

ASEAN-INDIA

DEEPENING ECONOMIC PARTNERSHIP IN
MEKONG REGION



Editor
PRABIR DE

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RIS
Research and Information System
for Developing Countries

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Ambassador Shyam Saran

*Chairman, Research and Information System for Developing Countries (RIS), and
Chairman, National Security Advisory Board (NSAB)*

FOREWORD

Regional economic integration has become a powerful tool to foster trade and link markets across borders. India has made progress in integrating its economy, particularly with Southeast and East Asian countries. India's partnership with ASEAN in general and countries in the Mekong region in particular, has made significant progress. Relations with ASEAN have undergone a significant change since India became a full Dialogue Partner of ASEAN in 1995. In 2012, India and ASEAN celebrated their Commemorative Summit in New Delhi to observe the two decades of their partnership. Acknowledging the benefits of closer economic linkages, Indian and ASEAN leaders recognised the need for deepening the trade and investment links between India and CLMV (Cambodia, Lao PDR, Myanmar and Vietnam) or Mekong countries.

Mekong countries are India's eastern neighbours. At present, barring Vietnam, India's trade with the other CLMV countries is yet to catch up with the rest of ASEAN. There is potential for further trade expansion in the coming years provided the countries develop an improved and enabling infrastructure for trade. There is no doubt that increased trade and investment relations with Mekong region would open the door to greater market access for India in Southeast and East Asian markets together with creating opportunities for development of India's Northeastern Region. It would also help Mekong countries to get improved access to the Indian market and benefit from Indian technology and knowledge products. Once the connectivity projects, particularly the Trilateral Highway and its extension to CLV countries, are completed, they will further bring the Mekong countries closer to India. Facilitating such integration would be the key to success of the India-ASEAN Strategic Partnership. This book

provides a detailed set of recommendations to deepen regional integration between India and Mekong countries, and enhance economic linkages between them.

This book, edited by my senior colleague, Prabir De, is one of the outcomes of the RIS' flagship project on South-South Cooperation. I am certain that this book will be a valuable reference for policymakers, academics and practitioners.

Shyam Saran

Dr. Biswajit Dhar

Director-General

Research and Information System for Developing Countries (RIS)

MESSAGE

Economic relations between ASEAN and India have reached a new high with the formalisation of the Free Trade Agreement (FTA) in goods in 2010. These relations received further impetus after a decision was taken by the two partners to seal a deal in services and investment. Although the economic engagements between India and ASEAN6 have moved at a fair pace, the same between India and CLMV countries is yet to gain a momentum. There are plenty of challenges which need effective policy interventions in order to deepen the relations between India and Mekong countries, comprising Cambodia, Lao PDR, Myanmar, Thailand and Vietnam. Promoting a long-term cooperative partnership based on equality, shared ownership and mutual respect will enable both India and Mekong countries achieve long term national and regional development goals. To realise these objectives, the policy dialogue among think-tanks, media and business community from India and ASEAN assumes utmost importance. These deliberations would not only help in promoting awareness about the potentials of India-Mekong partnership, but would also help in exploring new vistas for strengthening regional cooperation.

RIS' involvement in India-ASEAN issues goes a long way back. One of its flagship programmes was the ASEAN-India Eminent Persons' Lecture Series, which was initiated in 1996 to facilitate people-to-people contact between India and ASEAN countries. Besides coordinating with ASEAN-India Network of Think-Tanks (AINTT), RIS is also actively involved in several other think-tank networks. These include Economic Research Institute for ASEAN and East Asia (ERIA), Asia-Pacific Research and Training Network on Trade (ARTNeT), coordinated by UNESCAP, and BIMSTEC Network of Policy Think-Tanks, among others.

RIS in collaboration with Institute of Foreign Policy Studies (IFPS), Calcutta University and the Swiss Agency for Development and Cooperation (SDC) organised an International Conference entitled 'Mekong-

India Cooperation: Linking Markets, Fostering Trade' in Kolkata on 23-24 June 2011. This conference particularly focused on challenges and prospects of economic integration between India and Mekong region. This book is an outcome of this International Conference. It presents a number of key issues that are relevant from the point of view of deepening the relations between India and Mekong countries. The book will serve as a key reference book for policymakers and research scholars.

Biswajit Dhar

Dr. Valérie Engammare

Programme Manager, Analysis and Policy Division

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MESSAGE

Today, whereas advanced economies face massive problems with sunk costs, debt overhang, and stranded assets, emerging economies seem to have far more scope for creativity, innovation, and developing new areas of competitive advantage. This is especially true for Asia, where regional economic interdependence is growing. Regional economic integration contributes to fostering convergence in the levels of development across the region and could hence be an important driver of shared prosperity for those engaged in the process. In this context, the sharing of perspectives and experiences between countries of the Mekong region and India – who has a proven track-record in promoting trade integration of small and medium-sized enterprises – is highly relevant for drawing maps of the future.

The conference ‘Linking Markets, Fostering Trade’, organised by Research and Information System for Developing Countries (RIS), in collaboration with the Institute of Foreign Policy Studies at Calcutta University, was a major event concluding the Ganga-Mekong Programme of the Swiss Agency for Development and Cooperation. The Programme has been carried out since 2006 with multi-institutional support. It was based on a task-bound mandate of working to advance sustainable development in the Mekong region by empowering partners and the private sector; connecting people, institutions and networks; striving for balanced opportunities in regional and world trade; and bringing to the fore various policy issues coming in the way of sustainable development for consideration of the policy makers and other stakeholders.

Taking a look back, most of these tasks seem to have been completed. The Programme has thus set important stones to build on, and thanks to the active commitment of organisations like RIS, Mekong-Ganga cooperation is likely to intensify in the years to come, making positive contributions to sustainable development in the Mekong region.

Valérie Engammare

PREFACE

The present volume deals with a subject that has become the centre of Asian integration. The reason is threefold. The first is that the Mekong countries, namely, Cambodia, Lao PDR, Myanmar, and Vietnam (also known as CLMV countries), have been growing relatively faster than the ASEAN6 countries, thereby showing huge investment potentials with access to abundant untapped resources. The second is its strategic location that connects world's two emerging markets, namely, China and India. The third is the availability of industrial space at a relatively lower price, which the Mekong region has plenty, at least today. However, the rising development gap between the Mekong countries and ASEAN6 countries at this point in time is a matter of great concern. The divergence within ASEAN is far greater than any other economic bloc such as the European Union. Countries in Southeast Asia, therefore, look for India's greater role in narrowing the development gap through deeper economic engagements. India, the third largest economy by purchasing-power parity, has established itself as a powerful engine for global economic growth. Mekong countries, therefore, stand to gain with India on a variety of levels. This book analyses and presents the opportunities that deeper cooperation between ASEAN and India can offer in the Mekong region.

Although lower than the potential, India has been doing relatively well in building a stronger relationship with Southeast Asian nations ever since the country has adopted the Look East Policy (LEP). While efforts at the government levels have been playing a pivotal role in strengthening relations with ASEAN6 countries, renewed and cohesive efforts are needed to deepen India's relations with countries located in the Mekong region. India's deeper cooperation with ASEAN would positively influence the future course of Mekong-India relations. This may be a good time for India to establish a strong economic partnership with the Mekong countries. While this will reinforce India's security, it would also remove economic isolation of India's North East Region (NER).

With ASEAN and India showing keenness to deepen and widen their economic partnership, there is need to dwell on a range of issues,

including trade in services, investment and connectivity, and development cooperation, which can help realise the objective of strategic partnership. To discuss the challenges and prospects of economic integration between India and the Mekong region, the Research and Information System for Developing Countries (RIS) in collaboration with Institute of Foreign Policy Studies (IFPS), Calcutta University, organised an International Conference 'Mekong-India Cooperation: Linking Markets, Fostering Trade' in Kolkatta on 23-24 June 2011. This book is a direct outcome of this conference.

The subject of this book will be of special interests to regional cooperation and integration specialists, government officials, foreign investors, researchers and the students. The volume would certainly help them in formulating strategies, business decisions and advancing knowledge in this field.

Finally, I would like to thank all the contributors, authors and partners for the enthusiasm, hard work and support that made this volume possible. For encouragement in editing this volume, I am especially grateful to Ambassador Shyam Saran, Dr. Biswajit Dhar, Professor Jayanta Kumar Ray, Mr. Micheal Gressot, Dr. Sailendra Narain, Professor Ajitava Raychaudhuri, Dr. Yann Duval, Professor Suthiphand Chirathivat, Professor Patricia Oberoi, Professor I. N. Mukherji, Dr. Ramgopal Agarwala, Dr. Valérie Engammare and Dr. Mia Mikic, and to the Research and Information System for Developing Countries (RIS). I am grateful to them all.

Prabir De

April 2014
New Delhi

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This volume has been prepared under the guidance of Dr. Biswajit Dhar, Director-General, RIS. The RIS team was led by Dr. Prabir De, Professor, RIS, and Coordinator, ASEAN-India Centre, who edited this book. Editor is grateful to Ambassador Shyam Saran, Chairman, RIS for his guidance and encouragement.

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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, magnitude of growth rates and duration are remarkable in Mekong history. Given a long historical and cultural link between India and Mekong countries, there are ample scopes for cooperation and so also potential gains. Regional economic integration has become a powerful tool to foster trade and link markets across borders, and is seen as a complimentary path to strengthen the globalisation process. India has taken steps on its passage towards economic integration, particularly with Southeast and East Asian countries. Ever since the adoption of Look East Policy (LEP) by India, the partnership with ASEAN countries in general and countries in Mekong region in particular has made significant progress. The growing partnership between India and ASEAN is also viewed in the context of growing importance of South-South cooperation. The challenge is to translate recent gains into lasting progress through successful regional cooperation.

This book analyses the India-Mekong cooperation in light of growing ASEAN-India Strategic Partnership. It addresses the prospects and challenges concerning the India-Mekong relations and provides a framework for deepening the economic partnership in Mekong region. The book will serve as a knowledge product for policymakers, academics, private sector experts and regional cooperation practitioners; and is a must-read for anyone interested in the regional economic cooperation between India and Mekong region.



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