looks out of them and a vital energy fills the frame. The ages roll by and Buddha seems not so far away after all; his voice whispers in our ears and tells us not to run away from the struggle but, calm-eyed, to face it, and to see in life ever greater opportunities for growth and advancement.”

Buddhism is a thriving religion. In 1879, Sir Edwin Arnold, the noted poet and journalist, wrote in his *‘The Light of Asia’*, “a generation ago little or nothing was known in Europe of this great faith of Asia, which had nevertheless existed during twenty-four centuries and at this day surpasses, in the number of its followers and the area of its prevalence, any other form of creed. Four hundred and seventy millions of our race live and die in the tenets of Gautama; and the spiritual dominions of this ancient teacher extend, at the present time, from Nepal and Ceylon, over the whole eastern peninsula to China, Japan, Tibet, Central Asia, Siberia and even Swedish Lapland. Forests of flowers are daily laid upon his stainless shines, and countless millions of lips daily repeat the formula, I take refuge in Buddha.”

The people of Myanmar, influenced by profound Buddhist philosophy, have over a long period, created beautiful art, built splendid pagodas and monasteries, crafted elegant sculptures, drawn magnificent mural paintings and developed classic literature and poetry. Two Monk merchants obtaining from Lord Buddha some hair relics and on their return enshrining them in a temple which later became Shwedagon Pagoda is a well known folklore. I am told that Myanmar has other famous pilgrimage sites such as the Mahamuni Pagoda in Mandalay, the scenic Kyaiktiyo Golden Rock Pagoda and of course, the over 2000 temples in just 16 square miles in the ancient city of Bagan, which I hope to visit tomorrow. India, as the birthplace of Buddhism, has its fair share – the Mahabodhi temple at Bodh Gaya, the revered stupa at Sarnath/ Varanasi and the Buddha attaining

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\* Excerpted from the Address delivered by Mr. Salman Khurshid, External Affairs Minister of India at the inauguration ceremony of the International Conference on Buddhist Cultural Heritage in Yangon on 15 December 2012.

Mahaparinirvana at Kushinagara – being some of them where millions of pilgrims from all over the world, including an ever increasing number from Myanmar, come to pay respect.

To highlight this glorious common heritage, the President of Myanmar and Prime Minister of India decided in favour of organising this conference, when President U Thein Sein undertook a State visit to India in October 2011. I am very glad that their directions have been realised today with the cooperation of many partners, including the Ministry of Religious Affairs of Myanmar, and the Sitagu International Buddhist Academy of Myanmar. I am also happy to see that the conference is being attended by several renowned Buddhist scholars and venerable monks from Myanmar, from India and from various other countries to share their knowledge and perspectives on the chosen theme of Buddhist Cultural Heritage.

India and Myanmar are bound by geography. But these bonds are reinforced, deepened and strengthened by our historical, cultural and spiritual ties, which are enduring. The shared traditions of Buddhism and the ‘Sangha’ formed the bedrock of our early contacts, as poets, philosophers and princes traversed our two countries. These contacts led the way to the movement of people and trade, creating a continuum of complex exchanges, strengthened in our struggle to create independent nations in the modern times.

Both our countries have achieved manifold accomplishments in the past six decades, but I believe we have far to go in living up to the expectations of our people and the dreams of the founding fathers of our nations. Today, Myanmar is poised at a fascinating point in its history, when it is reinventing itself and its relationship with the global community. The government has set itself an ambitious agenda of achieving good governance, rule of law, securing fundamental rights of citizens, reducing income disparity, economic reform and environmental conservation and political dialogue. We in India, stand ready to assist, in whatever way desired by the government and the people of Myanmar, in this transition, to what I would believe would create a democratic polity and lead to economic prosperity and well being of the people of Myanmar.

The high level exchanges between the two countries in the past two years, including the visit of our Prime Minister in May, have imparted a momentum to our relations. Our initiatives in the fields of connectivity, border area development, information technology, agriculture and capacity building, are a demonstration of our resolve to create a bright future, which can be shared by both the nations. The Kaladan Project, connecting the Rakhine and Chin States in Myanmar with the North Eastern part of India, has potential to substantially increase the trade between these parts of our countries. The Imphal-Mandalay Bus Service and the India-Myanmar-Thailand Trilateral Highway is expected to enable the communities across the borders to meet and create deeper economic and social bonds. So would the Border *Haats* that our two sides have agreed to set up along the India-Myanmar border. I also have great pleasure in informing you that, encouraged by the support of the EAS Member States, the ancient Buddhist Nalanda University is being revived in the Indian state of Bihar. We have appointed Nobel Laureate Prof. Amartya Sen as the Chancellor of this prestigious University. The School of Buddhist Studies, Philosophy and Comparative Religions will be one of the seven schools proposed to be set up as part of the University. Nalanda University will keep alive the spirit of ancient Nalanda in a modern setting and it would be our contribution towards the preservation and growth of Buddhist heritage.

Lord Buddha’s teachings have had universal reach and timeless appeal. Not only has Buddhism spread far and wide from India to Central, South East and East Asia, it is now practiced by more



than 500 million people across the world. Growing acceptance and influence of Buddhism around the world can also be gauged from the words of a renowned British historian, Arnold Toynbee, who in *'Turning the Wheels'* wrote, "The coming of Buddhism to the West may well prove to be the most important event of the twentieth century."

As the world is threatened by violence and terrorism and conflicts and hatred, the Buddha's message of peace, equality, unity, harmony and tolerance is more relevant today than at any other time in history. Buddhist philosophy of feeling for other's sufferings as our own holds the key to develop a sense of compassion, kindness and brotherhood leading to individual inner peace and peaceful co-existence. It is interesting that Pandit Jawaharlal Nehru conveyed the following to an International Buddhist Conference in Sanchi in November 1952: "The message that Buddha gave 2,500 years ago shed its light not only on India or Asia but the whole world. The question that inevitably suggests itself is how far can the great message of the Buddha apply to the present day work? Perhaps, it may, perhaps it may not; but I do know that if we follow the principles enunciated by Buddha, we will win peace and tranquility for the world."

This year marks the 2600<sup>th</sup> year of the Buddha's enlightenment. India takes pride in being the cradle of Buddhism, the land where Gautama Buddha attained enlightenment. This conference, through its intensive discussions, can provide a platform to not only explore but to also strengthen the deep and rich cultural bonds that the common link of Buddhism can provide among all the countries represented in this conference, in fashioning a better world.

I am happy that coinciding with this important conference, we will also be able to unveil and consecrate the Sarnath style Buddha statue gifted by the people and Government of India to the friendly people and Government of Myanmar. We are deeply appreciative of the importance accorded by Myanmar to this initiative by having the statue installed at the premises of the most holy Shwedagon Pagoda. Indeed, we also deeply value the cooperation that we currently have in being able to offer our assistance in the restoration of the world renowned Ananda Temple at Bagan by experts from the Archaeological Survey of India.

In conclusion, let me once again thank all the collaborators for putting together this important conference and to all the scholars for accepting the invitation to discuss and to dwell on the sacred and fascinating heritage of Buddhism and its culture across nations and regions. The Conference on Buddhist heritage, I believe, would provide an opportunity, to celebrate and ponder upon the unity in diversity that Buddhism and Buddhist culture has acquired since ancient times. I wish the conference every success.





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# Mekong-Ganga Cooperation: A Dynamic and Effective Platform for Sub-regional Cooperation

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It is a matter of great satisfaction for us that the MGC Museum has been functioning effectively. It not only showcases our shared cultural heritage but is active in conducting educational workshops to familiarise participants with textiles, fibres, materials and designs through a touch and feel approach, arranging sessions of storytelling based on the narratives display, as well as holding exhibitions and other events.

I am also happy to announce that India will train one representative each from Cambodia, Lao PDR, Myanmar, Vietnam and Thailand in museology and conservation techniques, under the Indian Technical and Economic Cooperation (ITEC) Programme of Government of India. We hope that these representatives will thereafter be able to use their skills at the MGC Museum.

A key initiative under MGC is the Quick Impact Projects for CLMV countries. I am pleased to note that these have taken off, with 6 projects in Cambodia and 5 in Vietnam already under implementation. In addition, 3 projects in Lao PDR and 2 in Myanmar have been identified and I hope that in the coming months, these will also be implemented.

It was agreed during the 6th MGC Ministerial Meeting in New Delhi to widen areas of cooperation in the fields of Rice Germ Plasm and Enhancing Rice production through Mechanization and downstream processing, MSMEs, Health and cooperation in pandemics management and creation of a Common Archival Resource Centre at Nalanda University. The revised concept papers on all these themes were circulated to MGC SOM Leaders and we look forward to convening the Joint Working Group Meetings in the respective fields as soon as our MGC partners give us the go-ahead.

Excellencies, India provides over 900 scholarships to MGC countries on an annual basis under the bilateral and multilateral tracks. The schemes are administered by the Indian Council of Cultural Relations and ITEC. We are happy to announce 50 new scholarships for MGC countries, in areas such as culture, tourism, engineering, management teachers' training, film directing, sound, lighting and stage. These are areas that you have expressed interest in. We urge all MGC partner countries to optimally utilize these scholarships, which will not only serve as a stepping stone for capacity building but also enhance mutual understanding.

Numerous projects on capacity building are being undertaken by India in Cambodia, Lao PDR, Myanmar and Vietnam as part of the Initiative for ASEAN Integration – Narrowing the Development Gap. We have set up Centers of English Language and IT Training in CLMV countries which will

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\* Excerpted from the speech delivered by Dr. V. K. Singh, Minister of State for External Affairs of India at the 7th Mekong-Ganga Cooperation Finance Ministers Meeting in Vientiane, Lao PDR, July 24, 2016.

be supplemented with new Centers of Excellence in Software Development and Training, which are under implementation. Existing capacity building programmes in law enforcement, financial markets, ICT and space, can also be supplemented to meet the requirements of MGC partners.

Excellencies, enhancing connectivity between the Mekong region and India is a matter of priority for India. India became the third dialogue partner of ASEAN in 2013 to initiate an ASEAN Connectivity Coordinating Committee-India Meeting. While India has made progress in implementing the India-Myanmar-Thailand Trilateral Highway and the Kaladan Multimodal Project, we would seek your assistance in early finalization of the Motor Vehicles Agreement to facilitate soft connectivity issues pertaining to the Trilateral Highway. This is also important if we seek to extend the Highway to Cambodia, Lao PDR and Vietnam.

Equally important is the imperative to increase maritime and air connectivity between MGC countries as well as India and transforming the corridors of connectivity into corridors for economic cooperation.

Excellencies, I urge you all to avail of the US \$1 billion Line of Credit announced by our Prime Minister in November 2015 for connectivity projects to digitally bond with India. Proposals on promoting digital as well as physical connectivity may be shared through official channels at the earliest.

In this context, I am also pleased to announce that India will host a seminar on the MGC focusing on building stronger connectivity and enhancing our multi-dimensional ties at the ASEAN-India Center in New Delhi in September/October 2016. Two representatives from each country would be invited to participate to brainstorm on how to take the MGC process forward.

Excellencies, I would further like to take this opportunity to invite our MGC partners to participate as Guests of Honour in the 5th International Buddhist Conclave. This biennial initiative of our Ministry of Tourism to promote and showcase our Buddhist Heritage can serve as a launch pad for further discussions on developing a Mekong- India Buddhist trail. Finally, with a view to time bound delivery, our officials have worked out a draft Plan of Action for the MGC for the period 2016-18. I seek your approval to formally endorse this Plan of Action. Before I conclude, I would like to congratulate Myanmar on assuming the Chairmanship of the MGC. We stand ready to contribute and assist in any way we can to take this mutually beneficially partnership forward.

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## Remarks by External Affairs Minister at the 10th Mekong-Ganga Cooperation Ministerial Meeting

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Since its inception in the year 2000, Mekong Ganga Cooperation has come a long way. This oldest sub-regional cooperation organization turns 20 next year. The MGC is as much a celebration of our long and rich history of trade, cultural and people- to-people exchanges as it is a vehicle to advance modern day cooperation to bring progress and prosperity to our peoples. We warmly welcome Viet Nam's suggestion that the 20th anniversary of MGC should be commemorated in a befitting manner with a series of meaningful celebratory events.

The MGC Quick Impact Projects (QIPs) are moving at a steady pace. A total of 24 projects have been completed so far, including 15 in Cambodia and 9 in Viet Nam. In addition, currently one project in Cambodia and 3 projects in Lao PDR are under implementation. I am pleased to inform that we have signed MOUs for 18 additional projects in Cambodia and a further 5 projects with Vietnam are under consideration. In Myanmar, though we do not have any QIPs at the moment, we are implementing several community development projects bilaterally under the Rakhine State Development Programme (RSDP) and our Border Area Development Programme.

All the scholarship schemes offered by India for MGC member countries have seen active utilization. We are increasing the number of scholarships for Master's Programme at Nalanda University from 6 to 20.

The setting up of CESDTs in CLMV countries by Centre for Development of Advance Computing (C-DAC) is also making good progress. We have already established these Centres in Cambodia and Lao PDR and will be deputing IT trainers to these centres soon. We have also requested Myanmar and Vietnam to expedite necessary approvals to facilitate early operationalization of the CESDTs in Myanmar and Vietnam.

We are working on early operationalization of the Common Archival Resource Centre (CARC) at Nalanda University. To this end, Excellencies, we seek your help in sourcing copies of historical documents and replicas of art works and artefacts for the CARC. These artworks and artefacts will be made digitally available by the CARC to scholars from around the world interested in academic research on India-Southeast Asia historical and civilisational linkages.

RIS, New Delhi is working with Vietnam Academy of Social Sciences (VASS), Hanoi to host the third international conference on ASEAN-India Cultural and Civilisational Linkages in Hanoi in October 2019. My colleague, H.E. V. Muraleedharan, Minister of State for External Affairs will represent India at the conference.

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\* Excerpted from the Remarks delivered by H.E. (Dr) Subrahmanyam Jaishankar, External Affairs Minister, Government of India at the 10th Mekong-Ganga Cooperation (MGC) Ministerial Meeting in Singapore, 2 August 2019.

Nalanda University is actively working with the ASEAN University Network (AUN), Bangkok and universities both in India and ASEAN Member States towards creating an ASEAN-India University Network (AIUN). I am happy to note that a collaborative project involving Mandalay Technological University (MTU), Ho Chi Minh City University of Technology and Indian Institute of Technology (IIT), Roorkee will be moved forward as a pilot project. It is particularly relevant that this project is beginning from among our MGC Partners.

The MGC Textiles Museum in Siem Reap, Cambodia is doing significant work to preserve and showcase the rich and vibrant textile heritage of the Mekong-Ganga region. We are working with Cambodia to make the Museum financially self-sustaining, including by promoting the Museum as a tourist attraction. We seek artefacts and exhibits from all MGC countries to enhance the displays, and your help in making the Museum a hotspot by hosting academic and cultural events at this venue.

Excellency Co-Chair, following a suggestion at the last MGC SOM in New Delhi, we have commenced work on developing an MGC website to disseminate information about joint cooperation activities, as also important trade and travel fairs and cultural events. We should look at launching it before January 2020.

We plan to organize a regional conference on traditional and complementary medicine in November this year, where we will be inviting health regulators and traditional medicine practitioners. There would also be an exhibition on the sidelines.

The first MGC Business Forum, held in New Delhi in January 2018, was very well-attended. We should plan to hold this event perhaps biennially, and organise the second edition in Vietnam to coincide with a large trade event.

Connectivity is a major focus area of our cooperation. We look forward to the early completion of the India-Myanmar- Thailand Trilateral Highway and its extension to Cambodia, Lao PDR and Viet Nam. The Jakarta-based Economic Research Institute for ASEAN and East Asia (ERIA) had been tasked to study the feasibility of developing the planned highway as a vibrant economic growth corridor. We look forward to the full report, expected to be completed early next year. We need to quickly finalise the India-Myanmar-Thailand Motor Vehicle Agreement to facilitate seamless movement of goods and passengers across borders, thus leading to greater trade and tourism at the next meeting in October this year.

Excellencies, India had announced a USD 1 billion Line of Credit (LOC) for connectivity projects in ASEAN. To identify bankable projects, we have offered to facilitate discussions on the terms, conditions and modalities for drawing on this credit line, including by sending specialists from our Exim Bank to interested countries for discussions.

We must work to enhance direct air connectivity as it would make travel easier for our peoples for business and tourism. I am happy to inform that IndiGo is going to start direct flights on the New Delhi-Ho Chi Minh City sector from October this year and daily services from Kolkata to Yangon from late September. We have also notified IndiGo and Vistara as designated Indian carriers under the India-Cambodia bilateral Air Services Agreement. We encourage them to start direct flights based on the airlines' commercial considerations.

We are pleased to accept Thailand's invitation for India to join the Ayeyawady- Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) Initiative as a Development Partner. I am told our Senior Officials have had preliminary discussions on the ACMECS Master Plan 2019-2023.

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# Speech by the Honourable President of India

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I am delighted to receive you Mr. President on your first State Visit to India. It has been a little over a year since my State Visit to your beautiful country in December 2018, and less than a year since you honoured us with your presence at the swearing-in of our new Government last May.

As neighbours connected by land and water, with a long civilizational friendship, it is only natural that we meet as frequently as possible. After all, from language to food, from dress to rituals, ours are sister civilizations: unique in their own right, but also related. The sacred waters of Irrawaddy and Phalgu have long been part of our religious beliefs, our spirituality and our cultural imagination. And so it is a pleasure to host you as family!

Excellency,

Your meetings here would have reassured you that India remains committed to providing its fullest support for the expansion of your democracy and economic development. India stands for a stable, united and prosperous Myanmar, established through a successful peace process.

And since peace is indivisible, the settlement of ethnic conflict in your country helps us ensure peace and tranquility on our shared borders. It is in this context that we are happy to help by sharing our experience with democracy, federalism and constitutionalism with you.

Excellency,

To foster sustainable peace, we must ensure a peace dividend through prosperity. Connectivity between our countries is already expanding, through the building of roads, use of waterways, upgradation of ports and increase of bilateral air services. We need to widen such connectivity to include energy as well.

Another important element of a peace dividend is the provision of capacity. As State Counsellor Daw Suu Kyi has said, she attaches priority to “people understanding that they have the power to change things themselves”. It is in this spirit that India is invested in capacity-building in Myanmar.

Excellency,

Myanmar has a proverb and I quote - “the islands depend on reeds, and reeds depend on islands” unquote. That is to say, our interests are inter-dependent. From such wisdom are mutually beneficial partnerships created. May your pilgrimage to Bodh Gaya and the divine shade of the Bodhi tree, continue to bless our age-old ties.

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\* Excerpted from the Speech by the Honourable President of India, Shri Ram Nath Kovind at the Banquet Hosted in Honour of President of Myanmar. Rashtrapati Bhavan, February 27, 2020. @ [www.presidentofindia.nic.in](http://www.presidentofindia.nic.in)



On that special note, Excellencies, Ladies and Gentlemen:

- I wish good health, success and long life for President U Win Myint, and First Lady Daw Cho Cho;
- I wish continued progress and prosperity for the people of Myanmar;
- And I wish everlasting friendship between India-Myanmar.

Thank you. Chezu Din Bare.



## About Mekong-Ganga Policy Brief

The *Mekong Ganga Policy Brief* seeks to disseminate the policy-related research, news, viewpoints, and information about resources among the policy circles and think-tanks to promote the cause of deeper cooperation between India and Mekong countries. Views expressed by the authors in this policy brief are their personal, and do not represent the views of AIC or RIS. The information contained has been compiled from various sources, as cited, purely for education and dissemination, and not for commercial purposes. The copyrights of the material included remain with the original sources. *Mekong-Ganga Policy Brief* is available from AIC or RIS or can be downloaded from [www.ris.org.in](http://www.ris.org.in).

## About RIS

Research and Information System for Developing Countries (RIS), a New Delhi based autonomous think-tank under the Ministry of External Affairs, Government of India, is an organization that specializes in policy research on international economic issues and development cooperation. RIS is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on international economic issues. The focus of the work programme of RIS is to promote South- South Cooperation and assist developing countries in multilateral negotiations in various forums. RIS is engaged in the Track II process of several regional initiatives. RIS is providing analytical support to the Government of India in the negotiations for concluding comprehensive economic cooperation agreements with partner countries. Through its intensive network of policy think tanks, RIS seeks to strengthen policy coherence on international economic issues. For more information please visit [www.ris.org.in](http://www.ris.org.in)

## About AIC

Considering the work of the ASEAN-India Eminent Persons Group (AIEPG), and its Report with recommendations for forging a closer partnership for peace, progress and shared prosperity, the Heads of the State/Government of ASEAN and India at the ASEAN-India Commemorative Summit 2012, held at New Delhi on 19-20 December 2012, recommended the establishment of ASEAN-India Centre (AIC) using existing resources at New Delhi. AIC serves as a resource centre for ASEAN Member States and India to fill the knowledge gaps that currently limit the opportunities for cooperation. The AIC undertakes policy research, advocacy and networking activities with organizations and think-tanks in India and ASEAN, with an aim to promote the ASEAN-India Strategic Partnership. For more information please visit <http://aic.ris.org.in>



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