



RIS

Research and Information System
for Developing Countries

An RIS Publication on
India-Mekong
Economic Cooperation

MEKONG-GANGA

Policy Brief

No. 1

March 2007

Indian IT Industry: Lessons for Mekong Countries

The strong demand over the past few years has placed India among the fastest growing IT markets in the world. The Indian IT industry has been demonstrating its superiority, sustained cost advantage and fundamentally-powered value proposition in the international market. Over time, India has become the global IT hub. Today, Indian IT industry represents US\$ 37.4 billion market and is expected to become US\$ 47.8 billion by end of 2007-08, an increase of nearly 28 per cent in the current fiscal (see Table 1). The IT industry (software and ITES) exports from India grew from US\$ 12.9 billion in 2004-05 to US\$ 23.6 billion in 2006-07, and is expected to reach US\$ 31.3 billion in 2007-08 (see Table 1). It presently contributes 5.4 per cent of GDP, up from 4.8 per cent last year. With this spectacular performance, Indian IT sector is shifting its base from low-end business processes to high-value ones.

Service and software exports remain the mainstay of the sector contributing US\$ 31.3 billion and beating forecast to register a 32.6 per cent growth. According to NASSCOM, increasing traction in offshore product development and engineering services is supplementing India's efforts in IP creation. This segment is growing at 22-23 per cent and is expected to report US\$ 4.9 billion in exports in 2006-07. FDI has reached an unprecedented scale; over US\$ 10 billion, announced in 2006-07, to be invested over the next few years. The total IT software and services employment is likely to reach about 1.6 million in 2007-08. The industry in collaboration with the government and other stakeholders has initiated several initiatives to further enhance the availability and access to suitable talent for IT-ITES in India.

Indian IT-ITES sector is estimated to have helped create an additional 3 million

job opportunities through indirect and induced employment in telecom, power, construction, facility management, IT transportation, catering and other services. Government has taken several steps to further enhance this industry.

In order to ensure that the benefits of IT reach the common man, Indian government has initiated a move to make available tools and fonts in various Indian languages freely to the general public. Several regional languages software tools and fonts have already been released. All Indian languages are expected to be covered in 2007-08.

To facilitate penetrations of the IT and ITES in the rural areas, the Indian government has formulated a proposal to establish 100,000 Common Service Centres (CSCs) in rural areas, which will serve not only as the front-end for most government services but also as a means to connect the citizens of rural India to the World Wide Web. According to the Government of India, the scheme will be implemented through Public-Private Partnership (PPP). An outlay of Rs. 57.42 billion has already been approved.

Indian companies are enhancing their global services delivery capabilities through a combination of greenfield initiatives, cross-border mergers and acquisitions, partnerships and alliances with local players. This is enabling them to execute end-to-end delivery of new services. Global software giants such as Microsoft, Oracle and SAP, have established their captive development centres in India. A majority of the companies in India have already aligned their internal processes and practices to international standards such as ISO, CMM, and Six Sigma. This has helped establish India as a credible sourcing destination. As of December 2006, over 400 Indian companies have acquired quality certifications with 82 companies

certified at SEI CMM Level 5 - higher than any other country in the world. Therefore, Indian firms are gradually gaining ground.

Why India has been so successful in IT sector? According to many commentators, it is the **Abundant Talent** which has helped India to sustain the rapid growth in IT sector over time. With over half of the population of India aged less than 25 years, India's young demographic profile is a unique and an inherent advantage. This, complemented by a vast network of academic infrastructure and the legacy effects of British colonisation, has contributed to an unmatched mix and scale of educated, English-speaking talent.

Cost Advantage is another important factor which has positively contributed to the rise of India's IT industry. India has a strong track record of delivering a significant cost advantage, with clients' regularly reporting savings of 25-50 per cent over the original cost base. There is still scope for further lowering of infrastructure and overhead costs in coming days in India due to its double digit growth and higher spending in infrastructure sector. For example, due to technology diffusion, we witness rapid decline in telecom costs in India.

Emphasis on **Quality and Information Security** is also another important factor for the rise in India's software exports. Demonstrated process quality and expertise in service delivery has been a key factor driving India's sustained leadership in global service delivery. Today, India-based centres (both Indian firms as well as MNC-owned captives) constitute the largest number of quality certifications achieved by any single country. According to NASSCOM, National Skills Registry and the Cyberlabs initiatives launched over the past 18-24 months are now running successfully

Table 1: Indian IT Sector Performance

	(US\$ billion)			
	FY 2004	FY 2005	FY 2006	FY 2007E
IT Services	10.4	13.5	17.8	23.7
Exports	7.3	10.0	13.3	18.1
Domestic	3.1	3.5	4.5	5.6
ITES-BPO	3.4	5.2	7.2	9.5
Exports	3.1	4.6	6.3	8.3
Domestic	0.3	0.6	0.9	1.2
Engineering Services and R&D, Software Products	2.9	3.9	5.3	6.5
Exports	2.5	3.1	4.0	4.9
Domestic	0.4	0.8	1.3	1.6
Total Software and Services Revenues, of which,	16.7	22.6	30.3	39.7
Exports	12.9	17.7	23.6	31.3
Hardware	5.0	5.9	7.0	8.2
Total IT Industry (including Hardware)	21.6	28.4	37.4	47.8

E – Estimated
Source: NASSCOM, New Delhi.

and the industry proposes to consolidate these efforts by establishing a self-regulatory organization that will identify a basic set of security and privacy standards, that member companies will be expected to adhere to.

Spread of quality telecommunication facilities is another factor for software sector development. Telecom penetration in the country has increased from a modest 3.6 per cent in 2001 to over 12.6 per cent in 2006, and is targeted to reach to 29.6 per cent by 2009. While the wire-line segment continues to witness steady growth, rapid adoption of wireless telephony has made India the fastest growing market in the segment. At the end of 2006, there were over 98 million wireless subscribers in India, up from barely 4 million in 2001. Yet, this is only a start. The low penetration levels and a growing consumer base are driving strong growth forecasts across all segments of telecom demand, and are likely to keep this sector in the spotlight for the foreseeable future.

In addition to strong telecom links, cities across the country have witnessed steady growth in office facilities, hotels and other supporting business infrastructure matching global standards. Importantly, this growth is taking place, not only in existing urban centres – but increasingly in towns and smaller cities.

The enabling business policy and regulatory environment has played a critical role in the rapid growth of the Indian IT-BPO sector. IT-BPO firms enjoy minimal regulatory and policy restrictions along with a broad range of fiscal and procedural incentives offered by the Central as well as individual State Governments. These measures have

earned wide appreciation, which is best exemplified in the fact that several other nations are trying to emulate the policy environment that has helped develop the IT-BPO sector in India. The Software Technology Parks of India (STPI) scheme has played a pivotal role in catalyzing the growth of this sector and supporting its rapid proliferation across the country. The tax holiday has helped attract much needed investments (MNC and Indian) in the sector and the virtual model has allowed firms to avail benefits without constraints on their choice of location – encouraging entrepreneurship and integrated growth. Other aspects of continuing policy reform that will aid the sectors growth include the rationalization of international taxation policies, mutual trade agreements with partner nations, and a proactive and positive stance on international free trade.

Going Forward: Opportunities for Cooperation

Rise of India as a global IT hub offers many lessons for Mekong countries. Requirements of Mekong countries in IT are primarily two folds:

- (a) Increased national capacities to develop and implement policies and programmes, including regulatory and institutional frameworks, that facilitate equitable access to information and communication technology for development, and
- (b) Enhanced national capacities to apply information and communication technology in planning and implementing socio-economic development programmes, including for the promotion of gender equality.

In order to strengthen IT sector, the first and foremost requirement for Mekong countries is to ensure domestic supply of adequate talent pools. Training is the regular and significant component in the induction process of all IT firms. Mekong countries firms should establish dedicated facilities and teams for employee skill enhancement initiatives. Mekong countries should also work with the academia across the subregion and abroad, through **IT Workforce Development Initiative** to encourage and facilitate greater industry interaction in Mekong subregion. The long term steps that are needed include much higher government investments in education, major education reform and better compensation and research grants for teachers/researchers in IT sector.

Indian government may think to set up (similar in the line of Entrepreneurship Development Institute of India) a chain of finishing schools for IT professionals to make them more employable with a short terms of honing of technical skills and imparting soft skill training, helping bridge the manpower supply-demand gap in Mekong subregion.

Setting up Special Economic Zone (SEZ) for IT sector in Mekong subregion would be very useful in attracting FDI and also strengthening domestic supply capacity.

For Mekong to fully capitalize on the opportunity in the IT space, countries in this subregion need to continue working towards timely and coherent execution of initiatives to address supply-side concerns by (i) ensuring talent supply, (ii) creating world-class infrastructure, (iii) strengthening information security, (iv) enhancing operational excellence, (iv) providing regulatory support, and (iv) catalyzing domestic market development.

References

- Government of India. 2007. *Economic Survey 2006-07*. Ministry of Finance, New Delhi.
- Kumar, N. and Joseph, K J. 2004. *National Innovation Systems and India's IT Capability: Are There any Lessons for ASEAN Newcomers?* RIS Discussion Paper # 72. New Delhi: RIS.
- NASSCOM. 2006. *Strategic Review*. National Association of Software and Service Companies (NASSCOM), New Delhi.
- RIS. 2006. *Seizing New Opportunities for South-South Cooperation*. RIS Policy Brief #27. New Delhi: RIS. ■

Mekong Cross-Border Transport Agreement (CBTA)

The Mekong CBTA is originally a trilateral agreement between and among the Governments of the Lao PDR, Thailand, and Vietnam signed on 26 November 1999. Cambodia, China and Myanmar acceded to the CBTA in 2001, 2002 and 2003, respectively. A Memorandum of Understanding (MoU) was signed to clarify the relationship between the CBTA and its annexes and protocols; and commitment to amend article 17 of the CBTA. An additional MoU was also signed to reflect the staged approach in the application of the CBTA to non-commercially operated vehicle. On 30 April 2004 an amendment to the CBTA was signed to reflect the revision to Article 17 of the CBTA on mutual recognition of driving licenses and for the inclusion of Annex 16 in the list of annexes and protocols. The CBTA is now formally known as The Agreement for the Facilitation of Cross-Border Transport of Goods and People.

The Mekong CBTA is a compact and comprehensive multilateral instrument that covers all the relevant aspects of cross-border transport facilitation in one document. These include:

- single-stop/single-window customs inspection
- cross-border movement of persons (i.e., visas for persons engaged in transport operations)
- transit traffic regimes, including exemptions from physical customs inspection, bond deposit, escort, and agriculture and veterinary inspection
- requirements that road vehicles will have to meet to be eligible for cross-border traffic exchange of commercial traffic rights, and
- infrastructure, including road and bridge design standards, road signs, and signals.

The CBTA applies to selected and mutually agreed upon routes and points of entry and exit in the signatory countries. The CBTA includes a preamble and 10 parts, and has 20 annexes and protocols. The CBTA has entered into force with its ratification by all six member countries in December 2003. Full implementation of the Agreement and its annexes and

protocols is expected by 2007/2008.

South Asian countries may follow the Mekong CBTA that has been very successful in implementing single-window customs clearance at all border crossings in Mekong. Specifically, Mae Sai-Tachilek is one of the seven pilot points selected under the CBTA, which came into force in December 2003, to streamline regulations and reduce non-physical barriers by introducing single-window customs clearance. 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 June 30, 2005.

Since most of the countries in South Asia are geographically interlinked and regional trade is growing very fast,

deeper regional cooperation would be most desired to make the countries agree to transit of goods moving from one to another country within and/or outside the region. The prominent example is Mekong's East-West Economic Corridor, which has been promoted to connect the Andaman Sea (the Myanmar coast) through Thailand and Laos with the South China Sea (at Danang in Vietnam). All this has happened only due to acceptance of the Mekong CBTA.

It is, therefore, important that the countries in South Asia evolve an appropriate policy to facilitate uninterrupted overland trade. Mekong CBTA has some good lessons for South Asia to follow. Towards this direction, deeper cooperation between India and Mekong countries will be beneficial in facilitating cross-border transport of goods. ■

Mekong CBTA

Part IV: Cross-Border Transport of Goods

Article 7: Exemption from Physical Customs Inspection, Bond Deposit, and Escort

- (a) The Contracting Parties undertake to exempt cargoes in international transit from:
- (i) routine customs physical inspection at the border
 - (ii) customs escorts in the national territory, and
 - (iii) the deposit of a bond as a guarantee for the customs duties.
- (b) For that purpose, the Contracting Parties undertake to institute a transit and inland customs clearance regime, as specified in Annex 6.

Article 8: Transit Traffic

- (a) The Contracting Parties grant freedom of transit through their territory for Transit Traffic to or from the territory of the other Contracting Parties.
- (b) Transit Traffic shall be exempt from any customs duties and taxes.
- (c) Charges relating to Transit Traffic other than customs duties and taxes shall be gradually levied in two steps:
- Step 1: Charges concerning Transit Traffic other than customs duties and taxes shall be levied as determined in Protocol 2.
- Step 2: Charges levied on Transit Traffic shall only be cost related.

Article 9: Phytosanitary and Veterinary Inspection

The Contracting Parties shall comply with international agreements related to the regulations of the World Health Organization, Food and Agriculture Organization, and Office International des Epizooties in applying inspection of goods crossing the border.

Article 10: Special Regimes for the Transport of Particular Categories of Goods

- (a) The Agreement shall not apply to the transport of Dangerous Goods, as defined in Annex 1.
- (b) The transport of Perishable Goods, as defined in Annex 3, shall be granted a priority regime for border crossing clearance formalities, set out in Annex 3, so that they may not be unduly delayed.

Source: Asian Development Bank, Manila.

India-Mekong Cooperation Activities

Mekong-Ganga Cooperation (MGC)

MGC was established on 10 November 2000 at Vientiane in the First MGC Ministerial Meeting. It comprises of six Member countries, namely, Thailand, Myanmar, Cambodia, Lao PDR, Vietnam, and India. The emphasis is on four areas of cooperation, which are tourism, culture, education, and transportation linkage in order to put MGC on solid foundation for future trade and investment cooperation in the region.

Cooperation Mechanism

The working mechanism for MGC consists of the Annual Ministerial Meeting (back to back with ASEAN Ministerial Meeting), the Senior Officials' Meeting, and the five Working Groups, viz.

- Working Group on Tourism
- Working Group on Education (HRD)

- Working Group on Culture
- Working Group on Communication & Transportation
- Working Group on Plan of Actions

Progress

At the Second MGC Ministerial Meeting held in Hanoi on 28 July 2001, the MGC countries adopted the "Hanoi Programme of Action" affirming their commitment to cooperate in four areas of cooperation. The "Hanoi Programme of Action" has 6 years timeframe from 2001 to 2007 and the progress of its implementation shall be reviewed every two years. At the Third MGC Ministerial Meeting held in Phnom Penh on 20 June 2003, the member countries adopted the "Phnom Penh Road Map" as a plan to accelerate the implementation of all MGC projects and activities. On 12 January 2007 India

participated the Ministerial Meeting of MGC at the sideline of 5th India-ASEAN Summit and 2nd EAS Meeting, held at Cebu, Philippines.

MGC provides special focus on overland connectivity. Under the MGC, there is a proposal to set-up a railway line from Delhi to Hanoi. Indian consultancy engineering company, RITES, has already completed a preliminary study in 2006. Opening of the second Friendship Bridge over the Mekong connecting the town of Savannakhet in Laos with Mukdahan in Thailand has made it possible to travel by road from anywhere in India right up to Danang in Vietnam through East-West Economic Corridor.

India offers 10 scholarships every year to MGC countries in culture-related subjects. India Cambodia and India Vietnam Entrepreneurship Development Centres became operational in 2006. The India-Laos Centre has been operational since November 2004. ■

India's Engagement in ASEAN: Focus CLMV

The CLMV countries, namely, Cambodia, Laos, Myanmar and Vietnam, which among the ten ASEAN countries, are slightly less developed as compared to the other six. One of the major activities of the India-ASEAN Cooperation is to strengthen the capacity of CLMV countries in fields like entrepreneurship development, English language training, information and communication technology, health, education, among others. Some of the projects initiated by India on CLMV countries under the 10th and 11th India-ASEAN Working Group, 2007-08, are as follows:

- Setting up Centres for English Language Training (CELT)
- e-Network Project - Establishing VSAT-based Tele Education and Tele-Medicine Network
- HRD programme in the area of Computer Networking
- Establishment of Entrepreneurship Development Centres
- Extending India-Myanmar-Thailand Trilateral Highway to Lao PDR and Cambodia
- Setting up Software Development and Training Centres
- Upgrading the education systems through implementation of curricula for kindergarten, primary, secondary, and tertiary education
- ASEAN-India Human Resources Training Programme
- ASEAN-India IT Forum ■

5th ASEAN-India Summit 2007

The Fifth ASEAN-India Summit was held successfully on 14 January 2007 in Cebu, Philippines. The Meeting was chaired by H.E. Gloria Macapagal Arroyo, President of the Republic of the Philippines and was attended by the Heads of State/Government of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Singapore, Thailand and Vietnam, and, Dr. Manmohan Singh, Prime Minister of India.

ASEAN leaders welcomed India's "Look East Policy" as shown by India's interest in entering into Free Trade or Comprehensive Economic Partnerships with ASEAN countries. ASEAN leaders acknowledged that connectivity shall be further enhanced with the establishment of transport networks between India and CLMV countries. They welcomed India's active participation in the ASEAN Regional Forum, East Asia Summit, and the Mekong-Ganga Cooperation.

ASEAN leaders look forward to the early

implementation of ASEAN e-Network Project - establishing a VSAT-based Tele-Education and Tele-Medicine Network to connect Cambodia-Laos-Myanmar-Vietnam (CLMV).

ASEAN leaders agreed to further enhance ties in the area of human resource development by pursuing cross-linkages for research and development, conducting Indian education fairs in ASEAN countries, and encouraging exchange of scholars between ASEAN and Indian institutes of higher learning. Similarly, ASEAN leaders acknowledge India's efforts at establishing Centers for English Language Training (CELT) as well as an Entrepreneurship Development Center (EDC) in Lao PDR after having successfully completed the establishment of similar EDCs in Cambodia, Myanmar, and Vietnam.

(Excerpted from the Chairman's Statement at the 5th ASEAN-India Summit, held at Cebu, Philippines, 14 January 2007). ■

Visiting Fellows from Mekong at RIS

RIS has been conducting a Programme on International Economic Issues and Development Policy (IEIDP) for participants from developing countries with a view to inculcate an enhanced understanding on challenges and opportunities associated with the processes of globalization and development. The IEIDP Programme is offered by RIS in conjunction with the Indian Technical and Economic Cooperation (ITEC)/SCAAP Programme of the Ministry of External Affairs, Government of India. In 2007, IEIDP programme was conducted at New Delhi from 19 February 2007 to 16 March 2007. Among 14 participants who attended the IEIDP programme from developing countries and LDCs across the world, there were three participants from Mekong countries, one each from Lao PDR and Vietnam, namely, Mr. Somboune Phomdouangdy, Dy. Director, Information and Technology Division, Lao PDR, and Mr. Nguyen Van Ha, Researcher, Vietnam Academy of Social Science; and one from Cambodia, namely, Mr. Khut Chandara, Assistant to the Cabinet of Dy. Prime Minister, Cambodia. Participation of the three visiting fellows from Mekong countries was sponsored by RIS under the 'India-Mekong Cooperation' Project, undertaken at RIS with the support of Swiss Agency for Development and Cooperation (SDC). ■

Rise of India: An Opportunity for Vietnam and Asia

H. E. Pham Gia Khiem, Deputy Prime Minister and Foreign Minister of Vietnam

Founded by President Ho Chi Minh and Prime Minister Jawaharlal Nehru and nurtured by generations of leaders and people of Vietnam and India, our bilateral relations of traditional friendship and comprehensive cooperation have stood the test of time, becoming an invaluable treasure of the two countries and people. The relations are now witnessing encouraging developments in almost all fields, such as politics, economy, trade, science and technology, education and training, security and defence under the framework for comprehensive cooperation between the two countries as they enter the 21st century, the action plan for the 2004-2006 period, and other agreements.

At international and regional forums, the two sides have shared common views on numerous issues, closely collaborating with each other, making contribution to peace, stability, cooperation, and development in the region and the world over.

In 2007, Vietnam and India celebrate the 35th anniversary of the establishment of full diplomatic relations. It is time for us to lift our traditional friendship and multi-faceted cooperation to a new height. In this spirit, Prime Minister Nguyen Tan Dung will pay an official visit to India, tentatively in April 2007 and Vietnam is looking forward to receiving President Abdul Kalam in Hanoi later this year.

With the joint efforts of both sides, in recent years, trade and investment relations between the two countries have also been improved. The two-way trade increased considerably from US\$ 697 million in 2005 to more than US\$ 1 billion in 2006 as targeted in the action plan for the period 2004-2006. By the end of 2006, India has had 12 effective FDI projects in Vietnam with a registered capital of US\$ 46.4 million, ranking 34th in 73 countries and territories investing in Vietnam. Interestingly, the realized capital has reached US\$ 580 million - 13-fold of the registered capital thanks to an oil and gas exploitation project between Vietnam Petroleum, ONGC Videsh Ltd (India), and BP Exploration (U.K.), which has the realized capital of US\$ 578.4 million - 34-fold of the registered capital.

Earlier this February, ESSAR Group, signed a joint venture agreement with Vietnam Steel Corporation (VSC) and Vietnam General Rubber Corporation (GERUCO) to build a hot strip mill plant in Ba Ria-Vung Tau. Estimated to cost US\$ 527 million and to be completed in 30 months, the project will significantly raise total investment from India into Vietnam. A Vietnamese company, FPT, has made an investment of US\$ 150,000 in an Indian technology development and investment project.

These figures show that trade and investment relations between Vietnam and India remain modest and incommensurate with our political ties and cooperation potentials. I hope that the two governments will soon work out effective measures to further promote bilateral trade and investment, especially now that Vietnam has become a WTO member. Right now, Vietnam is seeing an inflow of foreign investment and I would like to call upon Indian investors to do business in Vietnam. The Vietnamese government will grant you maximum incentives.

Vietnam always supports and highly values India's role in the EAS as well as India's active contribution to the ASEAN countries and community building in East Asia. I hope that India will continue to support ASEAN's leading role in the EAS.

We view India's and China's rise as an opportunity for Asia and Vietnam. Thanks to high economic growth, India and China are two large and potential markets for other Asian countries as illustrated by the rapidly growing trade between India and China with other Asian countries. Those economic frameworks will better serve economic development in Asia as a whole.

(Excerpted from the Dy. Prime Minister's interview with *The Hindu*, 1 March 2007).
© *The Hindu*.

Visit of Indian Parliamentary Delegation to Vietnam

An Indian Parliamentary Delegation, headed by the Lok Sabha Speaker, Hon'ble Mr. Somnath Chatterjee, visited Vietnam on 22-27 March 2007 after a gap of over 35 years. During the meeting with the President of Vietnam, Mr. Nguyen Minh Triet, Mr. Somnath Chatterjee referred to the historical ties India and Vietnam shared. Recalling the saga of the Vietnamese liberation struggle, and India's unstinted support to the people of Vietnam, the Lok Sabha Speaker said that the legendary leadership of President Ho Chi Minh was an inspiration to oppressed people everywhere. Mr. Chatterjee pointed out that there exists immense potential for enhanced cooperation in areas like Information Technology, Biotechnology, Science and Technology and Space Science. The Lok Sabha Speaker reiterated the need for parliamentary efforts to supplement governmental initiatives in cementing Indo-Vietnamese relations. He also offered India's assistance for Vietnam in training and orientation for parliamentary officials at the Bureau of Parliamentary Studies and Training of Lok Sabha Secretariat.

Reciprocating the views expressed by Mr. Somnath Chatterjee, the President of Vietnam, Mr. Nguyen Minh Triet observed that the warm and cordial relations between the two countries have gone a long way in bringing the peoples of India and Vietnam closer. President Triet applauded India's achievements in diverse sectors and stressed that every effort should be made to build on this, including through parliamentary exchanges. He also emphasised on enhanced bilateral cooperation in the international sphere.

Referring to the rapid strides Vietnam has made in the process of reconstructions, Mr. Chatterjee said, India is keen to cooperate with them in areas like information technology, science and technology, etc. He expressed happiness that the Nuclear Science Centre which was set up with Indian assistance in Vietnam is doing very well. The Lok Sabha Speaker called for enhanced cooperation in trade and commercial ties so as to realize the full potential that existed in these fields. He also pointed out that Vietnam could play a major role in India's ties with the ASEAN. The Lok Sabha Speaker emphasized that India and Vietnam should promote further cooperation at the Parliamentary level as well.

The Indian Parliamentary Delegation was on a six-day visit to Vietnam. The other members of the Delegation were: Mr. Rishang Keishing, Mr. Kishanbhai V. Patel, Dr. Babu Rao Mediyam, Dr. H.T. Sangliana, Mr. Thupstan Chhewang, Mr. Shyam Benegal, all Members of Parliament, and Mr. P.D.T. Achary, Secretary-General, Lok Sabha.

(Excerpted from the *Lok Sabha Secretariat*, New Delhi, Accessed on 16 April 2007)

Vietnam Woos Indian Paper Mills for Plantations

Vietnam, which offers good opportunities to foreign investors to invest in paper manufacturing and plantations, has initiated moves through the State-owned Vietnam Paper Corporation (VPC) to attract private investment via joint ventures with local and foreign companies. VPC has reportedly approached some large Indian paper mills to undertake plantation activity for mutual benefit of paper mills of both the countries.

The Indian mills seem to have been approached because a few of them have already begun to scout for plantation opportunities abroad. Many large Indian mills with substantial expansion plans do not have much information about the adequate supply of virgin pulp locally. Vietnam, therefore, can be a good destination for them to source virgin pulp. VPC has plans to expand its resource areas within 2010 in bid to satisfy raw materials demand for paper production

of its affiliates. VPC has decided to harvest trees on about 135,000 hectares in the central northern region of the country, thereby increasing the availability of forest raw materials to local pulp mills and to ensure sufficient supply of materials to large local mills. The corporation also has plans to undertake fresh plantation on 10,000 hectares in the central highlands of Kon Tum by 2010. It currently has a total resource area of more than 105,000 hectares, with an average yield of 80 cubic m per hectare per seven years. VPC has targeted a production of 270,500 tonnes of paper of various kinds by 2007. The targeted output includes 160,00 tonnes of printing and writing paper, 57 tonnes of newsprint and 10,000 tonnes of tissue paper.

(Excerpted from *The Hindu Business Line*, 5 September 2006).

© *The Hindu Business Line*

India, Vietnam to Focus on Air Links

Lack of direct air links is the main cause for the small number of Indian tourists visiting Vietnam and vice versa. With India along with France declared as 'focus' countries for Vietnam this year, Vietnam has been on a major promotion spree with road shows, and some already held in Hyderabad, Bangalore, and Kolkata. Indian IT firms have been the pioneers in harnessing the potential for Vietnam, which also has considerable ambitions of garnering the world software pie.

Vietnam's oil and gas reserves also put the country on a higher position on the Indian radar, with ONGC recently successfully bidding for two oil blocks. With Vietnam now entering the WTO, there were hints that both the countries may also pursue a more bilateral route and direct air links to increase trade.

(Excerpted from *The Statesman*, 16 January 2007).

© *The Statesman*

Essar to Set up Steel Plant in Vietnam

Essar Steel Vietnam Holdings Private Ltd (ESVHL), a subsidiary of India's fourth largest steelmaker Essar Steel, signed a joint venture agreement with State-owned Vietnam Steel Corporation (VSC) and Vietnam General Rubber Corporation (GERUCO) to form a joint stock company. The joint venture company will set up a hot-strip mill plant with an initial annual capacity of two million tonnes of HR coils, sheets and skin-passed coils. Estimated to cost US\$ 527 million, the project is scheduled for completion within 30 months. ESVHL will hold 65 per cent equity, VSC 20 per cent and Vietnam General Rubber Corporation the rest. The project will be located in Baria Vung Tau province in southern Vietnam. Currently Vietnam consumes six million tonnes of steel, of which HR coils account for two million tonnes.

Vietnam's steel consumption is expected to go up to 10 million tonnes by 2012. In the absence of a flat-product steel plant, Vietnam imports its entire requirement of HR coils. This project is expected to substitute such imports. VSC is a fully owned unit of the Government of Vietnam, having several steel plants in northern and southern Vietnam. Essar has production facilities in India (4.6 million tonnes a year) and Indonesia (0.4 million tonnes).

Vietnam would be the second location outside India, where Essar would have a presence.

(Excerpted from *The Hindu Business Line*, 13 February 2007).

© *The Hindu Business Line*

Vietnam: Danang Gears Up for East-West Corridor

The East-West Economic Corridor is both a transport system as well as a framework for cooperation linking the countries in the Mekong region. The corridor, about 1,600 km long, is a land link connecting the Indian Ocean with the Pacific Ocean. It runs from Mawlamyine in Myanmar through the border crossing between Thailand and Burma at Myawaddy and Mae Sot. From there, the corridor goes through Phitsanulok and Khon Kaen to the Thai-Lao border at Mukdahan, Thailand and Savannakhet, Laos.

The Lao portion of the corridor is slightly more than 200 km long. From the Lao-Vietnamese border, the corridor stretches to the old imperial capital of Hue and from there to Danang.

Danang, the main city in central Vietnam, is 764 km from the capital Hanoi and 964 km from the southern main city of

Ho Chi Minh City.

Danang has the ability to become a tourism hub for central Vietnam as the gateway to three World Heritage sites in Vietnam: Hoi An, Hue and My Son.

Danang is also rich in natural resources that tourists can enjoy visiting, such as the Marble Mountain, Bana Mountain, the former French resort where the weather is good the whole year, plus the beaches right in the city.

Mukdahan is the province bordering Laos's Savannakhet, which is the starting point of Route 9 leading to the Vietnamese border of Lao Bao before going to Danang. Bus transportation from Savannakhet to Danang is available daily.

(Excerpted from the *Vietnam News Agency*, 18 January 2007).

© *Vietnam News Agency*

India and Vietnam Set Bilateral Trade Target US\$ 2 bln

India and Vietnam set a target of US\$ 2 billion for bilateral trade by 2010, double the current level. A Joint Commission meeting also noted that Indian companies are interested in participating in petroleum, transportation and power sectors in Vietnam. The meeting, co-chaired by Indian External Affairs Minister, and Vietnamese Deputy Prime Minister, expressed confidence that multi-sectoral bilateral cooperation would

contribute to a broad-based development of bilateral ties. It was noted with satisfaction that the value of bilateral trade in 2006 exceeded US\$ 1 billion, which was the target set by the 12th Joint Commission meeting. The meeting decided that the two countries should work for doubling trade by 2010.

(Excerpted from *The Hindu*, 28 February 2007).

© *The Hindu*

Resources

The Greater Mekong Subregion: Beyond Borders Regional Cooperation Strategy and Program Update, 2006-2008

Asian Development Bank, 2006, Manila

This book provides an overview of major social, political, and economic developments affecting the GMS subregion. Key achievements of the GMS Program, including the holding of the Second GMS Summit of Leaders in Kunming in July 2005, are summarized in the Update. An indicative pipeline of loan projects and non-lending products and services for 2006-2008 to support the ADB's strategic thrusts of greater connectivity, improved competitiveness, and increased sense of community among the GMS countries is presented.

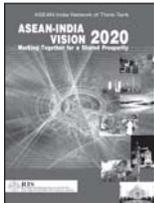


ASEAN-India Vision 2020: Working Together for a Shared Prosperity

ASEAN-India Network of Think-Tanks

RIS, 2004, New Delhi
ISBN: 81-7122-092-4

The Vision 2020 of ASEAN-India Partnership proposes a long-term strategic roadmap that will enable them to exploit the synergies to foster a comity of nations firmly integrated at commercial, cultural, political and social spheres and to achieve their respective long-term developmental goals. Given the complementarities between ASEAN and India, a greater integration will help them join the ranks of developed economies. It will also enable them to address the common challenges to comprehensive security. The eventual vision of the ASEAN-India Partnership is to promote Asian economic integration as a new engine of growth along with other East Asian countries.



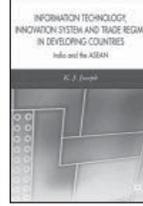
Information Technology, Innovation System and Trade Regime in Developing Countries

K J Joseph, Palgrave Macmillan, 2006

ISBN: 023000492X

By highlighting the factors that configured the emergence of India as an ICT superpower from the South and limited

success of some countries that long since embraced liberal trade regime, this volume highlights the ways to transform the digital divide into digital dividend. Drawing from the detailed case studies of India and five ASEAN countries, it establishes the complementary role of innovation system and trade regime in promoting production and use of ICT and draws lessons for other developing countries that adopted a liberal trade regime to catch up with the ICT revolution



India-ASEAN Economic Relations: Meeting the Challenges of Globalization

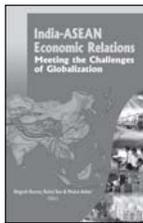
Editors: Nagesh Kumar, Rahul Sen and Mukul Asher

RIS, New Delhi and ISEAS, Singapore, 2006,

ISBN 81-7122-095-9 (India)

ISBN 981-230-321-9 (Singapore)

Indian economy and collectively ten ASEAN members are large and dynamic markets. They are undertaking reforms to deepen their integration within and outside the region. Although the India-ASEAN trade and economic relations have grown over the past decade in an impressive manner, the immense potential of cooperation and synergies remain to be exploited. They could fruitfully share technology, capital, human talent, developmental experiences and coordinate their positions in international forums such as WTO negotiations. India-ASEAN partnership could also be an important building bloc of the emerging broader regional economic cooperation in Asia, viz. an Asian Economic Community built in a phased manner.



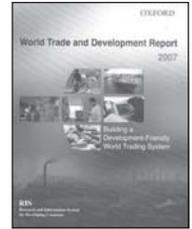
World Trade and Development Report 2007: Building a Development-Friendly World Trading System

RIS and Oxford University Press, New Delhi, 2007,

ISBN: 0-19-568968-2

RIS argues in this report that as weaker partners the developing countries have a stake in the multilateral rule-based trading system. However, the processes of

agenda-setting and rule-making are heavily dominated by developed countries. The challenge before developing countries therefore is to seek reforms to ensure that the system serves their needs better.



The report proposes an agenda for building a more development-friendly and sustainable trading system. It offers recommendations from a development perspective for revitalizing the Doha Round of trade talks in key areas of agriculture, market access for industrial goods, services, trade facilitation, intellectual property rights, and dispute settlement rules among others. It further highlights the potential of strengthening South-South Cooperation for building a development-friendly trading system.

Further Readings

- ❖ *Trade Liberalisation and Development in ICT Sector and Its Impact on Household Welfare in Vietnam*, Tran Quoc Trung et al., ARTNeT Working Paper 33, UNESCAP, Bangkok, 2007.
- ❖ *Are Regional Trade Agreements in Asia Stumbling or Building Blocks? Some Implications for the Mekong-3 Countries*, Patrizia Tumbarello, IMF Working Paper 53, IMF, Washington DC, 2007.
- ❖ *Impact of Cross-border Transport Infrastructure on Trade and Investment in the GMS*, Manabu Fujimura and Christopher Edmonds, ADBI Discussion Paper 48, ADBI, Tokyo, 2006.
- ❖ *India-Vietnam Trade: Current Relations and Prospects*, Rajesh Mehta, RIS Discussion Paper #105, New Delhi: RIS, 2006.
- ❖ Ho Chi Money Trail, Tim Kelly, *Forbes Asia*, September 18, 2006
- ❖ *South-South Economic Cooperation: Exploring GMS-India Relationship - An Advocacy Document*, Consumer Unity & Trust Society (CUTS), Jaipur, 2006.
- ❖ *The Mekong Region Foreign Direct Investment*, Asian Development Bank, Manila, 2006.
- ❖ *New Growth Horizons for CLMV Nations*, EDI Report, Issue 3, Entrepreneurship Development Institute of India, Ahmedabad, 2004.
- ❖ *Greater Mekong Subregion Business Handbook*, UNESCAP, Bangkok, 2002.

Economic and Trade Indicators

Economy in 2005

	Area (sq. km)	Population (million)	GDP per capita (US\$, PPP)	Gross savings (% of GDP)	Foreign direct investment (US\$ million, BoP)	Trade (% of GDP)
Cambodia	181040	13.798	2423	18.741	131.41	140.52
India	3287260	1079.721	3139	22.868	5335.00	41.64
Lao PDR	236800	5.792	1954	10.319	17.00	70.81
Vietnam	331690	82.162	2745	32.237	1610.10	139.99

Source: RIS based on *World Development Indicators CD ROM 2006*, World Bank

Global Merchandise Trade

	(US\$ million)					
	1991		2001		2005	
	Export	Import	Export	Import	Export	Import
Cambodia	57.38	61.93	1295.80	1455.64	2838.96	4078.11
India	17873.50	19509.40	45225.70	59016.90	99132.60	139458.00
Lao PDR	82.11	154.27	375.54	719.46	677.75	1274.90
Vietnam	2188.87	2482.86	15019.70	16217.10	30966.00	38347.50

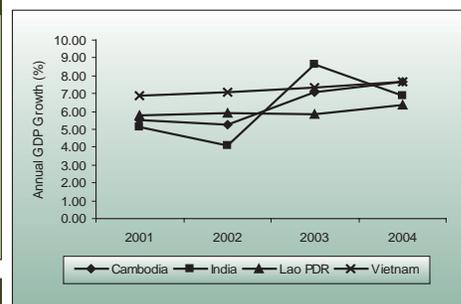
Source: RIS based on *Direction of Trade Statistics Year Book, 2006*, International Monetary Fund

Mekong-India Trade in 2005

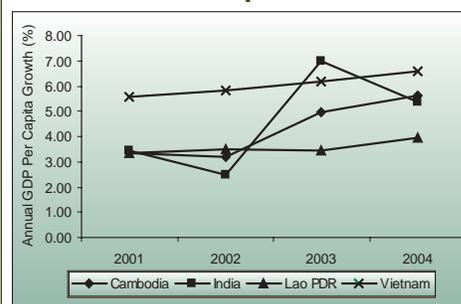
	(US\$ million)			
	Exports			
	Cambodia	India	Lao PDR	Vietnam
Cambodia		0.26	1.65	129.21
India	19.82		2.37	568.36
Lao PDR	0.04	0.07		82.87
Vietnam	401.09	73.08	77.7	
	Imports			
	Cambodia	India	Lao PDR	Vietnam
Cambodia		21.81	0.04	441.20
India	0.29		0.08	80.39
Lao PDR	1.81	2.61		85.47
Vietnam	142.13	625.2	91.15	

Source: RIS based on *Direction of Trade Statistics Year Book, 2006*, International Monetary Fund

GDP Growth



GDP Per Capita Growth



Source: RIS based on *World Development Indicators CD ROM 2006*, World Bank (for both the graphs).

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. 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.

RIS

RIS is an autonomous policy think-tank, based in New Delhi, and devoted to trade and development issues. Its work programme focuses on multilateral trade negotiations, regional economic integration in Asia, new technologies and development, and South-South cooperation in general, among other issues. The work of RIS is published in the form of research reports, books, discussion papers and journals. For more information about RIS and its work programme, please visit its website: www.ris.org.in.



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: dgoffice@ris.org.in
Websites: <http://www.ris.org.in>; <http://www.newasiaforum.org>

Managing Editor: Dr. Prabir De