

## **Final Consultation in Bangkok of the Project entitled ‘South –South Economic Cooperation: Exploring Mekong-Ganga Relationship (MGR)’**

**Venue:** Hotel Chaophya Park, Bangkok  
**Date:** 26-27 October 2005  
**Theme:** ‘South-South Economic Cooperation: Exploring Mekong-Ganga Relationship’

### **Objective:**

To discuss the key findings of background research and business perceptions on the present and future scope of economic cooperation between India and Greater Mekong Subregion (GMS) countries. This seminar intended to involve business bodies, policy-makers, research institutions, civil society organisations and representatives of international and inter-governmental organisations to discuss the findings and deliberate on issues for better economic cooperation between India and GMS countries.

### **Discussion:**

The format followed was multi-session and involved discussions on the following issues related to India and GMS countries:

- Economic cooperation: present and future
- Trade and investment relationship
- Transport facilitation for better trade
- Enterprise development & cooperation.

### **Inaugural and Panel discussion:**

#### **Economic Cooperation between India and GMS Countries: Present and Future**

At the inaugural, Rajeev D. Mathur, Director, Consumer Unity & Trust Society (CUTS), India welcomed all the delegates and gave a brief introduction about CUTS and its various activities. Prasad P. Ranade, Director (Research), CUTS, India talked about the project and explained the need for the final meeting. Sitanon Jesdapipat, Director, Centre for Ecological Economics (CEE), Thailand expressed his views on sustainable development. Regis Avanthay, Head, Swiss Agency for Development and Cooperation (SDC), Switzerland, mentioned about SDC and the Global Initiative for Sustainable Development. Paranjay Guha Thakurta, Director, School of Convergence, India made a detailed presentation of the advocacy document.

Regis Avanthay believed Association of South East Asian Nations (ASEAN), to be the key building block for regional cooperation. He commented that standards and norms are essential for European market access and it cannot be achieved merely by reducing tariffs. He was of the view that to foster regional and sub-regional integration, following steps are to be taken:

- negotiating capacity of the GMS countries has to be strengthened;
- capacity building for agro-processing and the textile industry;
- value addition has to be brought into the supply chain ;
- stakeholder’s participation in policy making has to be increased;
- financial climate has to improve to foster investment and trade; and

- fiscal and monetary coordination should be fortified.

Paranjoy Guha Thakurta made an elaborate presentation of the advocacy document that contained the country reports and perceptions surveys of all participating countries and also the Thailand paper. The advocacy document was presented with a view to solicit feedback and review. He considered India and Thailand to be the two biggest countries in Bangladesh India Myanmar Srilanka Thailand Economic Cooperation (BIMSTEC) that could help GMS countries. He considered Bangladesh as an important element in this project at a later stage.

Prasad P Ranade requested suggestions and feedback on the advocacy document. He was of the view that the role of chambers of commerce and their capacity building is very important.

K J Joseph, Centre for Development Studies (CDS), India opined that BIMSTEC should be incorporated into this project. He said that as Myanmar and Thailand are equal in population and are the corridor to the Mekong from India, Myanmar should be included in this project. He felt that discussion on Vietnam should be more exhaustive.

Chetan Bijesure, Federation of Indian Chambers of Commerce and Industry (FICCI), India questioned the cooperation on standards from the business perspective. He explained that in India, Bureau of Indian Standards (BIS) is looking at standards and they have delegated it to FICCI. Every member country needs to have a nodal point for these standards.

Sailendra Narain, Regional Advisor, Swiss Agency for Development and Cooperation (SDC), India said that there is enough potential in GMS countries and the issue is how these economies should be empowered and whether India and Thailand are the right associates for economic cooperation in the international scenario. He said that there should be a regional approach and the policy document must emerge as a regional document rather than a bilateral initiative.

Sitanon Jesdapipat said that the obstacles for increasing trade are to be reviewed and legal framework should be harmonised. He also commented on the advocacy document.

### **Trade and investment relationship between India and the GMS Countries**

Doan Hong Quang, CDI, Vietnam said that tariff and quota are most popular barriers to investment and trade. He talked about the position of India in Vietnam exports. He also said that Vietnam is not a member of World Trade Organisation (WTO) and so does not benefit from concessional benefits for WTO Members and if Vietnam becomes member of WTO, then having common standards is very important to develop trade. He said that another issue is about obtaining necessary information for doing business in India as trade and investment relationship can develop by coordination between all stakeholders i.e. trade promotion organisations and business. He felt that there is a need to improve information flow with Vietnam. He was of the view that India is a huge market but has a high level of fragmentation and imposes additional transaction costs to carry out business

in India. He opined that investment should be put before trade. Lack of good production chain and foreign investment is difficult to expect in the absence of such a chain, also there is a need to develop the financial sector and service sector, which are not well developed in Vietnam.

Sok Hach, Economic Institute of Cambodia, Cambodia said that the first criteria is to improve understanding of doing business in GMS and India as mindset is most important for doing business and not money. He explained that it is necessary to understand the mindset of partnership and that good political collaboration is necessary. He considered that infrastructure needs lot of improvement in South East Asia. He was of the view that India is a sleeping giant and needs to wake up and it can improve its economy if it liberalises trade. He explained that opportunity is there but its exploitation is the question and quoted the example of tourism. He opined that public sector and government should play a lead role and viewed private sector, as the key to the cooperation, provided there is a link between them. In the end he expressed a view that China, India, ASEAN and Japan can become a big bloc of regional trade.

Malaithong Kommasith, National University of Laos (NUoL), Lao PDR emphasized the fact that there is a small volume of trade between Laos and India and the long distance between Laos and India prevents trade and investment as cost of transportation is high. He considered lack of information as a major problem and was of the view that there is very little connection between Laos and Indian businesses. He gave few recommendations to bridge the relationship like:

- organise trade fairs in the two countries;
- establish information centres for business people willing to invest or trade;
- exchange public and private delegates to understand the business environment; and
- extensive research for potential business activity and potential areas of cooperation.

K J Joseph was of the view that every country should join a trade bloc and developing countries have gained enormous capabilities to catch up with the developed countries. He considered capacity building as the most important activity and was of the view that information technology, health care and agriculture can give maximum visibility to India and use Indian pharma expertise. He suggested that Vietnam and India should try supply chain management and should try and explore third country markets. He said that the focus should be on investment barriers and not on tariff and non-tariff barriers.

Sheila Page, Overseas Development Institute (ODI), London opined that developing trade is only one part of the strategy and not the strategy in itself. She was skeptical about ideas of traditional relations leading to trade and was of the view that history of association does not create interest and where opportunities exist interest develops itself.

Sitanon Jesdapipat said that economic cooperation is not merely trade but a wide spectrum of cooperation and role of private sector has to be emphasised. He opined that common framework for a regional agreement is necessary.

Paranjoy Guha Thakurta considered language as the important non-tariff barrier and talked about other disparities and division within the country.

Masato Abe, UNESCAP, Thailand considered information and knowledge sharing as most important and suggested that this could be done through trade missions and information centers. He said that public sector, governments and multilateral institutions should foster intermediary organisations for this activity and cited the example of UNESCAP, which along with Government has established GMS Business Forum at Vientiane, Lao PDR for this purpose.

M S Shivakumar, Adviser, The World Bank, Cambodia suggested that there is a need to highlight best practices in economic cooperation and South-South cooperation needs to be highlighted in the light of GMS cooperation. He expressed that how much the external aid is influencing cooperation is an important element.

### **Transport facilitation for better trade between India and the GMS Countries**

Sheila Page, Overseas Development Institute (ODI), London expressed that transport, customs and trade facilitation are basic to any trade initiative. She was of the view that we should learn from the advances in communication and technology and use methods of the 21<sup>st</sup> century rather than those of the 20<sup>th</sup> century. She said that uniformity is needed on the standards of not only goods but also customs procedures.

John R Moon, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Thailand gave a brief on UNESCAP and explained that this is the only organisation looking at transport in the GMS countries. He said that there are enough areas and opportunities for South-South cooperation. He further explained different transport facilitation measures taken by various countries. He said that cheapest way of transport in GMS countries is maritime. He expressed that railway sector should not be neglected as it is an area for technical cooperation between India and other countries.

Ladaporn Asawajintajit, Customs Department, Ministry of Finance, Government of Thailand explained the customs regulations, cross border transport agreements and bilateral movements and how the region was being connected for sustainable growth. She also explained facilitation of cross border transportation and procedure for single window and one stop inspection that was done to reduce time consumed at border crossings and reduce transaction costs. She was of the view that infrastructure should also be upgraded to reduce transaction costs.

Prabir De, Research and Information System for Developing Countries (RIS), India said that transport facilitation is a very important issue. He made a detailed presentation covering Myanmar. He said that Indian companies are investing in the energy sector and possibilities could exist for cooperation.

Sok Sopheak, Ministry of Commerce, Government of Cambodia said that there is a need to facilitate transport within GMS countries. He mentioned ASEAN Highway, Southern economic corridor and Singapore-Kunming rail link. He was of the view that in next two-

three years the region will be well connected for tourism and transport. He stated that Cambodia has drafted laws to facilitate regional movement and harmonisation of customs, charges, and quarantine procedures is being attempted among countries in this region. Also comprehensive framework at national and regional level for uniform procedures and legislation in all countries of the region is being adopted.

Chetan Bijesure commented that there should be stress on the promotion of all three modes of transport and analysis should be there as to which is the most efficient mode. He was of the view that the same analysis should be made for the energy sector.

Doan Hong Quang was of the view that less developed countries happen to gain very little from FTA's and have faced negative impacts and cited the example of South Korea and China. He said that lots of emphasis is given to hard infrastructure and customs procedure improvement but how can services trade be improved in this region is an issue.

K J Joseph said that the gap between practice and preaching should be narrowed in context of South-South Cooperation. He was of the view that labour should also be considered as a factor and for services to be promoted, mobility of labour should be promoted.

Lingling Ding, Asian Development Bank (ADB), Thailand said that transport is first priority from among GMS's nine priority sectors, finance and private participation being the major requirement. He mentioned that transport, trade facilitation and cross border transport agreement (CBTA) was put into place. Single window and single stop approach had to go through many steps before this agreement was reached. He explained that in addition to CBTA there are other initiatives.

### **Enterprise Development And Cooperation between India and GMS countries.**

Dinesh Awasthi, Enterprise Development Institute, India talked about entrepreneurship development. He said that entrepreneurs are not born but can be created. He was of the view that unless local capabilities are developed and people look at business in an entrepreneurial manner no enterprises will come up. He explained that role of entrepreneurship development centres is generic. Capacity building of government, business, and educational institutions should be done to encourage this.

Duc Dinh Do, Institute for Africa and Middle East Studies, Vietnam opined that Development of enterprise has contributed a lot to job creation and raising living conditions of poor people but entrepreneurship is immature in most countries as most enterprises are micro sized and have constraints of capital, technology, market promotion, information and infrastructure which have limited the expansion of enterprises in this region. More and more issues and problems are emerging. He expressed a view that we talk a lot about potential but how to utilise potential was a question raised in Vietnam.

Dinh Manh Hung, Vietnam Chamber of Commerce and Industry, Vietnam said that entrepreneurship development requires a conducive business environment and resources. He viewed entrepreneurship development to be necessary for Vietnam and said that now

entrepreneurship is being encouraged and this is promoted through media to change the mindsets of the people of Vietnam as they are accepting opening up of entrepreneurship centre in Vietnam. He suggested that tourism should be encouraged in GMS region, as through tourism, culture is understood which helps in trade. He said that there is no Legal framework for market economy in Vietnam; also there are no banks from India that operate in Vietnam, which makes the procedure for payment complicated. He said that transportation from Vietnam to India should be improved.

K J Joseph suggested that closer partnerships are required between associations like Confederation of Indian Industry (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI) and other chambers of commerce and their counterparts in other countries. Entrepreneur development forums can also act as modes of getting these associations together. He was of the view that journalism can help in enhancing people to people contact.

Shiela Page was of the view that there is no use moving tariff and NTB's if you have supply chain problems but its worse if you do not move tariffs when you do not have supply chain problems. She said that rules of origin (RoO) are the second tool for NTB's after anti-dumping and manipulating RoO, and high tariffs are not the ways to increase cooperation in the region. She expressed a view that an alternative to FTA is to extend preferences to less developed countries.

Li Ronglin, Institute of International Economics, China expressed that cooperation between India and GMS countries has to solve three level issues macro, industrial and micro level issues. He said that industry can take an important role in cooperation between India and GMS countries and economic relationship can be enhanced through industrial cooperation. He was of the view that cross border special economic zone can be setup so that the private sector can participate.

Chetan Bijesure expressed that it is a perception that stand on RoO is of a restrictive arrangement as North America Free Trade Agreement (NAFTA) has created trade despite RoO.

Paranjoy Guha Thakurta commented on language barriers, lack of proper information across countries and government's stand on issues like tariff.

Alice Pham, Consumer Unity and Trust Society (CUTS), India expressed that mindsets need to change for economic cooperation. She was of the view that language is not the only barrier but other factors should also be considered like absence of direct airline between India and Vietnam.

Patrick Lohlein, Friedrich Naumann Foundation, Thailand commented that Japanese have done quite well despite using their local language. He advised Chambers of Commerce to have a staff exchange program.

Regis Avanthay was of the view that infant industries that exist in underdeveloped countries require guidance from entrepreneurs from India and China. He recommended work exchanges between Chambers of Commerce.

### **Closing Session**

Sitanon Jesdapipat was of the view that there are three important pre-requisites of economic cooperation (1) A regional approach (2) Democratising the entire process of engagement by involving all stakeholders and (3) Sustainable development. He suggested that this can be done by information sharing, by finding out ways to use the project output and by sustaining the partnership developed during this meeting. He emphasised to reduce the transaction cost and to capitalise on present infrastructure.

Sailendra Narain conveyed that approach has to be GMS and then move to the individual. He said that issues like trade, investment, environment and fiscal issues should be dealt with under the umbrella of South-South Cooperation and a definite road map has to be present. He opined that action programme of the short term and the long term needs to be brought out in order to achieve the key objectives. He was of the view that best practices in these countries, regions, etc should be included to draw on the experiences.

Prasad Ranade opined that many initiatives are present so the need is not only for a network but a network of networks. He said that it is necessary to find out how these deliberations can be made meaningful. He considered that preparation of an advocacy document is not sufficient in itself and dissemination of contents as well as an increase in trade within the region along with economic cooperation will indicate whether the exercise has reached fruition. In the end he gave a vote of thanks to all the delegates.

### **Outcome**

The key recommendations that emerged out of the discussions are as under:

1. Economic cooperation should be emphasised and not merely trade.
2. Regional approach should be preferred over a bilateral approach.
3. Integration should be at the sub-regional level too.
4. A Start should be made with the basics like trying to apply common language of business and trade.
5. Sustainable development should be the aim of this engagement so that everyone benefits from this activity.
6. Business mindset needs to be created.
7. Should plug into the other networks so that the regional cooperation motive and movement is better served.
8. Best practices within other countries should be emulated for rapid economic growth. Sufficient visibility and awareness needs to be created about these.
9. Need to capitalise on economies of scale and transaction cost reduction so that benefits can be reaped.
10. Also need to fully utilise the present infrastructure available within the GMS countries. Emphasis should not be only on hardware (physical infrastructure) but software (policy regimes) too.
11. Transport and infrastructure can be important in poverty alleviation.

12. BIMSTEC as an institution can play a key role in the regional cooperation of the GMS countries and this should be explored.
13. Emphasis on cooperation for uniformity in standards should be attempted.
14. Negotiating capacity is far from adequate and needs to be strengthened.
15. Value addition should be brought into the supply chain.
16. Civil society and private sector have no access to negotiations. Stakeholder participation in policy making has to increase too.
17. Financial climate should be improved to foster investment and trade.
18. Investment has to precede trade in South Asian economies because there is the problem of supply chain management.
19. There has to be fiscal and monetary coordination too.
20. Role of multilateral institutions like ADB should be enhanced to foster regional relationships.
21. Should ensure that existing legal framework is harmonised across the region.
22. Awareness about the countries and the region is lacking. Need to organise trade fairs and establish information centres for business people willing to invest or trade.
23. Should exchange public and private officials to understand the business environment.
24. Need to do more research for potential business activity and potential areas of cooperation.
25. Need for capacity development of all stakeholders
26. Need to explore third country markets. We can look at Chinese market.
27. Extent of external aid influencing cooperation should be found out.
28. More focus should be on investment barriers rather than tariff and non tariff barriers.
29. Larger countries with the smaller countries should share appropriate technology.
30. Mutual assistance can be provided by India to help countries like Laos to get the benefit of multilateral arrangements.
31. Exchanges should be made between Chambers of Commerce.