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Mekong Economic Corridors: Asia's New Lifelines

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

According to ADB,¹ 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 2006.² 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,³ 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.⁴ 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).⁵ 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 cross-cutting 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.

Notes

¹ See, for example, Bryant (2005)

² See, World Bank (2007)

³ As quoted in ADB (2005)

⁴ As noted in ADB (2007)

⁵ See, ADB (2007)

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Prabir De, Fellow, Research and Information System for Developing Countries (RIS), New Delhi, India. ■

Mekong Economic Corridors Bring Significant Social Benefits

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-poorness of 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.¹ 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

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.

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 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).

Rapid poverty reduction is one of the outstanding achievements of Vietnam's

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 percentage 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.

Note

¹ See, for instance, World Bank (2003), Vietnam Academy of Social Sciences (2007), and Doan Quang (2006).

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India-Mekong Cooperation Activities

Strengthening Multi-faceted Linkages

Mr. Pranab Mukherjee,
Minister of External Affairs, India

Mekong-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 time-frame 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.

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 time-frame, 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.

(Excerpted from the External Affairs Minister's Speech at the 5th Ministerial Meeting of MGC, Manila, 1 August, 2007).

RIS Mekong Ganga Policy Brief Launched

RIS has been supporting the process of regional economic integration in Asia with its studies and research. Besides its pioneering contribution to the process of economic integration in South Asia and on broader regional cooperation in Asia, it has been supporting the ASEAN-India economic partnership with special emphasis on India-Mekong cooperation. As its most recent initiative to enhance deeper cooperation between India and Mekong countries, RIS has undertaken a project entitled "Building Capacity through South-South Cooperation: Case of Mekong-India Cooperation." Overall objective of this project is to strengthen trade and investment related capacity of Mekong countries through information sharing, dissemination of knowledge and experiences, networking and transfer of skills.

Towards this aforesaid objective, RIS launched the first issue of *Mekong-Ganga Policy Brief* (MGPB) in April 2007. It 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. The publication is freely downloadable from RIS home page. The 1st issue of the *Mekong-Ganga Policy Brief* was launched at the GMS Task Force Meeting, organised by IWEP at Hanoi on 26th April 2007. Copies of the same were also distributed by RIS among the ASEAN delegates (including those came from Mekong countries), who attended the 9th India-ASEAN Senior Officers' Meeting, held at Kolkata, during 26-28, April 2007; also at the Commemorative Seminar to mark the 35th Anniversary of the Establishment of Full Diplomatic Relations between India and Vietnam, organised by the Indian Embassy in Hanoi and the Vietnam Academy of Social Sciences (VASC), held at Hanoi, during 18-20 June, 2007, and at the India - Vietnam Business Forum Meeting, organised by CII-FICCI-VCCI-ASSOCHAM, held in New Delhi on 6 July 2007.

India-Mekong Cooperation Activities

Report of the Fifth Ministerial Meeting of the Mekong-Ganga Cooperation

The Fifth Ministerial Meeting of the Mekong-Ganga Cooperation (MGC) was held in Manila, Philippines on 1 August 2007. The Meeting was attended by H.E. Mr. Hor Namhong, Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation, Cambodia, H.E. Dr Thongloun Sisoulith, Deputy Prime Minister and Foreign Minister of the Lao PDR, H.E. U Nyan Win, Minister for Foreign Affairs, Myanmar, H.E. Mr. Nitya Pibulsonggram, Minister of Foreign Affairs of Thailand, H.E. Mr. Le Cong Phung, First Vice Foreign Minister of Vietnam, and their respective delegations. The Meeting was chaired by H.E. Mr. Pranab Mukherjee, Minister of External Affairs of the Republic of India.

The leaders had a productive exchange of views on regional issues, as well as on issues of importance to the MGC. The Meeting reaffirmed the importance of inter-linking MGC countries through tourism, culture, human resource development/education, transport and communications, and emphasized the need for MGC projects to make timely progress. The Meeting reviewed and found the modest progress in the implementation of agreed projects since the inception of Third Meeting of MGC, Phnom Penh, Cambodia.

The Meeting welcomed India's offer to host a delegation comprising of 20 travel agents in India and organize interaction for them with the Indian travel agents and tour operators. The Meeting recommended

that direct flights connecting all MGC countries and air linkages between the World Heritage sites in MGC countries would be a step forward to further promote trade and tourism in the region. Further, the meeting expressed appreciation of India's offer to host 100 Buddhist pilgrims from MGC countries and Thailand for its offer to provide information on MGC Rate Hotels in CD and directories formats, subject to member countries providing the relevant information.

The Meeting reviewed the progress made in the implementation of setting up of a Museum of Traditional Asian Textiles in Siem Reap, Cambodia, for which India has provided funds for the architectural designs, etc. for the project. Offers of Thailand and Lao PDR to provide weaving equipment, textile samples and expertise are being appreciated. It was decided to fix some time frame for completion of project and explore the possibility of financial sustainability of the project after completion of the construction work.

The Meeting regarded the importance of the conservation of World Heritage sites and appreciated Thailand's offer to work with India in the renovation and restoration of cultural heritage sites in member countries within the MGC framework.

The Meeting agreed on the need for a comprehensive review of connectivity in the region, particularly the construction of a trilateral highway from Moreh in India, through Bagan in Myanmar, to Mae Sot in Thailand, and a feasibility study for a railway link between Delhi and Hanoi as

well as the possibility to build the missing link between Loc Ninh and Phnom Penh.

The Meeting acknowledged the completion of the road connecting Myawaddy and Tenasserim Mountain Range, 18-kilometer in length, in June 2006. The road link is part of the construction of a trilateral highway which connects Moreh-Bagan-Mae Sot. The Meeting noted Thailand's initiative to incorporate the MGC transport and communication cooperation with other cooperative frameworks such as ACMECS, GMS, etc. Thai side agreed to provide a transport cooperation proposal comprising all member countries of ACMECS, GMS and BIMSTEC as well as Malaysia and Singapore and welcome inputs in this regard from all MGC member countries.

On the education front, the leaders agreed to strengthen regional educational cooperation by tapping of the region's centers of excellence in education. In that endeavour, leaders appreciated India's initiatives for its continued support for 50 MGC scholarships, offer to organize educational fairs in MGC countries which would help in creating greater awareness about educational facilities available with India.

In conclusion, the meeting agreed that in order to make progress, projects needed to have clear timeframes, sources of funding, implementation mechanisms, and review mechanisms.

(An excerpt of the 5th Ministerial Meeting of MGC, Manila, 1 August 2007).

Vietnam and India Establish New Strategic Partnership

Prime Minister of India, Dr. Manmohan Singh and Prime Minister of Vietnam, Mr. Nguyen Tan Dung issued a Joint Declaration on Strategic Partnership in New Delhi, on 4-6 July 2007. During Prime Minister's Dung visit to India, the two Prime Ministers held extensive discussions and mainly focused on enriching bilateral relations and on measures to further deepen the partnership between India and Vietnam. They noted that the Strategic Partnership marked a new breakthrough in bilateral relations and paved the way for expanding bilateral multifaceted cooperation.

It is now expected that the Joint Statement signed on this occasion would serve the sustainable development

and prosperity of the two countries, contributing to peace, stability, cooperation, development and prosperity in the Asia-Pacific region and the world. Further, this New Strategic Partnership would encompass relations in all spheres of bilateral activity including political, economic, security, defence, cultural, science and technology. Apart from this, seven new agreements related to various areas were also signed. They included an MoU on cooperation in the area of fisheries and aquaculture, between Vietnam's S&T Ministry and India's Power Ministry on the implementation of an agreement on cooperation in the use of nuclear energy for peaceful purposes. An MoU on land and property exchange for the

two countries' diplomatic representative missions and on the establishment of an English Language Training Centre in central coastal Da Nang city, a cultural exchange programme, a cooperation plan on agricultural research and education between the two Agriculture Ministries for the 2007-09 period and an educational exchange programme between the Vietnamese and Indian governments were also signed.

Several business agreements totaling nearly US\$ 4.5 billion were also signed between businesses of the two countries, including cooperation agreements between the VCCI and CII.

(Excerpted from the vnembassy-india.org).

India-Mekong Cooperation Activities

India Setting up English Language Training Centres in Mekong

Under the India-ASEAN Cooperation Initiative, India is setting up Centres for English Language Training (CELT) in Cambodia, Lao PDR, Myanmar and Vietnam. This project is being implemented by the English and Foreign Languages University (EFL University), Hyderabad. In Cambodia, CELT will be set up in collaboration with the Royal Academy of Cambodia, Phnom Penh. In Lao PDR, the CELT is coming up in Vientiane in collaboration with the National University of Laos. CELT is temporarily set up in Da Nang in Vietnam. Among recent activities, an orientation programme for the Director of the Centres and officials for Centres in Cambodia, Lao PDR and Vietnam was organised in Hyderabad on 12-16 February 2007, and one month training programme for resource persons was conducted in Hyderabad from 12 March to 12 April 2007.

(Source: EFL University, Hyderabad).

Essar to Form Joint Venture with PetroVietnam

India's Essar Group is in talks with PetroVietnam Exploration Production Corporation (PEVP), a Vietnam-based, state-owned company, for jointly exploring oil and gas opportunities. The joint venture will cover Vietnam and other countries, where PEVP has interests in oil blocks. Both the parties are working on a proposed memorandum of understanding (MoU) before getting into the venture. An MoU is expected to be signed in coming months. The group would invest in the project through Essar Energy Holdings (EEHL), a part of the group's overseas investment vehicle, Essar Global.

The Essar Group, which recently announced an investment of US\$ 527 million to set up a 2-million tonne steel mill in Vietnam, is also planning to set up a cement plant in Vietnam.

(Excerpted from *Business Standard*, 6 July 2007).

© *Business Standard*.

Vietnam Favours Free Trade Agreement with India

Vietnamese Prime Minister Mr. Nguyen Tan Dung favoured a Free Trade Agreement (FTA) between Vietnam and India during his visit to India in July 2007. "I hope talks between Vietnam and India will begin soon for signing an FTA that would help create more favourable business conditions to improve the level of trade," Mr. Dung told the India-Vietnam Business Forum.

Lauding the role of Indian industry in the development of the Vietnamese economy, Mr. Dung said, "We need to further cement this relationship..." He also hoped that India would be able to finalise the trade agreement with the Association of South East Asian Nations (ASEAN) of which Vietnam is a member. "An India-ASEAN FTA would be beneficial for the growth and prosperity of the entire region," he added.

The Vietnamese Prime Minister promised to create a favourable investment

environment for Indian companies. "India is one of the top investors in Vietnam. We welcome more investments from India and promise to create good conditions to ensure its success," he said.

Terming his visits to Kolkata and Mumbai as "fruitful," Mr. Dung said the two nations need to collaborate more. "Vietnam wants to find out ways to elevate the traditional relationship with India to a comprehensive strategic partnership in science, technology and education for the sustainable development of the people of both countries."

Praising India's 'Look East' policy, Mr. Dung said it has helped South East Asian nations to come closer to India, particularly Vietnam. "The relations between the two countries have increased considerably in the last five years, with bilateral trade reaching US\$ 1 billion in 2006."

(Excerpted from *The Hindu*, 7 July 2007).

© *The Hindu*.

Tatas Sign Vietnam Deal

Tata Steel, the world's sixth largest steel maker, has signed an agreement with the Vietnam Steel Corporation to set up a cold rolling mill in Vietnam on 31 October 2007 at Hanoi. The Tata Steel will hold 65 per cent stake in the project, while Vietnam Steel will own the rest. The total capacity of Vietnam Steel is about 5 million tonnes. The companies will undertake a joint feasibility study to ascertain the capacity and investment in the project.

Tata Steel and Vietnam Steel are now carrying out a feasibility study for a steel project in Vietnam's Ha Tinh province. The Ha Tinh project includes a 4.5-million-tonne integrated steel plant and the development of Thach Khe iron ore mine at an estimated investment of US\$ 3.5 billion. Vietnam with a GDP growth of over 8 per cent, and per capita steel consumption of over 85 kg, is on the threshold of a significant increase in consumption including value-added steel. Earlier this year, Vietnam Government gave the go-ahead to Vietnam Steel Corporation to work with the Tata Steel for setting up the steel plant in Vietnam.

(Excerpted from *The Telegraph*, 1 November 2007).

© *The Telegraph*.

Phillips Carbon to Set up Plant in Vietnam

India's Phillips Carbon Black Ltd (a Group company of RPG) has signed an MoU with Vietnam National Chemical Corporation (Vinachem), on 4 July 2007 at Kolkata for setting up a carbon black manufacturing facility in Vietnam. The company is India's largest carbon black manufacturer and the biggest exporter of carbon black. It exports carbon black to 15 countries, including Vietnam. PCBL and Vinachem will form a joint venture with majority holding by the former for setting up a carbon black manufacturing unit in Vietnam. This will be the first carbon black plant in Vietnam. The unit, with a capacity of 50,000 tonnes, is expected to go stream by 2009. It will require an investment of US\$ 100 million. Many tyre manufacturers are eyeing Vietnam because of an abundance of natural rubber. Tyre makers are the buyers of carbon black. With the availability of natural rubber, Vietnam is emerging as an attractive location for tyre manufacturers.

(Excerpted from *The Telegraph*, 1 November 2007).

© *The Telegraph*.

Financial Resources - Key Factor for MGC Advancement

Mr. Hor Namhong,

Deputy Prime Minister and Minister of Foreign Affairs & International Cooperation, Cambodia

I wish to recall that after the announcement of Mekong-Ganga Cooperation (MGC) initiative by the foreign ministers of the six countries in Bangkok on July 28, 2000, we adopted the Vientiane Declaration on Mekong-Ganga Cooperation at the MGC Inaugural Ministerial Meeting in Vientiane in November 2000, which set out a vision for cooperation aimed at developing closer relations and better understanding among MGC member countries by identifying four priority areas of cooperation, namely, tourism, culture, education and transport and communication.

At the Second Ministerial Meeting in Hanoi in July 2001, we adopted the Hanoi Programme of Action for MGC, which provided specific action to be taken in the said four priority areas to be carried out in the six years time frame from July 2001 to July 2007. To ensure the implementation of the Vientiane Declaration and the Hanoi Programme of Action, the 3rd MGC Ministerial Meeting held in June 2003 in Phnom Penh, adopted the Phnom Penh Road Map to implement concretely these specified sectors.

On tourism cooperation, in the Roadmap, we agreed to develop a combined tourist destination linking more than one member country and to explore the possibility of relaxation of traffic rights

and visa formalities. I appreciate that during the ASEAN India-Summit, Cebu in 2007, Indian Prime Minister Manmohan Singh reiterated Indian willingness to engage ASEAN in a discussion on an open skies policy. I believe that direct flights connecting to all MGC member countries would be a step forward to promote cooperation in air service and linkages as well as tourism in the region.

On culture, Cambodia welcomed the commitment by India to offer fund for the establishment of MGC Museum of Traditional Asian Textile in Siem Reap. After that, Cambodia has provided one hectare of land at Siem Reap for the museum site and India has provided funds for architectural designs.

At MGC Ministerial Meeting in Phnom Penh, 2003, we concurred to increase MGC Scholarship in different disciplines to train the trainers in IT and to create a MGC website and information newsletters.

In this regard, we are grateful to India for the scholarships provided to MGC member countries. However, it would be more appropriate if India could also offer round trip airfares to the scholarship holders.

On transport and communication, we agreed to the roadmap to support the trilateral road linkages among India-Myanmar-Thailand and consider further expansion of it to other MGC member

countries and to set up a team to study feasibility on rail linkage from New Delhi to Hanoi in Vietnam and the missing links.

For the rail link, I have learned that Vietnam in collaboration with China Railway Construction Corporation is planning to build Saigon-Loc Ninh rail link, designing to connect this point of Vietnam's border to Cambodian border in Kampong Cham province where the missing link to Phnom Penh still exists.

Maybe India could consider to contribute to the realization of this missing link in Cambodia in the framework of rail linkage from New Delhi to Hanoi.

By and large, I have noted that not much progress had been made in the implementation of projects in the four areas of cooperation in the Phnom Penh Roadmap, due to lack of funding.

To revitalize our cooperation, financial resource is the key factor to ensure the effective implementation of the projects. The Phnom Penh Road Map should be reactivated to realize the Hanoi Programme of Action with a new extension period of 6 years timeframe (2007-2013). In conclusion, I wish to reiterate that funding is a vital factor for MGC advancement, without financial resources we can never move forward.

(Excerpted from the Deputy Prime Minister's Speech at the 5th Ministerial Meeting of MGC, 1 August 2007, Manila).

Ship Development Centre in Cambodia

Cambodia-India Entrepreneurship Development Centre (CIEDC) is a joint cooperation programme of Royal Government of Cambodia and Government of India. CIEDC is one of the four Entrepreneurship Development Centres (EDC) established as part of India's technical assistance under Initiative for ASEAN Integration (IAI) in the CLMV countries (Cambodia, Laos, Myanmar and Vietnam).

In 2006, CIEDC was formally accorded the status of national training centre by the Royal Government of Cambodia. The centre functions under the Ministry of Labour and Vocational Training (MoLVT). CIEDC receives technical guidance from Entrepreneurship Development Institute of India (EDII) for development and updating of training modules tailored to Cambodian situation.

CIEDC is the nodal agency for capacity building of the Vocational Teachers of the PTCs on areas of entrepreneurship development and small business development. It is implementing Faculty Development Programme on Entrepreneurship for the newly recruited Teachers of Vocational training Institutes.

The CIEDC recognizes the role of small businesses in providing large-scale employment for equitable distribution and effective mobilization of capital resources and skills in Cambodia. It focuses on the skills component, and aims to contribute to the demand for investment capital and utilization thereof by micro and small enterprises as potential key engine of a dispersed economic development in Cambodia. CIEDC Training Programs offer an opening for existing low productive enterprises to scale up on the productivity score, besides helping create new businesses with an overarching goal of sustainable poverty reduction by augmenting job creations together with enhancing self-employment among the rural and urban youth, women and men.

The CIEDC provides technical services to new entrepreneurs in setting up their enterprises; facility for learning of Information and Communication Technology (ICT) and English language; vocational training to focus on Cambodia training programmes and other relevant training and services to entrepreneurs and assistance in access to finance to develop enterprises to trainees who complete training at CIEDC. The activities of CIEDC cater to the needs of both the start-up entrepreneur, at basic level and the existing entrepreneur, at advanced level in Cambodia.

(Source: EDI, Ahmedabad).

Major Indian Projects in Cambodia

Minimally Invasive Education (MIE) IT Kiosks

With a view to promote computer literacy in Cambodia, India gifted 5 MIE IT kiosks. These kiosks which have been established in Siem Reap, Kandal, Takeo and Phnom Penh, are providing free Internet services and spreading computer literacy awareness.

Museum of Traditional Asian Textiles, Siem Reap

India is setting up a Museum of Traditional Asian Textiles in Cambodia. The Government of Cambodia has allotted one hectare of land in Siem Reap for this purpose.

Collaborations in Academics

Following an MoU signed between IIT, Mumbai (IIT-B) and Institute de Technologie du Cambodge (ITC) with the objective of planning an exchange programme in Academics, Build Bright University, Cambodia and Annamalai University, India, Pannasastra University of Cambodia and Somaiya Educational Trust, Mumbai, and the International University, Phnom Penh and Vinayaka Mission's Research Foundation, Salem, have signed an MoU for cooperation.

ITEC Assistance and Programmes

Under the ITEC programme, the Government of India has trained 552 Cambodian nationals in various disciplines including Computer Applications, Industrial Pollution Control and Environmental Techniques, Agro Industry, Journalism, Labour Administration, Parliamentary Studies and Professional Courses for Foreign Diplomats.

IT Training for NiDA Officials

About 44 Cambodian officials from National Information Communications Technology Development Authority (NiDA) completed a course in IT and Office Automation in India.

Higher Education in Buddhist Studies

About 8 Cambodian monks were granted scholarships in 2005-06 for pursuing 3-year B.A. degree course in humanities and Buddhist studies at the prestigious Benaras Hindu University, Varanasi.

Angkor Wat Restoration Project (1986-93)

The Angkor Wat Temple conservation project financed by the Ministry of External Affairs, was the single largest project ever undertaken by India under its ITEC programme in any country. The cost of India's participation in the Angkor Wat project is estimated at US\$ 4 million.

Ta Prohm Restoration Project (2003 onwards)

India has taken up Restoration of Ta Prohm temple in Siem Reap by ASI, for which funds are being provided under ITEC programme of MEA. The ASI utilised advanced 3D laser scanning techniques in coordination with Elcome Technologies Limited. Besides that, technical teams from IIT, Chennai, and WAPCOS conducted studies on soil and foundation aspects,

Credit Line

An agreement to extend a Credit Line of US\$ 10 million on soft terms, an Indian company, Kirloskar Group, supplied irrigation pumps worth US\$ 4.5 million to Cambodia for irrigation purposes.

(Source: Indian Embassy, Phnom Penh).

Betting Big on Tourism

Cambodia with a GDP of about \$2,500 has bet its future on tourism, which accounts for about 50 per cent of its GNP. Tourist arrivals in 2006 were 1.7 million, an increase of 20 per cent over the previous year. With over 60 per cent of tourists coming to visit the wonderful Angkor Wat (temple) ruins, the Government is actively exploring how it can promote other sites in the country. The Cambodian Government has taken advantage of aid from various allies to fund restoration and preservation work of the country's temple ruins. It is collaborating, among others, with German, French, Chinese, and Indian governments.

Cambodia has instituted various systems to make it easy for the tourist. A tourist can get an 'e-Visa' over the web or procure one on arrival at the airport. Tour guides undergo a four-year programme of study after high school and get a bachelor's degree to qualify as a guide. They need to pay a licence fee annually, wear a specified uniform even as freelancers, and follow a code of practice. Guides are certified in specific languages, based on their competence. Taxi and tuk-tuk drivers wear a standard vest with their number emblazoned across for easy identification.

Lao is less prosperous with a per capita GDP of \$2,000. Here tourism is one area that offers its people opportunities lacking elsewhere. However, in both countries, the Thai baht, the dollar and the euro are readily accepted in shops and restaurants. They subscribe to a semi-official dollarisation where another currency has legal tender status in the country. The visa fees, airport exit tax, and even the entrance fees to monuments are listed in US dollars.

(Excerpted from the *Hindu Business Line*, 22 January 2007).

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Essar Set to Launch GSM Services in Cambodia

The Essar Group is planning to launch GSM-based mobile services independently in Cambodia. The group has reportedly finalised a joint venture with a local company and soon would apply for a licence with the Cambodian Ministry of Post and Telecommunications. The licence, when granted, will be for 30 years for mobile services and for 35 years for other telecom-related sectors, such as internet services, the source added. The Essar JV will become the fifth mobile service provider in Cambodia, followed by Vietnamese company to provide mobile phone and internet services in the country.

Cambodia is seen as an lucrative emerging market on account of its poor telecom penetration. Its mobile market has been growing at an annual rate of 35 per cent over the last two years. At present, there are only three operators in the country include MobiTel, CamShin and Telekom Malaysia which jointly have only about 1.5 million subscribers, which translates to a tele-density of less than 10 per cent.

(Excerpted from the *Economic Times*, 30 May 2007).

© *Economic Times*.

Indian Companies in Cambodia

There are representatives of well-known firms, including Ranbaxy, Core, Dr. Reddy's, Cipla, Lyka, and Healol. Kirloskar is the first organization from the corporate sector in India to open up their office in Cambodia. The Brahmakumaris has opened their branch in Phnom Penh. They are assisting with the retraining and rehabilitation of former Khmer Rouge soldiers, and orphans, in 'Living Values.'

(Source: Indian Embassy, Phnom Penh).

Mekong-Ganga Cooperation Initiative - Analysis and Assessment of India's Engagement with Greater Mekong Sub-region

Swaran Singh, IRASEC, 2007
ISBN: 978-974-7552-18-8

From October 2006, India holds the Chair of the Mekong-Ganga Cooperation Initiative (MGCI). MGCI aims at rekindling the cultural links between India and the five riparian states of the Mekong River, namely, Cambodia, Laos, Myanmar, Thailand and Vietnam. It is from here that India seeks to strengthen connectivity through building the physical and social infrastructure in these countries. This includes roads, rails, air links, and information and communication technologies as also education, culture, and imparting skills in development management and other technical areas. India has taken scores of major initiatives under the MGCI and this newfound enthusiasm has also provided a boost to India's bilateral relations with each country. (Occasional Paper No. 3, 2007)



South-South Economic Cooperation-Enhancing GMS-India Relationship, CUTS International, 2007

ISBN: 978-81-8257-083-2

This report explores trade and investment relationship between India and the CLV countries looks at demand-side and supply-side factors that could enhance trade and investment flows between India and the three countries; highlights counterfactual perceptions and attempts to paint future trade scenarios among these countries while recommending policy measures aimed at enhancing trade and economic cooperation; contains a detailed account of past and present trade and investment patterns, including an analysis of the policy reforms that have been undertaken by each country, gaps and lacunae in economic cooperation among the countries and the main reasons therein; also identifies areas of cooperation among the countries concerned, that is, the sectors where trade and investment flows may be enhanced.

Asia's New Regionalism and Global Role – Agenda for the East Asia Summit

Editors : Nagesh Kumar, K. Kesavapany and Yao Chaocheng
RIS and ISEAS, 2008

ISBN: 81-7122-098-3

ISBN: 978-981-230-749-1

This book, brought out jointly by RIS and ISEAS, Singapore, discusses and analyses the crucial issues impinging upon economic integration in Asia. These include like Asia's new global role and regional economic integration, relevance of broader regional economic integration in Asia and a roadmap, strategic perspective, role of ASEAN, China, India, Asia Pacific region, trade issues, welfare gains, regional financial cooperation, energy outlook and agenda for the East Asia Summit. The volume is third in the series of RIS work in promoting economic integration and building Asian economic community.



Mekong Tourism: Blessings for All?

Editor: Mingsarn Kaosa-ard Chiang Mai Social Research Institute, Chiang Mai University, 2007

This book investigates the importance and the potential of tourism in the Greater Mekong economies. It also explores, at the industry level, the income share accrued to labor, capital and government, and also between foreign and local stakeholders measured. At the community level, it investigates the impact of tourism on income distribution. In particular, the book looks at how tourism exploits and interacts with natural and social capital. It argues that tourism has a special characteristic in that it relies heavily on public and social goods and that it cannot be left to the market alone to regulate activities. Involvement of civil societies and public participation are important components for effective public policy towards tourism management.



Competitiveness and Institutional Quality in the Greater Mekong Subregion

Sarah Mueller, UNESCAP, 2007

This research paper provides an overview on two major approaches to competitive-

ness, namely a micro-economic approach that describes competitiveness as a firm-level approach and an institutional approach that takes a broader view and explains competitiveness as an institutions-based phenomenon, focusing on the government's role to create a conducive environment for trade.

(Staff Working Paper 03/0731)

Linking Greater Mekong Subregion Enterprises to International Markets: The Role of Global Value Chains, International Production Networks and Enterprise Clusters

UNESCAP, 2007

The emergence of global value chains (GVCs) and associated international production networks (IPN) is transforming production, trade and investment in a wide range of industries. This offers potentially significant opportunities for integrating GMS enterprises, particularly SMEs more effectively into the international economy. However, these developments also pose new challenges to enterprises and Governments, and redefine the framework for business-to-government and government-to-government relations in the context of regional cooperation in the Subregion. This publication provides an insight to GVCs and IPN, and highlights the required policy options in order to strengthen competitive capabilities of SMEs in the world.

GMS Transport Strategy 2006-2015

ADB, 2007

The transport sector is critical to economic cooperation among the countries of the Greater Mekong Subregion (GMS). Soon after its inception in 1992, the GMS Economic Cooperation Program developed a GMS Transport Master Plan (1995) to encourage commercial exchange among the countries to spur development, generate employment opportunities, and assist GMS countries' programs to reduce poverty. The Transport Master Plan served well to develop the economic corridors that are the foundation of the GMS Program. GMS leaders, during their Summits in 2002 and 2005, emphasized that strong transport systems and logistics



Resources

are needed to deepen GMS cooperation. This publication broadly highlights the transport sector expansion plan in order to accommodate the projected transport needs till 2015 in GMS.

Meeting the Challenge of Private Sector Development: Evidence from the Mekong Sub-region

OECD Development Centre, 2006
ISBN: 9264028226

This publication focusses on how firms in developing countries can improve their competitiveness, access export markets, create employment opportunities, and reduce poverty - based on case studies. It also focuses on selected industries and reviews experiences of governments and enterprises in the Mekong sub-region.

India-Vietnam Trade: Current Relations and Prospects

Rajesh Mehta, RIS

The paper analyses the level, growth and composition of India-Vietnam trade in goods, identify sectors/products in which India has export potential in Vietnam, and examine the implication of India-Vietnam bilateral free trade agreement. Some preliminary results show that India has export potential in number of sectors, if a duty free regime is agreed between India and Vietnam.

(RIS Discussion Paper No.105, December 2005).

Further Readings

- ❖ *Geography as Opportunity*, Keynote Address by Mr. Pranab Mukherjee, Minister of External Affairs, Government of India, 2007.
- ❖ *Greater Mekong Subregion Economic Cooperation Program: Strategic Framework for Subregional Cooperation in Agriculture 2006-2010*, ADB, 2007.
- ❖ *Vietnam-India in Focus*, Embassy of the Socialist Republic of Vietnam, New Delhi, 2007.
- ❖ *East to the Mekong, ie², Engineering Export Promotion Council (EEPC)*, Vol. 1. No.7, June 2007.
- ❖ *A Bend in the River*, Hannah Beech, TIME, September 10, 2007.
- ❖ *Mekong Region: Foreign Direct Investment*, Prema-chandra Athukorala, et al. ADB Institute, Tokyo, 2006.

Bilateral Merchandise Trade between India and Cambodia in 2005-06

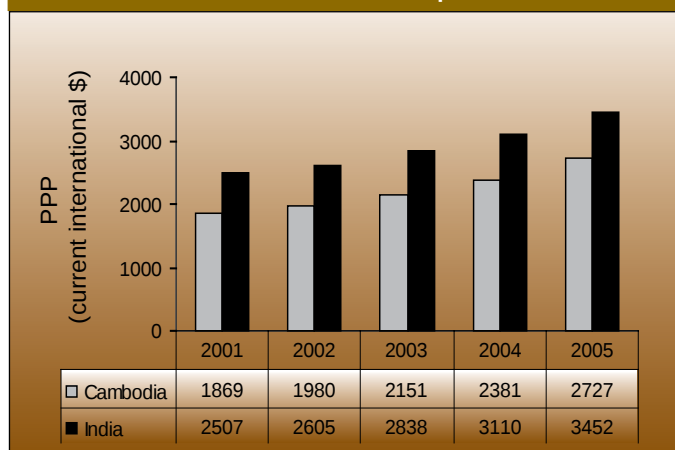
(A) Top 10 Indian Exports to Cambodia		(US\$ Million)
HS code	Commodity	Export Value
3004	Mdcmnts (Excl Itms of 3002,3005 / 3006) Fr Thrputc/Prphylctc	9.55
	uses in Measurd Dosesor in Pckngs Fr Rtl Sale	
4113	Leather Further Prepard After Taning Crustleather of other Animals	0.72
	without Wool/ Hair w.o.n. split.	
3003	Medicaments (Excl Goods Hdg No 3002 3005 or 3006) Cnsistnc of	0.52
	Two/More Constunts Mxd together for Hmn Medcne Nt Fr Rtl Sale	
2941	Antibiotics	0.43
902	Tea	0.41
2403	Othr Mnfrd Tobacco & Mnfrd Tobacco Substtuts homogenised or	0.39
	Reconstitued Tobacco Tobacco Extracts & Essences	
4112	Leather Further Prepard After Taning/Crust Leather of Sheep/Lamb	0.31
	Without Wool w.o.n. Split	
3603	Safety Fuses Detonating Fuses Percussion or Detonating	0.26
	Caps;Igniters; Elec Detonatr	
4106	Taned/Crust Hide & Skins of Other AnmIs Wout Wool/Hair Won	0.20
	Split But not Further prepared.	
4107	Leather Further Prepared After Taning/Crust Incldg Parmnt-	0.19
	dressed Leather of Bovin without hair w.o.n.split	
India's Total Exports to Cambodia		24.19

(B) Top 10 Indian Imports from Cambodia		(US\$ Million)
HS code	Commodity	Import Value
801	Coconut,Brazil Nuts & Cashew Nuts Fresh Or Dried	0.45
	Whether Or Not Shelled Or Peeled	
1511	Palm Oil & Its Fractions W/N Refined But Not Chemically Modified	0.09
4104	Taned/Crust Hide & Skin Of Bvne(inclldng Buffalo) Or Equine Animal	0.04
	Without Hair Wonsplt But Nt Further Prepared	
6204	Women's/Girls' Suits, Ensembles, Jackets, Dresses, Skirts,Trousers, Bib	0.04
	& Brace Ovrrls,Brechs & Shorts Etc, (excpt Swimwear)	
9033	Prts & Accessories Fr Machines, Appliances, Instruments/Apparatus	0.03
	of Chapter 90,Nes	
2933	Heterocyclc Compnds Wth Nitrogn Hetro Atoms(s) only	0.02
5007	Woven Fabrics of Silk or Silk Waste	0.02
5209	Wovn Fbrcs of Cotton, Contng >=85% Cotn By Wt Weighing>200	0.02
	Gm Per Sqm	
3506	Prpd Glues & Othr Prpd Adhsvs Nes/Incldd Prdcts For Use As	0.01
	Glues/Adhsvs Put Up For Retl Sale As Glues/Adhsvs Nt Excdng 1 Kg	
4112	Leather Further Prepard After Taning/Crust Leather of Sheep/Lamb	0.01
	Without Wool w.o.n. Split	
India's Total Imports from Cambodia		0.78

Source: Export Import Data Bank, Ministry of Commerce and Industry, Government of India, New Delhi.

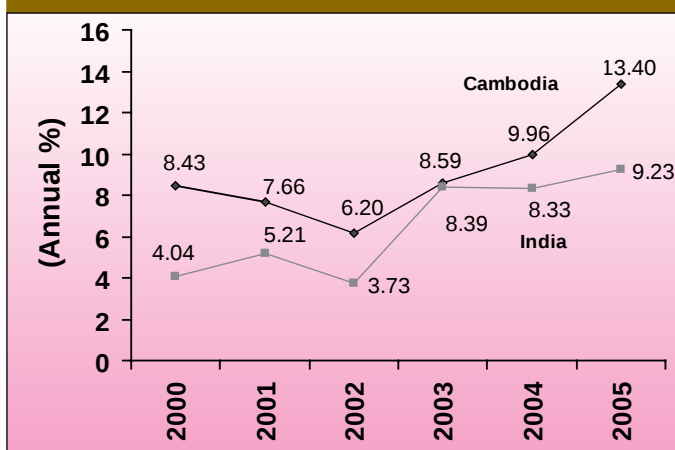
Economic and Trade Indicators

Cambodia and India: Per Capita Income



Source: World Development Indicators CD ROM 2007, World Bank

Cambodia and India: Annual GDP Growth



Source: World Development Indicators CD ROM 2007, World Bank

Cambodia and India: Changes in Sectoral Composition

	1995		2005 (% share in GDP)	
	Cambodia	India	Cambodia	India
Agriculture	49.65	28.24	34.19	18.30
Industry	14.82	28.12	26.71	27.33
Services	35.53	43.64	39.10	54.37
Total	100.00	100.00	100.00	100.00

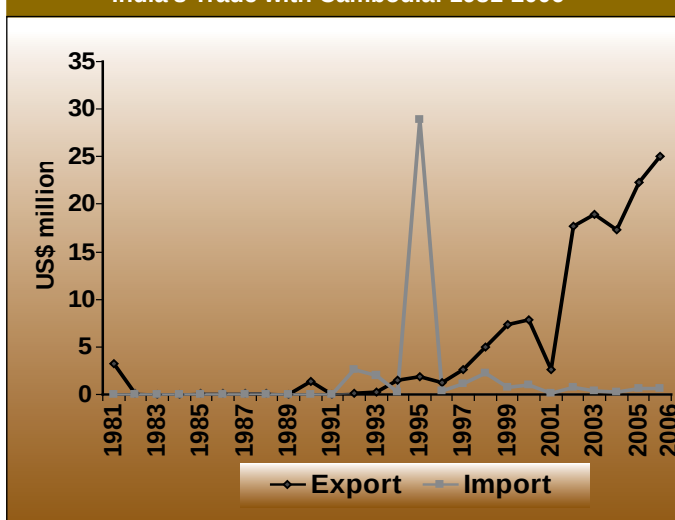
Source: World Development Indicators CD ROM 2007, World Bank

Cambodia and India: Trade Indicators in 2005

	Cambodia	India
Exports of goods and services (% of GDP)	65.11	20.54
Imports of goods and services (% of GDP)	73.91	24.18
Trade (% of GDP)	139.01	44.72
Trade in goods (% of GDP)	109.90	28.54
Trade in services (% of GDP)	28.08	10.20

Source: World Development Indicators CD ROM 2007, World Bank

India's Trade with Cambodia: 1981-2006



Source: Direction of Trade Statistics, August 2007, IMF

Mekong-Ganga Policy Brief

An RIS Publication on India-Mekong Economic Cooperation

RIS has been supporting the process of regional economic integration in Asia with its studies and research. Besides its pioneering contribution to the process of economic integration in South Asia and on broader regional cooperation in Asia, RIS has been supporting the ASEAN-India economic partnership with special emphasis on India-Mekong cooperation. As its most recent initiative to enhance deeper cooperation between India and Mekong countries, RIS has undertaken a project entitled "Building Capacity through South-South Cooperation: Case of Mekong-India Cooperation", supported by the Swiss Agency for Development and Cooperation (SDC). Overall objective of this project is to strengthen trade and investment related capacity of Mekong countries through information sharing, dissemination of knowledge and experiences, networking and transfer of skills. RIS has launched *Mekong-Ganga Policy Brief* within the framework of this project. This publication 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 RIS or SDC. 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 freely available from RIS or can be downloaded from www.ris.org.in or www.newasiaforum.org.

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RIS

Research and Information System
for Developing Countries

Core IV-B, Fourth Floor, India Habitat Centre
Lodhi Road, New Delhi-110 003, India.
Ph. 91-11-24682177-80 Fax: 91-11-24682173-74
Email: dgooffice@ris.org.in
Websites: <http://www.ris.org.in>; <http://www.newasiaforum.org>

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Managing Editor: Dr. Prabir De
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