

South-South Economic Cooperation: Exploring Mekong-Ganga Relationship

India Habitat Centre [Silver Oak II] New Delhi
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CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE) in partnership with Research & Information System for Developing Countries (RIS) organised the National Consultation of the Project titled "South-South Economic Cooperation: Exploring Mekong-Ganga Relationship" on 1st September 2005 at India Habitat Center [Silver Oak II] New Delhi.

The objective of the National Consultation was to facilitate cross-fertilisation of experiences and lessons learnt on economic (trade and investment) cooperation between India and select Mekong countries in order to develop appropriate policy responses and also to discuss project-related activities and methodology for the implementation. Representatives from academia, business chambers, government and inter-governmental organizations and civil society were present.

In addition, the meeting also aimed to strengthen the capacity of Indo-China countries on issues of South-South trade and investment cooperation by providing necessary know-how and do-how to policy-makers, business community, civil society and other stakeholders.

10.00-10:30: Registration

10.30-11.00: Inaugural Session

- The meeting started with welcome remarks by Nagesh Kumar [Director General, RIS].
 - After a time bound research RIS has discovered that India is in the middle, playing a key role in helping in bridging the gap between the two set of countries in ASEAN (old members and new members) e.g.: in human resource development, infrastructure development and sharing economic development and integration experiences/expertise.

- According to S.D Muni [former Ambassador of India in Lao PDR] the India country report is very comprehensive and focused on critical areas. He made the following observations:
 - The old name of Mekong-Ganga Cooperation, “Swarnabhumi” was not appropriate since it created an impression of Thai dominance. Lao and Cambodia did not agree with the name. Mr. Muni indicated that while smaller countries of the region were conscious of the dominance of Thailand and Vietnam, at the same time India was considered as an economic cushion.
 - SWAP trade is a very good idea. The issue of soft credit is very important in this regard. It should be kept in mind if India wants to compete with China.
 - The issue of certain commodities, crucial for smaller nations while not having such an impact over the big Indian markets, also needs to be taken care of.
 - More persuasion and cajoling by institutions like RIS needs to be done since Indian businessmen are still reluctant to explore new markets.
 - India should take a regional approach for investment and production rather than looking at small sizes of markets in these countries. In addition to trade and investment, education remains an important market and area of cooperation.
 - The entertainment industry remains an option for entry (movies, music, Rama artefacts, archaeology, museum etc). Past historical linkage and cultural similarity need to be cultivated to foster economic relations. Cultural diplomacy can be used to buttress economic activities.

11.15-12.15: First Session: Trade and investment, and Finance

- Prof. K.J Joseph [RIS and CDS] discussed the relevance between India and Mekong countries. He observed that the similarities extend to historical, cultural and strategic as well as political aspects. The

developing economies are very differently endowed as compared to developed countries.

- S.K Verma [Ministry of External Affairs, GOI] discussed the two platforms (I) multilateral and (II) bilateral. He said that ASEAN (IRIA), GOI is very active and supportive. GOI has opened entrepreneurship development centres in all four Mekong countries and the one in Lao is already up and running. GOI has also extended substantial aid as well as loan in view of absence of finance in these nations. The following observations were made
 - Importance of private sector participation.
 - Exports to India need sustainability of economic relations.
 - Four areas of cooperation are envisaged in the MGC, trade is not mentioned explicitly, however, they create the framework for trade to prosper.
 - The tariff and non-tariff barriers/problems to trade expansion need to be looked at, Indian in addition to those of CLV countries. Indian tariff regime being very high is one of the reasons why Vietnam cannot export to India while their exports to other CLV countries are substantial. Unless the tariffs are reduced, the trading volume between India and CLV countries cannot increase.
- A.N Ram [former Secretary, Ministry of External Affairs, GOI] discussed the role of policy-makers in addressing the issues and possible actions to be taken.
 - He said that perceptions on both sides remain that business with each other is difficult due to problems like infrastructure, languages etc. To break this kind of mind-set private sector has to play a major role.

12.15-13.15: Second Session: Infrastructure and energy

- K.L Thapar [Asian Institute of Transport Development, New Delhi] observed that there are infrastructure barriers in terms of transportation as well as some natural barriers like the rivers.
 - Mr. Thapar also added that there have been some initiatives in

- infrastructure development; however, they have not been integrated and being highly fragmented they may not be sustainable in the long term.
- Prabir De [Associate Fellow, RIS] focused on the infrastructure development between these countries from the angle of trade. He observed:
 - Low infrastructure sophistication level impedes trade (non-availability, difficulties and high cost)
 - Development of Asian Highway would be a good prospect for India as well as for CLV countries.

14.00-15.00: Third Session: Other areas of cooperation: Agriculture, S&T and HRD, SME's, Health and Pharma, Tourism, etc.

- Baladas Goshal [JNU, New Delhi] said that Trade and Investment is not an end of this initiative. India's "Look East Policy" is to play a major role in the ASEAN affairs. Trade and Investment should complement other initiatives towards this goal.
 - He mentioned that China is already playing a major role in many areas. If India has to make a presence, it should find niche areas to distinguish it and enhance its position. He added that one such area is education, which has always been very important for diplomacy. In this regard it should be noted that scholarship is not a long-term measure instead schools and training centers should be established locally in those country.
 - He discussed the area of culture and observed that there is a knowledge gap between India and the Mekong countries which needs to be bridged. He suggested that India should build up a system through which India can offer a lot of capacity building to these countries.
 - He suggested that cultural tourism be promoted.
- K.P.V Nair [Asia Center, Kolkata] maintained that lack of awareness is a big problem in both CLV countries as well as India. There have been already a lot of initiatives and programmes but we have been unable to get them running.

- He said that it is a failure on India's part since India tends to be reactive, rather than pro-active.
- He also said that to develop trade and cultural tourism between India and other Mekong countries first we have to concentrate on the direct air link between these countries.
- Sailendra Narain [former Chairman SIDBI, and Chairman, Centre for SME Growth and Development Finance, Mumbai] said that before reaching out to Mekong countries, we should develop the SMEs sector in India and re-look at the SMEs policy framework of all the countries and advocate changes at national level, then aim for sub-regional and inter-regional level to create an enabling environment. The following observations were made:
 - Many reputed institutions were established in Mekong countries with goodwill but were unable to deliver the best outputs. Thus India must not create any new institutions but review the current set-ups and take necessary action for further implement and improvement.
 - The financial markets have to be created and the domestic banking sectors need to be reinforced. The entire financial system of the entire Mekong region needs to be refurbished. There is a need for good venture capital, especially in some key sectors, such as Information Technology (IT).
 - Rather than finance, it is very important that enterprises get adequate business development services (BDS), in terms of informatics. India should not offer support and assistance just for the sake of doing it but develop awareness, and needs to be generated. Demands have to come first before support is brought forward.
 - SME's can play a major role in Economic Cooperation between India and the CLV countries and to process in this regard India has to develop a better network.
- Ambassador Shashank [former Secretary, Minister of External Affairs, GOI] said that while India has to develop more trade and investment between these countries but interest levels in business community are

very low. He added that before the cooperation takes place India needs to develop the infrastructure in Northeast India.

15.00: Closing:

- Dr. Nagesh Kumar [Director General, RIS]
- Dr. Prasad P. Ranade [Director (Research), CUTS-CITEE]

Suggestions and comments:

1. Present Status of Indian Government regarding the direct air link between India and the CLV countries.
2. Proposal for direct airlines between India and the CLV countries made by Vietnam airlines but no response from Indian government.
3. Trade infrastructure in Mekong countries are quite fractured therefore FICCI and CII might not be the right institution since these organizations are associations of big businesses.
4. Data presented regarding the trade relation between India and CLV countries was relatively old, changes are happening very quickly in Vietnam, even in the policy framework, therefore data needs to be updated.
5. India did not compete well with other countries in playing a major role in assisting and cooperating with Indochina countries.
6. About the key priorities for further cooperation. India should look at the economic partnership with CLV countries and should have concrete plans for developing this partnership.
7. Various messages should be sent to the government so that this can turn into realities.

Answers from the DIAS:

B. Ghosal: Looking at the experiences of East Asian countries, the government can facilitate and encourage (with incentive policy) businessmen to invest and do business in these countries, especially the SMEs. Instead of proposing ambitious plan, focus should be on identifying certain areas and pushing them.

S.K Verma: In India tariffs are high. India government is considering revisions and very soon they will be close to ASEAN level. Direct flight agreement is almost concluded, under discussion. Very soon there will be positive approach. However, efforts have to be mutual.

K. J. Joseph: Indian tariffs are going down. However, despite high level of tariffs, Indian imports have increased 5.2 times since 1992. Additionally, tariff is just one impediment; this study goes beyond that issue to address other NTBs as well.

A.N Ram: There are perceptions on both sides that it is difficult to do business with each other due to several problems/barriers like infrastructure, languages etc. India has to break away from this mindset. Private sectors should play a major role.