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Govt plans investment channel for CLMV region

Project development firm to be set up under Exim Bank to kickstart investments in Cambodia, Laos, Myanmar and Vietnam

Commerce secretary Rajeev Kher. The CLMV region can serve Indian businesses as an export platform and help them be a part of regional value chains, say analysts. Photo: PIB

New Delhi: The government will set up a mechanism within the next three-four months to create a project development firm under the Exim Bank to kickstart investments in Cambodia, Laos, Myanmar and Vietnam, or CLMV countries, commerce secretary **Rajeev Kher** said on Monday.

The government will initially put in $100 million in the proposed company, another person with knowledge of the matter said on condition of anonymity.

In his budget speech, finance minister **Arun Jaitley** had said the Act East policy of the government endeavours to cultivate extensive economic and strategic relations in South-East Asia. “In order to catalyze investments from the Indian private sector in this region, a project development firm will, through separate special purpose vehicles (SPVs), set up manufacturing hubs in CLMV countries,” he said.

The structure of the mechanism is currently being readied, Kher said. “The project development facility will invest in one of the CLMV countries through an SPV jointly developed by the Exim Bank with a private sector company. The SPV, for example, will acquire a special economic zone (SEZ) or industrial park, develop it and then start allocating it to business entities in India against payment. It is essentially a trade facilitating measure,” he added.

India’s exports to CLMV countries grew 38% to $6.4 billion in 2013-14, while its imports increased 4.2% to $4 billion during the same year.

The CLMV countries cover 32% of geographical area of the Asean (Association of Southeast Asian Nations) region, and account for around 9% of Asean’s gross domestic product. These countries have been undergoing a transition from central planning to market economies. CLMV nations, considered among the fastest growing economies in the region, are primarily agrarian, and have enjoyed a certain degree of macroeconomic stability in recent years.

These economies are endowed with abundant natural resources and cheap labour. However, they are plagued by underdeveloped infrastructure and logistics. Except Vietnam, the nations fall under the category of least developed countries—as classified by the UN.

Kher said the initial investment by the government in the proposed mechanism will help as the private sector does not want to take the first step because it is not confident about the stability or certainty of that market. “It makes a lot of sense for countries with whom we want to develop our value chains. The proposal is to have as many SPVs as we want. As the SPVs go on parcelling out plots to entities, the money will be recouped. The government will make capital available for a short term, till the market takes over. The government is taking a risk till the parcel of land is sold out,” he added.

Giving an example, Kher said if India develops an SEZ in Vietnam, exports yarn to that country, gets apparel made there, then it can access the US market through the proposed Trans-Pacific Partnership route and take duty benefits that will accrue to Vietnam under the trade pact, thus developing a full value chain. Vietnam is part of the ongoing negotiations for the US-led mega regional trade pact.

Ram Upendra Das, professor at Research and Information System for Developing Countries, said the CLMV region can serve Indian businesses as an export platform and help them be a part of regional value chains. “However, in doing so, an integrated approach towards trade in goods, trade in services and foreign direct investment needs to be adopted with a focus on manufacturing in CLMV region, contributing not only to employment generation in CLMV, but also in India,” he said.